

JANE E. LAWTON CONSERVATION LOAN PROGRAM

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (as it may be amended, this “Agreement”) is made as of this _____ day of XXX 2010, by the **BORROWER**, a private, non-profit, non-governmental organization under Section 501(c)3 under the U.S. Internal Revenue Code (the “Borrower”), in favor of the **MARYLAND ENERGY ADMINISTRATION**, a principal department of the State of Maryland (the “Administration”).

RECITALS

1. Simultaneously with the execution of this Agreement, the Administration will make a loan to the Borrower in the principal amount of \$XX,XXX.00 (the “Loan”).
2. The Loan will be made pursuant to the terms of a Loan Agreement dated the date hereof, between the Administration and the Borrower (as it may be amended, the “Loan Agreement”).
3. The Loan will be evidenced by a Promissory Note in the principal amount of the Loan dated the date hereof, made by Borrower and payable to the Administration (as it may be amended, the “Note”).
4. As a condition to the making of the Loan, the Administration has required that the Borrower execute this Agreement.

NOW, THEREFORE, in order to secure (a) the prompt payment of all existing and future indebtedness and obligations of the Borrower to the Administration, including the Loan and the Obligations (as defined in the Loan Agreement) (collectively, the “Borrower's Liabilities”), and (b) the Borrower's performance of all of the terms of this Agreement, the Loan Agreement, the Note, and any other document previously, simultaneously, or hereafter executed and delivered by the Borrower or any other person, singly or jointly with any other person, evidencing, securing, guaranteeing, or in connection with any of the Borrower's Liabilities (collectively, the “Loan Documents”), the Borrower agrees with the Administration as follows:

1. Collateral. The Borrower hereby grants a security interest to the Administration in the following property of the Borrower:

All of the Borrower's Equipment and Fixtures described in Exhibit B attached hereto, together with (a) all additions, parts, fittings, accessories, special tools, and attachments now and hereafter affixed thereto or used in connection therewith, and (b) all replacements thereof and substitutions therefor.

The term “Collateral” means each of the items of Collateral described above, together with all proceeds and products thereof. The term “proceeds” includes the proceeds of all insurance policies covering any part of the Collateral.

2. Financing Statement Filing. The Borrower authorizes the Administration to file financing statements, and any amendments to existing financing statements, covering the Collateral and all personal property of the Borrower and containing any legends which the Administration deems necessary or desirable to protect the Administration’s interest in the Collateral. The Borrower agrees to pay all taxes, fees, and costs (including attorneys’ fees) paid or incurred by the Administration in connection with the preparation, filing or recordation of financing statements.

3. Representations and Warranties. The Borrower represents and warrants that:

3.1. No Other Financing Statements. No financing statement covering any of the Collateral is on file in any public office or land or financing records except for financing statements in favor of the Administration and those previously disclosed to the Administration in writing.

3.2. Ownership of Collateral. The Borrower is the legal and beneficial owner of all of the Collateral, free and clear of all liens, security interests, and other encumbrances except those in favor of the Administration and those previously disclosed in writing to the Administration.

3.3. Administration’s Lien on Collateral. Upon the recordation of the financing statements, the security interest granted the Administration under this Agreement is a first priority lien upon the Collateral.

3.4. Borrower’s Name and Addresses. The Borrower’s correct legal name and each legal or trade name of the Borrower for the previous twelve years is specified on Exhibit A attached hereto. The addresses of the Borrower’s executive office and each other place of business of the Borrower is set forth on Exhibit A (collectively with any other place of business of the Borrower, the “Borrower’s Facilities”).

3.5. Location of Collateral, etc. The Collateral and the books and records concerning the Collateral are located at the Borrower’s Facilities indicated on Exhibit A.

3.6. Patents, Trademarks. The Borrower owns or has the right to use all necessary patents, patent rights, licenses, trademarks, trade names, trade name rights, copyrights and franchises to conduct its business as now conducted, without any known conflict with any patent, patent right, license, trademark, trademark rights, trade name right, trade name, copyright or franchise right of any other person.

3.7. Fixtures. Any Collateral which is a fixture is or will be attached to the real property described in Exhibit C attached hereto, and the record owner of that real property is the Borrower.

4. Covenants. The Borrower covenants that:

4.1. Payment and Performance. The Borrower will pay the Borrower's Liabilities when due and payable and will perform and observe the terms of the Loan Documents to be performed and observed by the Borrower.

4.2. State of Organization. The Borrower will not change the Borrower's state of organization or the Borrower's name.

4.3. Amendments to Financing Statements. The Borrower shall not file any amendments, correction statements, or termination statements concerning the Collateral without the prior written consent of the Administration.

4.4. Maintenance of Collateral. The Borrower will maintain the Collateral in good order and condition, ordinary wear and tear excepted, and will use and maintain the Collateral in compliance with all laws and in compliance with all applicable insurance requirements and regulations. The Borrower will promptly notify the Administration in writing of any litigation affecting the Collateral which the Borrower knows or has reason to believe is pending or threatened. The Borrower will promptly pay when due all taxes, charges, and fees relating to the Collateral and shall defend the Collateral, at the Borrower's expense, against all claims and demands of any persons claiming any interest in the Collateral adverse to the Borrower or the Administration.

4.5. Transfer and Other Liens. The Borrower will not sell, lease, transfer, exchange, or otherwise dispose of any part of the Collateral without the prior written consent of the Administration and will not permit any lien, security interest, or other encumbrance to attach to any part of the Collateral other than those in favor of the Administration or those permitted by the Administration in writing.

4.6. Location of Collateral and Books and Records. Except for mobile equipment and motor vehicles, the Collateral and all books and records pertaining to the Collateral will be located at one of the Borrower's Facilities. The Borrower will immediately advise the Administration in writing of the opening of any new place of business and of any anticipated change in the location of the places where any part of the Collateral or any of the books and records concerning the Collateral are kept.

4.7. Inspections of Collateral. At all reasonable times the Administration and its agents and designees may enter any of the Borrower's Facilities and inspect the Collateral, and the Borrower shall pay the reasonable costs of such inspections.

4.8. Financial Statements, Books, and Records. The Borrower will (a) at all times maintain, in accordance with generally accepted accounting principles, accurate and complete books and records pertaining to (1) the operation, business, and financial condition of the Borrower, (2) the Collateral, and (3) any contracts and collections relating to the Collateral; (b) furnish to the Administration promptly upon request, and in form and content and at the intervals specified by the Administration, any information concerning the operation, business, affairs, and financial condition of the Borrower as the Administration may request; (c) at all

reasonable times and without delay, permit the Administration and its agents to enter any of the Borrower's Facilities where any books, records, and other data concerning the Borrower or the Collateral may be kept and to examine, audit, inspect, and photocopy any of those books, records, and other data; (d) furnish to the Administration promptly upon request and in the form and content specified by the Administration lists of purchasers of inventory, aging of accounts, aggregate cost or wholesale market value of inventory, schedules of equipment, and other data concerning the Collateral as the Administration may specify, and (e) mark its books and records in a manner satisfactory to the Administration so that the Administration's rights in the Collateral will be shown.

4.9. Insurance. The Borrower will maintain comprehensive casualty insurance on the Collateral against any risks, in amounts, deductibles, and with companies acceptable to the Administration, and each policy shall contain an endorsement satisfactory to the Administration (a) naming the Administration as loss payee and additional insured, and (b) prohibiting the policy from being cancelled or altered or the Administration from being removed as loss payee without at least 30 days prior written notice to the Administration. In all events, the amounts of insurance coverages shall conform to prudent business practices and shall be in amounts so that the Borrower will not be deemed a co-insurer under applicable insurance laws, policies, or practices. The Borrower hereby assigns to the Administration and grants to the Administration a security interest in any proceeds of such policies and authorizes the Administration to adjust or compromise any loss under those policies and to collect and receive all proceeds. The Borrower authorizes and directs each insurance company to pay all proceeds directly and solely to the Administration. The Borrower hereby designates the Administration and its designees as attorney-in-fact of the Borrower (which appointment is coupled with an interest), irrevocably and with power of substitution, with authority to execute and endorse in the Borrower's name all proofs of loss, drafts, checks, and any other documents necessary to accomplish such collection. Any person making payments to the Administration under the terms of this section is hereby relieved from any obligation to see to the application of any sums paid.

After deducting all costs and expenses (including attorneys' fees) incurred by the Administration in the collection and handling of the proceeds from any insurance proceeds, the net proceeds shall be applied as follows: (a) If no Event of Default currently exists, net proceeds may be applied, at the Borrower's option, either toward replacing or restoring the Collateral, in a manner and on terms satisfactory to the Administration, or as a credit against any of the Borrower's Liabilities, whether matured or unmatured, as determined by the Administration. In the event that the Borrower elects to replace or restore the Collateral, then net proceeds shall be deposited in a segregated account of the Borrower subject to the sole order of the Administration and shall be disbursed by the Administration in the manner and at the times as the Administration deems appropriate to complete the replacement or restoration. If an Event of Default occurs at any time before the completion of replacement or restoration, then the Administration shall have the option to apply all remaining net proceeds either toward replacing or restoring the Collateral, in a manner and on terms satisfactory to the Administration, or as a credit against any of the Borrower's Liabilities, whether matured or unmatured, as determined by the Administration. (b) If an Event of Default occurs prior to the deposit of the net proceeds, then the Administration may apply the net proceeds either toward replacing or restoring the Collateral, in a manner and on terms satisfactory to the

Administration, or as a credit against any of the Borrower's Liabilities, whether matured or unmatured, as determined by the Administration.

The Borrower will cause each insurance company to deliver annually to the Administration evidence, satisfactory to the Administration, that all required insurance is in effect.

4.10. Assignments. Whenever required by the Administration, the Borrower shall promptly deliver to the Administration, with all endorsements and assignments required by the Administration, all instruments, chattel paper, guaranties and the like received by the Borrower relating to any of the Collateral or proceeds of any of the Collateral. Any assignments are to secure payment of the Borrower's Liabilities and performance of the Loan Documents and do not constitute a sale of any property to the Administration, whether or not any assignment is in absolute form.

4.11. Further Assurances. The Borrower will defend its title to the Collateral against all persons and will, upon request of the Administration, (a) furnish any further assurances of title required by the Administration, and (b) deliver and execute, or cause to be delivered and executed, in form and content satisfactory to the Administration, any document requested by the Administration in order to perfect, preserve, maintain, or continue the perfection of the Administration's security interest in the Collateral or its priority, including financing statements and amendments, continuations, or terminations of any financing statements or security agreement. The Borrower will pay the costs of preparation and filing of any document under this subsection, including any required recordation or transfer taxes.

5. Care of Collateral. The Borrower shall bear all risk of loss of the Collateral. The Administration shall have no liability or duty, either before or after the occurrence of an Event of Default, for loss or damage to any part of the Collateral, to collect or enforce any of its rights against the Collateral, to collect any income accruing on the Collateral, or to preserve rights against account Borrowers or other parties with prior interests in the Collateral. If the Administration receives any notices requiring action concerning any Collateral in the Administration's possession, the Administration shall take reasonable steps to forward those notices to the Borrower. The Borrower is responsible for responding to notices concerning the Collateral, voting the Collateral, and exercising rights and options, calls and conversions of the Collateral. The Administration's sole responsibility is to take any action reasonably requested by the Borrower in writing; but the Administration is not required to take any action that, in the Administration's sole judgment, would adversely affect the value of the Collateral as security for the Borrower's Liabilities. Regardless of any instruction from the Borrower, if the Administration determines that action is needed to preserve and maintain the Collateral, the Borrower authorizes the Administration to take such actions.

6. Authorization and Power-of-Attorney. The Borrower authorizes and designates the Administration (which appointment is coupled with an interest), irrevocably and with power of substitution, to take any action authorized under the terms of this Agreement, whether in the name of the Administration or the Borrower.

7. Performance by Administration. If the Borrower fails to comply with any term of this Agreement, the Administration, without notice or demand to the Borrower and without waiving or releasing any of the Borrower's Liabilities or any Event of Default, may (but is not obligated to) perform any act necessary or appropriate to comply with such terms for the account and at the expense of the Borrower, and may enter upon any of the Borrower's Facilities for that purpose. All sums paid, and all costs (including attorneys' fees and expenses) incurred, by the Administration in connection with the foregoing (collectively, the "Expense Payments"), together with interest thereon at a per annum rate of interest equal to **5%** per annum from the date the Administration notifies the Borrower in writing of the Expense Payments, until repaid in full, shall be paid by the Borrower to the Administration on demand and shall become a part of the Borrower's Liabilities secured under this Agreement.

8. Event of Default. The occurrence of any one or more of the following events shall constitute an event of default (an "Event of Default") under this Agreement:

8.1. Failure of the Borrower to pay any of the Borrower's Liabilities when due and payable.

8.2. Failure of the Borrower to comply with any of the terms of this Agreement or the other Loan Documents.

8.3. If any representation or warranty in this Agreement or any information contained in any financial statement, application, schedule, report, or any other document given by the Borrower or by any other person in connection with the Borrower's Liabilities, the Collateral, or any of the Loan Documents is not in all respects true and accurate, or if the Borrower or other person omitted to state any material fact or any fact necessary to make such information not misleading.

8.4. The occurrence of a default or an event of default (as defined therein) under any of the other Loan Documents.

8.5. The determination in good faith by the Administration that the security for the Borrower's Liabilities is or has become inadequate.

9. Rights and Remedies of the Administration.

9.1. After the occurrence of an Event of Default, the Administration may, without notice or demand, exercise in any jurisdiction in which enforcement hereof is sought, the following rights and remedies, in addition to the rights and remedies available to the Administration under the Loan Documents, the Uniform Commercial Code, or any other applicable law:

(a) Declare all of the Borrower's Liabilities to be immediately due and payable, without presentment, demand for payment, protest or notice, all of which are expressly waived.

(b) Institute any proceedings to enforce the Borrower's Liabilities and any liens of the Administration.

(c) Take possession of the Collateral, and enter any of the Borrower's Facilities and remove the Collateral without any liability to the Administration, the Borrower hereby waiving any and all rights to prior notice and to judicial hearing concerning repossession of the Collateral, and require the Borrower, at the Borrower's expense, to assemble and deliver the Collateral to any place designated by the Administration.

(d) Operate, manage, and control the Collateral (including use of the Collateral and any other property or assets of the Borrower in order to continue or complete performance of the Borrower's obligations under any contracts of the Borrower), or permit any of the Collateral to remain idle, and collect all rents and revenues therefrom and sell or otherwise dispose of any of the Collateral upon any terms and conditions as the Administration may determine, and purchase or acquire any of the Collateral at any such sale or other disposition, all to the extent permitted by applicable law.

(e) Enforce the Borrower's rights against any account Borrowers and other parties obligated on the Collateral.

9.2. Power of Attorney. Effective upon the occurrence of an Event of Default, the Borrower hereby designates and appoints the Administration and its designees as attorney-in-fact of the Borrower, irrevocably and with power of substitution, with authority to endorse the Borrower's name on any notes, acceptances, checks, drafts, money orders, instruments or other evidences of payment or proceeds of the Collateral that may come into the Administration's possession; to execute proofs of claim and loss; to adjust and compromise any claims under insurance policies; and to perform all other acts necessary and advisable to enforce this Agreement and the other Loan Documents. All acts of the attorney or designee are hereby ratified and approved by the Borrower and said attorney or designee shall not be liable for any acts of commission or omission, any error of judgment, or any mistake of fact or law. This power of attorney is coupled with an interest and is irrevocable so long as any of the Borrower's Liabilities remain unpaid or unperformed or there exists any commitment by the Administration which could give rise to any Borrower's Liabilities.

9.3. Notice of Disposition of Collateral and Disclaimer of Warranties. It is mutually agreed that commercial reasonableness and good faith require the Administration to give the Borrower no more than 5 days prior written notice of the time and place of any public disposition of Collateral or of the time after which any private disposition or any other intended disposition is to be made. It is mutually agreed that it is commercially reasonable for the Administration to disclaim all warranties which arise with respect to the disposition of the Collateral.

9.4. Costs and Expenses. The Borrower agrees to pay to the Administration on demand (a) the amount of all expenses paid or incurred by the Administration in consulting with counsel concerning any of its rights hereunder, under the Loan Documents or under applicable law, (b) all expenses, including attorneys' fees and court costs incurred by the Administration in

exercising or enforcing any of its rights under this Agreement, the Loan Documents, or applicable law, together with interest thereon at a per annum rate of interest equal to **5%** per annum from the date the Administration notifies the Borrower in writing of such costs or expenses incurred, until repaid in full, and (c) the portion of the Administration's overhead that the Administration allocates to collection and enforcement of the Borrower's Liabilities (the "Enforcement Costs"). Any proceeds of sale or other disposition of the Collateral will be applied by the Administration to the payment of the Enforcement Costs and Expense Payments, and any remaining proceeds will be applied by the Administration to the payment of the remaining Borrower's Liabilities in any order and manner elected by the Administration. The provisions of this subsection shall survive the termination of this Agreement and the Administration's security interest hereunder and the payment of all Borrower's Liabilities.

10. Deficiency. If the sale or other disposition of the Collateral fails to fully satisfy the Borrower's Liabilities, the Borrower shall remain liable to the Administration for any deficiency.

11. Remedies Cumulative. Each right and remedy of the Administration set forth in this Agreement or the other Loan Documents, or now or hereafter existing at law, in equity, by statute, or otherwise shall be cumulative and concurrent and shall be in addition to every other right or remedy available to the Administration. The exercise of any right or remedy shall not preclude the simultaneous or later exercise of any other right or remedy.

12. Waiver. No failure or delay by the Administration to insist upon the strict performance of any term of this Agreement or the other Loan Documents, or to exercise any right or remedy for any breach thereof, shall constitute a waiver of that term or breach, or preclude the Administration from exercising any right or remedy at a later time. By accepting payment after the due date of any of the Borrower's Liabilities, the Administration shall not be deemed to have waived the right either to require payment when due of all other Borrower's Liabilities or to declare an Event of Default for failure to effect payment of any future Borrower's Liabilities. The Borrower waives presentment, notice of dishonor, and notice of non-payment with respect to accounts and chattel paper.

13. Miscellaneous.

13.1. The headings of this Agreement are for convenience only and shall not limit or otherwise affect any of the terms of this Agreement.

13.2. This Agreement may only be changed, waived, discharged, or terminated by an instrument in writing signed by the party against whom enforcement is sought.

13.3. This Agreement shall be governed by the laws of the State of Maryland. Any action instituted against the Borrower under this Agreement or against the Collateral may be brought in any court of competent jurisdiction located in the State of Maryland.

13.4. This Agreement shall be binding upon the heirs, personal representatives, successors, and assigns of the Borrower and shall inure to the benefit of the successors and assigns of the Administration.

13.5. As used in this Agreement, the singular number shall include the plural, the plural the singular, and the use of the masculine, feminine, or neuter gender shall include all genders, as the context may require, and the term “person” shall include an individual, a corporation, an association, a partnership, a trust, and an organization.

13.6. Unless varied by this Agreement, all terms used herein which are defined by the Maryland Uniform Commercial Code shall have the same meanings in this Agreement as assigned to them by the Maryland Uniform Commercial Code.

13.7. All decisions or determinations which may be made by the Administration under the terms of this Agreement shall be in the sole discretion of the Administration.

IN WITNESS WHEREOF, the Borrower has caused this Agreement to be executed and delivered as of the date first written above.

WITNESS:

MARYLAND ENERGY ADMINISTRATION

Name: _____

By: _____
Name: XXX XXXXX
Title: XXX

WITNESS:

BORROWER

Name: _____

By: _____(SEAL)
Name: XXX XXXXX
Title: XXX

SECURITY AGREEMENT

EXHIBIT A

Addresses and Prior Names of Borrower

Address of Borrower's Chief
Executive Office:
XX XXX
XXX, XX XXXXX

Address(es) where Collateral is
or is to be located:

- (1) _____

(2) _____

Address(es) of other place(s)
of business of the Borrower:

- (1) _____

(2) _____

Previous legal and/or trade
name(s) of the Borrower:

- (1) _____

(2) _____

SECURITY AGREEMENT**EXHIBIT B****List of Collateral**

Three new Weil McLain hot water boilers. Main Building boiler, High School boiler and Lower School boiler.

DESCRIPTION	QUANTITY
WEIL MCLAIN BGL688WF GAS/OIL FIRED BOILER	1.0
RIELLO <u>LOW-HIGH-LOW</u> MODEL # RLS50 BURNER	1.0
WEIL MCLAIN BGL588WF GAS/OIL FIRED BOILERS	2.0
RIELLO <u>LOW-HIGH-LOW</u> MODEL # RLS38 BURNERS	2.0
CSD-1 CONTROLS FOR EACH BOILER	3.0
TEKMAR 261 2-STAGE BOILERCONTROL WITH OUTDOOR RESET	3.0
TEKMAR 356 MIXING CONTROL	2.0
HONEYWELL 3-WAY DIVERTING VALVE	2.0
HONEYWELL DIRECT COUPLED ACTUATOR	3.0
TACO TACBX254 ASME EXPANSION TANK	1.0
TACO TACBX170 ASME EXPANSION TANK	2.0
TACO AC04F-4 AIR CONTROL WITH STRAINER	1.0
TACO AC03F-3 AIR CONTROL WITH STRAINERS	2.0
TACO 409 AIR VENTS	3.0
KITZ 4" BUTTERFLY VALVES	4.0
KITZ 3" BUTTERFLY VALVES	2.0
¾" B & G FILL VALVES	3.0
¾" DUAL CHECK VALVES	3.0
REPLACEMENT STRAINER SCREENS	3.0
OIL FILTERS	3.0
MISCELLANEOUS BLACK PIPE AND FITTINGS	
MISCELLANEOUS COPPER PIPE AND FITTINGS	

SECURITY AGREEMENT

EXHIBIT C

Real Property Description