



PARTICIPATION AGREEMENT

Thank you for your interest in the Public Utility District No. 1 of Clallam County’s (“Clallam PUD”) Community Solar Program (“Program”). By completing this Participation Agreement (“Agreement”), you have an opportunity to participate in and facilitate the success of the Program and agree to be bound by the Program Terms and Conditions. This Agreement is specifically for participation in the Program’s community solar project located at 400 Washington Harbor Loop in Sequim, Washington (“Project”). Capitalized terms used in this Agreement and not contextually defined shall have the meanings assigned in Section 1 (Definitions) in the attached Terms and Conditions.

Sign the Agreement and initial each page to acknowledge that you have read all stipulations.

Clallam PUD will accept payment for your Participation Fee by mail or in person.

If paying by mail, mail the Agreement along with your check for your Participation Fee to:

Clallam PUD
Community Solar Program
PO Box 1000
Carlsborg, WA 98324

If paying in person, return the Agreement to the office. Cash or check will be accepted in office.

Clallam PUD Main Office
104 Hooker Rd
Sequim, WA 98382

The signed Agreement and Participation Fee is due by June 30, 2016 or your participation in the project will be withdrawn.

Participant Information (Print Clearly):

* Denotes required information

Customer Name*

First Name

Last Name

Customer Account Number

Spouse/Domestic Partner (If Applicable):

First Name

Last Name

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Clallam PUD Service Address for Customer Account Number Above*

Physical Address _____ Apt No. _____
 (Energy Credits will be applied to this location)*

City _____ State _____ Zip Code _____

Mailing Address (if different than above) *

Number/Street Name or PO Box _____ Apt No. _____

City _____ State _____ Zip Code _____

Email address* _____

Telephone Number _____

Number of Units awarded: (Maximum: 40 Units) *: _____

Total Participation Fee* (# of units at \$250 each): \$ _____

Name & Title for Public Recognition

 (40 characters including spaces; use & instead of "and"; no logos.)

Payment

Enclose a check in the amount of the Total Participation Fee and return to Clallam PUD at the address noted above, along with the signed Agreement. If Participant wishes to pay in person, return signed Agreement to Clallam PUD and payment will be processed by a Customer Service Representative via cash or check.

- If check provided by the Participant is returned for insufficient funds, the Participant will have a one business day grace period to contact Clallam PUD and provide guaranteed funds in a form approved by Clallam PUD for the solar units; otherwise, the Participant will be withdrawn from participation in the Project.

Participant Acknowledgements, Authorizations and Warranties

Participant expressly acknowledges, agrees to, authorizes, understands and warrants as follows:

- Participation is open to all Clallam PUD customers including current Clallam PUD employees, commissioners and their spouses. The Program is subject to limited availability, and is limited to a fixed number of units (not to exceed 1,350 solar units for the Project and 40 solar units for any Participant). Participant must meet and warrants that Participant meets the Eligibility Requirements contained in Section 2 of the Terms and Conditions.
- Participant must be 18 years of age or older and have full power and authority to sign this Agreement.
- Participant has read and understands the risks and uncertainties identified on Exhibit A to this Agreement.
- Participant has not relied upon any advice from, or any information provided by, Clallam PUD, or any of Clallam PUD's employees, directors, agents or affiliates, as to the prudence of Participant's participation in the Project. Participant understands that any questions or concerns about available tax credits, tax benefits, tax liability, incentives, and any other attributes of Participant's participation in the Project and Program, or any term or condition in this Agreement should be raised with Participant's tax or legal advisers or the appropriate governmental agencies. Participant acknowledges that there is a wide variety of limitations on tax incentives and other governmental programs, many of which will affect a participant's right to receive benefits under the Program, and Participant assumes the risk of all known and unknown limitations that now exist, as well as any limitations or

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restrictions that might be imposed in the future.

- Participant understands as part of this Agreement that Clallam PUD is subject to compliance with the Washington State Public Records Act, Title 42.56 RCW, and that this Agreement and any and all public records that are created as a part of this Agreement and/or the Project, may be requested by and disclosed to any member of the public as required by the Public Records Act. By signing this Agreement, Participant acknowledges that public records may be created and disclosed to any third parties as required by law without further notice to or consent by Participant.
- Participant will receive confirmation of participation in the Project via email within 10 business days of receipt of Agreement and Total Participation Fee.
- Participant has valid contact information listed in the section above. Clallam PUD correspondence in regards to the Project will be conducted primarily via email unless other arrangements are made, and Participant hereby consents to the delivery of all applicable notices under this Agreement by email, to the email address provided by Participant from time to time under this Agreement or as otherwise contained in Participant’s account records with Clallam PUD.
- Participant has received a complete copy of the TERMS AND CONDITIONS of the CLALLAM PUD COMMUNITY SOLAR PROGRAM and has read, understands, accepts and agrees to be bound by all terms and conditions contained therein.
- Participant will defend, indemnify and hold harmless Clallam PUD, including without limitation its Commissioners, officers, employees and agents, and its successors and assigns, from and against any and all claims, losses, costs, liabilities, damages and expenses (including, but not limited to, reasonable attorneys’ fees) arising out of or in connection with Participant’s participation in the Program, except for any losses resulting from Clallam PUD’s sole negligence.

Participant Signature:
Print Name:
Spouse/Domestic Partner Signature:
Print Name:
Date:

Public Utility District No. 1 of Clallam County:
Print Name:
Date:

CLALLAM PUD COMMUNITY SOLAR PROGRAM TERMS AND CONDITIONS

Section 1. Definitions

- 1.1 “Account” means a Clallam PUD customer electric service Account associated with a service address for a residential or general service Clallam PUD Account.
- 1.2 “Incentive Payments” means the benefit received or to be received by a Participant based on their participation in the Project, consisting of 1) a monthly bill energy credit, based on one twelfth of the estimated annual energy production of the Project, 2) an annual bill true-up based on the balance of any energy credits disbursed over or under the cumulative monthly bill energy credit, and 3) the Production Incentive.
- 1.3 “Electric Bill” means a bill from Clallam PUD for electric service that is metered and billed for the Clallam PUD Account number specified in the Agreement or a successor Account number determined in accordance with the terms of this Agreement.
- 1.4 “Energy Credits” shall be the monthly bill energy credit and an annual true-up reflecting amounts generated by the Project. The monthly bill energy credit will be based on estimated production. On an annual basis, Energy Credits not allocated via the estimated monthly bill credit will be applied to the account.
- 1.5 “Participation Fee” means the fee specified in Section 3 of this Agreement.
- 1.6 “Project” means the solar photovoltaic electricity generating facility being developed by Clallam PUD at 400 Washington Harbor Loop, Sequim Washington with a maximum possible rated output of 75 kilowatts.
- 1.7 “Force Majeure” means any act of God, labor disturbance, act of the public enemy, war, act of terrorism, insurrection, riot, fire, storm or flood, explosion, breakage or accident to machinery or equipment, any order, regulation or restriction imposed by governmental, military or lawfully established civilian authorities, or any other cause beyond Clallam PUD’s control. A Force Majeure event does not include an act of negligence or intentional wrongdoing.
- 1.8 “Investment Cost Recovery Incentive Rate” means the monetary rate for electricity production provided by the State of Washington’s Renewable Energy System Cost Recovery program as codified in RCW Sections 82.16.110-140. The Investment Cost Recovery Rate shall be determined and may be made available by the State of Washington as explained herein. Pursuant to RCW 82.16.110-140, the State of Washington plans to offer an Investment Cost Recovery Incentive to participants in certain solar projects including Utility-owned Community Solar Project(s) as defined in RCW 82.16.110(2)(a)(ii). WHILE CLALLAM PUD BELIEVES THAT THESE PRODUCTION INCENTIVES WILL BE GRANTED BY THE STATE OF WASHINGTON TO ANY ELIGIBLE PARTICIPANT, CLALLAM PUD MAKES NO REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED, THAT THE INVESTMENT COST RECOVERY INCENTIVE WILL BE AVAILABLE OR AT WHAT LEVEL IT SHALL BE SET. PARTICIPANT ACKNOWLEDGES THAT, UNDER THE CURRENT STATUTES OF THE STATE OF WASHINGTON, THE INVESTMENT COST RECOVERY INCENTIVE IS SET TO EXPIRE ON JUNE 30, 2020 AND MAY BE MODIFIED FROM TIME TO TIME BY THE STATE OF WASHINGTON.
- 1.9 “Participant” means the person specified as the Participant or Spouse/Domestic Partner in the Agreement and who has received notification of acceptance into the Project, or a successor Participant designated in accordance with Section 7.
- 1.10 “Production Incentive” shall be determined by multiplying the number of Production Incentive Credits a Participant is entitled to by the Investment Cost Recovery Incentive Rate.
- 1.11 “Program” means the Community Solar Program operated by Clallam PUD.
- 1.12 “Service Address” means the real property located at the address specified in the Agreement, or a successor Service Address specified in accordance with the terms of this Agreement.
- 1.13 “Solar Unit” means an approximate 55 watt portion of the Project’s electricity generating capacity. The approximation may be adjusted by Clallam PUD from time to time to reflect the aggregate participation in the Project, and so long as any such adjustments are not materially detrimental to the benefits to be received by Participant and are made by Clallam PUD in good faith, Participant waives any claims against Clallam PUD relating to such allocations.
- 1.14 “Term” means the period, not to extend beyond December 31, 2042, during which, in the reasonable and sole determination of Clallam PUD, the Project may continue to operate, through the use of commercially reasonable efforts but without the necessity of significant additional capital expenditures, based upon projected costs, economics and

other factors determined by Clallam PUD to be relevant at that time. Notwithstanding the foregoing, Clallam PUD may, in its sole discretion, terminate the Project if it determines for any reason or for no reason that the Project is not commercially viable. Clallam PUD's exercise of such discretion shall bind all Participants.

- 1.15 "Commissioning Date" means the date at which the Project has been certified, and Clallam PUD has accepted it and has deemed it operational.

Section 2. Eligibility

Only Clallam PUD customers with metered electric service accounts will be permitted to enroll in the Project or to remain enrolled in the Project. Non-metered and lighting accounts are not allowed to participate in the Program or Project. Clallam PUD customers that are participating in the net metering program are eligible to participate, but are subject to the "applicant limit" described in Section 6.5. Clallam PUD may terminate a Participant's participation in the Project at any time if Clallam PUD determines the Participant no longer meets the Eligibility Requirements contained in this Section 2.

Section 3. Participation Fee

Participant agrees to pay a Participation Fee of Two Hundred and Fifty dollars (\$250.00) per Solar Unit selected by the Participant and approved by Clallam PUD.

Section 4. Effective Date

Participation in the Project shall be effective upon confirmation of participation by Clallam PUD on the date shown in the confirmation notice, which shall be emailed to the Participant, and will continue during the Term of this Agreement, subject to early termination as described in Section 1.7, Section 1.14 or Section 7. CLALLAM PUD ANTICIPATES, BUT DOES NOT GUARANTEE that the Term of the Project will extend through December 31, 2042.

Section 5. Incentive Payments

In consideration of the Participation Fee paid by the Participant, and subject to all the terms and conditions set forth herein, the Participant named in this Agreement shall receive Incentive Payments, each year during the Term of the Project consisting of (1) a monthly bill energy credit, based on one twelfth of the estimated annual energy production of the Project, (2) an annual bill true-up (debit or credit, as appropriate) based on the balance of any energy credits disbursed over or under the cumulative monthly bill energy credit, and (3) the annual Production Incentive, subject to section 6.4. Further, the annual bill true-up is intended to offset Participant's future energy consumption. Therefore, the annual bill true-up can only be applied to the Participant's Account and cannot be disbursed or "cashed out". Participant acknowledges that, under current Washington State law, the annual Production Incentive portion of the Incentive Payments will expire on June 30, 2020.

- 5.1 If Participant receives an incentive that exceeds the incentive payable, Clallam PUD may assess against the Participant found to have been paid in excess of the correct incentive amount. Clallam PUD withholds the right to add interest to the repayment from the Participant.
- 5.2 Clallam PUD reserves the right to adjust the monthly bill credit at any time to reflect changes in the estimated annual energy production of the Project.
- 5.3 If Participant terminates their Clallam PUD Account to which Community Solar benefits have been assigned as described in Section 7.1.2 or terminates their participation in the Project as described in Section 7.2.1 at any point Participant relinquishes all unallocated Incentive Payments listed in this Section at the time of termination.
- 5.3.1 All unallocated Incentive Payments will transfer to successor Participant as stated in Section 7.1.2 and Section 7.2.1.

Section 6. Calculation of the Production Incentive and Energy Credits

The value of the Energy Credits and the value, if any, of the Production Incentive Credits that the Participant is entitled to shall be calculated as follows:

- 6.1 Energy Credits and Production Incentive Credits are based upon the number of kilowatt-hours generated by the Participant's Solar Unit(s) as measured and calculated by Clallam PUD using metering installed for that purpose and read each year from July 1 through June 30 during the Term of the Project.
- 6.2 Under the Revised Code of Washington (RCW) 80.60.030(5), on April 30th of each calendar year, any remaining unused Energy Credits accumulated during the previous year shall be granted to the electric utility, without any compensation

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to the customer-generator.

- 6.3 The value of the Production Incentive Credits shall be determined by multiplying the number of Production Incentive Credits a Participant is entitled to by the Investment Cost Recovery Incentive Rate pro-rated if necessary.
- 6.4 Washington State utilities pay production incentives to qualified solar-generating customers (including individual and Community Solar participants) within their service territories and earn a tax credit equal to the cost of the payments. Under current State law, the tax credit that a utility may claim cannot exceed the greater of \$100,000 or 0.5% of the utility's taxable power sales. Clallam PUD's current tax credit cap is approximately \$250,000. The incentive amount paid by Clallam PUD on behalf of the State will be proportionally reduced when requests for incentive payments exceed the tax credit cap. At this time, Clallam PUD is forecasted to reach the tax credit cap. **When Clallam PUD's tax credit cap is reached, the Project participants' incentive benefits will be decreased accordingly.** Without a change in the State law, incentive payments to all solar customers within Clallam PUD territory could be reduced for the duration of the Project. Since solar growth is market driven and difficult to predict, it is not possible to estimate the amount of reduction for Participants in the Project.
- 6.5 Under Washington Administrative Code Section 458-20-273, no individual, household, business, or local governmental entity is eligible for incentive payments of more than five thousand dollars (\$5,000) per year. If two or more individuals are living together in one household with one customer account with the light and power business these individuals are in one household and though they may each individually participate in this Project these same individuals living together in one household will only receive one five thousand dollar "applicant limit."
- 6.5.1 If a Participant owns a business, the business may participate in the Project and will be subject to a separate five thousand dollars (\$5,000) per year incentive.
- 6.5.1.1 The Participant's business must have a separate Account established to be eligible for the separate incentive.
- 6.5.1.2 Sole proprietorships are not considered a separate entity and therefore classified as part of the household.

Section 7. Permissible Transfer of Solar Unit(s) Upon Termination of Participation

Except as provided in this Section 7, the Incentive Payments described in Section 5 and Section 6 and all other benefits associated with Participant's Solar Unit(s) shall be applied throughout the Term to the Participant's Clallam PUD electric Account specified in the Agreement.

- 7.1 If Participant terminates their Clallam PUD Account to which Community Solar benefits have been assigned, all prospective rights and benefits associated with Participant's Solar Units shall revert to Clallam PUD, without payment by Clallam PUD, unless Participant notifies Clallam PUD within sixty (60) days of such termination with a request to transfer the Solar Units to:
- 7.1.1 The same Participant at a new Clallam PUD service location; OR
- 7.1.2 A successor Participant with a distinct Clallam PUD Account that meets eligibility requirements specified in Section 2 and that enters into an agreement substantially similar to this Agreement with Clallam PUD, subject to any modifications Clallam PUD may reasonably deem appropriate. The successor Participant will receive all prospective rights and benefits associated with the assigned Solar Unit(s), including the Incentive Payments payable following the date of termination.
- 7.2 If Participant terminates their participation in the Project, all prospective rights and benefits associated with Participant's Solar Units shall revert to Clallam PUD, without payment by Clallam PUD, unless Participant notifies Clallam PUD within sixty (60) days of such termination with a request to transfer the Solar Units to:
- 7.2.1 A successor Participant with a distinct Clallam PUD Account that meets eligibility requirements specified in Section 2 and that enters into an agreement substantially similar to this Agreement with Clallam PUD, subject to any modifications Clallam PUD may reasonably deem appropriate. The successor Participant will receive all prospective rights and benefits associated with the assigned Solar Unit(s), including the Incentive Payments payable following the date of termination.

Section 8. No Other Transfer or Pledge of Solar Unit(s)

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Participant may NOT pledge the Solar Unit(s) as security for any loan.

Section 9. **Participant Ownership of Environmental Attributes**

- 9.1 Clallam PUD grants the ownership of environmental attributes of any kind, including renewable energy credits, which may be associated with the Participant's Solar Unit(s), to the Participant.
- 9.2 In addition to the limitation set forth in Section 8 above, Participant may not certify or transfer any environmental attributes generated by the Project.

Section 10. **Disclaimer of Warranties; Limitation of Liability**

Participant acknowledges that, except to the extent specifically stated herein, Clallam PUD has NOT made any representation, warranty or promise with respect to any aspect of the performance, condition, value, risks or likelihood of success of the Project, Program or the Solar Units(s) for which the Participant has applied herein. PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE SOLAR UNIT(S) ENROLLED IN BY THE PARTICIPANT ARE MADE AVAILABLE AS IS, WHERE IS, AND WITHOUT WARRANTY OF ANY KIND. ANY WARRANTIES, EXPRESS OR IMPLIED, ARISING BY OPERATION OF LAW OR OTHERWISE ARE HEREBY DISCLAIMED, INCLUDING WITHOUT LIMITATION ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR ANY PARTICULAR PURPOSE OR OTHERWISE.

Under no circumstances shall any Participant have a right to receive damages, whether compensatory, exemplary or otherwise, and whether arising in contract, tort or by other legal theory, relating to this Agreement or the Program in an amount that exceeds the amount of his or her Participation Fee, REDUCED BY the amount of any Incentive Payments and Energy Credits actually received by such Participant. In connection with any claims asserted under this Agreement or otherwise in connection with the Program, Clallam PUD may, without derogation or limitation of any other defenses available to Clallam PUD and without waiver of any rights or claims Clallam PUD might otherwise have against any person, terminate this Agreement and the Participant's interest in the Project, and may pay, as the Participant's sole and exclusive remedy, an amount equal to the Participation Fee of such Participant, less the amount of any and all Incentive Payments and Energy Credits received by or payable to Participant for his or her participation in the Program from the date of this Agreement until the termination date.

Section 11. **No Effect on Electric Rates and Tariffs**

Nothing in this Agreement shall be deemed to alter or modify any rate schedule, charge or condition of service (including any policies, fees, charges or assessments) established from time to time by Clallam PUD for electric service. All such rates and charges shall remain subject to change at any time. Participant acknowledges and agrees that Participant's electric bill shall reflect those rates and charges established or changed from time to time by Clallam PUD, subject to the Incentive Payments authorized in Section 5 above. Participation in the Program shall not give Participant any increased or augmented right to contest or otherwise affect the determination of any rates or charges by Clallam PUD for electric services.

Section 12. **Ownership and Management of the Project**

Clallam PUD will have sole ownership, possession and control of the Project, and will have the exclusive right and discretion to maintain and operate the Project. Participation in the Project does not and shall not be construed to convey any right, title or interest in or to any portion of any property (tangible or intangible, real or personal) underlying or comprising any portion of the Project or its associated equipment or improvements, or any equipment of Clallam PUD.

Section 13. **Access to Solar Equipment at the Project**

The Project is located in a secured, fenced area, and will be viewable from publicly accessible areas. Neither Participant nor any representative or affiliate of Participant has any right of access to or inspection of the Project, other than those areas that are lawfully accessible to the general public.

Section 14. **Refund of Participation Fee**

Clallam PUD shall have no obligation to refund any portion of the Participation Fee at any time or for any reason unless the Project does not reach its Commissioning Date.

Section 15. **Notice**

Except for the distribution of Incentive Payments described in Section 5, all notices, requests, consents, and other communications by Clallam PUD under this Agreement will be made via e-mail submitted during registration unless a different e-mail address is provided after the execution of this Agreement, or unless Participant does not have an email address. Hard copies of documents will be sent via USPS first class mail to communicate with Participants who do not have an email address.

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Section 16. Binding Effect

This Agreement shall bind and inure to the benefit of the Participant and Clallam PUD and their permitted successors and assigns.

Section 17. No Third Party Beneficiaries

This Agreement is intended solely for the benefit of the Participant and Clallam PUD. Nothing in this Agreement shall be construed to create any duty to, or standard of care with reference to, or any liability to, any person or business entity not a party to this Agreement.

Section 18. No Waiver

Neither the Participant's nor Clallam PUD's failure to enforce any right or obligation with respect to any matter arising in connection with this Agreement shall constitute a waiver as to that matter or any other matter. If a party at any time waives its rights with respect to a default under this Agreement or any other matters arising in connection with this Agreement, the waiver shall not be effective unless it is set forth in a written notice signed by the waiving party. A waiver with respect to one default or matter shall not be a waiver of any other default or matter.

Section 19. Governing Law/Jurisdiction/Venue

This Agreement shall be deemed to have been made in, and shall be construed under, the internal laws of the State of Washington, without regard to the principles of conflicts of laws thereof. The parties acknowledge and agree that a court of competent jurisdiction located in Clallam County, Washington shall be the venue for and shall have exclusive jurisdiction in any action or proceeding arising under or relating to this Agreement.

Section 20. Entire Agreement

This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all previous proposals, both oral and written, negotiations, representations, commitments, writings and all other communications between the parties. This Agreement may not be released, discharged, or modified except by an instrument in writing signed by a duly authorized representative of each of the parties.

EXHIBIT A
RISKS AND UNCERTAINTIES
ASSOCIATED WITH AN INVESTMENT IN THE
COMMUNITY SOLAR PROGRAM

Participation in the Clallam PUD Community Solar Program is accompanied by various risks and uncertainties that may diminish the value Participants receive from the Project and that may make it more difficult to transfer one's investment for an amount equal to or greater than the amount invested, or at all. The known risks and uncertainties that may cause the benefits to fall short of those currently expected by Clallam PUD's management are set forth in this Exhibit A, and persons considering participation in the Project should carefully consider these risks before making an investment decision. By agreeing to invest, each Participant will be representing to Clallam PUD that he or she has read and fully understands the risks described in this Exhibit. Further, the information presented in this Agreement and in all descriptions of the Program is accurate as of the date of this Agreement. Clallam PUD expressly disclaims any obligation to update or amend these disclosures or other materials at any time in the future to reflect ongoing events or further developments.

The Project is not suitable for all customers, and the offering price has been determined arbitrarily. The Program requires a Participation Fee of \$250. This price has been established by Clallam PUD based upon its estimate of allocable costs of the Project and the number of customers participating in the Program. Participant's ability to transfer his or her participation in the Project is highly limited, both because of the requirements that any Participant must be a customer of Clallam PUD and because the persons who might benefit from participation in the Program are limited in both number and investment characteristics. Accordingly, Participants should not expect to be able to readily sell or liquidate their participation in the Project.

Participants should be prepared to bear the risks of their investment for an indefinite period of time. The units representing an investment in the Project may be transferred in accordance with certain contractual restrictions set forth in this Agreement. However, Clallam PUD is aware of no market for the participation interests, and for a variety of reasons, no market is likely to develop. The investment is unusual and programs of this type are not in widespread use. Therefore, Participants should recognize that in the event they need to sell the units, they may be unable to find a buyer, and there may be no readily determinable means to establish a market price or value. Further, a Participant is not permitted to pledge or hypothecate his or her units in the Project for any purpose. This circumstance is likely to limit a Participant's ability to resell the units at a price he or she would deem reasonable, or at all, or to achieve liquidity in the units by means of a loan against their value.

Returns on an investment in the units are limited by the amount of power produced by the solar panels in an investor's unit. A Participant's receipt of benefits from the Program will depend, among other things, upon the amount of power (measured in kilowatt-hours) generated by the solar power unit in which the investor has purchased units. The amount of power generated will, in turn, depend upon a wide variety of factors, including solar exposure, the efficiency and cleanliness of the panels, the success of Clallam PUD in managing the Project, the market (if any) for power generated by the Project, competition by the Project with other alternative energy projects or with conventional power generation projects, and technical and equipment failures that limit or eliminate the Project's ability to produce electrical power. Any occurrence of one or more of these factors may reduce the income available to Participants, which will reduce the amounts available for allocation among Participants in the Project.

Events or conditions that affect the physical condition or operation of the solar panels that comprise the Project may reduce or eliminate the value of an investment in the Project. The returns on an investment in the Project are dependent upon the continuing operation of the solar panels comprising the Project. Events that damage or destroy the panels, such as storms, seismic activity, vandalism, or ineffective management, may reduce or eliminate the Project's ability to generate power. Such events may reduce the benefits expected to be derived from the Project.

Changes in law or regulation may adversely affect the value of the investment, the Production Incentive Credits or the Energy Generation Credits that are expected to be derived from an investment in the Project. The Project is feasible largely, if not entirely, because federal and state alternative energy incentive programs reduce the cost of generating solar power and create a market for power produced from solar projects and other alternative energy programs. Changes in or termination of these incentives, or changes in law or regulation that make it more expensive to produce power from the Project, reduce the value of the power generated by the Project, may adversely affect the operating results of the Project, and may reduce the benefits available to distribute to Participants. Any such outcomes would reduce or eliminate the value of a Participant's investment returns and may reduce the value of a Participant's interest.

Participants will not have the ability to change the manager of the Project or to control any aspect of the operation of the Project. Participants will be dependent upon the management of Clallam PUD to promote the safe, effective and efficient operation of the Project. Participants will not, severally or collectively, have the ability to remove Clallam PUD as the manager of the Project even if they are unhappy with the results or if they believe Clallam PUD is not managing the Project well, or if they believe that another person or entity could manage the Project better or more effectively.

Clallam PUD may terminate the Program, the Project or the Agreement at any time. The Agreement permits Clallam PUD to terminate the Program or the Agreement at any time. In any such event, Clallam PUD's liability is limited to a refund of the Participation Fee, less the amounts received in respect of any Washington State Production Incentive Credits and/or any Generated Energy Credits received by the Participant. Neither Clallam PUD nor any other person will be liable to a Participant for any additional amounts.

A Participant's remedies are strictly limited to a refund of the purchase price. Under no circumstances may a Participant receive an award of damages associated with the investment in the units or the ownership or operation of the Project, or assert claims against Clallam PUD or its employees, directors or affiliates, that exceed the value of the Participation Fee, less the amounts the Participant has received in the form of Production Incentive Credits or Energy Generation Credits.