

Attachment B
LLR Agreement

emPowerSBC
Santa Barbara County Residential
Energy Improvement Loan Program

Energy Improvement Loan Loss Reserve Agreement
Amended and Restated

Santa Barbara County

and

CoastHills Federal Credit Union

April __, 2014

**ENERGY IMPROVEMENT LOAN
LOSS RESERVE AGREEMENT**

This Amended and Restated Energy Improvement Loan Loss Reserve Agreement ("Agreement"), effective April __, 2014, ("Effective Date") is entered into by and between:

Santa Barbara County, a political subdivision of the State of California ("Santa Barbara County" or "County"), and CoastHills Federal Credit Union, a Federally Chartered not-for-profit financial cooperative, headquartered in Lompoc, California ("CoastHills") (separately a "Party" and together the "Parties").

Recitals

- A. Santa Barbara County through its emPowerSBC Program is joining together with CoastHills to implement a residential retrofit financing program to market, facilitate, and finance energy improvement retrofits and solar installations for single-family residential structures throughout the tri-county region including Santa Barbara County, Ventura County and San Luis Obispo County (the "Program"); and
- B. The Program will help customers finance Eligible Projects by providing services to participants directly and in collaboration with Energy Upgrade California™, including access to qualified and pre-screened contractors, information to access utility rebates, project monitoring, and affordable financing; and
- C. Santa Barbara County is designating funds from various sources as described in Annex D to provide loan loss reserves to support the Program; and
- D. Santa Barbara County has selected CoastHills as its approved lender via a competitive procurement process. CoastHills, as lender, shall provide loan financing directly to individual eligible residential customers ("Loans") for energy improvement retrofits and solar installations and wishes to obtain the financial credit enhancement support for its financing activities available from Santa Barbara County, as provided in this Agreement; and
- E. CoastHills shall also serve as a fiduciary agent of Santa Barbara County in managing the receipt, disbursement, and depository services of funds as provided in this Agreement; and
- F. On August 9, 2011, Santa Barbara County signed the *Santa Barbara County Residential Energy Efficiency Loan Loss Reserve Agreement*, by and between Santa Barbara County and CoastHills (the "2011 LLR Agreement"), and the affiliated *Program Agreement* (the "2011 Program Agreement") and made an initial deposit into a Deposit Account in the amount of One Million Dollars (\$1,000,000). CoastHills acknowledged to Santa Barbara County receipt of such funds upon deposit. Balances in the Deposit Accounts are established and funded by Santa Barbara County and pursuant to this Agreement will continue to be administered by CoastHills for the purposes of covering Loan Loss Amounts.

- G.** The Parties wish to amend and restate the 2011 LLR Agreement to, among other things, establish additional but separate Deposit Accounts, Reserve Accounts, and Reflow Deposit Accounts (as such terms are defined below) for each Funding Source described in Annex D, to be funded and administered in accordance with the terms of this Agreement, expand the service boundary of the Agreement beyond Santa Barbara County to provide Loans for Eligible Projects in Ventura County and San Luis Obispo County, add an Interest Rate Buydown provision (Annex I), and incorporate new Funding Sources, including setting forth the terms and conditions pursuant to which funds from those Funding Sources will be administered pursuant to the Program and the funding agreements with the respective Funding Sources. This Agreement and the 2014 Santa Barbara County Residential Energy Improvement Loan Program Amended and Restated Program Agreement (“the 2014 Program Agreement”) will supersede the 2011 LLR Agreement and the 2011 Program Agreement.
- H.** CoastHills executed an amended “Affiliated Lending and Loan Service Agreement” (“Affiliated Lending Agreement”) with Ventura County Credit Union (“Ventura”) on _____ whereby CoastHills agrees to originate and service Loans in northern Santa Barbara County and San Luis Obispo County and Ventura agrees to originate and service Loans in southern Santa Barbara County and Ventura County. The lending and servicing areas for each credit union is defined by Zip Code boundaries and defined within the amended Affiliated Lending and Loan Servicing Agreement.

All funds described in this Agreement shall be held exclusively in accounts at CoastHills. CoastHills shall be solely responsible for transactions between Deposit Accounts, Reserve Accounts and Reflow Accounts.

Agreements

NOW, THEREFORE, in consideration of the premises and agreements set forth herein, the Parties enter into this amended Agreement and establish additional but separate Deposit Accounts, Reserve Accounts, and Reflow Deposit Accounts (as such terms are defined below) for each Funding Source described in Annex D, to be funded and administered in accordance with the terms of this Agreement, expand the service boundary of the Agreement beyond Santa Barbara County to provide Loans for Eligible Projects in Ventura County and San Luis Obispo County, incorporate new Funding Sources, and add an Interest Rate Buydown provision (Annex I).

ARTICLE I

Definitions. The following terms shall have meanings as defined:

“2014 Program Agreement” means the certain agreement by and between CoastHills and

Santa Barbara County entitled “Amended and Restated Program Agreement,” executed of even date with this Agreement, for the purpose of defining the respective roles of the Parties in the Program relating to marketing, Loan origination, and Loan servicing and reporting.

“ARRA” means the American Recovery and Reinvestment Act of 2009.

“ARRA Eligible” means activities that are eligible for expenditure of ARRA funds as set forth in ARRA, implementing regulations and United States Department of Energy Guidance on ARRA.

“CEC” shall mean the California Energy Commission.

“Defaulted Loans” shall mean those Loans that are sixty (60) days or more delinquent and have triggered an acceleration of the Loan and written notice to the borrower of such, as evidenced by documents described in Section 3.03(a), and that have not been repaid or the subject of a successful collection process.

"Deposit Account" has the meaning given in Article II below.

“DOE” means the United States Department of Energy.

“DOE Funding Requirements” are those set forth in Annex D-1.

“EECBG” means the Energy Efficiency and Conservation Block Grant program, which is funded by ARRA.

“EE Loan” shall mean those Loans that include only EEMs.

“Energy Efficient Measures” or “EEMs” has the meaning given in Annex C-2.

“Eligible Projects” means projects that meet the criteria set forth by the applicable Funding Source in Annexes C and D.

“Effective Date” shall mean April ____, 2014.

“EUC” shall mean Energy Upgrade California™.

“Funding Source” means the agency or entity that awards funding to Santa Barbara County for the purpose of providing loan loss reserve funds covered under this Agreement. Each Funding Source has different criteria or standards by which it determines the eligible use of funds as described in Annex D.

“Interest Rate Buydown” shall mean the credit enhancement function more fully set forth in Annex I.

“LAC” means Los Angeles County.

“Loan(s)” shall include “EE Loans” and other energy improvement loans made by CoastHills for the purposes of financing Eligible Projects, using a form Loan Agreement developed by CoastHills and approved by Santa Barbara County, and that meets all of the terms, conditions, and underwriting criteria in Annex B and the project eligibility design criteria for the applicable Funding Source in Annexes C and D.

“Loan Agreement” means the agreement between CoastHills or Ventura and the borrower that sets forth the terms and conditions of the Loan.

“Loan Loss Amount” shall mean unpaid principal on a Defaulted Loan and shall not include any accrued interest or penalties.

“Loss Reserve Percentage” shall equal five percent (5%) as applied in Section 3.02, except as otherwise set forth in Annex H.

“Loss Share Percentage” shall equal ninety percent (90%) as applied in Section 3.03.

“Monthly Report” means the report made by CoastHills by the 10th business day of each month, covering the preceding one-month period, during the term of this Agreement listing the new Loans originated during the preceding month, Loan repayment, and Loan Loss Amount status as described in Article IV, below. A form Monthly Report, Program Residential Worksheet, and Program Loan Performance Reporting are attached as Annex A.

“Net Recovered Amount” shall have the meaning given in Section 3.03.

“Participating Utilities” are Southern California Gas Company (“SoCalGas”), Southern California Edison Company (“SCE”), and Pacific Gas and Electric Company (“PG&E”).

“Program” shall have the meaning ascribed to it in Recital A of the Agreement.

“So Cal Gas” refers to Southern California Gas Company, an investor owned utility regulated by the California Public Utilities Commission.

“Quality Assurance Inspection” shall mean a physical inspection of installed energy improvement measures. See Annex C for further description.

“Reflow Deposit Account” means a separate Deposit Account designated to receive periodic funding of excess Reserve Account funds as set forth in Sections 2.06 through 2.09, inclusive.

“Reserve Account” shall have the meaning given in Article III below.

“Shares Savings Account” shall mean the CoastHills branded, interest-bearing, business account.

“Tri-County” or “Tri-Counties” shall mean the region comprised by Santa Barbara, Ventura, and San Louis Obispo Counties.

ARTICLE II

Deposit Accounts and Reflow Deposit Accounts

Section 2.01: Deposit Accounts.

(a) Unless otherwise directed by Santa Barbara County, for each Funding Source, CoastHills shall establish, maintain, and administer one or more segregated interest-bearing Shares Savings Accounts, the account numbers of which are set forth in Schedule 3 (“Deposit Accounts”) for funds from the various Funding Sources (described in Annex D). Each Deposit Account will be funded by Santa Barbara County and administered by CoastHills, as provided in this Agreement. The fiduciary arrangement hereby established does not create a debtor-creditor relationship between the Parties, and all monies, funds, or assets of each Deposit Account shall be insured by the National Credit Union Share Insurance Fund (NCUSIF) administered by the National Credit Union Association (NCUA) to the full extent permitted by law or regulation.

(b) Each Funding Source requires segregated treatment of funds that must not be commingled, as well as other or additional requirements pertaining to the administering, use and treatment of funds.

Section 2.02: Funding of Deposit Accounts.

(a) Santa Barbara County’s obligation to fund any Deposit Account shall be contingent upon approval of this Agreement by the Funding Source and subsequent draw down of funds by Santa Barbara County. All funds in the Deposit Accounts are the sole property of Santa Barbara County or the Funding Source and shall be held in the name of Santa Barbara County.

(b) Santa Barbara County may, at its option, make new or additional deposits to any Deposit Account. Santa Barbara County shall provide CoastHills 30 days’ notice prior to depositing new or additional funds.

(c) Annex D, attached hereto and incorporated herein by reference, provides additional requirements on funding Deposit Accounts by Funding Source.

Section 2.03: Disbursements from Deposit Accounts. Disbursements from Deposit Accounts shall be made by CoastHills as follows:

(a) to the corresponding Reserve Account, as provided for in Section 3.02, below; or

(b) to Santa Barbara County, as provided for in Sections 2.04 and 2.05, below.

(c) In no event, except as provided in Subsections 2.03(a) and (b) immediately above, shall funds be disbursed or withdrawn from any Deposit Account.

(d) No portion of any Loan may be used for refinancing an existing CoastHills loan or for refinancing any loan made to a borrower prior to the date a loan agreement for a Loan is

executed or for any other purpose not expressly provided for in this Agreement.

(e) Interest on Deposit Accounts. Interest on funds in each Deposit Account shall accrue at CoastHills' then existing interest-bearing Shares Savings Account dividend rates, as adjusted from time-to-time by CoastHills for such accounts pursuant to market rate changes.

Section 2.04: Reprogramming Funds in Deposit Accounts. Funds in each Deposit Account belong solely to Santa Barbara County or the Funding Source and shall be held in the name of Santa Barbara County. It is mutually agreed by the Parties to this Agreement that Santa Barbara County may at its sole and absolute discretion withdraw or re-allocate all or part of the funds in each Deposit Account to a different Funding Source-approved use (such as interest rate buy-downs or direct cash incentives) and in accordance with Annex D requirements on funding by Funding Source. To re-allocate and/or withdraw funds from any Deposit Account, Santa Barbara County shall submit a demand to CoastHills for release of the funds held in the Deposit Account. CoastHills shall remit such balances to Santa Barbara County, return the balances to the Funding Source, or re-allocate such balances to a specified account within five (5) business days as directed by Santa Barbara County.

Section 2.05: Closing of Deposit Accounts. The Deposit Account(s) shall close as follows:

(a) Upon termination of this Agreement as set forth in Section 9.02, at which time CoastHills shall notify Santa Barbara County of any remaining balances in the Deposit Account(s) and remit such balances to Santa Barbara County or to the Funding Source within five (5) business days as directed by Santa Barbara County; or

(b) If all funds are disbursed from a Deposit Account pursuant to Section 2.03 or Section 2.04 above or pursuant to Annex D.

Section 2.06: Reflow Deposit Accounts. Unless otherwise directed by Santa Barbara County, for each Funding Source, CoastHills shall establish, maintain, and administer a segregated Reflow Deposit Account that corresponds to each Deposit Account and Reserve Account, the account numbers of which are set forth in Schedule 3 ("Reflow Deposit Accounts"). Each Reflow Deposit Account shall be a CoastHills Share Savings Account and will be funded and administered as provided in this Agreement. All monies, funds, or assets of each Reflow Deposit Account shall be insured by the National Credit Union Share Insurance Fund (NCUSIF) administered by the National Credit Union Association (NCUA) to the full extent permitted by law or regulation.

Section 2.07: Funding of Reflow Deposit Accounts. All funds in the Reflow Deposit Account are the sole property of Santa Barbara County or the Funding Source. As set forth in Annex H, Reflow Deposit Accounts shall be funded on a monthly basis from the following sources:

(a) All balances held in each corresponding Reserve Account exceeding 5.0% of the outstanding principal on all Loans in the portfolio; and

(b) All earned interest on corresponding Deposit, Reserve, and Reflow Deposit Accounts.

Section 2.08: Interest on Reflow Deposit Accounts. Interest shall be earned on and accrue to Reflow Deposit Accounts at CoastHills' existing Shares Savings Account rate, as adjusted from time-to-time by CoastHills for such accounts.

Section 2.09: Disbursements from Reflow Deposit Accounts. Funds in Reflow Deposit Accounts are the sole property of Santa Barbara County or the Funding Sources and shall be held in the name of Santa Barbara County. Disbursements, re-programming, or withdrawals from Reflow Deposit Accounts are at the sole option and discretion of Santa Barbara County.

ARTICLE III

Reserve Accounts

Section 3.01: Reserve Accounts for Loans. Unless otherwise directed by Santa Barbara County, for each Funding Source, CoastHills shall establish, maintain and administer one or more segregated loan loss reserve accounts that correspond to each Deposit Account and Reflow Deposit Account, the account numbers of which are set forth in Schedule 3 ("Reserve Accounts") for Santa Barbara County. Each Reserve Account shall be a CoastHills Share Savings Account and shall be funded and administered as provided in this Agreement. All monies, funds, or assets of each Reserve Account shall be insured by the National Credit Union Share Insurance Fund (NCUSIF) administered by the National Credit Union Association (NCUA) to the fullest extent permitted by law or regulation. Funds in Reserve Accounts are the sole property of Santa Barbara County or the Funding Sources and shall be held in the name of Santa Barbara County. Funds in the Reserve Account are not subject to withdrawal by Santa Barbara County.

Section 3.02: Funding of Reserve Accounts. All funds in the Reserve Account are the sole property of Santa Barbara County or the Funding Source. Payments made on Defaulted Loans from Reserve Accounts shall only be made in accordance with Section 3.03 of this Agreement. Each Reserve Account shall only be funded by monies from the corresponding Deposit Account established for each Funding Source for Eligible Projects (see Annexes C and D for Eligible Project criteria). Each time that CoastHills originates and funds a Loan, CoastHills shall transfer funds from the Deposit Account to the corresponding Reserve Account in an amount equaling the Loss Reserve Percentage multiplied by the principal amount of the applicable Loan. Each Loan may only be supported by one Reserve Account. In no case shall Santa Barbara County be obligated to make funds available for transfer into the corresponding Reserve Account in excess of the amount available in the corresponding Deposit Account.

Example:	Originated Loan Amount	\$10,000
	Loss Reserve Percentage 5.0%	\$ 500
	Amount deposited into Reserve Account:	\$ 500

Section 3.03: Declaration of Defaulted Loan; Use and Disbursement of Funds from

Reserve Accounts. Funds in each corresponding Reserve Account shall be available to CoastHills to pay the agreed Loss Share Percentage of Loan Loss Amounts on corresponding Defaulted Loans. A payment to CoastHills for the Loss Share Percentage of the Loan Loss Amount shall only be disbursed from the Reserve Account associated with the Loan origination. A maximum of one disbursement of funds from the corresponding Reserve Account may be made for each Defaulted Loan.

(a) A Loan will be deemed a Defaulted Loan if Loan payments are sixty (60) days or more past due and have triggered an acceleration of the Loan as evidenced by one of the following documents:

- (i) A copy of an expired default letter sent by CoastHills to the Loan borrower, a sample of which shall be in the form attached hereto as Annex G; or
- (ii) A copy of a verified Bankruptcy petition filed by the Borrower.²

(b) Within forty-five (45) business days after a Loan is deemed a Defaulted Loan, funds shall be disbursed from the corresponding Reserve Account to CoastHills in an amount that shall equal the product of the Loss Share Percentage multiplied by the Loan Loss Amount for the Defaulted Loan.

Example: Loan Loss Amount:	\$7,400
Loss Share Percentage (90% of Loan Loss Amount) disbursed from Reserve Account:	\$6,660

(c) Funding for each Reserve Account is limited to the amounts as set forth in this Agreement and does not constitute a loan guarantee. When and if a Reserve Account has a zero balance (no funds remaining), Santa Barbara County shall not be obligated to pay CoastHills for further losses on Defaulted Loans, and all further losses on Defaulted Loans shall be fully borne by CoastHills. The liability of Santa Barbara County for Loan Loss Amounts on Defaulted Loans is strictly limited to the balances in each corresponding Reserve Account at the time of CoastHill's withdrawal of funds from the Reserve Account, and no additional liability by or on the part of Santa Barbara County shall be incurred as a result of this Agreement. A maximum of one disbursement of funds from the corresponding Reserve Account may be made for each Defaulted Loan. In no event may the disbursement from a Reserve Account and in connection with any one Defaulted Loan exceed the product of the Loss Share Percentage multiplied by the Loan Loss Amount for the Defaulted Loan at the time of the withdrawal.

(d) Despite the existence of Reserve Accounts, CoastHills shall still employ its standard collection practices and proceed in its usual course of business for the recovery of the Loan Loss Amounts and/or Defaulted Loans.

² In bankruptcy actions, financial institutions are stayed from following normal collection procedures; as a result no demand letter is sent.

(e) Recoveries on Defaulted Loans. In the event of recoveries on Defaulted Loans, CoastHills shall deposit back to the Reserve Account the product of the net recovered amount multiplied by the Loss Share Percentage. The net recovered amount shall equal the gross amount of the recoveries less reasonable collections expenses, including attorney's fees and costs. CoastHills shall retain documentation in its files evidencing any such reasonable and actual collection expenses, including attorney's fees and costs as applicable, and upon request, present such documentation to Santa Barbara County.

(f) Status of Disbursed Funds. Payments disbursed to CoastHills from a Reserve Account in accord with Section 3.03 (b), not otherwise recovered per Section 3.03 (e), are considered expended funds, and barring improper disbursement of funds, CoastHills is not liable for the return of those funds to Santa Barbara County or the Funding Source.

Section 3.04: Closing of Reserve Account. Each Reserve Account shall remain open and operating for the remaining life of any outstanding Loans for which a potential Loan Loss Amount may be funded by that Reserve Account and for as long as there remains any balance in the corresponding Deposit Account. Each Reserve Account shall close on the date that the last Loan covered by that Reserve Account under this Agreement has been fully paid or for which a disbursement has been paid to CoastHills for a Defaulted Loan to pay the agreed Loss Share Percentage of the Loan Loss Amount on that Defaulted Loan and any remaining balance in that Reserve Account is transferred to the corresponding Reflow Deposit Account.

ARTICLE IV

Reporting

Section 4.01: Monthly Reporting.

(a) CoastHills shall provide to Santa Barbara County Monthly Reports no later than the 10th business day of each month, covering the preceding one-month period, listing all Loan activity in that month. The Monthly Report shall list all new Loans financed by CoastHills for the preceding month, assign each Loan a unique, anonymous identification number, indicate the original principal amount of each Loan along with loan structure criteria, and give a description of the Eligible Project, such as the EUC Program project number. The Monthly Report shall indicate the payment performance on all outstanding Loans, collections if any, and all other activities in each of the Deposit Accounts, Reserve Accounts, and Reflow Deposit Accounts, including the total remaining principal of all Loans currently outstanding. Reported data shall be presented separately for each set of corresponding accounts established for each Funding Source. The Monthly Report shall also indicate all Loan Loss Amounts, acceleration notices, and default notices. The Monthly Report shall include a section noting which Loans have been paid in full. CoastHills shall use the Form for Monthly Report, including the Program Residential Worksheet and Program Loan Performance Reporting, samples of which are attached hereto as Annex A. In addition, CoastHills shall provide monthly account statements detailing all balances and activity for each Deposit, Reserve and Reflow Deposit Account. As required by Funding Sources, CoastHills shall provide additional information in Monthly Reports. CoastHills shall provide such information or data within the time requested by Santa Barbara County unless prohibited by law.

Section 4.02: Resolution of Monthly Reports. Santa Barbara County may require revised or corrected information contained in a Monthly Report in which case:

(a) Santa Barbara County shall describe to CoastHills Santa Barbara County's reasons for such disapproval and request from CoastHills such additional information as reasonably needed to resolve the matter in question;

(b) CoastHills shall provide additional information as requested by Santa Barbara County, within thirty (30) calendar days, to support and document its Monthly Report; and

(c) CoastHills and Santa Barbara County shall immediately use their best efforts to complete a mutually acceptable and corrected Monthly Report.

Section 4.03: Use of Monthly Reports. Santa Barbara County may use aggregated information or specific individual Loan information contained in the Monthly Reports to report on any aspect of the Program. Sections 9 and 10(1) of the 2014 Program Agreement shall apply to the communication and use of Monthly Reports. Santa Barbara County acknowledges and agrees that CoastHills, as a financial institution, has an obligation under federal and state laws to maintain Confidential Information it possesses relating to members and customers as set forth in Section 9 of the 2014 Program Agreement.

Section 4.04: Audit. Santa Barbara County and the Participating Utilities shall have the right to audit, review and copy any records or supporting documentation pertaining to all Loans or to funds held by CoastHills pursuant to this Agreement during normal business hours. Santa Barbara County shall provide ten (10) business days notice and a description of the purpose of such audit, review or copying. CoastHills shall provide reasonable access to Santa Barbara County and the Participating Utilities, as applicable, in order to allow Santa Barbara County to interview any CoastHills staff who have or might reasonably have information related to such records or documentation.

Section 4.05: Record Retention. CoastHills shall retain all records and documents pertaining to Loans or to funds held by CoastHills pursuant to this Agreement for a period of not less than seven (7) years beyond the termination or expiration of this Agreement or for a period of not less than seven (7) years beyond the date that the final Loan is repaid or for which a disbursement has been paid to CoastHills for a Defaulted Loan to pay the agreed Loss Share Percentage of the Loan Loss Amount on that Defaulted Loan per Section 3.04, whichever is later.

ARTICLE V

Assignment & Assurances

Section 5.01: Negative Pledge. CoastHills shall not grant, assign, or otherwise create, or permit to exist, any assignment, lien, encumbrance, security interest, pledge, charge, privilege, or priority of any kind in or to any of the Deposit Accounts, the Reserve Accounts, or the Reflow Deposit Accounts or any of the funds at any time or from time-to-time held therein in favor of any person or entity other than Santa Barbara County.

Section 5.02: Sale and Transfer of Loans by CoastHills.

(a) Notwithstanding the foregoing in Section 5.01, CoastHills may sell and transfer the Loan portfolio, or a portion thereof, to a secondary market. However, CoastHills shall retain all duties to service the Loans and all direct communications with the borrower.

(b) Notwithstanding the sale or transfer of the Loan portfolio by CoastHills, all funds in all Deposit Accounts, Reserve Accounts, and Reflow Deposit Accounts shall belong to Santa Barbara County or the Funding Sources and continue to be held in the name of Santa Barbara County. In no event shall CoastHills be relieved of its responsibilities under this Agreement.

Section 5.03: Notice of Encumbrance. CoastHills has no actual knowledge of any assignment, lien, encumbrance, pledge, security interest, charge, privilege, or other priority of any kind related to any Deposit Account, Reserve Account, or Reflow Deposit Account other than that created pursuant to this Agreement, and CoastHills shall give Santa Barbara County prompt notice of any such interest other than that created pursuant to this Agreement of which CoastHills obtains actual knowledge after the date hereof.

ARTICLE VI
Administration of Accounts

Section 6.01: Account Administration. All funds described in this Agreement shall be held exclusively in accounts at CoastHills. CoastHills shall be solely responsible for transactions between or among all Deposit Accounts, Reserve Accounts, and Reflow Deposit Accounts as described in this Agreement, and shall be subject to the requirements of Annex D, as applicable, and follow such procedures and due diligence as it would in administering other accounts in its standard practices and usual course of business and in compliance with and as otherwise required by all applicable laws and regulations.

Section 6.02: Monthly Statements. CoastHills shall provide to Santa Barbara County on a monthly basis per standard Shares Savings Account procedures, and from time-to-time upon request, a statement with respect to each Deposit Account, Reserve Account, and Reflow Deposit Account of: (i) the balance of funds as of the beginning and the end of the period; and (ii) all deposits and all withdrawals made during the period covered by such statement. Santa Barbara County and CoastHills shall make a good faith effort to resolve any disputes involving balances, the transfers of funds, or the monthly statements. In the event of a failure to resolve a dispute on their own, the Parties shall follow procedures in Section 10.01.

ARTICLE VII
Representations, Warranties, and Covenants

Section 7.01: Representations of CoastHills. CoastHills represents and warrants to Santa Barbara County as follows:

(a) CoastHills has the requisite corporate power to own its assets, to conduct its business as presently conducted, and to enter into, and perform its obligations under this Agreement.

(b) Neither the making of this Agreement nor the compliance with its terms shall require any further consent, conflict with or result in a breach of any of the terms, conditions, or provisions of, constitute a default of, or create any indenture, lien, mortgage, pledge, charge, conditional assignment, hypothecation, security interest, title retention, preferential right, trust arrangement, privilege, or priority of any kind, under any agreement, or other instrument or arrangement, to which CoastHills is a party or by which it is bound, or violate any of the terms or provisions of CoastHills' charter or any laws, judgment, decree, or order or any statute, rule, or regulation applicable to CoastHills.

(c) This Agreement has been duly authorized and executed by CoastHills and constitutes the valid and legally binding obligation of CoastHills, enforceable against CoastHills in accordance with its terms.

(d) There is no consent, authorization, approval, notice, registration or filing required by any government or governmental, administrative, fiscal, judicial, or government-owned body, department, commission, tribunal, agency, entity, or authority under any law, regulation, order, decree, or judgment applicable to CoastHills in connection with the making and performance of this Agreement.

(e) All funds in each Deposit Account and each Reflow Deposit Account, and all funds from time-to-time deposited therein, are and shall be lawfully owned solely by Santa Barbara County or the Funding Source and shall be held in the name of Santa Barbara County, free and clear of any assignment, pledge, lien, charge, encumbrance, or security interest, other than those granted by Santa Barbara County to CoastHills in this Agreement for the purposes of disbursing, withdrawing, or reprogramming funds under Sections 2.03, 2.04, 2.09, and/or pursuant to Annexes D-1, D-2, or D-3.

(f) Reserve Accounts and all funds from time-to-time deposited therein are and shall be lawfully owned solely by Santa Barbara County or the Funding Source and shall be held in the name of Santa Barbara County, free and clear of any assignment, pledge, lien, charge, encumbrance, or security interest, other than those granted by Santa Barbara County to CoastHills in this Agreement for the purpose of disbursing funds under Section 3.03.

(g) CoastHills has caused Ventura to be bound to all applicable terms and conditions of this Agreement and the amended Affiliated Lending Agreement, including, but not limited to, requiring Ventura to provide Santa Barbara County and the Participating Utilities commensurate audit rights as those set forth in Section 4.04 with respect to Participating Utilities' funds.

Section 7.02: Indemnification.

(a) CoastHills shall indemnify, hold and save harmless, and defend, at its own expense, Santa Barbara County, and the Participating Utilities, and their respective officials, agents, and employees, from and against all suits, claims, demands, losses, judgments, and liabilities of any

nature or kind, including Santa Barbara County's and the Participating Utilities' costs and expenses including attorneys' fees, arising out of, in relation to, or in connection with acts or omissions of CoastHills' employees, officers, agents, contractors, or sub-contractors, including but not limited to Ventura and Ventura's employees, officers, agents, contractors, or sub-contractors, in Ventura's role as an affiliated lender for the Program, in the execution and performance, attempted performance or non-performance of this Agreement or the amended Affiliated Lending Agreement.

(b) Santa Barbara County shall indemnify, hold and save harmless, and defend, at its own expense, CoastHills and its officials, agents, and employees, from and against all suits, claims, demands, and liability of any nature or kind, including CoastHills' costs and expenses, solely arising out of acts or omissions of Santa Barbara County's employees and officials, in the execution and performance, attempted performance or non-performance of this Agreement or Santa Barbara County's willful acts in the execution and implementation of this Agreement.

Section 7.03: Covenants of Santa Barbara County and CoastHills. Santa Barbara County shall submit to CoastHills notification of duly designated representatives to issue instructions for purposes of this Agreement, and set forth their full names, their respective positions, and specimen signatures. All orders, instructions, requests, or certifications of such duly designated representatives shall be in writing, and CoastHills may rely upon, and shall be fully protected and discharged from any responsibility or accountability in acting in accordance with such orders, instructions, requests, or certifications that Santa Barbara County hereby warrants to be valid, binding, and duly authorized by its governing body except to the extent that CoastHills has actual knowledge that such order, instruction, request, or certification is not valid, not binding, or not authorized.

Section 7.04: Notification of Material Changes. Each Party shall notify the other Party of any material changes in the mode of operation, change of premises, significant negative change in financial position, as well as any litigation or proceedings before any court or administrative agency that may adversely affect its ability to fulfill its contractual obligations under this Agreement.

ARTICLE VIII

Fiduciary Responsibility

Section 8.01: General.

(a) CoastHills shall serve as a fiduciary agent under this Agreement for all Deposit Accounts, Reserve Accounts, and Reflow Deposit Accounts, and the funds in each of those respective accounts, in accordance with this Agreement. It is understood that this Agreement expressly sets forth all of the duties and obligations of CoastHills with respect to Deposit Accounts, Reserve Accounts, and Reflow Deposit Accounts, and the funds in each of those accounts. In the event that any of the terms and provisions of any other agreement between or among the Parties conflict or are inconsistent with any of the terms and provisions hereof, for purposes of determining the duties and obligations of CoastHills under this Agreement, the terms and provisions of this Agreement shall govern and control in all respects.

(b) This Agreement is for the exclusive benefit of the Parties and each of the Participating Utilities to the extent that a respective Participating Utility has provided funds through the applicable Funding Source agreement, their respective successors and permitted assigns and shall not be deemed to give, either express or implied, any legal or equitable right, remedy, or claim to any other entity or person whatsoever. Each Participating Utility may pursue its rights against CoastHills and Ventura, as applicable, individually. Alternatively, any Participating Utility may, in its sole discretion, authorize Santa Barbara County or another Participating Utility to pursue such rights on its behalf.

(c) If at any time CoastHills is served with any judicial or administrative order, judgment, decree, writ, or other form of judicial or administrative process that in any way affects any Deposit Account, Reserve Account, or Reflow Deposit Account, or any of the funds in those Accounts (including, but not limited to, order of attachment or garnishment or other forms of levies or injunctions or stays relating to the transfer of any of the funds), CoastHills shall notify Santa Barbara County in writing within 24 hours, and CoastHills is authorized to comply therewith in any manner as it deems appropriate without any prejudice to Santa Barbara County. If CoastHills complies with any such judicial or administrative order, judgment, decree, writ, or other form of judicial or administrative process, CoastHills (except in the case of CoastHills' gross negligence, fraud, or willful misconduct) shall not be liable to Santa Barbara County.

Section 8.02: Fees. No fees or charges shall be charged to Santa Barbara County or any borrowers of Loans for CoastHills' services provided hereunder.

ARTICLE IX

Term of Agreement

Section 9.01: Agreement Contingent on Funding of Deposit Accounts.

(a) This Agreement shall only become effective when it has been executed by the Parties. However, Santa Barbara County's obligation, if any, to deposit funds into Deposit Accounts is contingent upon approval and subsequent draw down of funds from the corresponding Funding Source.

(b) In the event that a Funding Source does not approve a draw down, then Santa Barbara County has no obligation to provide funds to CoastHills from that Funding Source.

(c) In the event that a Funding Source does not approve a draw down, CoastHills has no obligation to provide Loans associated with that Funding Source.

Section 9.02: Termination of Agreement. This Agreement shall terminate upon the occurrence of any of the following:

(a) The payment in full of all Loans, and all funds in all Deposit Accounts, Reserve Accounts, and Reflow Deposit Accounts have been remitted to Santa Barbara County.

(b) Mutual written agreement by the Parties regardless of cause.

(c) Should CoastHills file for bankruptcy, or be liquidated, or become insolvent, or should CoastHills make an assignment for the benefit of its creditors, or should a receiver be appointed, Santa Barbara County may, without prejudice to any other right or remedy it may have, terminate this Agreement forthwith. CoastHills shall immediately inform Santa Barbara County of the occurrence of any of the above events.

(d) Should Santa Barbara County be adjudged bankrupt, or be liquidated, or become insolvent, or should Santa Barbara County make an assignment for the benefit of its creditors, or should a receiver be appointed on account of the insolvency, CoastHills may, without prejudice to any other right or remedy it may have, terminate this Agreement forthwith. Santa Barbara County shall immediately inform CoastHills of the occurrence of any of the above events.

(e) Either Party may terminate this agreement upon six (6) months notice to the other Party.

(f) If a minimum of \$250,000 of Loans are not originated and funded during any consecutive three month period, either Party may provide a ninety (90) day notice of intent to terminate the Agreement. If a notice to terminate the Agreement is provided, such termination would be effective six (6) months after notice of termination per Section 9.02(e).

(g) This Agreement shall terminate automatically on December 31, 2028 unless extended upon mutual written agreement of the Parties.

(h) CoastHills shall give Santa Barbara County thirty (30) days prior notice with detailed rationale of any interest rate change. In the event that CoastHills raises interest rates charged on Loans by more than 50 basis points (.5%) over the then existing interest rates in any calendar quarter, Santa Barbara County may terminate this Agreement within sixty (60) days of notification by CoastHills of the interest rate increase. Such termination would be effective ninety (90) days after notice of termination by Santa Barbara County.

(i) In the event that significant regulatory changes affecting either Party's duties and obligations under this Agreement make it impossible or infeasible to continue performing under this Agreement, the Party subject to such regulatory changes shall immediately notify the other Party and may terminate this Agreement upon ninety (90) day notice to the other Party.

(j) This Agreement is subject to termination by a non-breaching Party for failure of a breaching Party to cure in the time designated in Section 10.01(a) and a subsequent inability to agree on a mediator or a framework for mediation pursuant to Section 10.01(b).

Section 9.03 Effect of termination of Agreement. Upon termination of this Agreement as set forth in Section 9.02 above, the following shall occur:

(a) All funds in all Reflow Deposit Accounts, including accumulated interest, shall be remitted to Santa Barbara County within five (5) business days of the date of termination. Funds in all Deposit Accounts shall be remitted as set forth in Section 2.05 above.

(b) Until such time as there are no funds remaining in all Reserve Accounts, on a monthly basis CoastHills shall remit any funds that have been deposited into any Reflow Deposit Account, together with any interest accrued on any Reserve Account or Reflow Deposit Account, to Santa Barbara County.

(c) Notwithstanding anything set forth in this Agreement, CoastHills' obligation to remit funds to Santa Barbara County from Reflow Deposit Accounts shall survive termination of this Agreement and shall continue until there are no funds remaining in all Reserve Accounts and all Reflow Deposit Accounts.

ARTICLE X

Miscellaneous

Section 10.01: Settlement of Disputes and Arbitration.

(a) In the event of any breach of this Agreement, the non-breaching Party shall provide written notice to the other Party of such breach. The breaching Party shall have an opportunity to cure such breach within thirty (30) days from receipt of such written notice or such longer period of time the non-breaching Party may determine is necessary to cure the breach if the breaching Party diligently undertakes to cure such breach. If the breaching Party fails to perform a timely cure of the specified breach, the non-breaching Party shall proceed as set forth below.

(b) Upon the expiration of the time to cure as set forth above, any breach of this Agreement that the Parties are unable to resolve after making a good faith effort to do so on their own shall be submitted to mediation conducted by a mutually acceptable mediator. If the Parties are unable to agree on a mediator or a framework for mediation within thirty (30) days, then the non-breaching Party may pursue any one or more of the following remedies:

(i) Terminate this agreement pursuant to Subsection 9.02(j); and/or

(ii) Pursue any remedy allowed at law or in equity, including, but not limited to, specific performance of the terms and conditions of this Agreement, and/or enjoining, abating, or preventing any violation of said terms and conditions, and/or seeking declaratory relief.

Section 10.02: Use of Name, Logo, and Likeness and Observance of Other Laws.

(a) No Party shall use the name, logo, likeness, emblem, or official seal of any other Party without that Party's express written permission.

(b) All Parties shall include Federal or State of California funding acknowledgements and disclaimer language as required for any publications, signs and forms in compliance with all applicable Federal and state regulations.

(c) CoastHills shall comply with all laws, ordinances, rules, and regulations bearing upon

the performance of its obligations under the terms of this Agreement, including, but not limited to, the Fair Lending Act, Fair Housing Act, Bank Secrecy Act, Real Estate Settlement Procedures Act, Regulations B, C, E, and Z and Federal Trade Commission Red Flag rules as applicable. CoastHills shall submit all information Santa Barbara County requires to demonstrate compliance with such laws, ordinances, rules and regulations within two weeks of Santa Barbara County's request for such information.

(d) Nothing in this Agreement shall constitute a partnership between or among the Parties nor constitute one Party the agent of another Party or vice versa. Except as set out in this Agreement, no Party shall have any authority, express or implied, to bind another Party for any purpose whatsoever unless expressly agreed in writing by the Party to be bound pursuant to Section 10.06 of this Agreement.

Section 10.03: Taxes. Neither Party shall be responsible for the other Party's payment of any taxes that may be due by reason of this Agreement that either Party may incur in the process of undertaking its respective obligations under this Agreement, such as, but not limited to, taxes due to the government on any gross income.

Section 10.04: Notices. All notices and other communications shall be in writing and shall be delivered by certified mail (recipient requested) or by email or fax with acknowledged receipt from recipient, to the Parties at the following addresses:

For CoastHills:

Dallis Widick, Vice President - Lending
CoastHills Federal Credit Union
3880 Constellation Road
Lompoc, CA 93436
805-733-7658
Fax: 805-733-7858
Email: dalw@coasthills.coop

For Santa Barbara County:

Kerry Bierman, Program Administrator
Chief Financial Officer, County of Santa Barbara Community Services Department
105 East Anapamu Street, Room 105
Santa Barbara CA 93101
Phone (805) 568-3408
Fax: (805) 568-3414
Email: kbierman@sbccsd.org

And to:

Angela Hacker, Program Manager
The County of Santa Barbara
emPowerSBC
105 E Anapamu Street, Room 105

Santa Barbara, CA 93101
Phone: (805) 568-3515
Fax: (805) 568- 2289
Email: ahacker@co.santa-barbara.ca.us

All such notices and communications shall be deemed to have been delivered on the date of delivery, if delivered by certified mail, or on the date confirmation was sent if delivered by confirmed email or confirmed fax.

Section 10.05: Successors and Assigns. This Agreement shall bind and inure to the benefit of the Parties and the respective successors and assigns but shall not be assignable by any Party without the prior written consent of the other Party. Any purported assignment in violation of this Section shall be void.

Section 10.06: Entire Agreement; Waiver and Modification. This Agreement together with all Annexes and the 2014 Program Agreement constitute the entire agreement between the Parties with respect to the subject matter hereof and supersedes any and all prior agreements and undertakings, written or oral, with respect to the subject matter. Any waiver, consent, amendment, or modification of the provisions shall not be effective unless in writing and signed by both Parties. Any waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given and shall not be construed to affect any other or future waiver or consent. In the event of a conflict between this Agreement and the 2014 Program Agreement that cannot be resolved or reconciled, the terms of this Agreement shall prevail. In the event of a conflict between the body of this Agreement and the Annexes that cannot be resolved or reconciled, the terms of the body of this Agreement shall prevail.

Section 10.07: Headings. Headings in this Agreement are for convenience or reference only and shall not be used in the interpretation or construction of this Agreement.

Section 10.08: Severability. If any one or more of the provisions of this Agreement shall be found to be invalid, illegal, or unenforceable in any respect or to any extent, the validity, legality, and enforceability of the remaining provisions of this Agreement shall not in any way be affected, impaired, or restricted.

Section 10.09: No Waiver; Remedies. No failure on the part of any Party to exercise, and no delay in exercising, and no course of dealing with respect to, any right, power, or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power, or remedy under this Agreement preclude any other or further exercise thereof or the exercise of any other right, power, or remedy. The remedies provided herein are cumulative and not exclusive of any remedies provided by law.

Section 10.10: Governing Laws. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 10.11: Nondiscrimination in client services. CoastHills shall not, on the grounds of race, color, sex, religion, national origin, creed, marital status, age, disability or any other

basis prohibited by law, unlawfully:

(a) Deny a qualified individual any opportunity to apply for or access funds made available under Loans, services, or other benefits provided under this Agreement;

(b) Provide any Loans, services or other benefits to a qualified individual that are different, or are provided in a different manner, from those provided to others under this Agreement or confer separate treatment in any manner related to the receipt of any Loans, services or other benefits provided under this Agreement;

(c) Deny any qualified individual an opportunity to participate in any Program provided by this Agreement through the provision of Loans, services or otherwise, or any individual an opportunity to do so that is different from that afforded others under this Agreement.

Section 10.12: The funds contained in the Deposit Accounts, Reserve Accounts, or Reflow Deposit Accounts shall not be used to:

(a) Discriminate against any employee or applicant for employment on the basis of religion;

(b) Discriminate against any person applying for funds made available under Loans on the basis of religion or limit such services or give preference to persons on the basis of religion; or

(c) Provide religious instruction or counseling, conduct religious worship or services, or exert other religious influence in the provision of services.

Section 10.13: In the event that funding already provided or to be provided by any Funding Source is eliminated, withdrawn, reduced, or limited in any way after the effective date of this Agreement due to the Funding Source's reduction, withdrawal, limitation or elimination, Santa Barbara County may summarily terminate the Agreement as to any of the funds so withdrawn, reduced, eliminated or limited whether such funds be in any Deposit Account or Reflow Deposit Account, notwithstanding any other termination provisions of this Agreement. Termination under this Section shall be effective upon receipt or written notice thereof in accord with or pursuant to Section 10.04 of this Agreement.

Section 10.14: Insurance. CoastHills shall maintain blanket bond fidelity insurance throughout the life of this Agreement. See Annex J for a copy of CoastHills Blanket Bond Fidelity Insurance Certificate

Section 10.17: Equal Employment. CoastHills and all of its contractors, subcontractors, and professional service providers performing any work or services for or conferring any benefit upon Coast Hills in relation to, in connection with, or arising out of this Agreement shall comply with all requirements concerning equal employment opportunity and nondiscrimination. These include, but are not limited to: (a) Title VI of the Civil Rights Act of 1964 (P.L. 88-352); (b) Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 795); (c) the Age Discrimination Act of 1975, as amended (42 U.S.C. 6101-6107); (d) the Drug Abuse Office and Treatment Act of 1972 (P.L. 92-255), as amended; (e) the Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment and Rehabilitation Act of 1970 (P.L. 91-616), as amended; (f)

Sections 523 and 527 of the Public Health Service Act of 1912 (42 U.S.C. 290 dd-3 and 290 ee-3), as amended; (g) Title VIII of the Civil Rights Act of 1968 (42 U.S.C. 3601 et seq.), as amended; and (h) the requirements of any other nondiscrimination statute(s), regulations, and executive orders that may apply.

Section 10.18: Anti-kickback requirement. CoastHills shall comply with the Copeland “Anti-Kickback” Act (18 U.S.C. 874) and Department of Labor regulations promulgated pursuant to or as part of the Copeland “Anti-Kickback” Act (29 CFR Part 3).

Section 10.19: Ownership of Data. All data and intellectual property created or developed under this Agreement and the rights thereto shall be owned by and be the sole and exclusive property of Santa Barbara County and/or the Funding Source.

Section 10.18: Lobbying Restrictions. CoastHills agrees that none of the funds provided under this Agreement shall be expended, directly or indirectly, to influence congressional action on any legislation or appropriation matters pending before Congress, other than to communicate to Members of Congress as described in 18 U.S.C. 1913. This restriction is in addition to those prescribed elsewhere in statutes and regulations.

Section 10.19: Warranties. CoastHills represents and warrants: (1) that it has access to professional advice and support to the extent necessary to enable it to fully comply with the terms of this Agreement and to otherwise carry out the requirements and its obligations under this Agreement, (2) that it is duly organized, validly existing and in good standing under the laws of the State of California, (3) that it has the full power and authority to undertake the requirements and its obligations under this Agreement and to execute this Agreement, and (4) that the persons executing and delivering this Agreement are authorized to execute and deliver such documents on behalf of CoastHills.

Section 10.20: Debarment and Suspension. CoastHills represents and warrants that it is not on the list of the United States General Services Administration’s List of Parties Excluded from Federal procurement or Non-procurement Programs in accordance with Executive Orders 12549 and 12689.

Section 10.21: Clean Air Act. CoastHills agrees to comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act (42 U.S.C. 7401 et seq.) and the Federal Water Pollution Control Act as amended (33 U.S.C. 1251 et seq.). Violations shall be reported to all Federal agencies and the Regional Office of the Environmental Protection Agency (EPA).

Section 10.22: Political Activity. None of the funds provided under this Agreement shall be used for political activity in violation of the provisions of the Hatch Act (5 U.S.C. 1501 – 1508 and 7324 – 7328).

Section 10.23 Fraud: CoastHills shall promptly refer to the Inspector General and all other appropriate Federal, state and local law enforcement agencies any credible evidence that a principal, employee, agent, contractor, sub-grantee, subcontractor, or other person has submitted a false claim under the False Claims Act or has committed a criminal or civil violation of laws

pertaining to fraud, conflict of interest, bribery, gratuity or similar misconduct involving funds under this Agreement.

Section 10.24: Protection of Whistleblowers. An employee of CoastHills may not be discharged, demoted, or otherwise discriminated against as a reprisal for disclosing, including a disclosure made in the ordinary course of an employee's duties, to the Accountability and Transparency Board, an Inspector General, the Comptroller General, a member of Congress, a State, Federal or local regulatory or law enforcement agency, a person with supervisory authority over the employee (or other person working for the employer who has the authority to investigate, discover or terminate misconduct), a court or grand jury, the head of a Federal or state agency, or their representatives information that the employee believes is evidence of:

- (a) gross mismanagement of contract or grant relating to covered funds;
- (b) a gross waste of covered funds;
- (c) a substantial and specific danger to public health or safety related to the implementation or use of covered funds;
- (d) an abuse of authority related to the implementation or use of covered funds; or
- (e) a violation of law, rule, or regulation related to a contract (including the competition for or negotiation of a contract) or grant, awarded or issued relating to covered funds.

Section 10.25: Amendments of Annexes. As working documents, it may be necessary or convenient for the Parties to amend any of the Annexes A, C, D, E, F, G, I, or K attached to this Agreement from time to time without formally amending this Agreement. Santa Barbara County hereby delegates to the Director of the Community Services Department, and CoastHills hereby delegates to its Vice President of Lending and Collections, the authority to negotiate and execute any amendments to the Annexes A, C, D, E, F, G, I, or K that are necessary or convenient for the implementation of this Program, and which do not materially alter or contradict the terms of this Agreement, so as to constitute any amendment to this Agreement. Any such amendment that affects in any way the rights, obligations of, and/or duties to, the Participating Utilities shall be approved, in writing, by the Participating Utilities prior to such amendment taking effect. Notwithstanding anything herein, all such amendments must be consistent with the text of this Agreement and with all applicable federal, state and local requirements.

Section 10.26: Quarterly Meetings. The second Monday following the end of a fiscal quarter or as soon thereafter as is convenient, the Parties shall meet to discuss Program performance, implementation, and underwriting criteria ("Quarterly Meeting").

Section 10.27: Survival. Notwithstanding completion or termination of this Agreement, the Parties shall continue to be bound by the provisions of Section 7.02 of this Agreement.

IN WITNESS WHEREOF, the Parties to this Agreement have caused this Agreement to be duly executed as of the date first written above.

CoastHills Federal Credit Union

By: _____

Title: _____

and

By: _____

Title: _____

ATTEST:
MONA MIYASATO
CLERK OF THE BOARD

COUNTY OF SANTA BARBARA:

By: _____
Deputy Clerk

By: _____
STEVE LAVAGNINO
Chair, Board of Supervisors

APPROVED AS TO ACCOUNTING FORM:
ROBERT W. GEIS, CPA
AUDITOR-CONTROLLER

BY: _____
Department Head

By: _____
Deputy Auditor- Controller

APPROVED AS TO FORM:
MICHAEL C. GHIZZONI
COUNTY COUNSEL

By: _____
Deputy County Counsel

APPROVED AS TO FORM:
RAY AROMATORIO, ARM, AIC
RISK MANAGEMENT

By: _____
Risk Manager

List of Annexes

- A. Sample form for Monthly Report
- B. General Terms, Conditions, and Underwriting Criteria
- C. Project Eligibility Design Criteria and Determination Procedure.
- D. Special Requirements by Funding Sources
 - 1 – DOE
 - 2 – SoCalGas
 - 3 – CEC
 - 4 – Assigning Loans to Appropriate Funding Source
- E. Sample form Residential Project Eligibility Letter
- F. Sample form Project Completion Certificate
- G. Sample form CoastHills Default Demand Letter
- H. Evaluating Residential Loan Portfolio Performance & Resetting the Loss Reserve Percentage, and the Residential Loan Facility Size
- I. Interest Rate Buydown Funding
- J. Certificate of Liability Insurance Example
- K. Optional Progress Payment Fund Control Procedure

List of Schedules

- 1. CoastHills' Loan Underwriting Criteria
- 2. Monthly Reports [Reserved]
- 3. List of Account Numbers [Reserved]

Annex A
Form for Monthly Report – Sample (Subject to change based on Funding Source requirements)

Page 1 of 2

emPowerSBC PROGRAM RESIDENTIAL WORKSHEET			
	Monthly Totals	Project 1	Project 2
GENERAL PROJECT DATA	Monthly totals are self-calculating		
Unique Project ID Number/Loan Application Number	0		
Originating Credit Union			
Location: Zip Code (#####)			
Date Application			
Building type (drop down)			
Loan Amount (\$)			
Direct Customer Contribution (\$)	\$ -		
Amount of Rebates or Grant (\$)	\$ -		
Rebate Source (drop down)			
LOAN APPLICATION ACCEPTANCE			
Loan application rejected? (1 if yes)	Blank = No		
If loan was rejected based on credit worthiness, select the reason that is most applicable to the loan applicant.	Declination Reasons from Experian		
RESIDENTIAL LOAN TERMS			
Which loan product was used to finance the retrofit? (As listed in the LOAN PRODUCT INFO Tab)	10		
Loan Closing Date (mm/dd/yyyy)			
Loan Term (# of Months)			
Fixed Interest Rate (%)			
RESIDENTIAL UNDERWRITING CRITERIA			
Stability:			
Primary Borrower: How Long In Home In Months	Months		
Primary Borrower: How Long on Job In Years	Months		
Secondary Borrower: How Long In Home In Months			
Secondary Borrower: How Long on Job In Years			
Ability:			
Total Monthly income (Gross Income Reported by All Borrowers)			
Total Monthly Payments (both borrowers)			
Total Secured Balance / Annual Income	Excluding Mort.		
Total Unsecured Balance / Annual Income	Excluding Mort.		
Debt to Income Ratio (including new debt - as a % of All Borrower's Gross Income)			
Monthly Disposable/Discretionary Income (All Borrowers - Consolidated)			
Willingness:			
Primary Borrower: FICO Score (no reason to use FastStart)			
Secondary Borrower: FICO Score (no reason to use FastStart)			
Primary Borrower: Bankruptcy Watch Score			
Secondary Borrower: Bankruptcy Watch Score			
Bankruptcy (either party) within last seven years			
Foreclosure (either party) within last seven years	Blank = No		
Customer Email Address			
Funding Source			
Amount Charged for Interest Rate Buy Down			
Description of Marketing Activities			
Number of Customer Inquiries			

Form for Monthly Report – Sample (Subject to change based on Funding Source requirements)

Page 2 of 2

emPowerSBC Loan Performance Reporting				
Combined Current Balances Due		\$0.00		
Loss Reserve Amount (not to exceed 5% of outstanding Loan balance)		\$0.00		
Total Loss Share Disbursed		\$0.00		
Balance in Reserve Account		\$0.00		
	CoastHills	CoastHills	Ventura County CU	Ventura County CU
ACCOUNT #				
ORIG. BAL.				
RATE				
PAYMENT				
DUE DATE				
LAST PAYMENT DT				
PAST DUE AMT				
BALANCE				
Funding Source Code				
Date of Default				
Default Amount				
Amount of 90% Loss Share disbursed from Reserve Account				
Amount Recovered				
Net Lender Loss (Default amount less any recovered amount)				

Annex B

General Terms, Conditions, and Underwriting Criteria

Loans

Borrowers: Loan participants must be owners of single-family, detached residential properties who qualify for CoastHills or Ventura membership. Other eligible borrower requirements are provided by Funding Source in Annex D.

Membership: To be eligible for approval for a Loan, a borrower must be an active member, in good standing, of CoastHills or Ventura County Credit Union. A borrower who is not a member at the time of the Loan application submission will be required to join CoastHills or Ventura County Credit Union prior to the final approval and funding of the Loan. A borrower whose property is located in North Santa Barbara County or in San Luis Obispo must be a member or join as a member of CoastHills. A Borrower whose property is located in South Santa Barbara County or Ventura County must be a member or join as a member of Ventura County Credit Union.

Lender: CoastHills Federal Credit Union or Ventura County Credit Union

Use of Proceeds & Eligible Projects: Pursuant to this Agreement, Loans must fund investment in energy and water conservation improvements in single-family homes in the County of Santa Barbara, County of San Luis Obispo, or County of Ventura that meet criteria specified in Annexes C and D (see the 2014 Program Agreement), which may include equipment, engineering, installation, fees and/or minor building modifications necessary to implement the Eligible Project.

The Program will target residential Loans. If Santa Barbara County chooses to expand the Program to multifamily or commercial projects, Santa Barbara County shall first notify and receive approval from the Funding Source and execute an amendment to this Agreement and to the agreement with the Funding Source. CoastHills' consent shall not be unreasonably withheld.

Unsecured Loan:

Minimum Loan: \$1,000

Maximum Loan: \$25,000

Loan Terms, Interest Rates, & Minimum Credit Scores:

Interest Rates - CoastHills has developed a risk-based pricing model with varying interest rates based on several factors including the amount of the Loan, borrower credit, security, and mitigated risk (Loan Loss Reserves). Rates will be fixed for each Loan at the time of Loan application approval.

Loan Terms - Loan terms will vary with the amount financed. Terms offered for Loans up to \$5,000 will not exceed 5 years and Loans ranging between \$5,000.01 - to - \$25,000 will not exceed 15 years.

APR FOR Loans \$1,000 to \$5,000				
Average Loan Term: 60 months				
A+	A	B	C	D
760+	710-759	680-709	640-679	590-639
8.49%	12.99%	13.99%	14.99%	15.99%

APR FOR Loans \$5,001 to \$25,000				
Average Loan Term: 180 months				
A+	A	B	C	D
760+	710-759	680-709	640-679	590-639
5.90%	6.99%	8.49%	12.49%	14.49%

Interest Rate Buydown: Per conditions outlined in Annex I, Interest Rate Buydowns are only available for Loans made in Santa Barbara County using DOE funds.

Security: UCC filings may be required on Loans where appropriate.

Payment Schedule: All payments will be subject to a mortgage-style amortization with level payments over the Loan term.

Origination Fees and Closing Costs: No loan fees or closing costs are to be charged to the borrower.

Interest Calculation: Interest on CoastHills' Loans is calculated on a simple interest basis. (See Annex I for Interest Rate Buydown provisions).

Prepayment Options: Loans will not be subject to prepayment penalties. Borrowers shall have the option of making a one-time partial prepayment. The amount of the partial prepayment shall be applied to the Loan principal, and the borrower shall have the option to execute a Loan amendment with CoastHills either to shorten the term of the Loan or allow for a one time re-amortization to lower amount of the monthly Loan payments. CoastHills reserves the right to assess the borrower a fee for processing the one-time re-amortization of the Loan principal, which shall not exceed \$200.

Loan Disbursement: Loans may be disbursed via cashier's check made payable to the contractor in two ways.

- 1) Loan funds may be disbursed to the contractor upon submission of all properly completed project documentation, as outlined in the 2014 Program Agreement.

- 2) As an alternative option, the borrower may opt to have 35% of Loan paid to contractor as a progress payment prior to Eligible Project completion. The remainder 65% will be paid upon submission of all remaining properly completed project documentation using the Progress Payment Option described in Annex K of this Agreement. SoCalGas loan loss reserve funds may not be used to support Loans made using this progress payment option.

Underwriting Criteria:

See Schedule 1 for CoastHills Loan Criteria.

Loan Origination Procedures & Schedule:

Depending on the Borrower’s credit risk rating, the Borrower may be required to submit the following documents to CoastHills to apply for the Loan:

1. Loan application (provided by CoastHills and completed by borrower) (see attached)
2. Tax returns for last two years
3. Most current two months of pay stubs
4. Other additional documents or stipulations determined during underwriting process
5. Documentation confirming project eligibility (see Annexes C and D and the 2014 Program Agreement)

Without exception, all completed applications received for processing by 3:00 pm daily will be processed and decisions made that same day. Applications received after 3:00 pm will be processed, but the credit decision will be delivered to the borrower the following business day.

A decision will be made on most Loans within 5-to-15 minutes after the Borrower’s data is entered into CoastHills’ *LoansPQ* credit decision engine. Those Loans taking a longer period represent Loan transactions that have been referred to a Consumer Credit Analyst for judgmental loan underwriting.

Approvals on Loans shall be effective for 90 days.

CoastHills’ electronic loan processing capabilities provide CoastHills with the ability to receive a credit application and grant a credit decision within minutes of inputting the application into its automated loan decision system. Members are notified of a Loan approval via the following methods:

Method of Application Submission	Notification Process
Home Banking (electronic, on-line access)	Automated electronic e-mail
In-Branch Submission	Member Service Officer

	notifies
e-mail, Fax	Automated electronic e-mail
CoastHills Call Center e-Branch	Member Service Officer notifies

Annex C
General Project Eligibility Design Criteria
Residential Loans

Borrowers: Eligible borrowers include owners of single-family detached homes in Santa Barbara County, Ventura County and San Luis Obispo County, and as further described by Funding Source (see Annex D).

Energy Improvement: The project design includes measures designed to meet energy efficiency standards and local utility standards. The project design does not dedicate more than 25% of the project’s total budget toward any non-energy improvement design measures that are necessary to install energy improvement measures.

Acceptable Measures: Acceptable energy improvement design measures are any measures identified by Santa Barbara County and defined in the 2014 Program Agreement. These measures include, but are not limited to, insulation, air sealing, duct sealing, furnace replacement, hot water tank replacement, window replacements, solar photovoltaic systems, and water conservation measures installed in coordination with energy improvement projects. Acceptable measures are further restricted by Funding Source (see Annex D).

Allowable expenditures for Loan funds will include equipment, equipment installation, labor costs for energy-efficient fixtures, fees, renewable energy equipment, water conservation measures, and retrofits installed on property owned or leased by the Loan applicant. To determine eligible project measures, Santa Barbara County shall utilize either the State’s Energy Upgrade California (EUCA) qualification process, the California Solar Initiative, or other eligibility processes depending on the Funding Source’s energy improvement eligibility requirements (see Annex D).

Other typical residential energy improvement measures may include, but are not limited to:

- Air sealing
- Insulation of varying types
- Duct sealing
- Hot water heater
- New central heating and/or air conditioning systems
- Double-paned windows
- Low flow showerhead

A complete definition of “eligible energy improvement projects” will be provided by Santa Barbara County, and regularly revised, in a written guide based on energy savings and other qualitative and economic criteria developed by Santa Barbara County in consultation with EUCA, local partners, equipment suppliers, consulting engineers, and utilities.

It is anticipated that standard contract provisions with contractors will be required to ensure that quality and improvement standards will be met. The work will be performed by approved, *California licensed* contractors and will be completed in a manner consistent with the standards

approved by the California Public Utilities Commission. An up-to-date listing of participating contractors can be found at: <http://www.empowersbc.org/its-easy-get-started/find-contractor>

Acceptable Projects: Projects must consist of energy saving improvements to individually owned single-family residences. Acceptable projects must be completed by *California licensed* contractors qualified and trained by Santa Barbara County, Ventura County and/or San Luis Obispo County and approved by Santa Barbara County and must meet all Program reporting and must submit to quality assurance inspection prior to job completion. Santa Barbara County shall monitor that all borrowers, energy contractors, and any subcontractors hired as a result of this Agreement are in compliance with all federal, state, and local laws, including compliance with all applicable requirements of the Funding Agencies. Santa Barbara County shall monitor that the project complies with the National Environmental Policy Act and Section 106 of the National Historic Preservation Act and the State Historic Preservation Office requirements.

Annex C-2
Project Eligibility Determination Procedure

1. All prospective residential projects must be evaluated by CoastHills and meet Eligible Project criteria.
2. A prospective project will be deemed an “Eligible Project” if it meets the following criteria:
 - a. The applicant is an owner of a single-family home in Santa Barbara County, Ventura County, or San Luis Obispo County.
 - b. The prospective project meets energy improvement design criteria and other Funding Source requirements, as set forth in Annex D; and
 - c. The prospective project meets CoastHills’ underwriting criteria, as set forth in Annex B, and CoastHills has issued a Loan pre-approval.
 - d. The applicant uses a contractor on the “Approved Contractor List”, based on the applicable Energy Efficiency Measure(s), as provided by Santa Barbara County or Energy Upgrade California.
 - e. The applicant has executed an assignment that provides that Loan funds shall be paid directly to his or her contractor or to an approved California licensed escrow company who performs fund control services as described in Annex K.
3. As an Eligible Project, the project can proceed to construction.
4. No Loan funds shall be disbursed unless properly completed Eligible Project documentation (see the 2014 Program Agreement) is received.

Annex D

SPECIAL REQUIREMENTS BY FUNDING SOURCE

Santa Barbara County receives funding from several Funding Sources, each with specific requirements for uses and management of these funds. Annex D sets forth special requirements corresponding to each Funding Source. For example, if a Loan is supported by funding provided to Santa Barbara County by the DOE, Santa Barbara County must ensure that all DOE requirements are met (these special requirements are set forth in Annex D-1). This Annex D is organized by the Funding Source with which Santa Barbara County has executed a funding agreement. Additional sub-Annexes may be added, over time, by amendment for additional Funding Sources.

Annex D-1: US Department of Energy (DOE)

Funding Availability

In June of 2010, Santa Barbara County was awarded a grant by the DOE, under DOE's Better Buildings Energy Efficiency & Conservation Block Grant (EECBG) program, to support implementation of emPowerSBC and provide credit enhancements for residential energy improvement financing. In August 2011, Santa Barbara County made an initial deposit into the DOE Deposit Account in the amount of One Million Dollars (\$1,000,000) for use as a Loan Loss Reserve to support eligible Loans. Pursuant to Section 3.02 of the 2011 LLR Agreement, the DOE Reserve Account was advance-funded in the amount of \$20,000 to cover any Loss Amounts, in the first \$400,000 in Loans that may have occurred before sufficient cash flow accrued in the DOE Reserve Account.

Upon the Effective Date of this Agreement, and in accordance with Annex I, Santa Barbara County adds an Interest Rate Buydown program as an additional credit enhancement and authorizes CoastHills to reprogram \$200,000 from the DOE Deposit Account and make an initial deposit into the DOE Interest Rate Buydown Account in the amount of \$200,000.

Eligible Borrowers

Owners of single-family, detached residential properties in Santa Barbara County.

Eligible Projects

DOE funds may be used to support Loans for the following types of Eligible Projects: energy improvement projects deemed eligible by Energy Upgrade CA or other measures that meet EECBG eligibility requirements and are deemed eligible by Santa Barbara County. Borrowers may add solar projects deemed eligible by the California Solar Initiative to an eligible energy improvement project but may not be approved for a Loan for a solar project only. The project eligibility process is further described in Annex C-2 of this Agreement and in the 2014 Program Agreement.

Account Structure

CoastHills shall establish, maintain, and administer a separate Deposit Account, Reserve Account, and Reflow Deposit Account to support Loans for Eligible Projects.

Loan Origination Targets

It is mutually agreed by the Parties to this Agreement that the minimum Loan origination targets for DOE funds in 2011, 2012, and 2013, as set forth in Section 2.04 of the 2011 LLR Agreement, have not been met; and Santa Barbara County has the sole and absolute discretion to withdraw and re-allocate all or part of the funds remaining in the DOE Deposit Account to a different Funding Source-eligible use (including, but not limited to, Interest Rate Buydowns or direct cash incentives).

DOE Funding Source Requirements and Regulations

Santa Barbara County agrees to adhere to all Funding Source requirements and regulations where applicable to the funds made available by and work being performed under this Agreement, including but not limited to, the regulations and circulars set forth below.

Additional guidance by the DOE on DOE-funded financing programs using loan loss reserve or interest rate buy down provisions is available online as follows:

http://www1.eere.energy.gov/wip/pdfs/eeecbg_financing_guidance_09-002D_signed.pdf

Annex D-1.1

DOE Federal Regulations

Formal regulations concerning administrative procedures for USDOE grants appear in Title 10 of the Code of Federal Regulations. Grant program administrative regulations appear in Part 600. Other USDOE regulations also impact grant programs. Santa Barbara County is responsible for determining applicability and compliance. The following list contains regulations and Office of Management and Budget Circulars which may apply to the work performed under this Agreement.	
2 CFR 176	Award Terms for Assistance Agreements that include funds under the American Recovery and Reinvestment Act of 2009, Public Law 111-5
2 CFR 901	Nonprocurement Debarment and Suspension
10 CFR 600; 10 CFR 600 Subpart D and Appendix B	Financial Assistance Regulations; Administrative Requirements for Grants and Cooperative Agreements with For-Profit Organizations; and Contract Provisions
10 CFR 601	New Restrictions on Lobbying
10 CFR 607	Government wide requirements for drug-free work place (financial assistance)
10 CFR 1039	Uniform relocation assistance and real property acquisition for federal and federally assisted programs
10 CFR 1040	Nondiscrimination in Federally Assisted Programs or Activities
10 CFR 1041	Enforcement of Nondiscrimination on the basis of handicap in programs or activities conducted by USDOE
10 CFR 1042	Nondiscrimination on the basis of sex in education programs or activities receiving federal financial assistance
<i>Other Federal Regulations</i>	
45 CFR Subtitle A – Appendix E to Part 74	Principles for Determining Costs Applicable to Research and Development Under Grants and Contracts with Hospitals
48 CFR 31	Contract Cost Principles and Procedures, or uniform cost accounting standards that

	comply with cost principles acceptable to the federal agency
Office of Management and Budget Circulars	
A-21	Cost Principles for Educational Institutions
A-87	Cost Principles for State, Local, and Indian Tribal Governments
A-102	Grants and Cooperative Agreements with State and Local Governments
A-110	Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations
A-122	Cost Principles for Non-Profit Organizations
A-133	Audit Requirements

**Annex D-1.2
DOE Federal Contractor Regulations**

Santa Barbara County (as “Contractor”) agrees to comply with all of the following provisions as applicable:

1. **Resolution of Conflicting Conditions** - Any apparent inconsistency between Federal statutes and regulations and the terms and conditions contained in this award must be referred to the Energy Division Program Manager for guidance.
2. **Federal, State and Municipal Requirements** - Contractor shall require that all required permits are obtained by contractors performing services for an Eligible Project and comply with applicable federal, state, and municipal laws, codes, and regulations for work performed under this award. All work to be performed pursuant to individual Loans must be permitted where permits are required.
3. **Segregation of Costs** – Recipients must segregate the obligations and expenditures related to funding under the Recovery Act. Financial and accounting systems should be revised as necessary to segregate, track, and maintain these funds apart and separate from other revenue streams. No part of the funds from the Recovery Act shall be commingled with any other funds or used for a purpose other than that of making payments for costs allowable for Recovery Act projects. Reporting requirements and Account structuring contained in the Agreement are consistent with this requirement.
4. **Availability of Funds** - Any commitment of funds shall be contingent upon the receipt and availability of funds under the program for which this Agreement is made. Payments made by the Department under the terms of this Agreement shall not constitute final approval of documents submitted by the Contractor or of procedures used in formulating requests for payment to the Contractor. Funds appropriated under the Recovery Act and obligated to this award are available for reimbursement of costs until the end of the performance period set forth in the subgrant agreement. Funding under this Agreement is made contingent upon the availability of funds.

5. **Equal Employment Opportunity** - All contracts shall contain a provision requiring compliance with E.O. 11246, "Equal Employment Opportunity," as amended by E.O. 11375, "Amending Executive Order 11246 Relating to Equal Employment Opportunity," and as supplemented by regulations at 41 CFR part 60, "Office of Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor." The work to be performed under this Agreement is consistent with these requirements.

6. **Copeland "Anti-Kickback" Act (18 U.S.C. 874 and 40 U.S.C. 276c)** - All contracts and subgrants in excess of \$2,000 for construction or repair awarded by recipients and subrecipients shall include a provision for compliance with the Copeland "Anti-Kickback" Act (18 U.S.C. 874), as supplemented by Department of Labor regulations (29 CFR part 3, "Contractors and Subcontractors on Public Building or Public Work Financed in Whole or in Part by Loans or Grants from the United States"). The Act provides that each contractor or subrecipient shall be prohibited from inducing, by any means, any person employed in the construction, completion, or repair of public work, to give up any part of the compensation to which he is otherwise entitled. The recipient shall report all suspected or reported violations to the Federal awarding agency. The work to be performed under this Agreement is consistent with these requirements.

7. **Wage Rate Requirements** – Section 1606 of the Recovery Act (ARRA) requires that all laborers and mechanics employed by contractors and subcontractors on projects funded directly or assisted in whole or in part by and through the Federal Government pursuant to the ARRA shall be paid wages at rates not less than those prevailing on projects of a character similar in the locality as determined by the Secretary of Labor in accordance with subchapter IV of chapter 31 of title 40, United States Code. This requirement is not applicable to projects undertaken as a result of the funding of a loan loss reserve to support private lending on energy efficiency improvements to owner-occupied single-family residences.

8. **Davis-Bacon Act, as amended (40 U.S.C. 276a to a-7)** - When required by Federal program legislation, all construction contracts awarded by the recipients and subrecipients of more than \$2,000 shall include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 276a to a-7) and as supplemented by Department of Labor regulations (29 CFR part 5, "Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction"). Under this Act, contractors shall be required to pay wages to laborers and mechanics at a rate not less than the minimum wages specified in a wage determination made by the Secretary of Labor. In addition, contractors shall be required to pay wages not less than once a week. The recipient shall place a copy of the current prevailing wage determination issued by the Department of Labor in each solicitation and the award of a contract shall be conditioned upon the acceptance of the wage determination. The recipient shall report all suspected or reported violations to the Federal awarding agency. Current wage determinations for the appropriate county can be found at <http://www.wdol.gov/dba.aspx#0>. This requirement is not applicable to projects undertaken as a result of the funding of a loan loss reserve to

support private lending on energy efficiency improvements to owner-occupied single-family residences.

9. **Contract Work Hours and Safety Standards Act (40 U.S.C. 327-333)** - Where applicable, all contracts awarded by recipients in excess of \$2000 for construction contracts and in excess of \$2,500 for other contracts that involve the employment of mechanics or laborers shall include a provision for compliance with Sections 102 and 107 of the Contract Work Hours and Safety Standards Act (40 U.S.C. 327-333), as supplemented by Department of Labor regulations (29 CFR part 5). Under Section 102 of the Act, each contractor shall be required to compute the wages of every mechanic and laborer on the basis of a standard work week of 40 hours. Work in excess of the standard work week is permissible provided that the worker is compensated at a rate of not less than 1 ½ times the basic rate of pay for all hours worked in excess of 40 hours in the work week. Section 107 of the Act is applicable to construction work and provides that no laborer or mechanic shall be required to work in surroundings or under working conditions which are unsanitary, hazardous or dangerous. These requirements do not apply to the purchases of supplies or materials or articles ordinarily available on the open market, or contracts for transportation or transmission of intelligence. This requirement is not applicable to projects undertaken as a result of the funding of a loan loss reserve to support private lending on energy efficiency improvements to owner-occupied single-family residences.

10. **Rights to Inventions Made Under a Contract or Agreement** - Contracts or agreements for the performance of experimental, developmental, or research work shall provide for the rights of the Federal Government and the recipient in any resulting invention in accordance with 10 CFR part 600.325, "Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Grants, Contracts and Cooperative Agreements," and any implementing regulations issued by the awarding agency. This provision is not applicable to this Program.

11. **National Environmental Policy Act** - You are restricted from taking any action using federal funds for projects under this award that would have an adverse effect on the environment or limit the choice of reasonable alternatives prior to DOE providing a final NEPA determination regarding these projects. Only projects that are consistent with the environmental review that has already been undertaken are allowable. Santa Barbara County's screening of projects to be funded pursuant to this Agreement will ensure compliance with these requirements.

Clean Air Act (42 U.S.C. 7401 et seq.), and the Federal Water Pollution Control Act (33 U.S.C. 1251 et seq.), as amended - Contracts and subgrants of amounts in excess of \$100,000 shall contain a provision that requires the recipient to agree to comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act (42 U.S.C. 7401 et seq.) and the Federal Water Pollution Control Act as amended (33 U.S.C. 1251 et seq.). Violations shall be reported to the Federal awarding agency and the

Regional Office of the Environmental Protection Agency (EPA). The work to be performed under this Agreement is consistent with these requirements.

12. **Byrd Anti-Lobbying Amendment (31 U.S.C. 1352)** - Contractors who apply or bid for an award of \$100,000 or more shall file the required certification. Each tier certifies to the tier above that it will not and has not used Federal appropriated funds to pay any person or organization for influencing or attempting to influence an officer or employee of any agency, a member of Congress, officer or employee of Congress, or an employee of a member of Congress in connection with obtaining any Federal contract, grant or any other award covered by 31 U.S.C. 1352. Each tier shall also disclose any lobbying with non-Federal funds that takes place in connection with obtaining any Federal award. Such disclosures are forwarded from tier to tier up to the recipient. The work to be performed under this Agreement is consistent with these requirements.

13. **Lobbying Restrictions** - By accepting funds under this award, you agree that none of the funds obligated on the award shall be expended, directly or indirectly, to influence congressional action on any legislation or appropriation matters pending before Congress, other than to communicate to Members of Congress as described in 18 U.S.C. 1913. This restriction is in addition to those prescribed elsewhere in statute and regulation. The work to be performed under this Agreement is consistent with these requirements.

14. **Debarment and Suspension (E.O.s 12549 and 12689)** - No contract shall be made to parties listed on the General Services Administration's List of Parties Excluded from Federal Procurement or Nonprocurement Programs in accordance with E.O.s 12549 and 12689, "Debarment and Suspension." This list contains the names of parties debarred, suspended, or otherwise excluded by agencies, and contractors declared ineligible under statutory or regulatory authority other than E.O. 12549. Contractors with awards that exceed the small purchase threshold shall provide the required certification regarding its exclusion status and that of its principal employees. Contracting with CoastHills is consistent with this requirement.

15. **Section 508 of the Federal Water Pollution Control Act, as amended (33 U.S.C. 1368) and Section 1424(e) of the Safe Drinking Water Act, (42 U.S.C. 300h-3(e))** - Contracts and subgrants of amounts in excess of \$100,000 shall contain a provision that requires the recipient to agree to comply with all applicable standards, orders or regulations issued pursuant to Section 508 of the Federal Water Pollution Control Act, as amended (33 U.S.C. 1368) and Section 1424(e) of the Safe Drinking Water Act, (42 U.S.C. 300h-3(e)). Violations shall be reported to the Federal awarding agency and the Regional Office of the Environmental Protection Agency (EPA). The work to be performed under this Agreement is consistent with these requirements.

16. **Compliance with all Federal statutes relating to nondiscrimination.** These include but are not limited to: (a) Title VI of the Civil Rights Act of 1964 (P.L. 88-352) which prohibits discrimination on the basis of sex; (b) Section 504 of the Rehabilitation Act of

1973, as amended (29 U.S.C. 795), which prohibits discrimination on the basis of handicaps; (c) the Age Discrimination Act of 1975, as amended (42 U.S.C. 6101-6107), which prohibits discrimination on the basis of age; (d) the Drug Abuse Office and Treatment Act of 1972 (P.L. 92-255), as amended, relating to nondiscrimination on the basis of drug abuse; (e) the Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment and Rehabilitation Act of 1970 (P.L. 91-616), as amended, relating to nondiscrimination on the basis of alcohol abuse or alcoholism; (f) Sections 523 and 527 of the Public Health Service Act of 1912 (42 U.S.C. 290 dd-3 and 290 ee-3), as amended, relating to confidentiality of alcohol and drug abuse patient records; (g) Title VIII of the Civil Rights Act of 1968 (42 U.S.C. 3601 et seq.), as amended, relating to nondiscrimination in the sale, rental or financing of housing; (h) any other nondiscrimination provisions in the specific statute(s) made; and, (i) the requirements of any other nondiscrimination statute(s) which may apply. The work to be performed under this Agreement is consistent with these requirements.

17. **Compliance with the requirements of Titles II and III of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (P.L. 91-646)** which provide for fair and equitable treatment of persons displaced or whose property is acquired as a result of Federal or federally assisted programs. These requirements apply to all interests in real property acquired for project purposes regardless of Federal participation in purchases. No relocation obligations will be triggered by the projects undertaken pursuant to this Agreement.

18. **Compliance with the provision of the Hatch Act (5 U.S.C. 1501 – 1508 and 7324 – 7328)** which limit the political activities of employees whose principal employment activities are funded in whole or in part with Federal funds. The work to be performed under this Agreement is consistent with these requirements.

19. **Comply, if applicable, with flood insurance purchase requirements of Section 102(a) of the Flood Disaster Protection Act of 1973 (P.L. 93-234)** which requires recipients in a special flood hazard area to participate in the program and to purchase flood insurance if the total cost of insurable construction and acquisition is \$10,000 or more. The work to be performed under this Agreement is consistent with these requirements.

20. **Compliance with environmental standards which may be prescribed to the following:** (a) institution of environmental quality control measures under the National Environmental Policy Act of 1969 (P.L. 91-190) and Executive Order (EO) 11514; (b) notification of violating facilities pursuant to EP 11738; (c) protection of wetlands pursuant to EO 11990; (d) evaluation of flood hazards in floodplain in accordance with EO 11988; (e) assurance of project consistency with the approved State management program developed under the Coastal Zone Management Act of 1972 (16 U.S.C. 1451 et seq.); (f) conformity of Federal actions to State (Clean Air) Implementation Plans under Section 176(c) of the Clean Air Act of 1955, as amended (42 U.S.C. 7401 et seq.); (g) protection of underground sources of drinking water under the Safe Drinking Water Act of 1974, as amended, (P.L. 93-523); and (h) protection of endangered species under the

Endangered Species Act of 1973, as amended (P.L. 93-205). The work to be performed under this Agreement is consistent with these requirements.

21. **Compliance with the Wild and Scenic Rivers Act of 1968 (16 U.S.C. 1271 et seq.)** related to protecting components or potential components of the national wild and scenic rivers system. The work to be performed under this Agreement is consistent with these requirements.
22. **Compliance with Section 106 of the National Historic Preservation Act of 1966, as amended (16 U.S.C. 470), EO 11593 (identification and protection of historic properties), and the Archaeological and Historic Preservation Act of 1974 (16 U.S.C. 469a-1 et seq.)** - Prior to the expenditure of Federal funds to alter any structure or site, the Recipient is required to comply with the requirements of Section 106 of the National Historic Preservation Act (NHPA), consistent with DOE's 2009 letter of delegation of authority regarding the NHPA. Santa Barbara County's screening of projects to be funded pursuant to this Agreement will ensure compliance with these requirements.
23. **Compliance with P.L. 93-348** regarding the protection of human subjects involved in research, development, and related activities supported by this award of assistance. The work to be performed under this Agreement is consistent with these requirements.
24. **Compliance with the Laboratory Animal Welfare Act of 1966 (P.L. 89-544, as amended, 7 U.S.C. 2131 et seq.)** pertaining to the care, handling, and treatment of warm blooded animals held for research, teaching, or other activities supported by this Agreement. These requirements will not be triggered by the work to be performed under this Agreement.
25. **Compliance with the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4801 et seq.)** which prohibits the use of lead based paint in construction or rehabilitation of residence structures. This requirement will be incorporated into Santa Barbara County's agreements with Contractors.
26. **Compliance with the mandatory standards and policies relating to energy efficiency which are contained in the State energy plan issued in accordance with the Energy Policy and Conservation Act (Pub. L. 94-163, 89 Stat. 871).** The work to be performed under this Agreement is consistent with these requirements.
27. **Assist the Department in complying with the State Energy Program as described in the Code of Federal Regulations, Title 10, Parts 420 and guidance issued by the U.S. Department of Energy and subsequent guidance issued by the U.S. Department of Energy; and the Financial Assistance Rules described in Title 10, Part 600.** The work to be performed under this Agreement is consistent with these requirements.

28. **Compliance with the Buy American Act (41 U.S.C. 10a-10c)** By accepting funds under this Agreement, the Grantee agrees to comply with sections 2 through 4 of the Act of March 3, 1933, popularly known as the “Buy American Act.” The Grantee should review the provisions of the Act to ensure that expenditures made under this Agreement are in accordance with it. It is the sense of the Congress that, to the greatest extent practicable, all equipment and products purchased with funds made available under this Agreement should be American-made. The work to be performed under this Agreement is consistent with these requirements.

29. **Compliance with Section 1605 of the American Recovery and Reinvestment Act of 2009. Use of American Iron, Steel and Manufactured Goods.**

- a. None of the funds appropriated or otherwise made available by the Act may be used for a project for the construction, alteration, maintenance, or repair of a public building or public work unless the iron, steel and manufactured goods used in the project are produced in the United States.
- b. Subsection (a) shall not apply in any case or category of cases in which the head of the Federal department or agency involved finds that –
 1. Applying subsection (a) would be inconsistent with the public interest;
 2. iron, steel, and the relevant manufactured goods are not produced in the United States in sufficient and reasonably available quantities and of a satisfactory quality; or
 3. inclusion of iron, steel, and manufactured goods produced in the United States will increase the cost of the overall project by more than 25 percent.
- c. If the head of the Federal department or agency determines that it is necessary to waive the application of subsection (a) based on a finding under subsection (b), the head of the department or agency shall publish in the Federal Register a detailed written justification as to why the provision is being waived.
- d. This section shall be applied in a manner consistent with United States obligations under international agreements. The work to be performed under this Agreement is consistent with these requirements.

30. **Preservation of open competition and government neutrality towards contractors’ labor relations on federally funded construction projects**

- a. Unless in conflict with State or local laws, you must ensure that bid specifications, project agreement, or other controlling documents in construction contracts awarded pursuant to this agreement, or pursuant to a subaward to this agreement, do not:
 1. Require or prohibit bidders, offerors, contractors, or subcontractors to enter into or adhere to agreements with one or more labor

organizations, on the same or other related construction project(s);
or

2. Otherwise discriminate against bidders, offerors, contractors, or subcontractors for becoming or refusing to become or remain signatories or otherwise to adhere to agreements with one or more labor organizations, on the same or other related construction project(s).
 - b. The term “construction contract” as used in this provision means any contract for the construction, rehabilitation, alteration, conversion, extension, or repair of buildings, highways, or other improvements to real property.
 - c. Nothing in this provision prohibits bidders, offerors, contractors, or subcontractors from voluntarily entering into agreements with labor organizations. This requirement is not triggered by the work to be performed under this Agreement.
32. **Compliance with the provision included in Title XV and Title XVI of Public Law 111-5, the American Recovery and Reinvestment Act of 2009.** The work to be performed under this Agreement is consistent with these requirements.
33. **False Claims Act** – Recipient and sub-recipients shall promptly refer to the DOE or other appropriate Inspector General any credible evidence that a principle, employee, agent, contractor, sub-grantee, subcontractor, or other person has submitted a false claim under the False Claims Act or has committed a criminal or civil violation of laws pertaining to fraud, conflict of interest, bribery, gratuity or similar misconduct involving those funds. The work to be performed under this Agreement is consistent with these requirements.
34. **Decontamination and/or Decommissioning (D&D) Costs** – Notwithstanding any other provisions of this Agreement, the federal or state government shall not be responsible for or have any obligation to the Contractor for (i) Decontamination and/or Decommissioning (D&D) of any of the Contractor’s facilities, or (ii) any costs which may be incurred by the Contractor in connection with the D&D of any of its facilities due to the performance of the work under this agreement, whether said work was performed prior to or subsequent to the effective date of the Agreement. The work to be performed under this Agreement is consistent with these requirements.
35. **Intellectual Property Provisions and Contact Information** - Nonprofit organizations are subject to the intellectual property requirements at 10 CFR 600.136(a), (c) and (d). All other organizations are subject to the intellectual property requirements at 10 CFR 600.136(a) and (c). A list of all intellectual property provisions may be found at http://www.gc.doe.gov/financial_assistance_awards.htm.

Questions regarding intellectual property matters should be referred to the Department Program Manager assigned to this project who will forward them to the DOE Award Administrator and the Patent Counsel designated as the service provider for the DOE

office that issued the award. The IP Service Providers List is found at [http://www.gc.doe.gov/documents/Intellectual Property \(IP\) Service Providers for Acquisition.pdf](http://www.gc.doe.gov/documents/Intellectual_Property_(IP)_Service_Providers_for_Acquisition.pdf). The work to be performed under this Agreement is consistent with these requirements.

- 36. Statement of Stewardship** – The ADECA Energy Division will exercise normal stewardship in overseeing the project activities performed under this award. Stewardship activities include, but are not limited to, conducting site visits; reviewing performance and financial reports; providing technical assistance and/or temporary intervention in unusual circumstances to correct deficiencies which develop during the project; assuring compliance with terms and conditions; and reviewing technical performance after project completion to ensure that the award objectives have been accomplished. The work to be performed under this Agreement is consistent with these requirements.
- 37. Site Visits** - The Energy Division's authorized representatives have the right to make site visits at reasonable times to review project accomplishments and management control systems and to provide technical assistance, if required. You must provide, and must require your subawardees to provide, reasonable access to facilities, office space, resources, and assistance for the safety and convenience of the government representatives in the performance of their duties. All site visits and evaluations must be performed in a manner that does not unduly interfere with or delay the work. The work to be performed under this Agreement is consistent with these requirements.
- 38. Reporting and Registration under ARRA Section 1512** - The reporting requirements for this award are identified in the Contract agreement. This award requires the recipient to complete projects or activities which are funded under the American Recovery and Reinvestment Act of 2009 (Recovery Act) and to report on use of Recovery Act funds provided through this award. Information in these reports will be provided to the public. Failure to comply with these reporting requirements is considered a material noncompliance with the terms of the award. Noncompliance may result in withholding of future payments, suspension, or termination of the current award, and withholding of future awards. A willful failure to perform, a history of failure to perform, or unsatisfactory performance of this and/or other financial assistance awards, may also result in a debarment action to preclude future awards by Federal agencies. The work to be performed under this Agreement is consistent with these requirements.
- 39. Publications** – You are encouraged to publish or otherwise make publicly available the results of the work conducted under the award. An acknowledgment of Federal support and a disclaimer must appear in the publication of any material, whether copyrighted or not, based on or developed under this project.

An application may contain technical data and other data, including trade secrets and/or privileged or confidential information, which the applicant does not want disclosed to the public or used by the Government for any purpose other than the application. To protect such data, the applicant should specifically identify each page including each

line or paragraph thereof containing the data to be protected and mark the cover sheet of the application. The work to be performed under this Agreement is consistent with these requirements.

40. Recovery Act Transactions –

- a. To maximize the transparency and accountability of funds authorized under the American Recovery and Reinvestment Act of 2009 (Pub. L. 111–5) (Recovery Act) as required by Congress and in accordance with 2 CFR 215.21 “Uniform Administrative Requirements for Grants and Agreements” and OMB Circular A–102 Common Rules provisions, recipients agree to maintain records that identify adequately the source and application of Recovery Act funds.
- b. For recipients covered by the Single Audit Act Amendments of 1996 and OMB Circular A–133, “Audits of States, Local Governments, and Non-Profit Organizations,” recipients agree to separately identify the expenditures for Federal awards under the Recovery Act on the Schedule of Expenditures of Federal Awards (SEFA) and the Data Collection Form (SF–SAC) required by OMB Circular A–133.
- c. Recipients agree to separately identify to each subrecipient, and document at the time of subaward and at the time of disbursement of funds, the Federal award number, CFDA number, and amount of Recovery Act funds. When a recipient awards Recovery Act funds for an existing program, the information furnished to subrecipients shall distinguish the subawards of incremental Recovery Act funds from regular subawards under the existing program.
- d. Recipients agree to require their subrecipients to include on their SEFA information to specifically identify Recovery Act funding similar to the requirements for the recipient SEFA described above. This information is needed to allow the recipient to properly monitor subrecipient expenditure of ARRA funds as well as oversight by the Federal awarding agencies, Offices of Inspector General and the Government Accountability Office. The work to be performed under this Agreement is consistent with these requirements.

41. Access to Records - With respect to each financial assistance agreement awarded utilizing at least some of the funds appropriated or otherwise made available by the American Recovery and Reinvestment Act of 2009, Pub. L. 111-5, any representative of an appropriate inspector general appointed under section 3 or 8G of the Inspector General Act of 1988 (5 U.S.C. App.) or of the Comptroller General is authorized – (1) to examine any records of the contractor or grantee, any of its subcontractors or subgrantees, or any State or local agency administering such contract that pertain to, and involve transactions relation to, the subcontract, subgrant, grant, or subgrant; and (2) to interview any officer or employee of the contractor, grantee, subgrantee, or agency regarding such transactions. The work to be performed under this Agreement is consistent with these requirements.

42. Certifications - With respect to funds made available to State or local governments for infrastructure investments under the American Recovery and Reinvestment Act of 2009, Pub. L. 111-5, the Governor, mayor, or other chief executive, as appropriate, certified by acceptance of this award that the infrastructure investment has received the full review

and vetting required by law and that the chief executive accepts responsibility that the infrastructure investment is an appropriate use of taxpayer dollars. Contractor shall provide an additional certification that includes a description of the investment, the estimated total cost, and the amount of Covered Funds to be used for posting on the Internet. A State or local agency may not receive infrastructure investment funding from funds made available by the Act unless this certification is made and posted. The work to be performed under this Agreement is consistent with these requirements.

- 43. Prohibition on Use of Funds** - None of the funds provided under this agreement derived from the American Recovery and Reinvestment Act of 2009, Pub. L. 111-5, may be used by any State or local government, or any private entity, for any casino or other gambling establishment, aquarium, zoo, golf course, swimming pool or structure housing a swimming pool. The work to be performed under this Agreement is consistent with these requirements.
- 44. Protecting Whistleblowers** - An employee of any non-Federal employer receiving covered funds under the American Recovery and Reinvestment Act of 2009, Pub. L. 111-5, may not be discharged, demoted, or otherwise discriminated against as a reprisal for disclosing, including a disclosure made in the ordinary course of an employee's duties, to the Accountability and Transparency Board, an inspector general, the Comptroller General, a member of Congress, a State or Federal regulatory or law enforcement agency, a person with supervisory authority over the employee (or other person working for the employer who has the authority to investigate, discover or terminate misconduct, a court or grant jury, the head of a Federal agency, or their representatives information that the employee believes is evidence of:
- a. gross mismanagement of an agency contract or grant relating to covered funds;
 - b. a gross waste of covered funds
 - c. a substantial and specific danger to public health or safety related to the implementation or use of covered funds;
 - d. an abuse of authority related to the implementation or use of covered funds; or
 - e. as violation of law, rule, or regulation related to an agency contract (including the competition for or negotiation of a contract) or grant, awarded or issued relating to covered funds. The work to be performed under this Agreement is consistent with these requirements.

Annex D-1.3

DOE Intellectual Property Provisions (NRD-1003) - Non-research and Development

Questions regarding intellectual property matters should be referred to the Department Program Manager assigned to this project who will forward them to the DOE Award Administrator and the Patent Counsel designated as the service provider for the DOE office that issued the award. The IP Service Providers List is found at

[http://www.gc.doe.gov/documents/Intellectual_Property_\(IP\)_Service_Providers_for_Acquisition.pdf](http://www.gc.doe.gov/documents/Intellectual_Property_(IP)_Service_Providers_for_Acquisition.pdf).

600.136 Intangible property.

(a) Recipients may copyright any work that is subject to copyright and was developed, or for which ownership was purchased, under an award. DOE reserves a royalty-free, nonexclusive and irrevocable right to reproduce, publish or otherwise use the work for Federal purposes, and to authorize others to do so.

(b) DOE has the right to:

(1) Obtain, reproduce, publish or otherwise use the data first produced under an award; and

(2) Authorize others to receive, reproduce, publish, or otherwise use such data for Federal purposes.

(c) In addition, in response to a Freedom of Information Act (FOIA) request for research data relating to published research findings produced under an award that were used by the Federal Government in developing an agency action that has the force and effect of law, the DOE shall request, and the recipient shall provide, within a reasonable time, the research data so that they can be made available to the public through the procedures established under the FOIA. If the DOE obtains the research data solely in response to a FOIA request, the agency may charge the requester a reasonable fee equaling the full incremental cost of obtaining the research data. This fee should reflect the costs incurred by the agency, the recipient, and applicable subrecipients. This fee is in addition to any fees the agency may assess under the FOIA (5 U.S.C. 552(a)(4)(A)). This provision is informational.

Annex D-1.4

Acknowledgement and Disclaimer Language

For any publications (written, visual, sound) but excluding press releases, newsletters, and issue analyses, issued by the Grantee describing programs or projects funded with ARRA, shall contain the following acknowledgement & disclaimer statements:

Acknowledgement: “This project was supported by Grant No. EE0000850 awarded by US Department of Energy. Points of view in this document are those of the author and do not necessarily represent the official position or policies of the US Department of Energy.”

And (if a published report):

Disclaimer: “This report was prepared as an account of work sponsored by an agency of the United States Government. Neither the United States Government nor any agency thereof, nor any of their employees, makes any warranty, express or implied, or assumes any legal liability or responsibility for the accuracy, completeness, or usefulness of any information, apparatus, product, or process disclosed, or represents that its use would not infringe privately owned rights. Reference herein to any specific commercial product, process, or service by trade name, trademark, manufacturer, or otherwise does not necessarily constitute or imply its endorsement,

recommendation, or favoring by the United States Government or any agency thereof. The views and opinions of authors expressed herein do not necessarily state or reflect those of the United States Government or any agency thereof.”

Annex D-2: Southern California Gas Company (SoCalGas), on behalf of the Participating Utilities

Funding Availability

Per the *Agreement to Deliver the 2013-2014 County of Santa Barbara emPower Energy Efficiency Program*, by and between Santa Barbara County and the Southern California Gas Company (“SoCalGas”), effective as of 8/1/13 (“SoCalGas Agreement”), Santa Barbara County was awarded funding from the Participating Utilities, with SoCalGas as lead utility, to support implementation of emPowerSBC and provide a loan loss reserve for residential energy efficiency financing to an expanded service territory including Santa Barbara County, Ventura County, and San Luis Obispo County. On _____ Santa Barbara County shall make initial deposits, each in the amount of \$200,000 into three segregated SoCalGas Deposit Accounts, one for each of the three Tri-Counties, for a total initial deposit of \$600,000.

Santa Barbara County may request SoCalGas to provide funds for a subsequent deposit into a SoCalGas Deposit Account to bring the account balance of any SoCalGas Deposit Account up to \$200,000 when CoastHills notifies Santa Barbara County that the balance in one or more of the three SoCalGas Deposit Accounts has fallen below One Hundred Thousand Dollars (\$100,000). In no event shall the cumulative total contributed to the SoCalGas Deposit Accounts exceed One Million Dollars (\$1,000,000).

The SoCalGas Reserve Accounts shall be advance-funded by an amount of \$20,000 for each of the three Counties, which will be the reserve for the first \$400,000 in Loans corresponding to the SoCalGas Deposit and Reserve Accounts. These amounts are intended to cover any Loan Loss Amounts that occur before sufficient cash flow has accrued in the respective SoCalGas Reserve Account. SoCalGas Reserve Accounts funds will remain in the Reserve Accounts until remitted to the SoCalGas Reflow Deposit Accounts as set forth in Section 2.07 of the Amended and Restated Energy Improvement Loan Loss Reserve Agreement, or until payments are made to CoastHills for the Loss Share Percentage of a Loan Loss Amount on a corresponding Defaulted Loan in accordance with Section 3.03 of the Amended Restated Energy Improvement Loan Loss Reserve Agreement.

Unless the SoCalGas Agreement is extended and the 2014 LLR Agreement is amended, or unless otherwise directed by Santa Barbara County or SoCalGas, all funds remaining in the SoCalGas Deposit Accounts after December 31, 2014 shall be returned to Santa Barbara County and may not be used to support further Loans. CoastHills shall notify Santa Barbara County of any remaining balances in the Deposit Account(s) and remit such balances to Santa Barbara County within 5 business days. Funds in the SoCalGas Deposit Account obligated against active Loan applications shall not be returned to Santa Barbara County until such Loan applications are no longer active. Funds that accrue in the Reflow Deposit Accounts must be returned to Santa Barbara County on a quarterly basis.

Eligible Borrowers

Owners of single-family detached residential properties within the geographic boundary of Santa Barbara County, Ventura County, and San Luis Obispo County, who are also rate-payers that directly receive electricity or gas service from a Participating Utility at the address where an

Eligible Project is installed.

Eligible Projects

SoCalGas funds may only be used to support Loans for the following types of Eligible Projects: energy efficiency projects deemed eligible by Energy Upgrade California or other “Energy Efficient Measures” or “EEMs”, deemed eligible by Santa Barbara County, which may include energy efficiency measures as used in the California Public Utility Commission’s *Energy Efficiency Policy Manual*, Version 5 (July 2013) as may be supplemented or updated from time to time. Borrowers may not add solar projects to an eligible energy efficiency project approved for a Loan. The project eligibility process is further described in Annex C-2 of the 2014 LLR Agreement and in the 2014 Program Agreement.

Account Structure

Upon the Effective Date, CoastHills shall establish, maintain, and administer a separate SoCalGas Deposit Account, SoCalGas Reserve Account, and SoCalGas Reflow Deposit Account in the name of Santa Barbara County for the benefit of the Participating Utilities, for each of the three Tri-Counties to support Loans for Eligible Projects.

Funding Source Requirements and Regulations

The Parties agree to adhere to all Funding Source requirements and regulations where applicable to the loan loss reserve funds, including the requirements and regulations set forth in the sections below.

Annex D-2.1

SoCalGas Requirements and Regulations

1. REPRESENTATIONS AND WARRANTIES - Each Party represents, covenants, and warrants, as of the Effective Date and thereafter during the term of the 2014 LLR Agreement, that:

1.1.CoastHills shall take all reasonable measures to ensure that the Program funds in its possession are used solely for work related to the Program, which measures shall include the highest degree of care that such Party uses to control its own funds, but in no event less than a reasonable degree of care.

2. RESTRICTIONS ON MARKETING

2.1.Use of the California Public Utilities Commission’s (“Commission”) Name. No Party may use the name of the Commission on marketing materials for the Program without prior written approval from the Commission staff. In order to obtain this written approval, the Utility must send a copy of the planned materials to the Commission requesting approval to use the Commission name and/or logo. Notwithstanding the foregoing, the Parties shall disclose their source of funding for the Program by stating prominently on marketing materials that the Program is “funded by California ratepayers under the auspices of the California Public Utilities Commission.”

2.2. Use of Participating Utility's Name. Santa Barbara County and CoastHills must receive written approval, after an opportunity to review, from the Participating Utility in order to use such Participating Utility's name, mark or logo on any marketing or other Program materials. The Parties shall allow five (5) Business days for such Participating Utility review and approval. If Santa Barbara County or CoastHills has not received a response from such Participating Utility within the five (5) Business day period, then it shall be deemed that such Participating Utility has disapproved such use.

3. INDEMNITY

3.1. Santa Barbara County and CoastHills shall indemnify, defend and hold harmless the Participating Utilities, and its respective successors, assigns, affiliates, subsidiaries, current and future parent companies, officers, directors, agents, and employees, from and against any and all expenses, claims, losses, damages, liabilities or actions in respect thereof (including reasonable attorneys' fees) to the extent arising from (a) Santa Barbara County or CoastHills' negligence or willful misconduct in the Program's activities under the Santa Barbara County and CoastHills' performance of its obligations hereunder, or (b) the Program's breach of the 2014 LLR Agreement or of any representation or warranty of Santa Barbara County or CoastHills contained in the 2014 LLR Agreement, or (c) Santa Barbara County and CoastHills violation of applicable laws in carrying out its obligations under the 2014 LLR Agreement.

3.2. LIMITATION OF LIABILITY. NO PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR ANY INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES WHATSOEVER WHETHER IN CONTRACT, TORT (INCLUDING NEGLIGENCE) OR STRICT LIABILITY INCLUDING, BUT NOT LIMITED TO, LOSS OF USE OF OR UNDER-UTILIZATION OF LABOR OR FACILITIES, LOSS OF REVENUE OR ANTICIPATED PROFITS, COST OF REPLACEMENT POWER OR CLAIMS FROM CUSTOMERS, RESULTING FROM A PARTY'S PERFORMANCE OR NONPERFORMANCE OF THE OBLIGATIONS HEREUNDER, OR IN THE EVENT OF SUSPENSION OR TERMINATION OF THE 2014 LLR AGREEMENT.

4. LIMITATION ON SERVICE TERRITORY – The Parties agree that funding shall only be for projects in a Participating Utility's service territory, with energy savings and demand reduction claims applicable solely to Participating Utilities' utility system. No funding shall be given for any electric efficiency projects that do not directly receive electricity service from SCE or PG&E or any gas efficiency projects that do not take gas service from SCG or PG&E. Nothing in this Section 6 is intended to preclude Program coordination with other municipal utilities.

5. OWNERSHIP OF DEVELOPMENTS

The Parties acknowledge and agree that the Participating Utilities, on behalf of their respective customers, shall own all data, reports, information, manuals, computer programs, works of authorship, designs or improvements of equipment, tools or processes (collectively

“Developments”) or other written, recorded, photographic or visual materials, or other deliverables produced in the performance of the 2014 LLR Agreement; provided, however, that Developments do not include equipment or infrastructure purchased for research, development, education or demonstration related to energy efficiency. Although Santa Barbara County shall retain no ownership, interest, or title in the Developments except as may otherwise be provided in the 2014 LLR Agreement, it will have a permanent, royalty free, non-exclusive license to use such Developments, subject to the confidentiality obligations of the 2014 LLR Agreement.

6. RIGHT OF PARTICIPATING UTILITY

SoCalGas funding transferred to Santa Barbara County for the use of operating a Loan Loss Reserve is the property of the Participating Utilities. CoastHills shall report to Santa Barbara County any breach of the 2014 LLR Agreement. Participating Utilities shall have the right to (i) bring an action against CoastHills for a breach of the 2014 LLR Agreement that causes a reduction in the amount of funds otherwise available for return to SoCalGas; and (ii) file a claim in any bankruptcy proceedings to recover funds that would otherwise be returned to SoCalGas under the 2014 LLR Agreement. Any action brought to enforce or interpret the 2014 LLR Agreement shall be filed in Los Angeles County, California.

7. CUSTOMER COMPLAINT RESOLUTION PROCESS

The Parties shall develop and implement a process for the management and resolution of customer complaints in an expedited manner including, but not limited to: (a) ensuring adequate levels of professional customer service staff; (b) direct access of customer complaints to supervisory and/or management personnel; (c) documenting each customer complaint upon receipt; and (d) directing any customer complaint that is not resolved within ten (10) business days of receipt by the Santa Barbara County to SoCalGas.

8. NON-DISCRIMINATION CLAUSE

No Party shall unlawfully discriminate, harass, or allow harassment against any employee or applicant for employment because of sex, race, color, ancestry, religious creed, national origin, physical disability (including HIV and AIDS), mental disability, medical condition (cancer), age (over 40), marital status, and denial of family care leave. Each Party shall ensure that the evaluation and treatment of its employees and applicants for employment are free from such discrimination and harassment, and shall comply with the provisions of the Fair Employment and Housing Act (Government Code Section 12990 (a)-(f) et seq.) and the applicable regulations promulgated thereunder (California Code of Regulations, Title 2, Section 7285 et seq.). The applicable regulations of the Fair Employment and Housing Commission implementing Government Code Section 12990 (a)-(f), set forth in Chapter 5 of Division 4 of Title 2 of the California Code of Regulations, are incorporated into the 2014 LLR Agreement by reference and made a part hereof as if set forth in full.

Each Party represents and warrants that it shall include the substance of the nondiscrimination and compliance provisions of this clause in all subcontracts.

Annex D-3: California Energy Commission/Los Angeles County

Funding Availability

Pursuant to the *California Energy Commission Sub-Recipient Agreement*, by and between Santa Barbara County and the County of Los Angeles (“LAC”), effective as of June 25, 2013 (“LAC Agreement”), Santa Barbara County was awarded funding from the California Energy Commission (“CEC”) through LAC to support implementation of emPowerSBC and provide a Loan Loss Reserve for residential energy improvement financing in an expanded service territory including Santa Barbara County, Ventura County, and San Luis Obispo County. On

_____ Santa Barbara County will make an initial deposit in the amount of \$200,000 into the CEC Santa Barbara County Deposit Account, \$400,000 into the CEC San Luis Obispo County Deposit Account, and \$400,000 into the CEC Ventura County Deposit Account, which must be held in segregated accounts, for a total initial deposit of \$1,000,000.

The CEC Reserve Accounts may be advance-funded by an amount of \$20,000 for each of the three Counties, which will be the reserve for the first \$400,000 in Loans corresponding to each of the three CEC Deposit and Reserve Accounts. These amounts are intended to cover any Loan Loss Amounts that occur before sufficient cash flow has accrued in the respective CEC Reserve Accounts.

Unless extended by amendment to this Agreement, all funds remaining in the CEC Deposit Accounts after March 31, 2017 are to be returned to Santa Barbara County and may not be used to support further Loans.

Eligible Borrowers

Owners of single-family, detached residential properties in Santa Barbara County, San Luis Obispo County and Ventura County.

Eligible Projects

CEC funds may be used to support Loans for the following types of Eligible Projects: energy improvement projects deemed eligible by Energy Upgrade California or other measures that meet CEC eligibility requirements and are deemed eligible by Santa Barbara County. Borrowers may add solar projects deemed eligible by the California Solar Initiative to an eligible energy improvement project but may not be approved for a Loan for a solar project only. All Loans supported by CEC funds must be qualified by Santa Barbara County to meet State Historic Preservation Office requirements prior to Loan pre-qualification. The process by which Eligible Projects are qualified as eligible for a Loan is further described in the 2014 Program Agreement.

Account Structure

Upon the Effective Date, CoastHills shall establish, maintain, and administer a separate CEC Deposit Account, a separate CEC Reserve Account, and a separate CEC Reflow Deposit Account for each of the three Tri-Counties to support Loans for Eligible Projects.

Funding Source Requirements and Regulations

Santa Barbara County agrees to adhere to all Funding Sources requirements and regulations where applicable to the funds made available by and work being performed under this Agreement, including, but not limited to, the requirements and regulations set forth in the sections below and in Annex D-1.

In addition to all DOE requirements set forth in Annex D-1, the following regulations apply to all CEC-funded projects.

Annex D-3.1

CEC General Terms and Conditions for All Contracts Except Interagency Agreements

For the purposes of applying the requirements of these General Terms and Conditions, where applicable to the work undertaken pursuant to this Agreement, the terms “Subawardee” shall refer to Santa Barbara County.

The General Terms and Conditions will be included in the Subrecipient Agreement by reference to the Internet site: <http://www.ols.dgs.ca.gov/Standard Language/default.htm> . Choose “General Terms and Conditions for all Contracts Except Interagency Agreements” (GTC-610), or if this Agreement is with another State Agency, choose “General Terms and Conditions for Interagency Agreements” (GIA-610). The exact terms to be used will be those appearing on the website the date the Subrecipient Agreement is signed by the Subrecipient.

Annex D-3.2

CEC Subaward Special Terms and Conditions

For the purposes of applying the requirements of these Special Terms and Conditions, the term “Subawardee” shall refer to Santa Barbara County. Santa Barbara County is responsible for all requirements listed below, as applicable.

Special Terms and Conditions

1. CONTRACT MANAGEMENT

- A. The Contractor's Project Manager is responsible for the day-to-day project status, decisions, and communications with the Energy Commission's Contract Manager. The Contractor may change its Project Manager by giving written notice to the Energy Commission, but the Energy Commission reserves the right to approve any substitution of the Project Manager.
- B. The Energy Commission may change its Contract Manager at any time by giving written notice to the Contractor. The Energy Commission's Contract Officer will sign the written notice.
- C. Energy Commission staff may work side by side with the Contractor's staff, to the extent and under conditions that may be directed by the Energy Commission's Contract Manager. In this connection, the Energy Commission staff will be given access to all data, working papers, etc., that the Contractor may seek to utilize.
- D. The Contractor will not be permitted to utilize Energy Commission personnel for the performance of services that are the Contractor's responsibility, unless the Energy Commission's Contract Manager agrees to such utilization in writing and an appropriate adjustment in price is made. No charge will be made to the Contractor for the services of Energy Commission employees while performing, coordinating or monitoring functions.

2. STANDARD OF PERFORMANCE

The Contractor shall be responsible in the performance of it and its subawardee and vendor's work under this Agreement for exercising the degree of skill and care required by customarily accepted good professional practices and procedures. Any costs for failure to meet these standards, or otherwise defective services, which require reperformance, as directed by Contract Manager or its designee, shall be borne in total by the Contractor/subawardee/vendor and not the Energy Commission. In the event the Contractor/subawardee/vendor fails to perform in accordance with the above standard, the following will apply. Nothing contained in this section is intended to limit any of the rights or remedies that the Energy Commission may have under law.

- A. The Contractor/subawardee/vendor will reperform, at its own expense, any task that was not performed to the reasonable satisfaction of the Contract Manager. Any work reperfomed pursuant to this paragraph shall be completed within the time limitations originally set forth for the specific task involved. The Contractor/subawardee/vendor shall work any overtime required to meet the deadline for the task at no additional cost to the Energy Commission.

- B. The Energy Commission shall provide a new schedule for the reperformance of any task pursuant to this paragraph in the event that reperformance of a task within the original time limitations is not feasible.
- C. If the Energy Commission directs the Contractor not to reperform a task, the Contract Manager and Contractor shall negotiate a reasonable settlement for satisfactory services rendered. No previous payment shall be considered a waiver of the Energy Commission's right to reimbursement.

3. **PROCUREMENT**

When procuring property and services with funds awarded under this Agreement, the Contractor and subawardees shall follow the following procurement policies and procedures of 10 Code of Federal Regulations (CFR) Part 600: DOE Financial Assistance Regulations (<http://ecfr.gpoaccess.gov>), which are incorporated by reference in Exhibit E:

- A. State governments shall follow the same policies and procedures they use for procurements from their non-Federal funds.
- B. Local governments shall follow 10 CFR Section 600.236(b) through (i). For purposes of this Agreement, the Energy Commission has approved the use of the subcontractors specifically named in Section 4 below without requiring competitive solicitation. Procurement for all other services or goods shall be consistent with the requirements for competitive bid as provided in 10 CFR Section 600.236(b) through (i).
- C. Institutions of higher education, hospitals, and other nonprofit organizations shall follow 10 CFR Sections 600.140 through 600.149.
- D. For-profit organizations shall follow 10 CFR Section 600.331.

4. **SUBAWARDS**

The Contractor shall enter into agreements with the following firms and/or individuals, and shall manage their performance.

Vanir Construction Management, Inc.
Bevilacqua-Knight, Inc. – Small business – 19382

- A. Nothing contained in this Agreement or otherwise, shall create any contractual relationship between the Energy Commission and any subawardees or vendors, and no subaward shall relieve the Contractor of its responsibilities and obligations under this Agreement. The Contractor agrees to be as fully responsible to the Energy Commission for the acts and omissions of its subawardees or vendors and/or persons either directly or indirectly employed by any of them as it is for the

acts and omissions of persons directly employed by the Contractor. The Contractor's obligation to pay its subawardees or vendors is an independent obligation from the Energy Commission's obligation to make payments to the Contractor. As a result, the Energy Commission shall have no obligation to pay or to enforce the payment of any monies to any subawardee or vendor.

B. The Contractor shall be responsible for establishing and maintaining contractual agreements with and the reimbursement of each of the subawardees or vendors for work performed in accordance with the terms of this Agreement. The Contractor shall be responsible for: (1) scheduling and assigning subawardees or vendors to specific tasks in the manner described in this Agreement; (2) coordinating subawardee or vendor accessibility to Energy Commission staff; and (3) submitting completed products to the Contract Manager.

C. Required Subaward Provisions

All subawards shall contain the following:

- 1) The provisions of Exhibit E. Vendor subawards shall only contain the provisions in Attachment 7 of Exhibit E (Exhibit E Vendor Flow-Down Provisions).
- 2) The provisions required by 10 CFR Section 600.236(i).
- 3) The "Recordkeeping and Inspection of Records" paragraph of this Exhibit (Exhibit D).
- 4) A provision that further assignments shall not be made to any third or subsequent tier subawardee without additional written consent of the Contract Manager.
- 5) The confidentiality provisions in the "Reports" paragraph of this Exhibit (Exhibit D).
- 6) The audit rights, indemnification, and non-discrimination provisions stated in the General Terms and Conditions (Exhibit C);
- 7) If applicable, a provision that directs subawardees to submit copies of executed subawards and applicable prevailing wage determinations to the Contract Manager, pursuant to the "Subaward Documentation" paragraph of this Exhibit (Exhibit D).
- 8) If applicable, a provision that the Energy Commission must approve of executed subawards and prevailing wage determinations prior to the

commencement of any work under a subaward, pursuant to the "Subaward Documentation" paragraph of this Exhibit (Exhibit D).

D. Prevailing Wages

- 1) The Contractor must ensure that any subawardees or vendors under this Agreement are paid in compliance with federal prevailing wage law as provided in Paragraph 2.M of Exhibit E ("Davis-Bacon Act and Contract Work Hours and Safety Standards Act"), and with state prevailing wage law as provided below. When advertising for a public contract opportunity, the Contractor and its subawardees or vendors must attach the applicable wage determinations to the solicitation, assistance agreement, and resulting contract or grant.
- 2) The Contractor agrees to pay not less than the specified general prevailing wage rates to all workers employed in the execution of the contract subject to the requirements of California Labor Code Section 1770 et seq. The Contractor is responsible for ascertaining and complying with all current general prevailing wage requirements and rates for crafts and any rate changes that occur during the life of the contract. Information on all prevailing wage rates and all rate changes are to be posted at the job site for all workers to view. The Contractor is further responsible to keep accurate payroll records and comply with all other administrative requirements provided in the California Labor Code.
- 3) The Energy Commission is directed to include the provisions regarding prevailing wage in this Exhibit D and in Exhibit E by the terms of the federal award. However, as provided in the Scope of Work in Exhibit A, no funds under this Agreement are used to fund or subsidize activities or other work considered to be labor or construction within the meaning of Section 1606 of ARRA. Therefore, it is acknowledged that Contractor and its subawardees or vendors do not need to apply these prevailing wage provisions to their activities funded by this Agreement. This exemption from the Davis-Bacon Act is limited to this Agreement due to the particular Scope of Work in this Agreement; Contractor may be subject to federal or state wage requirements according to the law applicable to other funds used for such labor or construction.

E. Subaward Documentation

- 1) Subawards and Prevailing Wage Determinations
 - (a) The Contractor must submit the following to the Contract Manager within thirty (30) days or less of execution of any subaward under this Agreement:

- (1) The complete, executed subaward; and
- (2) The applicable wage determinations for all labor and mechanic work to be performed under the subaward.

The Energy Commission must approve the executed subaward and applicable wage determinations prior to the commencement of any work under the subaward. Execution of this Agreement does not constitute the Energy Commission's approval of prevailing wage rates identified by the Contractor prior to execution of the Agreement. The Energy Commission will review executed subawards and prevailing wage determinations after this Agreement has been approved and executed. Installation costs incurred by the Contractor prior to the Energy Commission's approval of the subaward and wage determinations are not reimbursable under this Agreement.

- (b) The Contractor must include provisions in all subawards that:
 - (1) Direct its subawardees to submit copies of executed subawards and applicable wage determinations to the Contract Manager; and
 - (2) State that the Energy Commission must approve the executed subawards and applicable wage determinations prior to the commencement of any work under the subaward.
- (c) The requirements specified in (a) and (b) above apply to subawards funded in whole or in part with cost share funds, where the purpose of such subawards is to carry out or support any portion of this Agreement.

2) Certified Payrolls

The Contractor must submit to the Energy Commission on a weekly basis a copy of all certified payrolls prepared in accordance with 29 CFR Section 5.5 (a)(3)(ii) for all subawardees that are subject to the Davis-Bacon Act. See Paragraph 2.M of Exhibit E, "Davis-Bacon Act and Contract Work Hours and Safety Standards Act."

3) Solicitations and Proposals/Bids

The Contractor shall maintain the following subaward documentation and provide it to the Contract Manager or Contract Officer, upon request:

- (a) All solicitations for services or products required to carry out the terms of this Agreement.
- (b) Copies of solicitation proposals or bids received.

(c) *If the Contractor is a local government that has issued a noncompetitive proposal, justification and cost analysis for noncompetitive proposals in accordance with 10 CFR Section 600.236(d)(4) specifying why competitive procurement was infeasible and which of the following circumstances applies:*

- (1) The item is available only from a single source;
- (2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- (3) The U.S. Department of Energy authorizes noncompetitive proposals; or
- (4) After solicitation of a number of sources, competition is determined inadequate.

F. Assignment of Subawards

The Contractor shall not allow any subawardees or vendors to assign any portion of a subaward related to this Agreement to a third party or subsequent tier subawardees or vendors without first obtaining the written consent of the Contract Manager and following the procedures below in the "Process for Additions, Removal or Substitutions of Subawardees or Vendors" paragraph of this Exhibit.

G. Bureau of State Audits

All subawards entered into pursuant to this Agreement shall be subject to examination and audit by the Bureau of State Audits for a period of three (3) years after final payment under the Agreement.

H. Notification of Subaward Termination

Upon the termination of any subaward, the Contractor shall notify the Contract Manager and Contract Officer immediately in writing.

I. Process for Offering Work; Process for Adding or Substituting People Listed in the Agreement

If the Energy Commission or Contractor requires the replacement or substitution of a person listed in the Agreement to provide a particular service, or requires that a new person is added, the Contractor shall:

- 1) First offer the work to qualified persons already listed in this Agreement (either an employee of the Contractor or a subawardee or vendor).
- 2) If there is no available person listed in this Agreement who can perform the work, then the Contractor shall provide documentation from all the persons who were offered and declined the work to the Contract Manager. Then, the Contractor may request to add a new person to the Agreement. A person

added to the Agreement is thereafter treated as a person listed in this Agreement and can be offered future work without first offering it to originally listed people.

- 3) If the person added is an employee of the Contractor or an existing subawardee or vendor, the Contractor shall provide the added employee's pay rate, classification and resume to the Contract Manager, and the Contract Manager may approve the new person and rate. The Contract Manager approval is only valid if made in writing. In addition, any added person must fit within a classification and corresponding rate already listed in the Agreement. Adding classifications and/or higher rates requires a formal amendment and cannot be accomplished through this process.
- 4) If the person to be replaced or substituted was identified in the Agreement as a Disabled Veteran Business Enterprise (DVBE) firm, refer to the "Disabled Veteran Business Enterprise (DVBE) Requirements" paragraph below for changes to DVBEs.
- 5) If the person added is a new subawardee or vendor, the Contractor shall use the process outlined below.

J. Process for Additions, Removal or Substitutions of Subawardees or Vendors

The Energy Commission reserves the right to replace a subawardee or vendor, request additional subawardees or vendors, and approve additional subawardees or vendors requested by the Contractor. Such changes shall be subject to the following conditions:

- 1) If the Energy Commission or Contractor requires the replacement, substitution or addition of a subawardee or vendor, the subawardee or vendor shall be selected using either: (a) A competitive bid process with written evaluation criteria by obtaining three (3) or more bids and advertising the work to a suitable pool of subawardees or vendors including without limitation: California Contracts Register; the Contractor's mailing lists; mass media; professional papers or journals; posting on websites; and telephone or email solicitations; or (b) Non-competitive bid (sole source) process with a specific subawardee or vendor.
- 2) The Contractor may also need to comply with Disabled Veteran Business Enterprise requirements for the proposed subawardees or vendors.
- 3) When a subawardee or vendor is proposed to be added, under either a competitive or non-competitive process, the Contract Manager shall complete and submit to the Contracts Officer a "Subawardee or Vendor Add" form. This form identifies the new subawardee or vendor, resumes, what bidding method was used to obtain the subawardee or vendor (competitive or non-competitive), and rates. The proposed subaward can be executed

only after the Contract Officer approves the "Subawardee or Vendor Add" form.

K. Separation of Duties from Monitoring, Verification, and Evaluation Contractor

The Energy Commission has retained KEMA Inc. to serve as the monitoring, verification, and evaluation (MV&E) contractor for all of the Energy Commission's ARRA-funded projects, including projects funded through contracts, grants, or loans under the State Energy Program, the Energy Efficiency and Conservation Block Grant Program, the State Energy Efficient Appliance Rebate Program, and the Energy Assurance Planning Program. In order to achieve the Energy Commission's policy requiring separation of duties between the MV&E contractor and any projects that it evaluates, the Contractor is prohibited from including KEMA Inc. or its subsidiary known as KEMA Services Inc. as a participant in this project, where KEMA Inc. or KEMA Services Inc. are paid either from funds of this Agreement as a subawardee or from other funds the Contractor has included as cost share to achieve the objectives of this Agreement.

5. **DISABLED VETERAN BUSINESS ENTERPRISE (DVBE) REQUIREMENTS**

A. Reporting

If the Contractor made a commitment to achieve DVBE participation for this Agreement, the Contractor must within sixty (60) days of receiving final payment under this Agreement, certify in a report to the Contract Officer: (1) the total amount the Contractor received under this Agreement; (2) the name and address of the DVBE(s) that participated in the performance of the Agreement; (3) the amount each DVBE received from the Contractor; (4) that all payments under the Agreement have been made to the DVBE(s); and (5) the actual percentage of DVBE participation that was achieved. Pursuant to California Military and Veterans Code Section 999.5(d), a person or entity that knowingly provides false information shall be subject to a civil penalty for each violation.

B. Substitution of DVBE

The Contractor shall use each DVBE identified in its proposal or listed in this Agreement. The Contractor understands and agrees that if DVBEs were identified in its proposal or listed in this Agreement, award of this Agreement is based in part on its commitment to use the DVBE subcontractor(s). If the Contractor believes an identified DVBE must be replaced or substituted, the Contractor shall inform the Contract Manager and Contract Officer in writing of the reason for the DVBE replacement. Pursuant to California Military and Veterans Code Section 999.5 (e), a DVBE subcontractor may only be replaced by another DVBE subcontractor and must be approved by the Department of General Services. The Contractor shall complete revised DVBE certification forms (provided by the Contract Officer) identifying the new DVBE.

C. Amendment

This Agreement shall be amended if: a DVBE must be substituted and DGS has given approval; or there are changes to the scope of work that impact the DVBE subcontractor(s) identified in the proposal or listed in this Agreement.

D. Grounds for Termination; Damages; Penalties

Failure of the Contractor to seek substitution and adhere to the DVBE participation level identified in the proposal or listed in this Agreement may be cause for: (1) termination of this Agreement; (2) recovery of damages under rights and remedies due to the State; and (3) penalties as outlined in California Military and Veterans Code Section 999.9 and California Public Contract Code Section 10115.10.

6. **RECORDKEEPING AND INSPECTION OF RECORDS**

The Contractor shall retain backup source documentation for audit purposes, and make the documentation available to the Energy Commission and the Federal government upon request. In accordance with 10 CFR Part 600, the Contractor's accounting records must be supported by documentation that includes but is not limited to cancelled checks, paid bills, payrolls, time and attendance records, and contract and subgrant award documents. Pursuant to 10 CFR Section 600.242, the Contractor agrees to maintain records that directly pertain to, and involve transactions relating to, this Agreement for possible audit for a minimum of three (3) years after final payment, unless a longer period of records retention is stipulated. The Contractor shall include appropriate provisions in each of its subawards to secure adequate backup documentation to verify all subawardee and vendor services and expenses invoiced for payment under this Agreement.

In accordance with Sections 902, 1514 and 1515 of the American Recovery and Reinvestment Act of 2009 (ARRA), the Contractor agrees that it shall permit the State of California, the United States Comptroller General or his representative, or the appropriate Inspector General appointed under Section 3 or 8G of the United States Inspector General Act of 1978 or his representative to: (1) examine any records that directly pertain to, and involve transactions relating to, this Agreement; and (2) interview any officer or employee of the Contractor or any of its subawardees or vendors regarding the activities funded with funds appropriated or otherwise made available by ARRA. The Contractor shall include this provision in all of its agreements with its subawardees, and vendors from whom it acquires goods or services in its execution of ARRA-funded work.

7. **DISCRIMINATION AND HARASSMENT TRAINING**

All employees of the Contractor, subawardees, and vendors who provide services under this Agreement and maintain work space at the Energy Commission shall take annual

training on the prevention of discrimination and harassment. The Energy Commission shall provide the online training course at no charge to the Contractor, subawardees, and vendors. However, the Contractor, subawardees, and vendors shall not invoice for the time spent taking the course. The Contractor shall ensure that all employees of the Contractor and any subawardee or vendor who provide service under this Agreement and represent the Energy Commission in public hearings and workshops, but do not maintain office space at the Energy Commission, receive training on the prevention of discrimination and harassment.

8. **PERFORMANCE EVALUATION**

Consistent with California Public Contract Code Sections 10367 through 10371, the Energy Commission shall, upon completion of this Agreement, prepare a performance evaluation of the Contractor. Upon filing an unsatisfactory evaluation with the Department of General Services, Office of Legal Services (DGS) the Energy Commission shall notify and send a copy of the evaluation to the Contractor within fifteen (15) days. The Contractor shall have thirty (30) days to prepare and send statements to the Energy Commission and DGS defending its performance. The Contractor's statement shall be filed with the evaluation in the Energy Commission's Contract file and with DGS for a period of thirty-six (36) months and shall not be a public record.

9. **REPORTS**

A. **Federal Reporting Requirements:** The Contractor shall submit progress reports to the Energy Commission in accordance with Exhibits A and E.

B. **Additional Reporting Requirements:**

1) **Progress and Final Reports:** The Contractor shall prepare progress reports summarizing all activities conducted by the Contractor to date on a schedule as provided in Exhibit A. At the conclusion of this Agreement, the Contractor shall prepare a comprehensive Final Report, on a schedule as provided in Exhibit A.

2) **Title:** The Contractor's name shall only appear on the cover and title page of reports as follows:

California Energy Commission
Project Title
Contractor Number
By (Contractor)

3) **Ownership:** Each report shall become the property of the Energy Commission.

- 4) **Non-disclosure:** The Contractor will not disclose data or disseminate the contents of the final or any progress report without written permission of the Contract Manager, except as provided in 6, below. Permission to disclose information on one occasion or at public hearings held by the Energy Commission relating to the same shall not authorize the Contractor to further disclose and disseminate the information on any other occasion. The Contractor will not comment publicly to the press or any other media regarding its report, or the Commission's actions on the same, except to Commission staff, the Contractor's own personnel involved in the performance of this Contract, or at a public hearing, or in response to questions from a legislative committee. Notwithstanding the foregoing, in the event any public statement is made by the Energy Commission or any other party, based on information received from the Energy Commission as to the role of the Contractor or the content of any preliminary or final report, the Contractor may, if it believes the statement to be incorrect, state publicly what it believes is correct.
- 5) **Confidentiality:** Neither the Contractor, its employees, or any tier of subawardees may disclose any record that has been designated as confidential or is the subject of a pending application of confidentiality, except as provided in 20 California Code of Regulations (CCR), Sections 2506 and 2507, unless disclosure is ordered by a court of competent jurisdiction (20 CCR Sections 2501, et seq.). At the election of the Contract Manager, the Contractor, the Contractor's employees, and any subawardee shall execute a "Confidentiality Agreement," supplied by the Contract Manager or Contract Officer. Each subaward shall contain provisions similar to the foregoing related to the confidentiality and nondisclosure of data.
- 6) **Disclosure:** Ninety (90) days after any document submitted by the Contractor is deemed by the Contract Manager to be a part of the public records of the State, the Contractor may, if it wishes to do so at its own expense, publish or utilize a report or written document but shall include the following acknowledgement and disclaimer:

"This material is based upon work supported by the California Energy Commission and the U.S. Department of Energy under Award Number(s) DE-EE0000905."

Disclaimer: "This report was prepared as an account of work sponsored by an agency of the United States Government. Neither the California Energy Commission, the United States Government, nor any agency thereof, nor any employees, makes any warranty, express or implied, or assumes any legal liability or responsibility for the accuracy, completeness, or usefulness of any information,

apparatus, product, or process disclosed, or represents that its use would not infringe privately owned rights. Reference herein to any specific commercial product, process, or service by trade name, trademark, manufacturer, or otherwise does not necessarily constitute or imply its endorsement, recommendation, or favoring by the California Energy Commission, the United States Government, or any agency thereof. The views and opinions of authors expressed herein do not necessarily state or reflect those of the California Energy Commission, the United States Government, or any agency thereof.”

10. **PURCHASE OF EQUIPMENT**

- A. Equipment identified in this Agreement is approved for purchase.
- B. Equipment not identified in this Agreement shall be subject to prior written approval from the Contract Manager.
- C. All equipment purchased with Federal funds shall be subject to the provisions of Title 10 CFR Part 600.
- D. All equipment purchased with Energy Commission funds shall be subject to the following terms and conditions:
 - 1) Title to all non-expendable equipment purchased in whole or in part with Energy Commission funds shall remain with the Commission. Non-expendable equipment is defined in accordance with Section 7.29 of the State Contract Manual as items of equipment that have a normal life expectancy of one year or more and an approximate unit price of \$5,000 or more.
 - 2) The Contractor shall maintain an inventory record of each piece of non-expendable equipment purchased or built with Energy Commission funds. The inventory record shall include the date the equipment was acquired, total cost, serial number, model identification, and any other information or description necessary to identify the equipment.
 - 3) The Contractor shall assume all risk for maintenance, repair, destruction and damage to equipment while in the Contractor’s possession or subject to its control. The Contractor is not expected to repair or replace equipment that is intended to undergo significant modification or testing to the point of damage/destruction as part of the work described in Exhibit A, Scope of Work.
- E. Upon termination or completion of this Agreement, the Energy Commission’s Executive Director may:

- 1) Authorize the continued use of such equipment.
- 2) By mutual agreement with the Contractor, allow the Contractor to purchase equipment for an amount not to exceed the residual value of the equipment as of the date of termination or completion of this Agreement.
- 3) Request delivery of the equipment to the Energy Commission, with any costs incurred for such return to be borne by the Energy Commission.

11. **INTELLECTUAL PROPERTY RIGHTS OF PARTIES**

If intellectual property will be used or developed under this Agreement, the following provisions apply.

- A. Exhibit E, Attachment 5 contains the intellectual property rights between the Energy Commission and the U.S. Department of Energy (DOE), which has funded this Agreement.
- B. The Contractor shall obtain the same rights for the Energy Commission and DOE from all subawardees, vendors, and others who produce copyrightable material, data, works of art, works of fine art or subject inventions under this Agreement. The Contractor shall incorporate these paragraphs, modified appropriately, into its agreements with subawardees and vendors. No subaward shall be entered into without these rights being assured to the Energy Commission and DOE from the subawardee or vendor.
- C. Rights to DOE
 - 1) The Contractor grants to DOE for all copyrightable work a royalty-free, nonexclusive and irrevocable right to reproduce, publish or otherwise use the work for Federal purposes, and to authorize others to do so.
 - 2) The Contractor acknowledges and agrees that DOE has the right to:
 - (a) Obtain, reproduce, publish or otherwise use the data first produced under the Agreement; and
 - (b) Authorize others to receive, reproduce, publish, or otherwise use such data for Federal purposes.
- D. Rights to Energy Commission
 - 1) The Contractor grants to the Energy Commission for all copyrightable material, work of art and original work of authorship first produced, composed or authored in the performance of this Agreement a royalty-free, paid-up, non-exclusive, irrevocable, nontransferable, worldwide license to produce, translate, publish, use, dispose of, reproduce, prepare derivative works based on, distribute copies of,

publicly perform, or publicly display a work of art or fine art, and to authorize others to produce, translate, publish, use, dispose of, reproduce, prepare derivative works based on, distribute copies of, publicly perform, or publicly display a work of art or fine art.

- 2) The Contractor grants to the Energy Commission a no-cost, nonexclusive, nontransferable, irrevocable license to use or have practiced for or on behalf of the State of California for governmental purposes any subject invention(s) first produced in the performance of this Agreement.
 - 3) The Contractor grants to the Energy Commission the no-cost use of any technical data first produced or specifically used in the performance of this Agreement.
 - 4) The Contractor grants to the Energy Commission, for all marks developed and first used under this Agreement, a no-cost, irrevocable license to use the marks for purposes of furthering programs funded under this Agreement or other related or successor programs implemented by the Energy Commission. For purposes of this paragraph, "marks" include logos, symbols, service marks, trademarks, registered marks, or other indicia of origin, whether or not registered.
- E. "Data" as used in this Agreement means recorded information, regardless of form or characteristic, of a scientific or technical nature. It may, for example, document research or experimental, developmental or engineering work, or be usable or be used to define a design or process, or to support a premise or conclusion asserted in any deliverable document required by this Agreement. The data may be graphic or pictorial delineations in media, such as drawings or photographs, data or information, etc. It may be in machine form, such as punched cards, magnetic tape or computer printouts, or may be retained in computer memory.
- F. "Deliverable data" is that data which, under the terms of this Agreement, is required to be delivered to the Energy Commission and shall belong to the Energy Commission.
- G. "Proprietary data" is such data as the Contractor has identified in a satisfactory manner as being under the Contractor's control prior to commencement of performance of this Agreement, and which the Contractor has reasonably demonstrated as being of a proprietary nature either by reason of copyright, patent or trade secret doctrines in full force and effect at the time when performance of this Contract is commenced. The title to "proprietary data" shall remain with the Contractor throughout the term of this Agreement and thereafter. The extent of the Energy Commission access to, and the testimony available regarding, the proprietary data shall be limited to that reasonably necessary to

demonstrate, in a scientific manner to the satisfaction of scientific persons, the validity of any premise, postulate or conclusion referred to or expressed in any deliverable for this Agreement.

- H. "Generated data" is that data, which a Contractor has collected, collated, recorded, deduced, read out or postulated for utilization in the performance of this Agreement. Any electronic data processing program, model or software system developed or substantially modified by the Contractor in the performance of this Agreement at the Energy Commission's expense, together with complete documentation thereof, shall be treated in the same manner as "generated data." "Generated data" shall be the property of the Energy Commission, unless and only to the extent that it is specifically provided otherwise in this Agreement.
- I. As to "generated data" which is reserved to the Contractor by the express terms hereof, and as to any pre-existing or "proprietary data" which has been utilized to support any premise, postulate or conclusion referred to or expressed in any deliverable hereunder, the Contractor shall preserve the same in a form which may be introduced as evidence in a court of law at the Contractor's own expense for a period of not less than three (3) years after receipt by the Energy Commission of the Final Report herein.
- J. Before the expiration of the three (3) years, and before changing the form of or destroying any data, the Contractor shall notify the Energy Commission of any contemplated action and the Energy Commission may, within thirty (30) days after notification, determine whether it desires the data to be preserved. If the Energy Commission so elects, the expense of further preserving data shall be paid for by the Energy Commission. The Contractor agrees that the Energy Commission may at its own expense, have reasonable access to data throughout the time during which data is preserved. The Contractor agrees to use its best efforts to furnish competent witnesses or to identify competent witnesses to testify in any court of law regarding data.
- K. The Contractor agrees that it shall not use or allow subcontractors or other third parties to use any deliverable or generated data owned by the Energy Commission and in the possession or control of the Contractor, subcontractor, or third party after termination of this Agreement. Neither the Contractor, subcontractors, nor other third parties have a license to use the data after termination of this Agreement. The Contractor, subcontractor, and other third parties may use the data to the same extent as other members of the public if the Energy Commission makes the data publicly available after termination of this Agreement.
- L. The Contractor agrees that it shall return all deliverable and generated data owned by the Energy Commission to the Commission within thirty (30) days of termination of this Agreement, including any backup copies of the data. The Contractor shall destroy the data if its return is infeasible. "Destroy" means to

physically or electronically eliminate or ruin the data beyond all possible recovery.

Destruction of the data is subject to the Energy Commission's approval. The Contractor must provide the Contract Manger written notice of its intent to destroy any deliverable or generated data owned by the Energy Commission within fifteen (15) days of termination of this Agreement. The notice of intent must identify the data and specify the reason that its return is infeasible. The Contract Manager will notify the Contractor of the Energy Commission's decision regarding destruction of the data within thirty (30) days of receipt of the notice of intent. The Contractor shall provide the Contract Manager with a written certification of destruction within five (5) days of destruction of the data.

The Contractor agrees to indemnify the Energy Commission in the event of breach of its agreement not to use the data and to destroy data for which return is infeasible.

M.

12. **PUBLIC HEARINGS**

If public hearings on the scope of work are held during the period of this Agreement, the Contractor will make available to testify the personnel assigned to this Agreement. The Energy Commission will reimburse the Contractor for compensation and travel of the personnel at the Agreement rates for the testimony that the Energy Commission requests.

13. **DISPUTES**

In the event of a Contract dispute or grievance between the Contractor and the Energy Commission, both parties shall follow the following procedure. The Contractor shall continue with the responsibilities under this Agreement during any dispute.

A. Commission Dispute Resolution

The Contractor shall first discuss the problem informally with the Contract Manager. If the problem cannot be resolved at this stage, the Contractor must direct the grievance together with any evidence, in writing, to the Contracts Officer. The grievance must state the issues in the dispute, the legal authority or other basis for the Contractor's position, and the remedy sought. The Contracts Officer and the Program Office Manager must make a determination on the problem within ten (10) working days after receipt of the written communication from the Contractor. The Contracts Officer shall respond in writing to the Contractor, indicating a decision and explanation for the decision. Should the Contractor disagree with the Contracts Officer's decision, the Contractor may appeal to the Executive Director.

The Contractor must prepare a letter indicating why the Contracts Officer's decision is unacceptable, attaching to it the Contractor's original statement of the dispute with supporting documents, along with a copy of the Contracts Officer's response. This letter shall be sent to the Energy Commission's Executive Director within ten (10) working days from receipt of the Contracts Officer's decision. The Executive Director or designee shall meet with the Contractor to review the issues raised. A written decision signed by the Executive Director or designee shall be returned to the Contractor within twenty (20) working days of receipt of the Contractor's letter. The Executive Director may inform the Energy Commission of the decision at an Energy Commission business meeting. Should the Contractor disagree with the Executive Director's decision, the Contractor may appeal to the Energy Commission at a regularly scheduled business meeting. The Contractor will be provided with the current procedures for placing the appeal on an Energy Commission Business Meeting Agenda.

B. Binding Arbitration by Mutual Agreement

Should the Energy Commission's Dispute Resolution procedure above fail to resolve a contract dispute or grievance to the satisfaction of the Contractor, the Contractor and Energy Commission mutually may elect to have the dispute or grievance resolved through binding arbitration. If one party does not agree, the matter shall not be submitted to arbitration.

The arbitration proceeding shall take place in Sacramento County, California, and shall be governed by the commercial arbitration rules of the American Arbitration Association (AAA) in effect on the date the arbitration is initiated. The dispute or grievance shall be resolved by one (1) arbitrator who is an expert in the particular field of the dispute or grievance. The arbitrator shall be selected in accordance with the aforementioned commercial arbitration rules.

If arbitration is mutually decided by the parties, arbitration is in lieu of any court action and the decision rendered by the arbitrator shall be final (not appealable to a court through the civil process). However, judgment may be entered upon the arbitrator's decision and is enforceable in accordance with the applicable law in any court having jurisdiction over this Agreement. The demand for arbitration shall be made no later six (6) months after the date of the contract's termination, despite when the dispute or grievance arose, and despite the applicable statute of limitations for a suit based on the dispute or grievance. If the parties do not mutually agree to arbitration, the parties agree that the sole forum to resolve a dispute is state court.

The cost of arbitration shall be borne by the parties as follows:

- 1) The AAA's administrative fees shall be borne equally by the parties;

- 2) The expense of a stenographer shall be borne by the party requesting a stenographic record;
- 3) Witness expenses for either side shall be paid by the party producing the witness;
- 4) Each party shall bear the cost of its own travel expenses;
- 5) All other expenses shall be borne equally by the parties, unless the arbitrator apportions or assesses the expenses otherwise as part of his or her award.

At the option of the parties, any or all of these arbitration costs may be deducted from any balance of funds from this Agreement. Both parties must agree, in writing, to utilize funds from this Agreement to pay for arbitration costs.

14. **TERMINATION**

The parties agree that because the Energy Commission is a state entity, it must be able to immediately terminate the Agreement upon the default of Contractors, and to proceed with the work required under the Agreement in any manner the Energy Commission deems proper. The Contractor specifically acknowledges that the Energy Commission's unilateral termination of the Agreement under the terms set forth below is an essential term of the Agreement, without which the Energy Commission would not enter into the Agreement. The Contractor further agrees that upon any of the events triggering the unilateral termination of the Agreement by the Energy Commission, the Energy Commission has the sole right to terminate the Agreement, and it would constitute bad faith of the Contractor to interfere with the immediate termination of the Agreement by the Energy Commission.

This Agreement may be terminated for any reason set forth below.

A. With Cause

In the event of any breach by the Contractor of the conditions set forth in this Agreement, the Energy Commission may, without prejudice to any of its legal remedies, terminate this Agreement for cause upon five (5) days written notice to the Contractor. In such event, the Energy Commission shall pay the Contractor only the reasonable value of the services rendered by the Contractor prior to termination, as may be agreed upon by the parties or determined by a court of law, but not in excess of the contract maximum payable. "Cause" includes without limitation:

- 1) Failure to perform or breach of any of the terms or covenants at the time and in the manner provided in this Agreement;

- 2) Inability of the Contractor to pay its debts as they become due and/or the Contractor's default of an obligation that impacts its ability to perform under this Agreement;
- 3) Determination by the Energy Commission or the Executive Director after notice and hearing that the Contractor or any agent or representative of the Contractor offered or gave gratuities to any officer or employee of the Energy Commission, with a view toward securing an Agreement or securing favorable treatment with respect to awarding, amending or making a determination with respect to performance of the Agreement;
- 4) Significant change in Energy Commission policy such that the work or product being funded would not be supported by the Energy Commission;
- 5) Reorganization to a business entity unsatisfactory to the Energy Commission; and
- 6) The retention or hiring of subawardees/vendors, or the replacement or addition of personnel, that fail to perform to the standards and requirements of this Agreement.

B. Without Cause

The Energy Commission may, at its option, terminate this Agreement without cause in whole or in part, upon giving thirty (30) days advance notice in writing to the Contractor. In such event, the Contractor agrees to use all reasonable efforts to mitigate its expenses and obligations hereunder. Also, in such event, the Energy Commission shall pay the Contractor for all satisfactory services rendered and expenses incurred within thirty (30) days after notice of termination which could not by reasonable efforts of the Contractor have been avoided, but not in excess of the maximum payable under this Agreement.

15. **ENFORCEABILITY**

The Contractor agrees that if it or one of its subawardees or vendors fails to comply with all applicable Federal and State requirements governing the use of ARRA funds, the State may withhold or suspend, in whole or in part, funds awarded under the program, or recover misspent funds following an audit. This provision is in addition to all other remedies available to the State under all applicable Federal and State laws.

16. **WAIVER**

No waiver of any breach of this Agreement shall be held to be a waiver of any other or subsequent breach. All remedies afforded in this Agreement shall be taken and construed as cumulative, meaning in addition to every other remedy provided therein or by law. The failure of the Energy Commission to enforce at any time any of the

provisions of this Agreement, or to require at any time performance by the Contractor of any of the provisions, shall in no way be construed to be a waiver of those provisions, nor in any way affect the validity of this Agreement or any part of it or the right of the Energy Commission to thereafter enforce each and every such provision.

17. **CAPTIONS**

The clause headings appearing in this Agreement have been inserted for the purpose of convenience and ready reference and do not define, limit, or extend the scope or intent of the clauses.

18. **PRIOR DEALINGS, CUSTOM OR TRADE USAGE**

In no event shall any prior course of dealing, custom or trade usage modify, alter, or supplement any of these terms.

19. **NOTICE**

This paragraph applies to situations where notice is required to be given by this Agreement, or the parties are asserting their legal rights and remedies. This paragraph is not intended to apply to normal, daily communication between the parties related to progress of the work.

The parties to the Agreement must give legal notice using U.S. Mail, overnight mail, or personal delivery, providing evidence of receipt to the person identified in Exhibit F of this Agreement for legal notices. Delivery by fax or e-mail is not considered legal notice for the purpose of this paragraph.

Notice shall be effective when received, unless a legal holiday for the State commences on the date of the attempted delivery. In this event, the effective date shall be postponed until the next business day.

20. **STOP WORK**

The Contract Officer may, at any time, by written notice to the Contractor, require the Contractor to stop all or any part of the work tasks in this Agreement. Stop Work Orders may be issued for reasons such as a project exceeding budget, standard of performance, out of scope work, delay in project schedule, and misrepresentations.

- A. Compliance. Upon receipt of such stop work order, the Contractor shall immediately take all necessary steps to comply therewith and to minimize the incurrence of costs allocable to work stopped.
- B. Equitable Adjustment. The Commission shall make an equitable adjustment based upon the Contractor's written request. The Contractor must make such

adjustment request within thirty (30) days from the date of receipt of the stop work notice.

- C. Revoking a Stop Work Order. The Contractor shall resume the stopped work only upon receipt of written instructions from the Energy Commission's Contract Officer canceling the stop work order.

21. **INTERPRETATION OF TERMS**

This Agreement shall be conducted in accordance with these terms and conditions. The Contractor's proposal is not attached, but is expressly incorporated by reference into this Agreement. In the event of conflict or inconsistency between the terms of this Agreement and the solicitation or proposal, this Agreement shall be considered controlling.

22. **AMENDMENTS**

- A. This Agreement may be amended to make changes, including without limitation: additional funds, additional time, additional or modified tasks, and additional or modified terms. Amendments may be made without competitively bidding, so long as the amendment is exempt from competitive bidding pursuant to California Public Contract Code Section 10335, California Government Code Section 11010.5, and the State Contract Manual. Amendments may require prior written approval from DOE.

- B. The Contractor acknowledges that provisions included in this Agreement pursuant to Federal or State law, regulation, or policy are subject to change. The Contractor agrees to comply with any amendments that the Energy Commission makes to this Agreement to comply with Federal or State law, regulation, or policy.

- C. Formal Amendments

Significant changes to this Agreement must be approved at an Energy Commission business meeting through a formal amendment. Significant changes include, but are not limited to:

- 1) Change of the Contractor;
- 2) Changes to Exhibit A that significantly modify the Agreement's purpose;
- 3) Changes to Exhibit A that extend the due dates beyond the term of the Agreement;
- 4) Changes to Exhibit B that increase the amount of the Agreement; and
- 5) Changes to Exhibit B that increase rates or fees.

D. Informal Amendments

The Energy Commission's Contract Manager may approve changes to this Agreement that are not significant, including changes required to comply with Federal or State law, regulation, or policy. These changes shall be documented in a letter of agreement between the Energy Commission's Contracts Officer and the Contractor.

23. **BONDING AND INSURANCE REQUIREMENTS**

- A. The Contractor shall follow its own bonding and insurance requirements relating to bid guarantees, performance bonds, and payment bonds without regard to the dollar value of the subcontract(s) as long as they reflect applicable state and local laws and regulations and are not in conflict with the minimum standards specified in the federal provisions incorporated by reference in Exhibit E, including OMB Circulars.
- B. The Contractor hereby warrants that it carries Worker's Compensation Insurance for all of its employees who will be engaged in the performance of this Agreement, and agrees to furnish to the Contract Manager satisfactory evidence of this insurance at any time the Contract Manager may request.
- C. If the Contractor is self-insured for worker's compensation, it hereby warrants such self-insurance is permissible under the laws of the State of California and agrees to furnish to the Contract Manager satisfactory evidence of this insurance at any time the Contract Manager may request.

24. **CONFIDENTIALITY**

A. Information Considered Confidential

If applicable, all Contractor information considered confidential at the commencement of this Agreement is designated in the Attachment to this Exhibit.

B. Confidential Deliverables: Labeling and Submitting Confidential Information

Prior to the commencement of this Agreement, if applicable, the parties have identified in the Attachment to this Exhibit, specific Confidential Information to be provided as a deliverable. All such confidential deliverables shall be marked, by the Contractor, as "Confidential" on each page of the document containing the Confidential Information and presented in a sealed package to the Commission's Contracts Officer. (Non-confidential deliverables are submitted to the Accounting Office.) All Confidential Information will be contained in the "confidential" volume: no Confidential Information will be in the "public" volume.

C. Submittal of Unanticipated Confidential Information as a Deliverable

The Contractor and the Energy Commission agree that during this Agreement, it is possible that the Contractor may develop additional data or information not originally anticipated as a confidential deliverable. In this case, the Contractor shall follow the procedures for a request for designation of Confidential Information specified in 20 California Code of Regulations (CCR) Section 2505. The Energy Commission's Executive Director makes the determination of confidentiality. Such subsequent determinations may be added to the list of confidential deliverables in the Attachment to this Exhibit.

D. Disclosure of Confidential Information

Disclosure of Confidential Information by the Energy Commission may only be made pursuant to 20 CCR Sections 2506 and 2507. All confidential data, records or deliverables that are legally disclosed by the Contractor or any other entity become public records and are no longer subject to the above confidentiality designation.

25. **CONFLICT OF INTEREST**

- A. The Contractor agrees to continuously review new and upcoming projects in which members of the Contractor's team may be involved for potential conflicts of interest. The Contractor shall inform the Contract Manager as soon as a question arises about whether a potential conflict may exist. The Contract Manager and Energy Commission's Chief Counsel's Office shall determine what constitutes a potential conflict of interest. The Energy Commission reserves the right to redirect work and funding on a project if the Commission's Chief Counsel's Office determines that there is a potential conflict of interest.
- B. The Contractor shall submit an economic interest statement (Fair Political Practices Commission's Form 700) from each employee or subcontractor whom the Energy Commission's Chief Counsel's Office, in consultation with the Contract Manager, determines is a consultant under the Political Reform Act and, thus, subject to the requirements and restrictions of the Act. Such determination will be based on the nature and duration of the work to be performed by the employee or subcontractor. The determination as to who is a consultant under the Political Reform Act shall be requested by the Contract Manager before work by the employee or subcontractor begins. Each employee and subcontractor determined to be a consultant under the Political Reform Act shall be subject to the same disclosure category or categories applicable to the Commission staff who perform the same nature and scope of work as the consultant.
- C. No person, firm, or subsidiary thereof who has been awarded a consulting services contract may submit a bid for, nor be awarded a contract for, the provision of

services, procurement of goods or supplies, or any other related action which is required, suggested, or otherwise deemed appropriate in the end product of the consulting services contract. This does not apply to any person, firm, or subsidiary thereof who is awarded a subcontract of a consulting services contract which amounts to no more than ten (10) percent of the total monetary value of the consulting services contract.

26. **RECOGNITION OF ARRA FUNDING**

The Contractor shall publicly recognize ARRA as a source of funding for project(s) funded under this Agreement. The Contract Manager shall provide the Contractor with instructions on how to publicly recognize ARRA funding.

27. **“ENERGY UPGRADE CALIFORNIA” IDENTITY MARK AND LOGO**

It is important for all ARRA-funded programs administered by the Energy Commission to provide consistent and clear messaging and branding for the State of California’s consumers. A single identifying brand lends authority and reliability to the multiple statewide programs offered by various private and public local, regional, and state entities. The Energy Commission is implementing a statewide branding effort called “Energy Upgrade California”. The branding effort will include development of a statewide ARRA Energy Upgrade California Identity Mark and Logo (Identity Mark/Logo) for use in conjunction with marketing, promotional, and educational materials, and development of a central Energy Upgrade California website portal for purposes of disseminating program information and interconnecting program participants. Energy Upgrade California is being developed in conjunction with the statewide branding efforts of the California Public Utilities Commission.

The Contractor shall participate in the Energy Commission’s statewide branding effort as specified in this section.

A. Identity Mark/Logo

The Contractor shall use the Identity Mark/Logo on all marketing, promotional, and informational materials for programs and projects funded through this Agreement, including any printed or electronic collateral, websites, signage, or clothing.

B. Coordinating Use of Identity Mark/Logo

- 1) The Contractor shall coordinate its required use of the Identity Mark/Logo with the Energy Commission before using the Identity Mark/Logo. This coordination may include the Contractor’s submission of its proposed marketing, promotional, and informational materials and websites to the Energy Commission for its review to ensure the Identity Mark/Logo is

being used appropriately. If the Energy Commission requires the Contractor to submit such materials and websites for its review, the Energy Commission will use its best efforts to approve all proposed uses of the Identity Mark/Logo in an expeditious manner. The Energy Commission may prohibit the Contractor from using the Identity Mark/Logo if any of the proposed uses breach the terms of this Agreement.

- 2) Upon reasonable prior written notice, the Contractor shall provide the Energy Commission unrestricted access to its websites, so the Energy Commission may review the Contractor's use of the Identity Mark/Logo.

C. Authorized Uses

- 1) The Contractor may use, reproduce, display, and publish the Identity Mark/Logo only for purposes of marketing or promoting the ARRA-funded program or project(s) funded through this Agreement. The Contractor may not use the Identity Mark/Logo for other purposes. The Contractor may not use any other Energy Commission mark or logo obtained from the Energy Commission's website, promotional materials, or any other source.
- 2) The Contractor may use, reproduce, and display the Identity Mark/Logo on its website as a link to the Energy Commission's website. The Contractor may not use the Identity Mark/Logo to link to any other website.

D. Unauthorized Uses

- 1) The Contractor may not use the Identity Mark/Logo in a manner that expresses or implies the Energy Commission's endorsement, approval, favoring, or sponsorship of the Contractor or its products, services, or websites. Except to identify itself as a contractor of the Energy Commission, the Contractor may not use the Identity Mark/Logo in a manner that implies the Energy Commission's affiliation with the Contractor or its products, services, or websites.
- 2) The Contractor may not use the Identity Mark/Logo in a manner that suggests the Contractor's products, services, or websites are the Energy Commission's products, services, or websites.
- 3) The Contractor may not use the Identity Mark/Logo in a manner that damages, disparages, or diminishes the Energy Commission or its ARRA-funded programs or projects, including but not limited to uses that could be deemed obscene or that encourage unlawful activities.
- 4) The Contractor may not authorize any other party to use the Identity Mark/Logo.
- 5) The Contractor may not use the Identity Mark/Logo as a feature or design element of any other logo. The Contractor may not use the Identity

Mark/Logo in any trademark, service mark, service name, or other indicia of origin.

- 6) The Contractor may not alter the Identity Mark/Logo in any manner, including proportions, colors, or elements, except as otherwise permitted by the Energy Commission.
- 7) The Contractor may not use the Identity Mark/Logo on any materials in which the Contractor's name, logo, or product name does not also appear.

E. Ownership of Identity Mark/Logo

- 1) As between the Energy Commission and the Contractor, the Energy Commission is the exclusive owner of the Identity Mark/Logo. The Energy Commission retains all rights and title to, and interest in, the Identity Mark/Logo. This Agreement does not transfer to the Contractor the Energy Commission's service marks, copyrights, or other intellectual property interests.
- 2) The Contractor may not register, adopt, or use any corporate name, trade name, trademark, domain name, service mark, certification mark, or other designation that violates the Energy Commission's rights in the Identity Mark/Logo.

28. **SURVIVAL**

Certain Agreement provisions survive the completion or termination of this Agreement for any reason. The provisions include, but are not limited to, the following:

- A. Recordkeeping and Inspection of Records
- B. Purchase of Equipment
- C. Intellectual Property Rights of Parties
- D. Disputes
- E. Confidentiality
- F. Indemnification (applicable only to Contractors other than state agencies; see state provisions incorporated by reference in Exhibit C)

Annex D – 4: Assigning Eligible Projects to Appropriate Funding Source

A Loan for an Eligible Project may only be funded by one Funding Source. In order to use the available funds provided by Funding Sources as effectively as possible, this Annex D-4 provides a determination process by which to assign Loans for Eligible Projects to the appropriate Funding Source and corresponding Reserve Account. Therefore, an Eligible Project (described in Annex C and Annex D) will trigger a transfer from the appropriate Funding Source Deposit Account to the corresponding Reserve Account as follows:

- (a) If the Eligible Project meets the criteria set forth in Annex D-2, the Loan for the Eligible Project will be funded by the funds made available by SoCalGas, and trigger transfer from the appropriate SoCalGas Deposit Account to the corresponding SoCalGas Reserve Account.
- (b) If the Eligible Project does not meet the criteria set forth in Annex D-2, but does meet the criteria set forth in Annex D-1, the project will be funded by the funds made available by DOE, and trigger transfer from the DOE Deposit Account to the DOE Reserve Account.
- (c) If the Eligible Project does not meet the criteria set forth in Annex D-2 nor Annex D-1, but does meet the criteria set forth in Annex D-3, the Eligible Project will be funded by the funds made available by CEC, and trigger transfer from the appropriate CEC Deposit Account to the corresponding CEC Reserve Account.

Annex E
Form Residential Project Eligibility Letter – *Sample*
Format for Loan Applicant Email Confirmation

Authorized to Proceed (PGE)

Dear <CONTRACTOR COMPANY>,

Congratulations! You are authorized to begin upgrade work for the following job:
<PREMISE ADDRESS>

DO NOT proceed with work for 72 hours following receipt of this notice. This delay allows CBPCA to schedule a pre-retrofit verification if this job is selected for quality assurance. Contractors who begin retrofit work prior to the authorized time jeopardize the rebate for that job and risk loss of participating contractor status.

Please click on the "Files" tab to download and review the authorized files. If there are review comments in the attached Job Reporting Template, please incorporate these revisions into your post-retrofit submission. These do not need to be corrected prior to proceeding with retrofit work.

The anticipated savings from the pre-retrofit energy simulation have not been confirmed by CBPCA; the final rebate value will be determined during the in-depth post-retrofit review. The existing home conditions listed in your pre-retrofit submission will be used with the approved post-retrofit data to determine the final rebate value. The reported existing conditions cannot be modified now that the job has been authorized to proceed.

NEXT STEPS:

- No-cost program mentoring is available on your first five jobs. If you request mentoring on the day you complete a post-retrofit home energy assessment, the mentoring can double as a verification. Verification is normally performed at cost to the contractor.
- After the retrofit work is complete, perform a post-retrofit home energy assessment and fill out the ADVANCED (post-retrofit) tab of the Job Reporting Template.
- Re-run the energy simulation model with the actual post-retrofit installed measures and home energy assessment numbers.
- **Upload your post-retrofit files to Vision and include a note on this job so we are notified when you have uploaded your revised documentation.**

Thank you,
CBPCA
Energy Upgrade California team

Annex F
Form Project Completion Letter - *Sample*

Rebate Approved (PGE)

Dear <CONTRACTOR COMPANY>,

Good news! The rebate for following has been approved:
<PREMISE ADDRESS>

Please click on the "Files" tab to download and review the final approved files. The approved energy savings percentage is listed in the approved post-retrofit Jobs Reporting Template.

CBPCA will submit the final job report to the utility provider, who will issue the rebate check to the homeowner. The estimated rebate check delivery time from this point is six to eight weeks.

NEXT STEPS:

If this job is selected for quality assurance verification, CBPCA staff will contact you so you can place a courtesy call to your client. CBPCA will then assign a job verifier, who will contact your client within one business day to schedule the verification visit. The verifier will complete a post-retrofit home energy assessment, and the results will be shared with you according to the CBPCA QA verification program policy.

Thank you,
CBPCA
Energy Upgrade California team

Annex G
Default Letter – *Sample*

December 16, 2011

Click here to enter text.

Click here to enter text.

Click here to enter text.

RE: Loan #Click here to enter text.

Dear Click here to enter text:

Because of your severe delinquency you are in default on the above referenced loan under a Promissory Note and Security Agreement you executed on Click here to enter text.. At this time your loan is past due for the payments scheduled for Click here to enter text., totaling \$Click here to enter text.. This includes late charges, and amounts only partially paid.

You have until Click here to enter text. to bring this loan current.

You may bring your loan current by paying us \$Click here to enter text. in cash or by cashier's check. This amount includes the full amount past due and owing. This amount must be received by CoastHills no later than the close of business on Click here to enter text..

If you do not bring your loan current, as provided above, then we may exercise our rights under the law by accelerating the sums due and owing under our Promissory Note and UCC-1 filing. Such actions may include foreclosing upon the collateral securing this loan and selling it.

Please contact our office as soon as possible. If you cannot make the payment now, contact me at **805-733-7600**, so that arrangements can be made to bring your account current. My office hours are Monday through Friday, 7:30 am to 4:00pm. You can also contact me by email at **info@coasthills.coop**.

Sincerely,

X_____
Collections Officer

Annex H **Methodology for Fund Transfers**

1. Reflow Income. Each Reflow Deposit Account shall be funded on a monthly basis from the following sources:
 - (a) All balances held in each corresponding Reserve Account exceeding 5.0% of the outstanding principal on all Loans in that corresponding Reserve Account, and,
 - (b) All capitalized interest on each corresponding Deposit, Reflow Deposit, and Reserve Accounts.
 - (c) At no time will CoastHills transfer funds from a Reserve Account to the corresponding Reflow Deposit Account if the balance of that corresponding Reserve Account is less than 5.0% of the total Loans in that corresponding Reserve Account.
 - (d) All funds in the Reflow Deposit Account are available for withdrawal by Santa Barbara County at its sole and absolute discretion.

2. Loan Portfolios. The Loan portfolio shall be divided into segments as follows:
 - (a) All Loans funded prior to or on December 31, 2011 shall be in Segment 1.
 - (b) Subsequent annual segments, shall be determined similarly for each subsequent annual period (each defined as a “Portfolio Segment”).

3. Evaluation of Loss Performance of Residential Loan Portfolio Segments. At the close of a Loan Portfolio Segment, that Portfolio Segment’s percentage average annual Loan Loss Amounts shall be calculated as per the method defined below. The close of Portfolio Segment 1 shall be December 31, 2011.

4. Percentage Average Annual Loan Loss Amounts. The percentage average annual Loan Loss Amounts are calculated on a quarterly basis and are calculated by the following formula:
 - (a) Derive the sum of all principal Loan Loss Amounts on that Portfolio Segment for the 3- month period ending with the evaluation date, less any recoveries (net of collection expense) to determine the “Average Annual Loan Loss Amounts.”
 - (b) Derive the sum of the average principal balance amount, for the same 3-month period ending with the evaluation date, of all Loans in the Portfolio Segment, using the average of the month-end principal balances for each month in the period.
 - (c) Express the ratio of (A) Average Annual Loan Loss Amounts for that Portfolio Segment, divided by (B) the total average principal balance of all Loans in that Portfolio Segment as a percentage; this percentage shall be the percentage Average Annual Loan Loss for that Portfolio Segment.

5. Resetting the Loan Loss Reserve Percentage. The Parties should meet at the end of each year to evaluate the prior year's Loan portfolio performance. If the calculated percentage Average Annual Losses for a specific Portfolio Segment is greater than 0.75%, then the Parties should assess and renegotiate the underwriting guidelines. Upon evaluation of the Loan data collected per Annex A, if the Parties find that a particular underwriting criterion is most closely associated with the majority of the Loans contributing to the percentage Average Annual Losses, the Parties should negotiate to determine a possible revision of those underwriting criteria and amend the underwriting criteria in Annex B. Following such evaluation of underwriting guidelines, the Parties may also consider resetting the Loan Loss Reserve Percentage in light of actual loss experience. In no event will the Loan Loss Reserve Percentage be set higher than 10%.

Annex I

Interest Rate Buydown Account

Section 1: Interest Rate Buydown Account. CoastHills shall establish, maintain, and administer a separate Account to be used for buying down interest rates of Loans (the “Interest Rate Buydown Account”) [see Schedule 3 for account numbers], for the purpose of reducing interest rates charged to borrowers for Loans (“Interest Rate Buydown”). The Interest Rate Buydown Account will be a CoastHills Share Savings Account and shall be funded and administered as provided in this Agreement. This fiduciary arrangement hereby established does not create a debtor-creditor relationship between the Parties, and all monies, funds, or assets of the Interest Rate Buydown Account shall be insured by the National Credit Union Share Insurance Fund (NCUSIF) administered by the National Credit Union Association (NCUA) to the full extent permitted by law or regulation. A signature from CoastHills shall be necessary for any withdrawal under Section 4 of this Annex I.

Section 2: Funding of the Interest Rate Buydown Account.

(a) On or after the Effective Date of this amended Agreement, Santa Barbara County shall provide a written authorization to CoastHills to reprogram \$200,000 from the DOE Deposit Account and make an initial deposit of \$200,000 into the Interest Rate Buydown Account. CoastHills shall provide written acknowledgment to Santa Barbara County of receipt of such funds upon deposit. The Interest Rate Buydown Account is limited to the amounts as set forth in this Agreement. When and if the Interest Rate Buydown Account has a zero balance (no funds remaining), Santa Barbara County shall not be obligated to pay CoastHills for further buydowns, and all further buydowns shall be fully borne by CoastHills. At any time during the Interest Rate Buydown program as described in this Annex I, should the Interest Rate Buydown Account balance fall below \$10,000, CoastHills will have no responsibility under this Annex I to process further Interest Rate Buydowns for Loans.

(b) Santa Barbara County may, at its sole and absolute discretion, make subsequent deposits to the Interest Rate Buydown Account.

Section 3: Interest on Interest Rate Buydown Account. Interest shall be earned on and accrue to the Interest Rate Buydown Account per CoastHills’ existing Share Savings Account rate, as adjusted from time to time by CoastHills for such accounts.

Section 4: Disbursements from Interest Rate Buydown Account. Disbursements from the Interest Rate Buydown Account shall be made by CoastHills as follows:

(a) Before Interest Rate Buydown funds can be disbursed or withdrawn as set forth in this Section 4 for an eligible Loan, Borrowers must have an executed Loan Agreement with CoastHills for a funded Loan exceeding \$5,000 that meets the conditions set forth in Annex B and the DOE Funding Source requirements set forth in Annex D-1.

(b) The Interest Rate Buydown calculation is a present value formula (sample table provided below) based on a single prepayment to be made to CoastHills upon funding of the Loan:

2% Interest Rate Buydown Formula - Sample Calculation

Loan Term	Formulas (Column D)	5 Yr	7 Yr	10 Yr	15 Yr
Rate before buydown, estimated (example, credit tier will vary)		5.90%	5.90%	5.90%	5.90%
Loan term, months		60	84	120	180
Loan principal (example, loan principal will vary)		\$25,000	\$25,000	\$25,000	\$25,000
Monthly payment, in arrears	PMT(D9/12,D10,D11)*-1	\$482.16	\$364.02	\$276.30	\$209.62
Revised rate with 2% buydown	D9-D13	3.90%	3.90%	3.90%	3.90%
Revised monthly payment	PMT((D14)/12,D10,D11)*-1	\$459.29	\$340.57	\$251.93	\$183.67
Monthly payment reduction	D12-D15	\$22.87	\$23.45	\$24.37	\$25.94
Total payment reduction based on Present Value Calculation	PV(D14/12,D10,D16)*-1	\$1,245.01	\$1,721.08	\$2,418.47	\$3,531.34
PV pmt reduction as % Loan Principal	D19/D11	4.98%	6.88%	9.67%	14.13%

(c) For each Loan approved for an Interest Rate Buydown per Subsection (a), CoastHills shall present a Loan Interest Rate Buydown calculation representing a single lump-sum payment of the total amount of interest that will be discounted over the term of the Loan; and CoastHills shall withdraw this lump-sum Interest Rate Buydown amount from the Interest Rate Buydown Account. No other fees or costs shall be withdrawn by CoastHills.

(d) As applicable, disbursements shall be made to Santa Barbara County, as provided for in Section 5 or Section 6, below.

(e) In no event, except as provided in Subsections (b) and (c) immediately above, shall funds be disbursed to or withdrawn by CoastHills from the Interest Rate Buydown Account.

Section 5: Reprogramming Funds in the Interest Rate Buydown Account. Funds in the Interest Rate Buydown Account are the sole property of Santa Barbara County or the Funding Source and shall be held in the name of Santa Barbara County. After funds are deposited in the Interest Rate Buydown Account pursuant to Subsection 2(a) above, funds shall remain in the Interest Rate Buydown Account for a minimum of ninety (90) days, after which Santa Barbara County at its sole and absolute discretion may withdraw or re-allocate all or part of the funds remaining in the Interest Rate Buydown Account to the DOE Deposit Account. To re-allocate and/or withdraw funds, Santa Barbara County must submit in writing a request to CoastHills for release of the funds back to Santa Barbara County for the purpose of re-allocation.

Section 6: Closing the Interest Rate Buydown Account. The Interest Rate Buydown Account shall close upon termination of this Agreement as set forth in Section 9.02, at which time CoastHills shall notify Santa Barbara County of any remaining balances in the Interest Rate Buydown Account and remit such balances to Santa Barbara County within 5 business days as directed by Santa Barbara County.

Section 7: Reporting. CoastHills shall include the amount of the Interest Rate Buydown for each Loan in its Monthly and Quarterly Reports and a summary of all other activity with the Interest Rate Buydown Account.

Annex J Certificate of Liability Insurance – *Example*

Contract Number:

COI Number:

CUMIS INSURANCE SOCIETY, INC. CERTIFICATE OF INSURANCE

This is to certify that such insurance policies as indicated below by policy number have been issued on forms in current use by the Society. Hazards covered are indicated by (X). This CERTIFICATE OF INSURANCE neither affirmatively nor negatively amends, extends, or alters the coverage afforded by these policies. The insurance afforded by the policies described herein is subject to all the terms, exclusions and conditions of such policies. Aggregate limits shown may have been reduced by paid claims. This certificate is issued as a matter of information only and confers no rights upon the certificate holder.

Name and Address of Certificate Holder

Type of Insurance	Policy Number	Expiration Date	Limits of Liability
WORKERS' COMPENSATION EMPLOYERS' LIABILITY			Statutory
COMPREHENSIVE GENERAL LIABILITY (X) OCCURRENCE (X) Policy Aggregate Limit	XX-XXX	07/28/2011	\$300,000 Each Occurrence \$900,000 Policy Aggregate
AUTOMOBILE LIABILITY () Owned Automobiles () Hired Automobiles () Non-Owned Automobiles () Repossessed Automobiles	XX-XXX		Combined Single Limit Each Occurrence
EXCESS LIABILITY (X) OCCURRENCE (X) Policy Aggregate Limit	XX-XXX	07/28/2011	\$3,000,000 Each Occurrence \$9,000,000 Policy Aggregate
Employee or Director Dishonesty	-----	07/28/2011	\$2,250,000

Should any of the described policies be cancelled before the expiration date noted, the Society will mail 45 days prior written notice of such cancellation to the above named Certificate Holder. The mailing of the notice shall be sufficient proof of notice.

Description and location of operations and/or automobiles and/or property covered:

Name and Address of insured:

Date: 05/03/2011

By:



AUTHORIZED REPRESENTATIVE

Annex K

Optional Progress Payment Fund Control Procedure

The purpose of Annex K is to establish an agreed upon process that provides California-licensed contractors who actively participate in the Program to have the option to utilize a fund control service to receive a progress payment for services provided to borrower that executes a Loan agreement. SoCalGas loan loss reserve funds may not be used to support Loans made using this progress payment option.

For the purposes of this Agreement, CoastHills is authorized to disburse Loan funds for an Eligible Project as set forth below.³ The cost of the escrow services will be borne and paid directly by the contractor to a licensed California escrow company selected by CoastHills, and shall not exceed \$225 per Loan. At no time will the borrower be required to pay for the escrow services.

CoastHill's selected escrow company shall disburse progress payments to contractors under the following procedures:

1. Upon satisfactory completion of all pre-funding paperwork among the escrow company, CoastHills, contractor and borrower and all Loan documentation, CoastHills will advance to the escrow company the entire proceeds of the Loan.
2. If the Loan funds represent a portion of the total contract, the borrower will be required to deposit the remaining portion of the cost of their Eligible Project into the escrow account.
3. CoastHills' selected escrow company shall control the entire amount of the Eligible Project cost, prior to the commencement of construction work, to ensure the safety and soundness of the fund control process.
4. The escrow company shall deposit the entire amount of the Loan proceeds, plus any borrower portion of the construction contract, into an escrow account at Wells Fargo bank.
5. As agreed between the contractor and the borrower, the first interval payment, equaling 35% of the Eligible Project contracted cost, shall be made to the contractor upon completion of the following:
 - a) All material delivered and on site, and
 - b) Completion of tasks as set forth by the escrow company, CoastHills, contractor, and borrower.

³ A services contract [between CoastHills and their selected escrow company] will be negotiated and executed separately from this Agreement.

6. For the first interval payment, as described in Section 5 of this Annex K, the contractor will complete a payment voucher and submit it to the borrower for counter signature. The contractor will then forward the completed and co-signed voucher to the escrow company. The documentation may be mailed or electronically transmitted to the escrow company.
7. The escrow company will disburse the initial draw check directly to the contractor.
8. For the second (final) interval payment, the contractor will complete a payment voucher (65% of the contract total) and submit it to the borrower for counter signature.
 - a) The contractor will then forward to the escrow company the completed and co-signed voucher; and
 - b) In addition, the contractor will submit to the escrow company a copy of the building permit card showing final sign-off by the building inspector, and any remaining properly completed Eligible Project documentation described in the 2014 Program Agreement. The documentation may be mailed or electronically transmitted to the escrow company.
9. The escrow company will disburse the final check directly to the contractor.

Schedule 1

- **CoastHills' Consumer Loan Branch Guidelines and Procedures**

**COASTHILLS FEDERAL CREDIT
UNION
CONSUMER LOAN BRANCH
GUIDELINES AND PROCEDURES**

Overview

PURPOSE

The purpose of the Loan manual is to establish specific operating standards and underwriting parameters for the consumer lending function at CoastHills Federal Credit Union (CHFCU). The Guidelines documented adhere to Board Policy and support the credit union's goal of maintaining the highest quality credit standards.

REVIEW

Board and department policies, procedures and guidelines will be reviewed on an annual basis at a minimum. Review will be made by the department heads to ensure they are current and in accordance with the philosophy of CoastHills Federal Credit Union and in compliance with regulatory requirements.

SCOPE

The scope of these Guidelines covers all types of consumer loans offered, owned or serviced by the credit union, including secured and unsecured loans. These departmental Guidelines are intended to complement the general loan policies established by the Board of Directors by providing specific and detailed operating Guidelines to manage the consumer lending process. Any departmental Guideline that conflicts with a board policy should be considered null and void.

PHILOSOPHY

The Credit Union desires to maintain the highest quality credit standards in order to support the Credit Union's financial objectives and the communities in which it does business. The Credit Union provides credit opportunities to all members and will structure loans that meet the needs of the members, without undue risk to the Credit Union. Lending staff will be adequately trained to manage the credit processes of the organization. Lending personnel are expected to underwrite, structure and service loans based upon the Credit Union's desire to meet the needs of the member and maintain credit quality. Any deterioration in credit quality is to be identified in a timely manner by the Lending and Collection staff.

CONFIDENTIALITY AND PRIVACY

The confidentiality of our member's information is of utmost importance to the Credit Union. Loan files, including application, credit reports and other member information will always be maintained in a confidential manner.

All staff will be responsible for ensuring the safeguarding of member information.

The Consumer Loan Department will only collect the information necessary to establish an on-going relationship with members and joint accountholders. Information on an individual member may be collected from a variety of sources, including the member's signature card, loan application and credit bureaus and other personal records of the member. Furthermore, the Consumer Loan Department will take reasonable precautions to protect the accuracy and reliability of member information.

Staff will only be permitted to access member account information when necessary for business reasons. Finally, the Credit Union will establish appropriate security standards to protect against unauthorized access to member information.

DISPARATE TREATMENT

The Credit Union will not discriminate against any applicant with respect to race, color, religion, national origin, sex, marital status, familial status, handicap, age or the fact that all or part of an applicant's income

derives from any public assistance program. Discrimination is prohibited if it is based on any of the factors enumerated above in relation to any individuals with whom an applicant is affiliated or associated with. For example, discrimination is not permitted against an applicant because of that person's personal or business dealings with members of a certain religion. The Credit Union will not discriminate against any applicant who has in good faith exercised any rights under the Consumer Credit Protection Act.

FRAUD AND ILLEGAL ACTIVITY

The credit union will not tolerate any attempt to defraud the credit union in applications for extensions of credit. Any person or entity suspected of submitting false applications, financial statements, tax returns, appraisals or other documents is to be immediately reported to the Vice President of Lending. Any other act by an applicant a borrower or employee that constitutes a potential act of fraud against the credit union must also be reported to the Vice President of Lending.

LOAN DELIVERY CHANNELS

CoastHills members are able to apply for a loan through a variety of means:

- Completing an application through a branch
- By phone, directly through CoastHills call center (E-Branch)
- By internet via the CoastHills website
- By Fax or Mail

Applications can be received through multiple delivery channels. The majority of loans received will be processed through the automated loan decision platform.

CREDIT ANALYST

If a decision cannot be made through the automated decision process, a Credit Analyst or Sr. Credit Analyst can decision the loan manually through the loan origination system. The Credit Analyst reviews the loan information online and makes a decision to approve, decline or counter offer the request. The Credit Analysts must consult with the Consumer Loan Manager prior to making a decision on a new loan application or advance request where the Credit Analyst deems there may be undue risk with an existing Credit Union loan. This includes loans that are:

- Bankruptcy candidates
- Where collateral is at risk
- Where there is a referral by the Collection Department

BORROWER LIMITS

The maximum aggregate amount of credit that may be granted to any one borrower by the credit union shall not exceed \$2,000,000 without approval by the Board of Directors. The maximum aggregate amount of unsecured consumer credit exposure that may be granted to any one borrower by the credit union shall not exceed \$25,000 without approval by the Board of Directors.

INTEREST RATES

The Board of Directors will determine interest rates for all credit union loan products based on the recommendations of the Asset & Liability Committee ("ALCO"). From time to time, the ALCO will offer promotional rates for a limited time, including Match the Deal programs.

APPROVAL AUTHORITY

The Board of Directors has established loan approval limits. Under no circumstances will staff members approve loans that exceed their established limit. The Vice President of Lending will be responsible for maintaining and keeping the loan officer listing accurate and current. Approval limits are as follows:

TITLE	SECURED CONSUMER LOANS	SIGNATURE, LINES OF CREDIT, AND VISA LOANS	REAL ESTATE LOANS
Consumer Loan Credit Analyst	\$75,000	\$25,000	\$100,000 HELOC
Real Estate Credit Analyst	\$75,000	\$25,000	Current Agency Conforming Limit
Senior Loan Officer	\$2,000,000	\$25,000	\$2,000,000

*Senior Loan Officers are defined as the President/CEO, SVP Chief Lending Officer, Business Services Manager, Consumer Loan Manager, Real Estate Loan Manager.

APPLICATION PROCESS

LOAN APPLICATIONS

Members must normally submit a credit application in order to be considered for a loan by the Credit Union. A new application is not required when the member is seeking an advance on an existing multi-featured open-end lending plan (MFOEL Plan or LoanLiner), but the existing personal, financial and collateral information must be updated if any information has changed since the last advance date. The borrower(s) and co-signer(s) must sign the open-end credit application before any loan funds may be disbursed. In the event the applicant submits an application that is not complete, he or she will be asked to complete it fully prior to further consideration for credit. If the member has difficulty in physically completing the application, the credit union will provide assistance in the completion of the application. Purpose of loan is always required. No member will ever be discouraged from applying for credit with the credit union.

- The Addendum (Truth-In-Lending) required at every application or advance request
- A Loan Advance Request does not require a new credit report and underwriting under the following conditions:
 - Secured loans
 - Requests for under \$2500 and credit reviewed within the last 12 months
 - Unsecured loans
 - Requests for under \$1000 and credit reviewed within the last 12 months
 -

Once a MFOEL Plan has been established the application evaluation should be based on information gathered from the time of plan opening forward.

Members can have multiple plans with different joint borrowers under one account.

APPLICANT CRITERIA

Individuals applying for a MFOEL Plan with CHFCU must be capable of entering into a legally binding contract. The applicant(s)/ member(s) must be of legal age (18 years or older). The primary borrower must be current member in good standing. Member in good standing is defined as a member

- Who is current on all CHFCU loans;
- Who has never caused CHFCU a loss;
- Who currently maintains the minimum required share balance of \$5.00;
- Who is not overdrawn on any checking accounts. A member who is overdrawn as a result of participation in the CHFCU Courtesy Pay program is still considered to be in good standing as long as they are in compliance with the financial and time limits of the Courtesy Pay program.

All applications/advance requests will be taken using CoastHills 5 step process. The process includes the following steps:

1. Get a payment commitment when the member applies for the loan.
 - "What is your maximum affordable payment range?"

- 1.5. Fully complete the application/advance request.
2. Get a second commitment on the package by quoting the fully protected payment. Asking: “How does that sound?”
3. Give the member the good news that the payment includes not only principal and interest but also (the specific products that were quoted) using the phrase “So what that means to you” Getting a second agreement to the package. Asking the member again “How does that sound?” The loan can be submitted to the Consumer Lending Department at this time for underwriting/advance verification.
4. Once the member agrees to the loan package, explain the details of the MFOEL Plan and other loan documents or the advance request. All documents are to be signed and advise the member that once the loan is approved it can be funded confirming how the member want the proceeds delivered to them.
5. Thank the member for their business. Consider handing the member a business card and asking for referral business.

CREDIT REPORTS

Most applications will require a credit review which consists of pulling a credit report. CoastHill's currently pulls credit from Experian for consumer loan applications. When a credit report is pulled by a Member Services Officer, a form called Credit Score Disclosure Exception for Consumer Loans is to be handed to each applicant. This document gives information regarding the members individual score, how to get a copy of a credit report, where their credit report falls in comparison to their peers and what to do if they feel there is an error in their credit report. There is a separate form called Credit Score Disclosure Exception (No Score) for applicant's who do not have a credit score.

LOAN PRODUCTS

LOAN PRODUCT GENERAL PROVISIONS

The Credit Union offers the following Loan products through their Consumer Lending Department under the MFOEL Plan:

- New and Used Vehicle Loans
- New and Used Motorcycle Loans
- New and Used Boat, Off Road Vehicles and Recreational Vehicle Loans
- Visa Credit Card Loans
- Signature Loans
- Personal Lines of Credit
- Share and Certificate Secured Loans
- Computer Loans
- Business Loans for Sole Proprietorships
- Emergency Loans
- Guardian Loans

- Workout Loans
- Employee Loans

The Credit Union offers the following loan products through their Indirect Lending channels:

- New and Used Dealership Vehicle Loans
- New and Used Dealership Motorcycle Loans
- Lifestyle Loans

CREDIT GRADES AND TERMS

The Credit Union will always attempt to provide the member a payment within their comfort range. We want our employees to learn to sell the payment. The payment the member selects must be in the best interest of the member and the Credit Union.

The pricing of the loan will be determined by the Credit Union FICO Tier of the member. Vehicle loans will be priced utilizing Experian's FICO Auto Score 2. Signature Loans, Lines of Credit and Visa loans will be priced utilizing Experian's FICO Version 2 score.

The following charts illustrate the **FICO** tiers:

FICO Score	Credit Grade
760+	A+ or 1
710-759	A or 2
680-709	B or 3
640-679	C or 4
590-639	D or 5
Below 590 or no score	E or 6

All loans are decisioned using a custom score known as FastStart. The FastStart score represents a combination of information from the Experian credit report and the loan application.

The loan origination system, LoansPQ, will Instant Approve based on the following criteria:

SECURED LOANS

- Fast Start Score equal to or greater than **560**
- Bankruptcy Watch Score equal to or greater than **500**
- No Negative Amortization Mortgage present on credit report
- The system will give a maximum loan dollar amount based on Tiers as defined by our Consumer Loan Policies and Procedures
- A maximum debt to income ratio equal to or lower than 60%
- Minimum months of credit history equal to or greater than 12 months

SIGNATURE, LINES OF CREDIT AND VISA LOANS

- Fast Start Score equal to or greater than **640**
- Bankruptcy Watch Score equal to or greater than **600**
- No Negative Amortization Mortgage present on credit report
- The system will give a maximum loan dollar amount based on Tiers as defined by our Consumer Loan Policies and Procedures
- A maximum debt to income ratio equal to or lower than 50%
- Minimum months of credit history equal to or greater than 12 months

A Credit Analyst will judgmentally underwrite all loans not Instant Approved where scores fall below the Fast Start or Bankruptcy Watch Score. Decisions will be made on a case-by-case basis. No applications will be instantly declined based on any scores.

SIGNATURE LOANS

The credit union may extend credit either through an installment, revolving line of credit or credit card loans as a signature loan.

The following charts illustrate the **FICO** tiers for signature loans:

FICO Score	Credit Grade
760+	A+
710-759	A
680-709	B
640-679	C
590-639	D
Below 590 or no score	E

All loans are decisioned using a custom score known as FastStart. The FastStart score represents a combination of information from the Experian credit report and the loan application. The loan origination system, LoansPQ, will Instant Approve based on the following criteria:

- Fast Start Score equal to or greater than **640**
- Bankruptcy Watch Score equal to or greater than **600**
- No Negative Amortization Mortgage present on credit report
- The system will have give a maximum loan dollar amount based on Tiers as defined by our Consumer Loan Policies and Procedures
- A maximum debt to income ratio equal to or lower than 50%.
- Minimum months of credit history equal to or greater than 12 months

A Credit Analyst will judgmentally underwrite all loans not Instant Approved where scores fall below the Fast Start or Bankruptcy Watch Score. Decisions will be made on a case-by-case basis. No applications will be instantly declined based on any scores.

The following chart illustrates the maximum debt to income ratio's for unsecured products:

MAXIMUM UNSECURED DEBT TO INCOME RATIO	
TIER	MAX DTI
A+	60
A	50
B	50
C	35
D	30
E	30

The maximum unsecured credit limit listed in the following chart refers to the borrower's aggregate maximum unsecured credit limit with CoastHills:

Fast Start Score	Maximum Credit Limit
700+	4 X Mo. Income
660-699	3 X Mo. Income
520-659	2 X Mo. Income
400-519	1 X Mo. Income

Loan terms for unsecured closed end loans will be determined by the loan amount as follows:

Unsecured Loans	Unsecured Terms
Up to \$2500	24 month term
\$2,501 to \$4,000	36 month term
\$4,001 to 9,000	48 month term
\$9,001 to \$25,000	60 month term

General Guidelines

- Unsecured loans usually represent a greater underwriting risk than secured loans due to the lack of collateral to mitigate the risk. Therefore, the following additional underwriting guidelines have been established.
- A UCC-1 statement may be required by the loan Credit Analyst to secure such items as office equipment, computers and other personal items as an "abundance of caution." Typically this would impact loans greater than \$5,000.
- For all unsecured loan applicants, the maximum ratio of unsecured balances to annual income should not exceed 35%. The Credit Analyst may make exceptions to this guideline but the decision to override must be well documented in the loan notes.
- Members may not be granted more than \$25,000 in unsecured loans in the aggregate.
- The MSO must identify all unsecured debts the member has at CoastHills FCU and subtract from the new approved unsecured loan amount. For example, member earns \$3,000 a month and is a FastStart of 720. This member qualifies for \$12,000 total in credit union unsecured. Member also has a \$5,000 credit card. Member's new loan cannot exceed \$7,000 or the increase in the VISA cannot exceed \$12,000.

- Additional household income cannot be considered unless that income can be documented as being received or earned by the applicant/member.

SIGNATURE LOANS

The credit union may extend unsecured credit in the form of an installment or closed end loan.

- Minimum loan amount is \$500.
- Minimum monthly payment is \$25.
- Signature loans may be used for debt consolidation.

Revolving Lines of Credit

The credit union may extend unsecured credit in the form of a revolving line of credit.

- Minimum credit limit is \$500.
- Maximum credit limit is \$25,000.
- Minimum monthly payment is \$25.
- Revolving lines of credit are not to be used for debt consolidation.
- Revolving lines of credit can be used for credit card balance transfers.

APPLICATION PROCESS

Loan Interviews

- The employee taking the loan application is fully responsible for notifying the loan department when fraud or risk associated with the application is suspected.
- The Addendum is required each time a new MFOEL plan is opened for vehicle and personal loans. Addendum's for vehicle and personal loans are specific to their risk tier and are only required to be given to a member at the signing of their first transaction under their new MFOEL plan. For Visa accounts the Addendum has been redesigned and renamed the Credit Card Application and Solicitation Disclosure and will continue to be handed to a member at their application or advance request (if they have an existing plan). In addition, a new form called a Credit Card Account Opening Disclosure; which is risk tier specific, will be given to member upon approval and card opening.
- A comprehensive interview of all applicants for credit is a critical part of the loan underwriting process. In a centralized underwriting environment, the Credit Analyst must rely primarily on the information provided to them via their loan origination system. Since in most cases the Credit Analyst will not have the opportunity to speak directly with the applicants, they must rely on the MSO who is accepting the loan application to provide thorough and accurate information from which to make a sound underwriting decision. The interview process supplements the information provided by the applicants on the LoanLiner Application and credit report.

Application Information

- New applications for credit with CHFCU should be carefully reviewed by the MSO for completeness and accuracy. Missing information should be obtained from the member. Obvious discrepancies in the information provided should be discussed with the member in order to clarify any questions. All pertinent information that will assist in the appropriate loan decision needs to be included in the internal comment screen of the comment section of LoansPQ.
- All area's are to be completed in Loans PQ. If there is a spot for an entry and it pertains it should be filled out. (I.e.; residence history, work history, dependants, marital status, etc.)
- A work phone number should be phone number for the personnel office or a desk where the employee sits. A work phone number should never be a personal cell number for a wage earner.
- If the member already has a LoanLiner Plan on file with CHFCU, another written application is not necessary but the MSO is still required to verify with the member the accuracy of all of the application information listed in LoansPQ. Any changes to the member's application information must be documented in LoansPQ.
- Loan applications may not be modified once a Credit Analyst has made a decision. If necessary to modify the application a new application must be submitted.
- New information regarding income or application information about the existing applicant(s) or co-signer can be documented in the internal loan comments and referred back to the approving Credit Analyst.
- Changes in the applicant(s) or co-signer requested will require that the old application be withdrawn and a new application input.
- Significant changes in the original application will require that the old application be withdrawn and a new application be input.

Credit Reports

Most applications will require a credit review which consists of pulling a credit report. CoastHill's currently pulls credit from Experian for consumer loan applications. When a credit report is pulled by a Member Services Officer, a form called Credit Score Disclosure Exception for Consumer Loans is to be handed to each applicant. This document gives information regarding the members individual score, how to get a copy of a credit report, where their credit report falls in comparison to their peers and what to do if they feel there is an error in their credit report. There is a separate form called Credit Score Disclosure Exception (No Score) for applicant's who do not have a credit score. For all loans requiring a credit report, a report ran within the last 60 days is still considered a valid credit report and may be used.

As required by the FACT Act, the MSO must review the credit report in order to identify potential red flags that can be clarified with the member. All information obtained should be thoroughly documented in the loan notes. Per the FACT Act, review of the credit report for potential red flags that should be noticed and discussed with the member include:

- Multiple Social Security Numbers – Obtain explanation from member as well as copy of Social Security Card and document.
- Social Security Number on credit application does not match SSN on credit report - Obtain explanation from member as well as copy of Social Security Card and document.
- Address on credit report does not match address on application – Obtain explanation from member and verify current address through review of driver's license or other documentation.
- Multiple vehicle loans on credit report – If member is applying for auto loan and credit report indicates more than two open auto trade lines and member is not trading in vehicle, verify who is currently driving vehicles and document.
- Fraud Alerts – Must be resolved with a personal call directly from a Credit Analyst.

- Military Alerts – Obtain explanation from member and document.

All pertinent information that would impact the loan underwriting decision should be thoroughly documented in the internal comments. Obtaining and documenting needed information and explanations during the interview process will result in faster and more accurate underwriting decisions for our members.

UNDERWRITING

The Vice President of Lending will be responsible for developing and promulgating comprehensive credit underwriting guidelines, consistent with safe and sound lending practices.

The credit union recognizes that underwriting guidelines must be dynamic and responsive to the marketplace, but will always manage the credit process with the objective of maintaining the safety and soundness of its loan portfolio and any other functions, such as overdraft management, which contain inherent credit risk.

Past credit history shall be used as a factor to determine creditworthiness. This includes past credit history with the credit union and credit information supplied by consumer reporting agencies. The applicant shall have the right to submit to the credit union a written explanation of any derogatory credit reported by an agency.

If the credit union determines that an applicant does not meet the standards of creditworthiness defined in the underwriting guidelines, the applicant may offer the personal liability of an additional party for consideration in the form of a co-signer or guarantor. The applicant's spouse may serve as the additional party but the credit union shall not require that the spouse be the additional party. In determining the creditworthiness of the additional party, the credit union shall use the same standards applied to the original applicant.

SYSTEM APPROVALS

Certain consumer loan applications may be approved automatically by the credit union's loan origination system based on defined decision criteria established by the Vice President of Lending.

- System approved loans do not normally require further underwriting review; however they will be looked at by a Credit Analyst.
 - Branch staff should refer for further review to Consumer Lending if they suspect risks or faulty information.
 - Branch staff is tasked with recognizing the need for verification, even when a loan is automatically approved.
- DTI and PTI ratios are normally calculated for system approved loans and these loan approvals are subject to the DTI or PTI guidelines established.
- System approved loans are not normally subject to any loan stipulations other than eligibility for membership or membership in good standing.
- A Credit Analyst must review multiple auto purchases within a 12 month period.
- From time to time, due to different economic factor, applicants working within some industry will be subject to income documentation even when an instant approval is received.

- Branch Managers and Credit Analysts are granted the authority to increase the loan advance amount of system approved loan up to 10% without additional underwriting review. However, this increase must be thoroughly documented in the loan notes and must not exceed CoastHills Consumer Lending Underwriting guidelines.
- Negative trade on purchase orders need to be reviewed by a Credit Analyst.
- Unreasonable trade-ins must be referred to Consumer Lending. To determine an unreasonable trade-in, the MSO is required to run a Kelly Bluebook on the trade-in to validate the value.

After review of an application that has been System Approved for accuracy and compliance by a Credit Analyst, it may be necessary to withdraw or modify the approval. If an application is declined, the decline would be considered a High-Side Override.

- High-Side Overrides occur when an applicant's scores fall above the cut-off score but is declined.

The decline comments should be fully documented and an Adverse Action Letter is to be generated for the decline reasons.

High-side overrides are special situations and therefore CoastHills recommend that High-Side override be kept to approximately 10%. A High-Side Override report will be generated and reviewed on a monthly basis by the Consumer Loan Manager.

Declined Loans

The Consumer Loan Department will communicate any declined loan either by a Credit Analyst or an Instant Decline through the automated underwriting system to the branch within 20 minutes of the application receipt in the underwriting queue. The Consumer Loan Department will notify the member in the form of an ECOA notice (Adverse Action Letter) within the required adverse action period of 30 days. The MSO will verbally notify the member as well.

On a loan application that has been denied by a Credit Analyst, the member shall have the right to appeal a loan decision to the Consumer Loan Manager or the VP of Lending. Upon written receipt of a request for a loan decline review the Consumer Loan Manager or VP of Lending will review the application and render a decision.

Loan applications that have been instant declined through the loan origination system; the member shall have the right to appeal the loan decision to the Consumer Loan Manager or the SVP of Lending. The applicant will need to provide the following for a request to be consider:

- A letter requesting the review with an explanation of any decline issues.
- Documentation to validate any errors on the credit report or decline issues.
- The Branch Manager must review and signoff any information and documentation prior to a MSO sending the information for review.

When the decline is based on information obtained in whole or in part from a credit reporting agency, the member will receive the name and address of the credit bureau.

When a loan is incomplete and sufficient information is not within the loan to mail an adverse action letter to the applicant, the loan will be marked incomplete and declined on that basis but no adverse action letter will be sent.

It is the policy of the credit union that if the member is in a bankruptcy status or caused a loss to the credit union, they will not be considered or approved for a loan until their deficit balance has been satisfied.

When a Counter Offer is made to an applicant the following shall be done:

- The application is placed in an “Approved” or “Approved Pending” status
- On the Comments screen select “Yes” from the drop down and select the denial reasons beginning with the following: Counter Offer due to
- Print and Archive the adverse action letter. Counter Offer’s do not print with the AutoDecline batch print process.

CONSUMER LOAN UNDERWRITING

Loans referred by the scorecard require judgmental/underwriting review by a Credit Analyst.

- Credit Analysts may never override the underwriting decisions of another Credit Analyst.
- Credit Analysts may not approve loans for themselves or their immediate family or friends.
- Credit Analysts may never fund a loan they have made a decision on.
- New credit reports are required if existing credit report is older than 60 days.
- Courtesy Pay up to \$320 limit is not an immediate denial of the loan request. However, abuse of Courtesy Pay can be grounds for denial.
- Rent or mortgage cannot be split, unless the member can prove they are not on the note or rent agreement.
- Income from social security, retirement or VA disability income can be grossed up by .25% to arrive at the gross monthly income.
- A Credit Analyst may request to see documentation on a loan. When the CA feels they need to review the documentation personally, they will place the loan into an “Approved Pending” status and hold for receipt and review of the documentation. After reviewing, the CA will notify the MSO of the decision. If declined, the appropriate decline procedures will be followed.
- Credit Analyst can factor in other household income for A+ and A borrowers whose debt to income ratios are 60% for vehicle loans only; however, the income from the other household income will not be considered for any greater than 200% of the applicant income. Additional household income will not be factor in on an unsecured loan application. The Credit Analyst need not ask for a signature if it is apparent that the member applying for the loan is of good credit quality. When this situation arises, the “durability” of the additional income is extremely important. The MSO will document additional income in the loan comments and forward to the Credit Analyst for review. The following information is required:
 - Name of household member and relationship
 - Employer name and phone number
 - Length of employment
 - Job title
 - Salary information
- When calculating the debt to income ratio, the income and debt of joint borrowers should be aggregated if they live in the same household.
- If one of the applicants is a co-signer, the debt ratio should be calculated individually for each applicant to determine the ability of both applicants, including the co-signer to repay the loan.

- In situations where the amount of the monthly payment for an unsecured revolving loan is not reflected on the credit report, the CA or MSO should manually calculate the monthly payment amount by multiplying the credit limit by 2.5%.
- In situations where the amount of the monthly payment for a Home Equity Line of Credit is not reflected on the credit report, the Credit Analyst should manually calculate the monthly payment amount by multiplying the credit limit by 1.25%.
- If less than three month's income is shown or if an original pay stub is not available, the member must provide copies of the prior year's Form W-2 or Form 1099.
- Self-employed borrowers must provide a complete copy of their previous year's signed tax returns or e-file verification, including all applicable schedules.
- A reference letter from the member's employer is not normally acceptable proof of income.
- Proof of employment must show a minimum of 1 year on the job. Can be documented by a phone call to employer or use of Verification of Employment form. Document.
- Rental income verification is not required if the trade line is more than 24 months and shows no delinquencies.
- There is no rent factor.

Applications will automatically be placed in the refer status if they do not meet the Fast Start or Bankruptcy Watch Scores. All applications in a "Refer" status will be reviewed and underwritten by a Credit Analyst for what is considered a "Low-Side" override.

- Low-Side Overrides occur when an applicant's scores fall below the cut-off score but is approved.

When a referred application is recommended for approval a Low-Side Override reason and code must be assigned in the LoansPQ application file under the Decision Comments on the comments screen. The most prominent overriding factor will be noted in the Decision Comment and the corresponding numeric code will be placed in the Rate Override Code for tracking purposes.

Low-Side overrides are special situations and therefore CoastHills recommend that Low-Side override be kept to approximately 5%. A Low-Side Override report will be generated and reviewed on a monthly basis by the Consumer Loan Manager.

In the event that a rate discount is offered due to a promotion (i.e. Match the Deal) an alpha code will be placed in the Tier Override Code for tracking purposes.

Low-Side Override and Rate Discount codes and reasons set in LoansPQ as of 7/1/2009 are as follows:

<u>Override Code</u>	<u>Description</u>
01	Applicant has Co-signer that meets CU policy requirements
02	BK Watch
03	CoastHills loan history paid as agreed
04	Dealer Relationship
05	Employee Loan/requires manual underwrite
06	Establish New Credit (Low Approval Amount)
07	First Time Borrower Program
08	HELOC/VISA Promotion
09	Insured Product

10	High Discretionary Income
11	Large Down Payment
12	Loan to Value 50% or less of Retail/MSRP
13	Long Term Relationship with CoastHills
14	Previous good experience on same loan type
15	Re-established credit after bankruptcy/short sale
16	Re-write/Workout account
17	Secured Loan Type
18	Strong Scores
19	Non credit qualifying loan (share, certificate, etc.)
20	APRIL 09 DLR SALE SPECIAL RATE
<i>Discount Codes</i>	<i>Description</i>
A	LTV UNDER 70% (1 CREDIT GRADE)
B	LTV UNDER 60% (2 CREDIT GRADE)
C	MATCH THE DEAL
D	LOVE MY CREDIT UNION/INVEST IN AMERICA DISCOUNT
E	RATE BUYDOWN/DEALER PAID

Inaccurate FICO Scores

On occasion, the credit score assigned to a member does not appear to accurately reflect the member's credit history. For example, errors may appear on the credit bureau report or prior trade lines may not have been reported to the credit reporting agency used by the credit union. In these situations, the member may present documented evidence of the errors or omissions to the credit union. After review of the documentation, the Consumer Lending Manager or the Vice President of Lending may improve the initial credit grade by a maximum of one grade if merited. Any changes to a member's initial credit grade must be documented in the rate exception log maintained by the Consumer Loan Manager.

Calculating Debt to Income Ratio's

DTI ratios are to be calculated in accordance with the following guidelines. When not sure of how to calculate, the MSO must send to Consumer Lending for verification.

Proof of income for most borrowers is defined as a current original pay stub (dated within the last month) that verifies the applicant's stated income per the credit application. Other acceptable documents are W2s and tax returns and, on an exception basis, a letter from the employer on letterhead.

The debt ratio is determined by the sum of all fixed monthly obligations (on application and on credit report), including the proposed loan, divided by the gross monthly income of all applicants.

Income calculation can be done in a variety of way as follows:

Hourly Wage Earnings:

Hourly rate multiplied by 2080 hours divided by 12.

$$(\$10.00 \times 2080 \div 12 = \$1733.33)$$

Salary Wage Earnings:

Weekly rate multiplied by 52 weeks divided by 12
Or Weekly rate multiplied by 4.33
(\$1000 x 52 ÷ 12 = \$4333.33)
(\$1000 x 4.33 = \$4330.00)
Bi-weekly rate multiplied by 26 weeks divided by 12
(\$2000 x 26 ÷ 12 = \$4333.33)

Year-to-Date (YTD) Earnings:

Use the YTD figure and divide by the period.
Pay stub Date 3/17 and paid thru 3/15
(\$14,000 ÷ 3.5 = \$4000.00)

When calculating the income pay attention to overtime, bonus and commission pay. This can be seasonal income and should be reviewed carefully to insure of continuation of the income.

Self employed applicants who are asked for income documentation will be required to provide Federal Tax returns including all schedules (in particular, Schedule C and Rent Schedules). If the schedules are not provided an accurate analysis of income cannot be made and generally will result in lower income calculations.

Simplified income calculations are as follows:

Calculating Self Employment Income		
Schedule Title	Action	Figure
Net Profit		\$15,000
Depreciation	Add	3,500
Depletion	Subtract	500
½ of Meals & Entertainment	Add	250
Business Use of Home	Add	300
Amortization/Casualty Loss	Add	.00
	Subtotal	\$18,550
Equals Monthly Income	Divide by 12 months	\$ 1,545.83

Loan to Value

The Loan to Value ratio helps us to determine the amount of risk the credit union is taking when approving a secured loan.

- Loan to Value can be determined by dividing the loan amount by the value as determined by the retail value quoted in the Kelly Bluebook.
- Line 1 of the purchase order is considered the value for New Vehicles.
- Used vehicle with purchase order, run a credit union Kelly Bluebook value and compare to line 1.

Down Payments

- Down Payments that are greater than \$5,000 or are deferred (as seen on the purchase order) should be referred to the Credit Analyst and can be stipulated for proof.
- Proof is normally provided by a cancelled check.
- Down payments that seem unreasonable when compared to the income should be stipulated by

TIER	A+ or 1	A or 2	B or 3	C or 4	D or 5	E or 6
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the MSO and/or referred to a Credit Analyst if member cannot provide proof of the down payment.

- VISA advances used for the down payment should be referred back to the Credit Analyst for further review.

Joint Credit

- Joint applicants usually live in the same household.
- Joint applicants share in the proceeds of the loan.
- All joint applicants under the open-end plan with CHFCU must complete and sign the Acknowledgement of Application for Joint Credit, which certifies that they are applying for joint credit.
- The Acknowledgement must be signed when the applicants first apply jointly for credit but does not have to subsequently be signed each time the applicants apply for additional funds under an existing joint LoanLiner Plan.

Co-Signers

- Co-signers do not share in the proceeds of the loan.
- Co-signers are not used to help an applicant with derogatory credit or to cure derogatory credit.
- Co-signers usually do not live in the same household.
- Co-signers and guarantors assume full responsibility for repayment of the loan in the event the borrower fails to repay the loan.
- Co-signers must complete a separate loan application and are not considered part of the borrower's LoanLiner Plan.
- The co-signer must sign the LoanLiner Combined Guaranty Agreement & Notice to Co-signer.
- Applicants living in separate households are treated as borrower and co-signer.

Authorized Users

- Authorized users are not responsible for repayment of the loan
- Minors may be authorized users on credit cards where the borrower is over the age of 21.
- Minors are authorized to access the line of credit.
- Authorized Users can be added to plan by completing a new LoanLiner Plan Agreement.

Credit Union Losses

The credit union will make every effort to recover any losses it has suffered from a member that is legally collectible. The credit union will not attempt to collect a loss from a bankruptcy that involved a loss to the credit union. Members causing a loss to the credit union due to bankruptcy and approved for another credit union loan will pay the rate consistent with their credit score.

Minimum FICO Score	760+	710	680	640	590	>590
Minimum Trade Lines	4	4	5	5	5	N/A
Minimum Years Credit History	2	2	3	3	3	N/A
Maximum Like Credit	150%	150%	140%	140%	125%	N/A
Loan to Value Ratio (Cash out max 100%LTV)						
New Auto - Max Gross LTV	135%	125%	115%	100%	90%	75%
Used Auto – Max Gross LTV	135%	125%	115%	100%	90%	75%
Other Secured – Max Gross LTV	90%	90%	90%	80%	70%	N/A
Loan Advances						
New Autos - Max \$ Financed	\$75,000	\$75,000	\$60,000	\$50,000	\$25,000	\$15,000
Used Autos - Max \$ Financed	\$75,000	\$75,000	\$60,000	\$40,000	\$25,000	\$15,000
Other Secured - Max \$ Financed	\$50,000	\$50,000	\$40,000	\$25,000	\$15,000	\$15,000
Unsecured – Max \$ Financed	\$25,000	\$25,000	\$20,000	\$10,000	\$5,000	\$1,000
Maximum Limits – Unsecured (Multiple X GMI)	4X	3X	2X	1X	1X	1X
Max Loan Terms						
Secured Loans (\$25,000+)	84 Mos.	84 Mos.	84 Mos.	72 Mos.	60 Mos.	60 Mos.
Secured Loans (\$15,000+)	72 Mos.	72 Mos.	72 Mos.	72 Mos.	60 Mos.	36 Mos.
Secured Loans (<\$15,000)	60 Mos.	60 Mos.	60 Mos.	60 Mos.	60 Mos.	36 Mos.
Signature Loans	60 Mos.	60 Mos.	48 Mos.	48 Mos.	36 Mos.	12 Mos.
Share Secured Loans	12 months to 60 months depending on loan amount					
Certificate Secured Loans (90%)	Maturity	Maturity	Maturity	Maturity	Maturity	Maturity
Recommended Disposable Income						
Secured	\$1000	\$1000	\$1000	\$1000	\$1000	\$1000
Unsecured	\$1000	\$1000	\$1000	\$1000	\$1000	\$1000
Miscellaneous Guidelines						

<i>Minimum Gross Monthly Income</i>	N/A	N/A	N/A	\$1,000	\$1,000	\$1,800
<i>Proof of Income (W2s plus current pay stub)</i>	N/A	N/A	N/A	Optional	Required	Required
<i>References</i>	N/A	N/A	1	2	4	4
Stability						
<i>Minimum Years Current Residence</i>	N/A	N/A	N/A	1	1	1
<i>Minimum Years Current Employment</i>	N/A	N/A	N/A	1	1	1
<i>Derogatory Credit</i>	Applies to all credit grades					
<i>Repossessions and Foreclosures</i>	None					
<i>Bankruptcies</i>	Discharge with 24 months re-established perfect credit					

CONSUMER LOAN UNDERWRITING GUIDELINES
REVISED 2/6/2010

The above chart establishes the current underwriting guidelines for consumer loans:

STIPULATIONS

The Credit Analyst will generally not request stipulations in addition to the required credit union stipulations unless they believe that the information provided requires verification. The risk factor will determine the level of stipulations required.

The credit union required stipulations for each credit grade are listed below:

Tier A+ or 1

- No credit union mandatory stipulations; however, the Credit Analyst may require some form of stipulations.

Tier A or 2

- No credit union mandatory stipulations; however, the Credit Analyst may require some form of stipulations.

Tier B or 3

- One (1) personal reference to include name, address, phone and relationship to member(s).

Tier C or 4

- Proof of income unless Consumer Lending waives condition (must be notated in loan comments/stipulations).
- Two (2) personal references (1 family member, 1 friend) to include name, address, phone and relationship to member.

Tier D or 5

- Proof of Income; most recent pay stubs for wage earner and most recent Federal tax returns for self employed individuals. In some cases prior year's W-2 will be requested.
- Four (4) personal references (2 family members, 2 friends) to include name, address, phone and relationship to member(s).
- Mandatory letter of explanation for any late or derogatory credit on credit report. Letter should include reasonable explanations, with time frames and circumstances for delinquencies. In some cases, documentation of the facts will be required.

Tier E or 6

- Proof of Income; most recent pay stubs for wage earner and most recent Federal tax returns for self employed individuals. In some cases prior year's W-2 will be requested.
- Four (4) personal references (2 family members, 2 friends) to include name, address, phone and relationship to member(s).
- Mandatory letter of explanation for any late or derogatory credit on credit report. Letter should include reasonable explanations, with time frames and circumstances for delinquencies. In some cases, documentation of the facts will be required.

First Time Buyer

- Current pay stubs and Prior years W-2/tax returns
- Current phone bill with address and phone number matching application information
- 75% Loan to Value Retail/MSRP Maximum out the door.
- 10% Cash Down of High Book value.
- Proof of monies down.
- Four (4) references (2 family members, 2 friends) to include name, address, phone and relationship to member(s).

At a minimum, the credit union will verify all E or First Time Buyer, date of hire or length of time with current employer.

Stipulation may be requested in addition to the above on any tiers at the discretion of the Credit Analyst.

Credit Analyst Approval/Denial Comments

All pertinent underwriting decisions, actions and information must be thoroughly documented by the employee in the applicable loan origination system.

- The override reason for all loan decisions must be documented in the loan notes.
- The reasons for denial decisions must also be documented even though an Adverse Action Letter is being generated.
- Documentation for denial should address the reason(s) the loan was referred.
- Any red flags noted by the loan MSO during the interview process should be addressed in the loan comments.
- Loan approval stipulations must be clearly documented in the loan stipulation section and/or supporting documents scanned into the loan file.

- Abbreviations should only be used when they are widely understood by any MSO or CLO who could end up reviewing the notes.

LOAN PROCESSING AFTER APPROVAL

The MSO inputting the loan application cannot also fund the loan. It is acknowledged that staffing limitations may make this requirement difficult. In the rare event, staffing requires the same MSO performs both functions; the loan file will need to be documented by the branch manager that the loan was fully audited and all is in order.

Approval Authority

- Loans may not be booked that have not been properly approved in writing by an authorized Credit Analyst with authority to approve that loan. System approved loans do not require separate Credit Analyst approval.
- A Credit Analyst with authority to approve the change must properly approve loan modifications in writing. Credit Analysts may not approve loan modifications for themselves or their immediate family.
- Branch Managers and dealers on the CUDL program have a 10% override over the Credit Analyst approved amount assuming the loan amount was not stipulated a maximum amount and the LTV falls under the max requirements by Tier. This is to allow for the addition of tax, tags, title, GAP, MBI, Loan Protection, and some after market products.
- Branch Manager's must fully document any overrides in loan internal comments.
- Any amount exceeding the maximum amount allowed must be referred back to the original approving Credit Analyst for the additional monies.
- A Credit Analyst may not book a loan that he or she originally approved.

Task Lists

- Member must be in good standing as defined in Application Section.
- Prior to funding a loan, the appropriate loan funding task list must be completed by the MSO who is preparing to fund the loan. All requested information on the task list must be completed.
- The funding task list must be reviewed for quality control purposes by another MSO prior to funding the loan. The MSO who performed the QC review must include a loan comment that the loan was QC'd.

Documents

- LoanLiner must be on file for all loans generated at the branch.
- LoanLiner Agreement must be signed prior to funding.
- Acknowledge of Intent to file for joint credit is required.

LoanLiner

- The credit union utilizes an open-end credit plan known as LoanLiner where members may take additional approved loan advances without the need to sign new loan documents.

- All applicants, including joint applicants, for a loan with CHFCU must sign and complete the LoanLiner Open-End Application and Plan.
- The only exceptions to this policy are closed-end loan contracts acquired through the CUDL indirect loan channel.
- All information requested on the LoanLiner Open-End Application must be provided by the applicants in order for the application to be deemed complete.
- Once a member has provided CHFCU with a signed and completed LoanLiner Open-End Application and Plan, they no longer need to sign and complete applications for subsequent loan requests. However, each time a member applies for a loan, the following must occur:
 - Provide updated application information
 - The most current version of the LoanLiner Addendum, which contains the credit union's most current rates as well as the required Truth in Lending disclosures.

Branch staff is required to verify the information as stipulated by the Credit Analyst prior to funding the loan on any loan placed in the "Approved" status in LoansPQ.

- All paperwork or information provided must be scanned into the loan file.
- Any discrepancy of information provided must be submitted to Consumer Lending to determine if the approval stands.
- In order to mitigate some of the perceived risk of a particular loan, a Credit Analyst may include certain stipulations or conditions on the loan approval.
- It is the responsibility of the MSO to ensure that these stipulations are satisfied prior to funding the loan.
- These stipulations, once verified, must be clearly documented in the loan notes.
- An MSO who is uncertain that a stipulation has been satisfied should contact a Credit Analyst prior to funding the loan.

Branch staff is required to scan the information as stipulated by the Credit Analyst on any loan placed in the "Approved Pending" status in Loans PQ prior to the final approval. Notify the original Credit Analyst requesting the information advising the information has been scanned. After review the loan will be placed into "Approved", "Declined" or "Counter Offered" status for the MSO to relay the information back to the member.

LOAN FUNDING

- The MSO who input the loan application may not also fund the loan.
- The MSO who is funding the loan is responsible for ensuring that all required documentation and forms have been obtained and verified prior to funding the loan.
- The MSO is responsible for verifying that all stipulations have been met.
- The MSO should also verify that the loan was set up correctly prior to funding.
- If the MSO is uncertain of the validity of any loan documentation or explanations received, they should contact a Credit Analyst immediately for clarification.

Loan Protection

Loan protection is available on all consumer loan products. It is voluntary, and it is not required for the member to obtain credit. Loan protection is not a factor in making a credit decision. A Loan protection code is required on the loan.

For Consumer Loans four options are available: (costs are per \$1,000 of monthly outstanding balance)

- ❖ Option A:
 - Loss of life
 - Disability
 - Interest Cancellation Involuntary unemployment
 - Family leave

- ❖ Option B:
 - Loss of life
 - Disability
- ❖ Option C:
 - Disability

- ❖ Option D:
 - Loss of Life

For Credit Cards one options is available: (costs are per \$1000 of the monthly outstanding loan balance)

- ❖ Option A:
 - Loss of Life
 - Disability
 - Interest Cancellation Involuntary Unemployment
 - Family Leave

GAP

We offer the members the opportunity to purchase GAP protection, which is designed to cover the difference between the insurance company's settlement and the amount owed to the lender as of the loss date, in the event of a total loss due to theft or collision.

- GAP can be added 60 days from the loan origination date. The GAP premium can be financed into the loan if approved by a Credit Analyst or the member may choose to pay cash for the premium.
- GAP is not offered by the credit union when the purchase order shows that the member has already purchased GAP through the dealership.
- Member must sign GAP forms to either waive or purchase GAP protection.
- Vehicles with less than 80% LTV do not usually need GAP protection.
- Maximum LTV covered is 125%. (MMP can be sold on loans over 125% but maximum coverage amount is 125%)

QUALITY CONTROL

To support timely identification of individual or systemic problems, the credit union supports internal and independent audit and credit review functions. Part of the credit review function consists of a loan quality control process performed at both the branch level and by the Consumer Loan Department.

Branch Quality Control

- A quality control review will be performed by the MSO prior to funding the loan.
- The Task List on LoansPQ will be used to quality control the loan prior to funding.
- Any issues or discrepancies noted during the QC review must be corrected prior to funding.
- The MSO performing the QC review will check the QC button on the loan task list as evidence of the review.

Consumer Loan Quality Control

Branch Audit

- The Branch Manager and/or a designated employee will audit 5% of the loan applications received at the branch monthly.
- Loan files will be selected through LoansPQ as follows:
 - Run report identifying loans input for prior month.
 - All Types
 - All Loan Summary
 - Processor Loan Summary
 - Select Branch
 - Date range
 - Export to Excel
 - Show Report
- Create Comment Column
- Select 5% of loans on this report
- Use Audit Checklist as a guide to evaluate
- Insert comments/findings in Comment Column
- Print report and file.
- Any errors, concerns, omissions should be addressed with the original MSO and the MSO who funded the loan. Document discussion on report.
- Major errors, concerns or omissions should be escalated to Regional Manager for possible further action.

Consumer Loan Audit

- A Credit Analyst not involved in the processing functions will perform a comprehensive post-funding audit each week consisting of a random sample of 5% of the loans funded at the branches. A Credit Analyst cannot perform a post-funding audit on loans they have underwritten. Any findings noted during this audit will be shared with the appropriate branch manager as well as the Consumer Loan Manager.
- A (CA) will perform a comprehensive post-funding audit each week consisting of a random sample of 5% of the indirect loans funded by the Consumer Loan Department during a given week. A Credit Analyst cannot perform a post-funding audit on loans they have underwritten. Any issues or discrepancies noted during this audit will be shared with the Consumer Loan Manager. Audits findings and staff discussions will be documented on the report.

- Any Credit Analyst who performs the post-funding audit functions described in the above paragraph will not have authority to perform any form of file maintenance on member accounts. All file maintenance will be performed by Consumer Loan Processors who have not had processing, underwriting or audit functions associated with the referenced member loan accounts.
- On a periodic basis, an audit will be performed to verify that underwriting standards are being met. Audits will be documented in the loan internal comments. Underwriting guidelines and adherence to regulatory requirements will be the focus of audits.
 - A designated loan employee will audit 5% of the loan applications received at all branches monthly.
 - Loan files will be selected through LoansPQ as follows:
 - Run report identifying loans input for prior month.
 - All Types
 - All Loan Summary
 - Processor Loan Summary
 - Select ALL
 - Date range
 - Export to Excel
 - Show Report
 - Create Comment Column
 - Select 5% of loans on this report
 - Use Audit Checklist as a guide to evaluate
 - Insert comments/findings in Comment Column
 - Print report and forward to Consumer Loan Manager
 - Any errors, concerns, omissions should be addressed with the Branch Manager and CLO. Document discussion on report.
 - Major errors, concerns or omissions should be escalated to Regional Manager and/or VP Lending for possible further action.

CHANGE FORMS

Extensions

In order to assist members suffering from unexpected financial hardship, the credit union may from time to time grant payment extensions on consumer loans. Extensions will only be granted in situations where the member's financial hardship is temporary in nature.

When the member is currently delinquent and/or referred by the Collection Department, the extension may be considered as long as the member has made 6 scheduled payments. This is in accordance with Trouble Debt Restructure guidelines. The ability to repay the debt as determined primarily by the debt ratio will be an overriding reason to approve the extension.

Troubled debt restructuring results when the lender grants concessions to the member that would not ordinarily be granted in light of the members' financial condition. Restructuring often involves a reduced interest rate, payment or principal amount, or increased collateral requirements. Routine changes in debt terms and loan deferrals are not considered troubled debt restructurings.

Whatever the form of concession granted, the objective is to increase the probability of recovering the loan. In this regard, the credit committee and Credit Analyst should fully understand the members' needs and financial condition before approving actions to modify loan terms.

Options considered for these requests include:

- Reduction/waiver of interest due
- Extension of maturity period
- Skipping of payments
- Or any combination of the above

Loan extension requests will be underwritten as follows:

- Updated employer and address information is required prior to Credit Analyst review.
- The Credit Analyst as part of the underwriting process pulls credit reports.
- Underwriting process will include calculation of loan ratios and review of credit report.
- All requests for loan extensions must be submitted in the form of a written request on a Loan Change Form or a letter signed and dated by the member(s).
- In the case of a LoanLiner Plan, only one of the borrowers must sign the request.
- In the case of a closed-end contract (CUDL) with multiple borrowers, all borrowers must sign the request.
- The request must contain a clear reason for the extension and demonstrate that the financial hardship is short-term and temporary in nature. Examples of hardships are medical emergency and death in family or temporary unemployment.
- A Credit Analyst may grant a one month extension.
- A loan may be extended up to 6 months with written approval of the Consumer Loan Manager, AVP Collections, Collection Manager, Mortgage Manager, Sr. Vice President of Lending/Collections, or VP Business Services.
- If the loan extension is granted, no payment will be due but interest will continue to accrue.

Skip A Pays

Occasionally, ALCO will approve a Holiday Skip-A-Pay program designed to give the member the option to skip their monthly payment during the holidays. Members will typically be offered this option. In order to process the request the following is required:

- Member must complete and sign a Skip-A-Payment Agreement.
 - In the case of a LoanLiner Plan, only one of the borrowers must sign the request.
 - In the case of a closed-end contract (CUDL) with multiple borrowers, all borrowers must sign the request.
- Run RG (can be done before or after member signs agreement): SAP, which will:
 - Checks account and history to see if member is eligible
 - Ensures 4 consecutive payments with no late fees taken
 - Loan can not be a mortgage or mobile home loan

- We will allow a skip a pay on promotional loans but not on existing Summer or Holiday loans that are still on the books
 - New loans (less than 4 payments) will not be eligible
 - If CoastHills refinance, review history on both loans to see if eligible
 - Check for late payments during last 4 months.
 - Skip-a-Pay are not available on Lines of Credit, Visa's or mortgage loans.
- If qualified for the Skip-A-Pay, employee initials bottom of request
 - Notifies member of decision
 - Collects fee - Deposit to GL "SKIP.00 or SKIP.
 - If denied for the Skip-A-Pay,
 - Notify member of decision
 - Send to Lending for denial
 - Lending generates an Adverse Action Letter
 - If request is for a credit card, send to Lending.
 - Forward Skip-A-Pay paperwork to Lending for filing.

Additional information:

- Mobile home, real estate and promotional loans are excluded.
- Each loan is charged a separate fee.
- Warning flags show on file maintenance (part of RG)
 - Warning flag 64 = loan skip was approved
 - Warning flag 60 = loan skip was denied
 - A Pending Skip-a-Pay comment will be displayed
- Credit cards have a fixed due date on the 25th of each month. This cannot be changed.
- If payment coming from another financial institution, advise member that funds **may** transfer to CoastHills Share Account. The RG will prompt you to contact eServices to stop monies from being transferred from the other financial institution.

Due Date Changes

- Member must have made a payment in the past 30 days.
- Member cannot change due date that will result in a new date more than 51 days into the future.

Remove or add a joint/co-signer/authorized user

- Member wanting to keep the loan must reapply and qualify for the refinanced loan.
- An application and credit report must be pulled for the new applicant and reviewed by a Credit Analyst.
- Authorized user is not responsible for the loan and can be added without Credit Analyst review.

Requests to release and/or change the collateral

- Credit Analyst review required
- New Bluebook value(s) must accompany Change Form
- New credit report must be pulled to release the collateral

Lower/Increase monthly payments

- Collection department review is required to lower the payment
- New debt to income ratio must be calculated
- Verification of income may be required
- Consumer Lending can only approve members requesting to lower their monthly payment because of a large payment with a re-amortization of the loan for the remaining period.
- Members must submit an application to refinance their loan in order to lower their monthly payments where a large payment is not made.

SUBSEQUENT ACTION FORM

The Subsequent Action form is used when making changes to the LoanLiner Plan:

- Release borrower from the plan, but not the loans. Member must complete a new LoanLiner Plan
- Release of collateral (see Change Form)
- Modification Agreement (See Change Form)
- Subsequent election of Loan Protection
- Subsequent waiver of Loan Protection

RESEARCH AND ADJUSTMENTS

Billing Rights

According to the Billing Rights, the member must notify us no later than 60 days from the date of the first statement that the error or problem appeared.

- Verbal request to research is acceptable.
- If the error or problem is complex, encourage the member to write a statement or letter detailing the problem.
- If request by phone or at the branch, complete RepGen LoanResearch.
 - Name and Account Number.
 - Dollar amount of error.
 - Date of error.
 - Description of error.
 - Reason member believes there was an error.
- The credit Union must acknowledge the receipt of the request within 30 days of receipt (efforts will always be to correct within 2 business days).

- Within 90 days the Credit Union is required to correct or explain why we believe the statement was correct.
- The Credit Union cannot collect on the amount in dispute during the investigation period. Nor can we report a delinquency of this amount.

Branch

When the primary borrower or co-borrower(s) walks into the Branch, complete the following:

- Complete RepGen. If complex ask member to complete a letter of explanation and forward to Lending.
- Forward to printer 91.
- Inform member that usual turn around time is 2 business days.
- Inform member that member will be contacted within 2 business days.

Lending

Upon receipt of Research form and/or letter, lending will:

- Pull a history of loan being questioned.
- Pull a history of file maintenance.
- Attach above to Research Request and forward to VP, Lending or Asset Protection Manager for review.
- Upon completion of transaction to correct, Lending will email originating MSO to contact member.
- Upon denial, Lending will email originating MSO with reasons for denial so that the MSO can contact member.

Exceptions

Any exceptions to this procedure must be reviewed and approved by Management.

RED FLAG PROCEDURES

PURPOSE

The purpose of this procedure is to detect, prevent and mitigate identity theft within the loan processing and underwriting process as outlined in the Fair Credit Reporting Act (FCRA) dated January 2008 for regulatory compliance. The categories addressed in this procedure are:

- (1) Alerts and warnings received from consumer reporting agencies.
- (2) Presentation of suspicious documents during the loan process.
- (3) Presentation of suspicious personal identifying information during the loan process.
- (4) Suspicious activity relating to information obtained through member requests after a loan has been opened.

ALERTS AND WARNINGS RECEIVED FROM CONSUMER REPORTING AGENCIES

In the course of business a consumer credit report may be obtained for the purpose of a consumer loan

decision. The consumer credit reporting agency furnishes within their credit reports alerts and warnings regarding name, address, and social security number discrepancies. They also provide consumers the opportunities to flag their own credit reports with request for contact due to fraud or possible fraud preventions. If the following issues cannot be resolved for any reason the loan cannot be underwritten and a Fraud Alert must be input under the account (s) the member (s) are applying under. The alert is RG: RFENTRY The Consumer Loan Department has established the following procedures to deal with each of these issues.

- **Name Discrepancies**

- a. When the name last name is different than the credit report the following will be reviewed:
 1. Compare the information with any existing account (s) the member has with CoastHills to see if the middle name and last name have been interchanged. If interchanged; notate in the comment section of LoansPQ the findings.
 2. If the name cannot be confirmed or verified through an existing membership account or other information then current documentation to verify the name should be obtained from the member/applicant. If the name cannot be verified using acceptable documentation a Fraud Alert needs to be input under the account (s) the member applied under. Log into Symitar and type in RG:RFENTRY. Follow the steps as prompted. All attempts to verify and resolve this should be notated in the application and account notes in Symitar.

- **Address Discrepancies**

- a. When a flag on a credit report advises that there is an address discrepancy the following will be reviewed:
 1. If applicant is a current member compare the information on the share account to see if an address has been updated within the last 6 months under the File Maintenance history.
 2. If the applicant is a non-member, review the application for a new address and if a new mortgage is on the credit report, document with notes in the LoansPQ comments and have applicant supply documentation to verify their current address (i.e. utility bill, rental agreement, etc.).
 3. Whenever an address cannot be properly documented a recent utility or phone bill shall be obtained to verify the information. If the address cannot be verified you must input a fraud alert onto the account in Symitar that the member (s) applied under. Log into Symitar and type in RG:RFENTRY. Follow the steps as prompted. All attempts to verify and resolve this should be notated in the application and account notes in Symitar.

- **Social Security Number Discrepancies**

- a. When a flag on a credit report advises of a social security number discrepancy the following will be reviewed:

1. Compare the social security number from the account in Symitar making sure there is not a transposition or a digit(s) that are off. If the SSN cannot be verified off of the member's current account and there was no obvious input error a copy of the Social Security card will need to be requested.
2. If the social security number is flagged as not an issued number, request a letter from the Social Security Administration notating the SSN issued to the applicant.
3. If the social security number has been issued as "Valid for Work Purposes Only" a copy of the applicants Permanent Resident Alien card must be reviewed to insure residency through the term of the loan.
4. If the social security number of an applicant is flagged as "deceased " the applicant must furnish a copy of their social security card. If the number matches the credit report and application the applicant must provide a letter from the Social Security Administration verifying that the social security number was issued to the applicant. A Fraud Alert must be input into Symitar under the account the member (s) applied under. Log into Symitar and type in RG:RFENTRY. Follow the steps as prompted. All attempts to verify and resolve this should be notated in the application and under the account notes in Symitar.

- **Consumer Statement**

- a. All consumer credit reporting agencies allow consumers to place "consumer statements" regarding fraud on their credit report. These statements generally contain a statement with a phone number to use to contact the consumer. The content of the statement generally requests contact prior to extending the credit. The following is to be done prior to completing the underwriting process of the application:
 1. Call the phone number the consumer has requested to be called at, introducing yourself and advise the consumer of the "consumer statement" they have placed on their credit report. (This is the only number that the attempt should be made through)
 2. Request the consumer answer some questions to verify that they actually submitted the credit request. Identify the consumer information by asking private sensitive information such as:
 - ❖ The last 5 of their social security number.
 - ❖ The applicant's date of birth.
 - ❖ Verify their current address and phone number.
 - ❖ Ask questions related to previous addresses show on the credit report (the consumer should give you the address from the credit report not ask if they ever lived there)
 - ❖ Ask questions regarding closed and open account to see if the consumer can identify companies and payments they have.

Remember that the questions should be phrased to insure that the consumer is actually the person applying for the loan. Feeding information to the consumer is not appropriate and may not catch a fraudulent application.

- b. If the information verifies, resolve the fraud warning and document your findings under the loan notes in Symitar, proceed with the loan underwriting.
- c. If the information does not verify and fraud is suspected the application should be noted as "Fraud" for status and notes put in the comment screen of LoansPQ. Notes should include why the fraud is suspected (i.e., consumer not able to answer sensitive information from credit report). A Fraud Alert must be input into Symitar under the account the member (s) applied under. Log into Symitar and type in RG:RFENTRY. Follow the steps as prompted. All attempts to verify and resolve this should be notated in the application and under account notes in Symitar.

SUSPICIOUS DOCUMENTATION AND IDENTIFICATION PRESENTED DURING THE LOAN PROCESS

- During the process of underwriting or funding a loan if; any of the following documentation appears suspicious, the documentation must be verified by an additional source.
 - a. Pay Stubs
 - b. W-2's
 - c. Bank Statements
 - d. Social Security Cards
 - e. Driver's Licenses
 - 1. Appropriate forms of alternate verification might include letters of documentation from government offices on government letterhead (i.e. Letter of Advise of issuance of a social security number). Driver's Licenses may be authenticated through CVR.
 - 2. If the documentation cannot be verified by an additional source the loan must be declined because the information cannot be verified.

SUSPICIOUS ACTIVITY OR DOCUMENTATION RECEIVED AFTER A LOAN HAS BEEN FUNDED

- After the Consumer Loan Department or a Branch has funded a loan, information may be obtained that would have conflicted with CoastHills lending guidelines. This type of information may include the following:
 - a. Straw purchase of vehicles. The following process must be followed in this case:
 - 1. File an Unusual Activity Report with Branch Operations and attach any documentation obtained.
 - 2. Place a note in the account making a note of the Straw Purchase and if know who is the driver of the vehicle and location.
 - 3. Inform Collections of this so they can notate in Akcelerant who has possession of the vehicle and the location in the event of future default and the vehicle needs to be repossessed.
 - b. Loan funds not being used for the purposes approved for.

1. If the consent of the Consumer Loan Department was not obtained prior to using the funds for a different purpose, make a note in the account that funds were not used for purposes intended and if known, what they were used for.
- c. Application information intentionally submitted falsely. Examples of this may include: Incorrect employment information and inflated income information.
 1. An account note needs to be placed in the loan advising of incorrect information.
 2. If the account is delinquent, the Collection Department should be notified.

SERVICE-MEMBERS CIVIL RELIEF ACT

Background: The SSCRA was signed into law on December 19, 2003, amending and replacing the Soldiers' and Sailors' Civil Relief Act of 1940, and is codified at 50 U.S.C. App. 501 *et seq.* It was further amended December 10, 2004, by the Veterans Benefits Improvement Act of 2004. The law protects members of the Army, Navy, Air Force, Marine Corps and Coast Guard, including members of the National Guard, as they enter military service (active duty¹), as well as commissioned officers of the Public Health Service and the National Oceanic and Atmospheric Administration engaged in active service. Some of the benefits accorded to service members by the SCRA also extend to service members' spouses, dependents and other persons subject to the obligations of service members. The Housing and Economic Recovery Act of 2008 (HERA) recently amended several sections of this law, extending the time period for certain activities. Major relief provisions of the SSCRA include the following:

Maximum Rate of Interest on Loans, Including Mortgages

- Upon receiving a written request for relief and a copy of the service member's military orders, CoastHills must, for the duration of the service member's military service, reduce the interest rate on debts incurred by the service member, or a service member and spouse jointly, prior to entry into military service to no more than 6 percent per year. (This applies to the individual service member's debt or joint debt with a spouse.)
- CoastHills must maintain the interest rate reduction for the period of military service, except in the case of a mortgage, trust deed, or other security in the nature of a mortgage, where the interest rate reduction extends for one year after the end of the service member's military service.⁴
- CoastHills will reduce the interest rate on the obligations of a service member and must forgive interest in excess of 6 percent. No late charges will be assessed during this time period.
- The reduced interest rate provision applies unless a court finds the ability of the service member to pay interest on the debt at a higher interest rate is not materially affected by his or her military

service. In such cases, the court may grant a creditor relief from the interest rate limitations of the Act.

Residential and Motor Vehicle Purchases and Leases

- Contracts for the purchase of real or personal property, for which the service member has paid a deposit or made a payment before the service member enters military service, may not be rescinded or terminated after the service member's entry into military service for a breach of the terms of the contract occurring before or during their military service, or the property repossessed because of the breach without a court order.
- Termination of certain residential or motor vehicle leases may be made at the option of the lessee service member if the service member provides to the lessor or the lessor's agent written notice of the request for termination along with a copy of the military orders.
- Automobiles leased for personal or business use by the service member or their dependent may be terminated if the service member, after the lease is executed, enters military service for a period of 180 days or more.
- Additionally, an automobile lease entered into while the service member is on active duty may be terminated if the service member receives military orders for a permanent change of station (PCS) outside of the continental United States (this would include a PCS to Hawaii or Alaska) or deployment for a period of 180 days or more.
- Termination of an automobile lease also includes the return of the automobile to the lessor within 15 days after delivery of the written notice of termination.
- Termination is permitted of pre-service "residential, professional, agricultural or similar" leases occupied or intended to be occupied by a service member or a dependent as well as those leases executed during military service where the service member subsequently receives orders for a PCS or a deployment for a period of 90 days or more.

Foreclosure, Eviction from Bank-Owned Property

- Real or personal property owned by a service member before the service member's military service that secures a mortgage, trust deed, or similar security interest cannot be sold, foreclosed upon, or seized based on a breach of such a secured obligation during the period of military service or 9 months thereafter without a court order. Additionally, in an action filed during or within 9 months after a service member's military service, a court may, after a hearing on its own, or shall, upon application by a service member, stay a proceeding to enforce an obligation as described above or adjust the debt, when the member's ability to comply with the obligation is materially affected by reason of the member's military service.
- A landlord may not evict a service member or the dependent of a service member from premises that are occupied or intended to be occupied as a primary residence during a period of military service except by court order.

Life Insurance Assigned as Security

- If a life insurance policy on the life of a service member is assigned before military service to secure the payment of an obligation, the assignee of the policy (except the insurer in connection with a policy loan), may not exercise, during the period of the service member's military service or within one year thereafter, any right or option obtained under the assignment, absent compliance with a court order or other specified requirement.

Adverse Action

- The fact that a service member applies for or receives a stay, postponement, or suspension of his or her obligations or liabilities pursuant to the SSCRA may not in itself provide the basis for the following:
 - a determination by a lender or other person that the service member is unable to pay the obligation or liability in accordance with its terms;
 - a creditor's denial or revocation of credit, change in terms of an existing credit arrangement, or refusal to grant credit to the service member in substantially the amount or on substantially the terms requested;
 - an adverse report relating to the creditworthiness of the service member by or to a consumer reporting agency;
 - a refusal by an insurer to insure the service member;
 - an annotation in a service member's record by a creditor or a person engaged in the practice of assembling or evaluating consumer credit information identifying the service member as a member of the National Guard or a reserve component; or,
 - a change in the terms offered or conditions required for the issuance of insurance.

Relief for Other Obligors

- Whenever a court grants a stay, postponement, or suspension to a service member on an obligation, it may likewise grant a person primarily or secondarily liable such a stay, postponement or suspension.

Branch and Lending Procedures

Members requesting relief under this act will need to provide evidence of his or her active duty status. The best way to verify active duty status is to request a copy of the members orders to report for active duty. The orders will show the date that the member's active duty began and when it is expected to end. Under the Act, as soon as an individual goes on active duty, or receives orders to report for active, that person may begin paying 6% interest on obligations incurred prior to active duty. Skipping payments is also covered. This extends to lines of credit, credit cards mortgages, car loans, share secured and signature loans. This rate does not extend to advances made after active duty has begun i.e. credit card charges made after active duty has begun will not be covered under the 6% rule. Only those made prior to active duty status. This act does not relieve borrowers on active duty from the responsibility of making their ***scheduled*** loan payments.

To help members who will be called, we at CHFCU will do everything possible to smooth their transition to active duty. If the member says they are going to be called up to active duty, please obtain the following listed below:

- Copy of orders showing date active duty begins and ends
- Letter from member in writing requesting assistance from SSCRA
- Verify eligibility – see attached checklist. If you have any questions in regards to eligibility please contact Consumer Loans **Prior** to submitting the request.
- Complete LOAN.CHANGE in Symitar under the loan ID requesting SSCRA.
- Forward to Consumer Loans with all the required documents listed above.

An underwriter will review the request providing all the required documentation has been provided. It is the underwriter's responsibility to contact the service member to inform them of the outcome of their request. All exceptions will be reviewed by the Consumer Loan Manager.

Processing the loan rate change in Symitar:

- Place Warning Code 5 – SSCRA - on Account Level to expire 30 days from active duty end date as notated on orders.
- Process the interest rate change
- Place Warning Code 5 – SSCRA – on Loan Record to expire 30 days from active duty end date as notated on orders.
- ***If member is requesting to skip loan payments:***
 - If Auto Transfer, change to Cash Pay
 - Advance due date one month at a time
 - Suspense to maintain monthly
 - Due dates too far in advance appear on roster reviewed by Loan Manager, Internal Auditor and Federal Examiners
- ***Some Loan Types require extra steps with rate change:***
 - ***CREDIT CARDS – Loan Types 83 or 84***
 - Interest Type to 66 (SSCRA)
 - Failure to do this will result in the interest calculating at the original rate and the interest rate on the statement to be incorrect.
 - ***VARIABLE RATE LOANS – 54,55,64,92,94***
 - Change Loan Type to a Fixed (example 55 to 53)
 - Interest Type to zero (0)
 - ***HELOC's - Loan Type 79 or 89***

Consumer Loans will maintain a tickler system to determine when or if an interest rate should be returned to the original contract rate. A letter will be generated and mailed to the service member 30 days prior to this rate change. At this time if the member's active duty status has been extended it is the responsibility of the service member to provide CHFCU with documentation reflecting this or the rate will be returned to the original contract date as scheduled.

Revising the account at the end of active duty:

- If Credit Card, return Interest Type to prior status
- Remove SSCRA Flag from Account Level and Loan Level
- Change payments back if it had been reduced previously.
- Insure that the letter was mailed and a copy was attached to file maintenance paperwork.
- Print loan barcode attach to all file maintenance paperwork and forward to Ops for imaging.

INTEREST TYPES

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- 0 - Daily 365 Interest
- 1 - Monthly 360 day Interest
- 66 - SSCRA 6.00%
- 82 - Mastercard
- 83 - Visa 14.9%
- 84 - Visa Gold 14.9%
- 85 - Lost/Stolen (No Interest)
- 88 - Visa 12.9% (New rate as of Feb 1, 1994)
- 89 - Visa Gold 12.9% (New rate as of Feb 1, 1994)
- 91 - Employee Visa rate 10.9
- 92 - Employee Visa Platinum Rate 8.9

**VERIFICATION OF QUALIFICATIONS**

| <b>Y or N</b> | <b>Facts to Analyze Qualifications</b>                      |
|---------------|-------------------------------------------------------------|
|               | Is loan open date after orders date                         |
|               | Was the Reservist Status Active Duty upon receipt of orders |
|               | Was member Active Duty when loan originated                 |

Any of the questions above answered yes, review with Consumer Loans.

**LINE OF CREDIT REVIEW PROCESS**

The Credit Union schedules a Line of Credit review on a quarterly basis. The Card Act of 2009 requires all financial institutions to establish a policy for the review of all credit cards.

The process of the line of credit review will include all consumer revolving loan types. This includes all Visa's and Personal Lines of Credit.

The credit union has Experian prepare a Quest Report for the loan portfolio. The MIS department sends member database information for all members with any type of open loan with CoastHills. Experian returns a file that contains at a minimum the following:

- FICO score at the time of the run (a soft pull inquiry is done and does not affect any future scores)
- An Experian Bankruptcy Watch score
- Factors contributing to each of these scores

The credit union will request, as management deems necessary, information regarding mortgage balances, negative amortized mortgage and other mortgage information for assistance with reviews performed on the mortgage portfolio.

Once the Quest Run information is provided, MIS will place the new score information at the account level in a Tracking 55: FICO History record. A sample of the Tracking screen is below:

|                              |                                 |                     |            |
|------------------------------|---------------------------------|---------------------|------------|
| Tracking Type:               | <input type="text" value="55"/> | User ID:            | 918        |
| Tracking Code:               | 0                               |                     |            |
| Creation Date:               | 02/10/2009                      | Last FM Date:       | __/__/     |
| Creation Time:               | 10:37 AM                        | Record Change Date: | 01/17/2010 |
|                              |                                 | Expiration Date:    | __/__/     |
| <b><u>Custom Fields:</u></b> |                                 |                     |            |
| FICO Slot 1:                 | 0                               |                     |            |
| FICO Slot 2:                 | 715                             |                     |            |
| FICO Slot 3:                 | 727                             |                     |            |
| FICO Slot 4:                 | 694                             |                     |            |
| FICO Slot 5:                 | 0                               |                     |            |
| FICO Slot 6:                 | 0                               |                     |            |
| FICO Slot 7:                 | 0                               |                     |            |
| FICO Slot 8:                 | 0                               |                     |            |
| FICO Slot 9:                 | 0                               |                     |            |
| FICO Slot 10:                | 0                               |                     |            |
| FICO Slot 11:                | 0                               |                     |            |
| FICO Slot 12:                | 0                               |                     |            |
| FICO Slot 13:                | 0                               |                     |            |
| FICO Slot 14:                | 0                               |                     |            |
| FICO Slot 15:                | 0                               |                     |            |
| FICO Slot 16:                | 0                               |                     |            |
| FICO Slot 17:                | 0                               |                     |            |
| FICO Slot 18:                | 0                               |                     |            |
| FICO Slot 19:                | 0                               |                     |            |
| FICO Slot 20:                | 0                               |                     |            |

The Consumer Loan Department will request information from MIS for the Line of Credit review. A sample of the information requested may include:

- Accounts below a specific FICO and BK Watch Score cutoff
- Accounts not reviewed in the most previous Line of Credit Review
- Accounts opened since the last review

Lines of Credit that to be excluded from the review may include:

- Accounts with aggregate deposit balances of more than \$100,000
- Volunteer and employee accounts
- Accounts above the specific FICO and BK Watch Score cutoff

## REVIEW PROCESS

Once the information is received from MIS, it will be sorted by FICO and BK Score. The report will have a tracking (Tracking 55 FICO History) of the scores over the last few reports.

It is recommended to review each account individually for the following whenever possible-

- The pattern of the FICO and BK score history.
- FICO factors provided in the Quest report
- Payment history
- Courtesy payment history
- Over limit history
- Account advance history

Accounts are only to be reviewed by a credit union employee with the title of Credit Analyst or higher. In a rare instance, a Consumer Loan Processor with credit analyst experience may review accounts.

It is not recommended limits be removed completely unless account abuse is obvious. When an account is deemed to need a limit adjustment it is recommended the limit be taken down to \$1000 below the existing balance. This will give members an opportunity to improve their credit scores and possibly have credit available for future use.

The following steps are to be taken when it is necessary to adjust a limit:

- A Notice of Credit Limit Change letter will be sent to the member advising the reason for the change using the Experian score factors and the amount of the limit change.
- The Notice of Credit Limit Change is to be accompanied with a letter of explanation advising member options for improving their scores.
- The limit is changed in accordance with instructions on Symitar procedures for periodic review on Line of Credit or Visa.
- 

### Member Inquiries on

On occasion, a member will not understand the reasons for their reduction or want to have their reduction reconsidered. The reduction can only be reconsidered through the applications process. Advise a member how they can apply for a loan stating the reason as "Reconsideration of Line of Credit Review" or "Reinstate Limit".

Limits are not usually reinstated without a credit application review. The Consumer Loan Manager or above can approve a limit reinstatement without a credit application after a credit report has been reviewed.

A reconsideration request application will be processed as any other credit application following all processes.

## REPORTS

### **Monthly Loan Totals by Branch**

- Location: J-Drive> Loan\_apps> PROCEDURES> Monthly Loans by Branch
- Information Derived From:
  - Request information from Meridian Link for Month End Reports (Vehicle, Credit Card, and Personal). They will email the Excel spreadsheets.
  - Application Approved Unfunded (*used for ILA loans*)
    - Modify Excel spreadsheet for loan type month end to fit on one page. (delete columns, hide rows, etc for each branch and loan type)
    - Calculate total of Approved, Denied, Funded, and Unfunded count and dollar amounts for each branch and loan type.
    - Plug in figures from month end spreadsheet from Meridian Link to Monthly Loan Totals by Branch Report excel spreadsheet.
    - Take totals from month and input into correct month under second box.

Each month this report is added to until you reach the end of the year. This report maintains the quantity of loans each branch accumulates and funds each month.

### **Contingent Liability**

- Location: J-Drive> Loan\_apps> PROCEDURES> Contingent Liability
- Information Derived From:
  - Monthly report prints to loan department "LOAN TYPE 79 CREDIT LIMIT"
  - Monthly report prints to loan department "LOAN TYPE 89 CREDIT LIMIT"
  - Monthly report prints to loan department "LOAN TYPE 80 CREDIT LIMIT"
  - Monthly report prints to loan department "LNTYPE 82-84 CREDIT LIMIT"
    - Take balance and limits from reports and enter figures into Contingent Liability Excel spreadsheet. (Totals will calculate w/formulas)
    - Revise date for month end
    - Copy box into email to Linda Van Dyke for Board of Directors Package

This report is used in the Board of Directors miscellaneous financial disclosure (10-C) package for their monthly meeting.

### **New Money Report**

- Location: J-Drive> Loan\_apps> PROCEDURES> New Money Reports
- Information Derived From:
  - Monthly report prints to loan department "New Money Rpt by Coll Code" (prior months report date reflects 1<sup>st</sup> of following month)
  - Mortgage GL's 703100-001. through 703100-011 (Use dates to correspond with month. Example 01/01/2007 – 01/31/2007)
    - Plug in New Loan and Advances (count and dollar amount) figures corresponding with type and purpose.
    - Plug in Average New Rate (if not available use Average Add Rate).
    - Use all mortgage GL's to locate the debits w/rates and dollar amounts
    - Input mortgage figures into spreadsheet located on J-Drive> Loan\_apps> PROCEDURES> CALC AWR (this will calculate the average balance and rate for mortgages)

- Take mortgage totals from CALC AWR and input under “MIDWEST MORTG” on New Money Report Excel spreadsheet.

This report calculates the totals of all new money each month. New Money includes all new loans and advances.

## DEFINITIONS

- A. Amount Financed – The total dollar amount financed by the member including the loan amount along with taxes, fees and approved back-end products.
- B. Annual Percentage Rate (APR) - The annualized cost of credit expressed as a percentage in a finance agreement
- C. AutoCheck – A vehicle history report provided by Experian that tells you if a specific vehicle has been salvaged; stolen; flood or hail damaged; been in an accident or fire; had an odometer rollback; or been used as a police car, rental car or taxi cab.
- D. Auto-Enhanced Credit Score – A credit score model that gives additional weight to the applicant's previous credit history related to automobile financing.
- E. Back-End Products – Products related to a vehicle sale that are often financed as part of the loan, including GAP policies, credit life & disability policies, pre-paid maintenance plans, payment protection plans and extended service plans.
- F. Bankruptcy Watch Score – Risk model developed by Experian that predicts the statistical propensity that a particular applicant will declare bankruptcy within the next 12 months.
- G. Branded Title - A title which bears a notation such as reconditioned, reconstructed, rebuilt, salvage, flood damaged, etc.
- H. Buyer's Guide - The Federal Trade Commission's (FTC) Used Car Rule requires dealers to post a Buyer's Guide in every used car they offer for sale. The purchaser must be given a copy of the Buyer's Guide. The Guide must reflect any negotiated changes in warranty coverage. It also becomes part of the sales contract and overrides any contrary provisions. For example, if the Buyer's Guide says the car comes with a warranty and the contract says the car is sold "as is," the dealer must give the purchaser the warranty described in the Guide.
- I. Chapter 7 Bankruptcy – The chapter of the Bankruptcy Code that provides for court-administered liquidation of the assets of a financially troubled individual or business. Also called "straight bankruptcy."
- J. Chapter 13 Bankruptcy - The chapter of the U.S. Bankruptcy Code in which debtors repay debts

- according to a plan accepted by the debtor, the creditors, and the court.
- K. Closed-End Loan – A loan for a specified amount of money with a specified repayment schedule. The borrower does not have the ability to add to the loan except for Loan Protection, GAP and MBI. CUDL contracts are examples of closed-end loans.
  - L. Co-Borrower – A joint applicant who is equally obligated to repay a loan with the borrower and who shares ownership and use of the collateral. Usually live in same household.
  - M. Co-Signer – A joint applicant who is obligated to repay a loan should the borrower default but who does not share ownership or use of the collateral. Sometimes known as a co-maker. Usually do not live in the same household.
  - N. Credit Score - A numerical value based on the analysis of a credit report that is used by creditors to predict how likely an individual is to repay a new loan. The credit union uses this score to price its loan products based on the perceived risk associated with the score.
  - O. CUDL – Acronym for Credit Union Direct Lending program, which allows members to receive credit union financing at local auto dealerships through an automated credit decisioning system. The program is administered by CU Direct Corporation, a credit union service organization (CUSO) owned by participating credit unions.
  - P. Debt to Income Ratio (DTI) – The dollar amount of total recurring monthly obligations divided by the dollar amount of gross monthly income.
  - Q. Disposable Income – The monthly net income available to an applicant after deducting taxes and monthly recurring obligations from the monthly gross income.
  - R. Equity - The difference between the market value of the vehicle and the loan payoff amount.
  - S. Fast Start – An empirically derived credit-scoring model based on both credit bureau data and credit application data. The credit union uses this score to auto-decision loan requests.
  - T. FICO – A FICO score is a credit score developed by Fair Isaac & Co. There are really three FICO scores computed by data provided by each of the three bureaus: Experian, Trans Union and Equifax. The credit union has selected the FICO score from Experian to use in pricing its loan products.
  - U. GAP (Guaranteed Asset Protection) - A plan that provides a borrower with financial protection in case the financed vehicle is stolen or totaled in an accident. GAP covers the difference between the loan payoff amount and the amount for which the collateral vehicle is insured. The borrower remains responsible for the insurance deductible.
  - V. Gross Loan to Value Ratio (Gross LTV) – The amount financed divided by the value of the underlying collateral.
  - W. Loan Amount – The unpaid principal balance remaining on the cash sales price of the vehicle after all down payments and rebates have been applied. It does not include taxes, tag, title, doc stamps, fees or back-end products.
  - X. LOANLINER – An open-end credit plan where members may take additional approved loan advances without the need to sign new loan documents.
  - Y. Monroney Label – New automobiles are required by law to carry manufacturer suggested retail price stickers. This sticker, also called a Monroney label, is attached to a window of the vehicle. It shows the base price of that model, including all standard equipment; manufacturer-installed options and their retail prices; transportation or freight charges (also known as destination or delivery charges); and the total manufacturer's suggested retail price.
  - Z. National Financing Statement (Form UCC-1) – A document provided for in the Uniform Commercial Code (UCC) that is filed with the California Secretary of State's Office to perfect a security interest in named collateral and establish priority in case of debtor default or bankruptcy.
  - AA. Negative Equity – Situation where the amount owed on a vehicle is greater than the vehicle's worth. Also known as being “under water” or “upside down”.
  - BB. Net Loan to Value (Net LTV) – The loan amount divided by the value of the underlying collateral.



- CC. New Credit – A member with limited or no credit history who consequently does not generate a FICO score. The definition also includes members with limited credit that do generate a FICO score but who have not yet established sufficient credit history for the score to be deemed reliable.
- DD. Payment to Income Ratio (PTI) – The dollar amount of the proposed loan payment divided by the dollar amount of gross monthly income.
- EE. Proof of Income (POI) – A current original pay stub (dated within the last month) that verifies the applicant's stated income per the credit application.
- FF. Service Contract (Mechanical Breakdown Protection or Extended Warranty) - A contract purchased by the member to cover expenses such as the repair or replacement of vehicle components and that may pay for related services such as towing or replacement rental cars. In most cases, service contracts do not cover routine maintenance
- GG. Straw Purchase – Any purchase where the purchaser is knowingly purchasing an item or service for another individual, who is not signing on or legally bound to the transaction.
- HH. Trade Line – Any credit or charge account reported to a consumer credit reporting agency with the exception of deferred student loans, disputed accounts and collection accounts.
- II. Value – For new vehicles, value is defined as the MSRP, including destination charges, per the dealer invoice or Monroney label. For used vehicles, value is defined as the Kelley Blue Book Retail Value, adjusted for equipment and mileage.
- JJ. Verification of Employment (VOE) – A form or letter from the applicant's current employer that verifies the length and type of employment stated by the applicant in the credit application. This form or letter must be signed and dated by an authorized representative of the employer.
- KK. Vehicle Identification Number (VIN) – An individual serial number assigned by the manufacturer to a motor vehicle. The alphanumeric number consists of seventeen (17) digits and is located on the vehicle's dashboard, visible through the windshield.

**Schedule 2**  
**– Monthly Reports –**

**[It is intended that each Monthly Report be annexed to and become part of this Agreement]**

**Schedule 3**  
**– List of Account Numbers –**

1. DOE Deposit Account: \_\_\_\_\_
2. DOE Reserve Account: \_\_\_\_\_
3. DOE Reflow Deposit Account: \_\_\_\_\_
4. SoCalGas Santa Barbara County Deposit Account: \_\_\_\_\_
5. SoCalGas Ventura County Deposit Account: \_\_\_\_\_
6. SoCalGas San Louis Obispo Deposit Account: \_\_\_\_\_
7. SoCalGas Santa Barbara County Reserve Account: \_\_\_\_\_
8. SoCalGas Ventura County Reserve Account: \_\_\_\_\_
9. SoCalGas San Louis Obispo Reserve Account: \_\_\_\_\_
10. SoCalGas Santa Barbara County Reflow Deposit Account: \_\_\_\_\_
11. SoCalGas Ventura County Reflow Deposit Account: \_\_\_\_\_
12. SoCalGas San Louis Obispo Reflow Deposit Account: \_\_\_\_\_
13. CEC Santa Barbara County Deposit Account: \_\_\_\_\_
14. CEC Ventura County Deposit Account: \_\_\_\_\_
15. CEC San Louis Obispo Deposit Account: \_\_\_\_\_
16. CEC Santa Barbara County Reserve Account: \_\_\_\_\_
17. CEC Ventura County Reserve Account: \_\_\_\_\_
18. CEC San Louis Obispo Reserve Account: \_\_\_\_\_
19. CEC Santa Barbara County Reflow Deposit Account: \_\_\_\_\_
20. CEC San Louis Obispo Reflow Deposit Account: \_\_\_\_\_
21. CEC Ventura Reflow Deposit Account: \_\_\_\_\_
22. DOE Interest Rate Buydown Account: \_\_\_\_\_