

## Timing of Payments & Construction Financing Options

PACE assessments function in the same way as other contractual assessments, and thus follow the same collection schedule—twice yearly payments, with an Interest-only payment due on March 2, and a Principal + Interest payment due on September 2. This collection schedule is dictated by California law and is not flexible. However the parties do have wide flexibility to structure the details of the transaction.

Key Dates	
Cut-off date:	July 1 is the cut-off date in Los Angeles County for PACE Assessment to be placed on next year's property tax roll.
Interest payment dates:	March 2 + September 2
Principal payment date:	September 2
First principal payment date:	September 2 following the first anniversary of the issuance of the bond and levy of PACE assessment.
First interest payment date:	March 2, six months prior to First Principal Payment Date.

Notes:

- Bond indenture documents may be executed at any time, with issuance postponed for some defined period of time (e.g., the anticipated construction period).

### Examples

1. PACE financing closes on June 30, 2011 (before the July 1 cut-off date):
  - > First Interest-only payment is due March 2, 2012
  - > First Principal + Interest payment is due September 2, 2012
2. PACE financing closes on August 15, 2011 (after the July 1 cut-off date):
  - > First Interest-only payment is due March 2, 2013
  - > First Principal + Interest payment is due September 2, 2013
  - > Installation of improvements can begin upon closing and Notice to Proceed, enabling savings to begin accruing prior to the first Interest-only payment
  - > Interest would accrue during the period between closing (8/15/2011) and March 2, 2013

- The trigger for Principal + Interest payment dates is a function of the date of issuance.
- The first Interest-only payment may occur at an earlier date if interest is capitalized into bond proceeds.
- There can be multiple disbursements made from the proceeds, but there can only be one assessment levied per PACE bond.
- Must be level amortization/debt service payments.

- There may be flexibility with regard to interest.

Depending on the preferences of the parties, PACE financing proceeds may be used to fund construction, or may be used to take out a separate construction loan. It may be desirable to adjust the timing of construction start so that the first Interest-only payment date aligns as closely as possible with anticipated completion of the project.