

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this "Agreement"), effective as of _____, 20____, by and between _____, a _____ [*jurisdiction of formation/form of business*], having an address for purposes hereof at _____ ("Grantor") and Public Service Electric and Gas Company, a New Jersey corporation having an address for purposes hereof at 80 Park Plaza, Newark, New Jersey 07102 ("Secured Party").

WITNESSETH:

WHEREAS, concurrently with its execution of this Agreement, Secured Party and Grantor entered into that certain Solar Program Loan Agreement (as amended, restated, replaced and/or modified from time to time, the "Loan Agreement"), dated contemporaneously herewith; and

WHEREAS, in consideration of, and as security for, Secured Party's extension of the principal amount of the Loan (as such term is defined in the Loan Agreement), Grantor and Secured Party enter into this Agreement.

NOW, THEREFORE, in consideration of the mutual promises herein contained and for other good and valuable consideration, the receipt and sufficiency of which the parties hereby acknowledge, Grantor and Secured Party hereby agree as follows:

ARTICLE I DEFINITIONS; INTERPRETATIONS

Section 1.01 Definitions. As used herein, the following terms shall have the following meanings:

"Books and Records" has the meaning assigned to such term in Section 2.01(e) of this Agreement.

"Business Day" means any day other than a Saturday, a Sunday or any other day on which commercial banks in the City of Newark, State of New Jersey are required or permitted by law to close.

"Code" means of the Uniform Commercial Code as in force in the State of New Jersey, as amended or superseded at any time and from time to time.

"Collateral" has the meaning assigned to such term in Section 2.01 of this Agreement.

"Customer Agreement" means the agreement between Equipment Provider and Grantor for the procurement, engineering and installation of the Project.

"Documents" means all instruments, files, records, ledger sheets and documents covering, or relating to, any of the Collateral.

"Environmental Attributes," for purposes of this Agreement, means an instrument used to represent the environmental costs and/or benefits associated with a fixed amount of electricity generation from the Project. For the Project, Environmental Attributes represent the general environmental benefits of renewable generation such as, for example, and not by means of exclusion, air pollution avoidance. The exact quantity of the environmental benefit (*e.g.* pounds of emission reductions of a given pollutant) is not indicated by an environmental attribute, though it can be quantified separately in pollution trading markets and through engineering estimates. The Environmental Attribute represents all environmental benefits, whether or not trading markets for such pollutants or benefits exist. Secured Party will quantify any and all Environmental Attributes, and have the right to trade said Environmental Attributes for its own account.

"Equipment" means all solar panels and related Project equipment, machinery, components, additions, wirings, meters, replacement parts and consumables used and/or useful with respect to the Project.

"Equipment Provider" has the meaning stated in the Loan Agreement.

"Event of Default" has the meaning ascribed to such term in Section 4.01 hereof.

"General Intangibles" has the meaning assigned to such term in the Code.

"Grantor" has the meaning ascribed to such term in the introductory paragraph hereof.

"Instruments" has the meaning assigned to such term in the Code.

"Investment Property" has the meaning assigned to such term in the Code.

"Liens" means any and all mortgages, liens, charges, hypothecations, assignments, security interests and/or encumbrances of any kind, and/or pledges and/or deposits of any nature.

"Obligations" means: (a) the principal amount of the Loan (as defined in the Loan Agreement) advanced by Secured Party to Grantor; (b) any and all interest accrued and to accrue on the Loan; (c) any and all fines, fees and penalties related to the Loan; (d) any and all liabilities of Secured Party to Grantor related to the Loan and the Loan Agreement; and (e) any and all costs and expenses of, or incurred by, Secured Party in collecting any of the foregoing and enforcing this Agreement or the other Loan Documents (as that term is defined in the Loan Agreement), including, without limitation, reasonable attorneys' fees and disbursements incurred and court costs.

"Permitted Encumbrances" means: (a) Liens expressly disclosed by Grantor to Secured Party in Exhibit G to the Loan Agreement, and approved by Secured Party in writing; (b) Liens securing taxes, assessments and/or governmental charges and/or levies or the claims of materialmen, mechanics, carriers, warehousemen, landlords and other similar Persons, the payment of which are not currently due and payable; and (c) Liens in favor of Secured Party.

"Person" means any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, institution, entity, party, limited liability company, or government agency (whether national, federal, state, county, city, municipal or otherwise).

"Proceeds" means any consideration received from the sale, exchange, collection or other disposition of the Collateral or any portion thereof, and any and all payments received from any insurer or other person or entity as a result of the destruction, loss, theft, damage, casualty or other involuntary conversion of whatever nature of the Collateral or any portion thereof.

"Project" means that certain solar generation system developed, designed, procured, installed and constructed by an Equipment Provider (as defined in the Loan Agreement) at the facility owned by Grantor, and located at the Real Property.

"Project Documents" means: (a) a fully executed Customer Agreement; (b) forms executed by the Equipment Provider and each of its subcontractors on the Project waiving any liens on the Collateral; (c) Project specifications, maintenance agreements and other technical information regarding the Project; (d) any and all applicable permits, licenses, easements, variances and other authorizations; (e) Program Application documents, project plans and pro formas, and other Program-related documents; (f) any and all site leases, easements and similar instruments; and (g) any and all other appropriate documents as may be requested by Secured Party.

"Real Property" means the premises, real property and improvements located in the Municipality of _____, County of _____, and State of New Jersey, and located at _____, _____, New Jersey and inscribed on the tax map therefore as Lot _____ Block _____.

"Secured Party" has the meaning ascribed to such term in the introductory paragraph hereof.

"Security Interest" has the meaning ascribed to such term in Section 2.01 hereof.

"SRECs" means Solar Renewable Energy Certificates that arise by the operation of the Project, and that are used and traded by means of the New Jersey Clean Energy Program's Website: www.njcep.com/srec (the "SREC Program Administrator"). These SRECs, once created, represent solar energy actually generated and used, and are bundled in minimum denominations of one megawatt hour of electricity production. New Jersey's

SREC program allows for SRECs to be created, verified, tracked, sold to, and eventually utilized by, electricity suppliers to meet their requirements to sell solar-generated energy under the New Jersey Renewable Portfolio Standard. All electricity suppliers are required to use the SREC program to demonstrate compliance with this part of the State's Renewable Portfolio Standard.

"SREC Account" means the electronic account Grantor has established and maintains with the New Jersey Clean Energy Program to use the SREC Program Administrator, or any successor thereto recognized by the State of New Jersey, for the sale and trade of SRECs.

Section 1.02 Interpretation. For purposes of this Agreement the singular includes the plural and the plural the singular; words denoting one gender include the other; the words "including", "includes" and "include" shall be deemed to be followed by the words "without limitation"; references to agreements and other contractual instruments shall be deemed to include all subsequent amendments, revisions and other modifications thereto, without prejudice to any provisions of this Agreement prohibiting such amendments, revisions and other modifications; and references to persons include their respective permitted successors and assigns.

Section 1.03 Relationship of the Parties. For purposes of this Agreement, Secured Party and Grantor expressly agree that the relationship of Secured Party to Grantor is that of a lender only. The intent of this provision is to clarify and stipulate that Secured Party is not a partner, fiduciary and/or coventurer of Grantor and that Secured Party's sole interest in the Collateral is for the purpose of security for repayment of the obligations of Grantor to Secured Party.

ARTICLE II SECURITY INTEREST

Section 2.01 Security Interest. As security for the full payment and performance of the Obligations, Grantor hereby assigns, transfers, pledges and grants to Secured Party, and Secured Party's successors and assigns, a first-priority security interest, lien and pledge in and to all of Grantor's right, title and interest in and to all those assets and properties below described, wherever located, however arising or created, and whether now owned or existing or hereafter arising, created or acquired (collectively, the "Security Interest"):

(a) the Project, all Equipment and all other assets related thereto (as well as "fixtures", as defined under the Uniform Commercial Code, in the event such Project, Equipment or other assets are deemed to be fixtures notwithstanding the intentions of the parties hereto, as hereinafter described);

(b) all Project Documents;

(c) all SRECs, including, without limitation, the SREC Account, all Environmental Attributes, all Investment Property related thereto, all legal and economic attributes of the foregoing, whether now existing and hereafter arising, and all proceeds of the sale of the foregoing;

(d) all General Intangibles related to the Project and/or the Project Documents, including, without limitation, all *choses in action*, causes of action, records, registrations, licenses, franchises, claims under warranties, security interest or other security held or granted to secure performance of the Customer Agreement by Equipment Provider, all rights to indemnification and all other intangible property of every kind and nature;

(e) all Documents, computer programs, data processing records, computer software, source codes at any time evidencing, describing, pertaining to or in any way related to the property described in subsections (a) through (d), inclusive, above (collectively, the "Books and Records");

(f) all rights and power of Grantor to transfer greater title than it has with respect to the property described in subsections (a) through (e), inclusive, above; and

(g) all products, additions, accessions, substitutions and Proceeds of any of the above-described property, in any form whatsoever, and any and all proceeds of such Proceeds, including, without limitation, all cash and credit balances, all payments under any indemnity, warranty or guaranty with respect to any such property, all awards for taking by eminent domain, all proceeds of fire, theft or other insurance, including, without limitation, any and all refunds of unearned premiums in connection with any cancellation, adjustment or termination of any insurance policy or policies, any and all proceeds obtained as a result of any legal action or proceeding with respect to any of the foregoing property, and claims by Grantor against third parties for loss or damage to, or destruction of, any of such property.

The property described or referred to in subsections (a) through (g), inclusive, above, is hereinafter collectively referred to as the "Collateral."

It is the intention of Grantor and Secured Party that: (i) all the Collateral shall, at all times, be considered to be personal property, and not a "fixture" as defined under the Uniform Commercial Code; (ii) to the extent that Collateral may be affixed to the Real Property, the Collateral is not intended to be affixed permanently to the Real Property; (iii) to the extent Collateral may be affixed to the Real Property, the Collateral shall be removable or severable without materially damaging the Collateral or the Real Property; and (iv) the Real Property's use and purpose, prior to any affixation of Collateral to the Real Property, will not be altered by the Collateral or by any affixation of Collateral to the Real Property. Notwithstanding the intention of such parties, Grantor and Secured Party have elected to file financing statements with respect to the Collateral in accordance with the provisions of Section 2.02 hereof, not only in the Office of the Department of Treasury, Division of Revenue, State of New Jersey, but also in the real property records of the county in which the Real Property is located, as an abundance of caution, in case any such Collateral is deemed by a court to be a "fixture".

Section 2.02 Financing Statements. Without limiting the foregoing, Secured Party is hereby authorized to file one or more financing statements, continuation statements, fixture filings and/or any other documents required for the purpose of perfecting, confirming, continuing, enforcing or protecting the Security Interest of Secured Party, with or without the signature of

Grantor, naming Grantor as "debtor" and Secured Party as "secured party" in each instance thereon.

Section 2.03 Further Assurances of Grantor. Grantor, at its sole cost and expense, shall execute, acknowledge, deliver and cause to be duly filed any and all such further consents, instruments, certificates and documents and to take any and all such actions as Secured Party, at any time and from time to time, may reasonably request in order to perfect, preserve and protect the Security Interest and the rights and remedies created hereby.

Section 2.04 Place of Business. Grantor represents that, as of the date hereof, its principal place of business is located at the address set forth in the introductory paragraph hereof. Grantor shall not change or permit to be changed the location of its principal place of business, unless and until all filings required under the Code or otherwise that are necessary to be made in order to assure and preserve its Security Interest have been made and Secured Party has a valid, legal and perfected first-priority security interest in the Collateral not subject to any Liens other than the Permitted Encumbrances. Grantor shall not remove or relocate the Project and/or the Equipment from the Real Property.

Section 2.05 Security Interest Absolute. The Security Interest and any and all rights of Secured Party hereunder, and any and all obligations of Grantor hereunder, shall be absolute and unconditional irrespective of: (a) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from the terms governing said Obligations; (b) any exchange, release or non-perfection of any Collateral, or any release or amendment or waiver of or consent to or departure from any guaranty, for any and all of the Obligations; or (c) any other circumstance that might otherwise constitute a defense available to, or a discharge of, Grantor in respect of the Obligations or in respect of this Agreement.

ARTICLE III GRANTOR'S REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 3.01 Representations, Warranties and Covenants. Grantor represents, warrants and covenants, on behalf of itself and the Collateral hereunder pledged, to and with Secured Party, for so long as any Obligations remain outstanding, that:

(a) **Title and Authority.** Grantor has rights in and good title to the Collateral and has full corporate power and authority to grant to Secured Party the Security Interest in such Collateral pursuant hereto and to execute, deliver and perform its obligations in accordance with the terms of this Agreement without the consent or approval of any other Person other than any consent or approval that has been obtained.

(b) **Filings.** Financing statements containing a description of the Collateral have been delivered to Secured Party for filing in each and every governmental, municipal or other office in every jurisdiction in which such filing is required in order to perfect or establish a valid and legal security interest in favor of Secured Party in respect of the Collateral.

(c) Validity of Security Interest. The Security Interest granted by Grantor constitutes a valid, legal and, upon the filing of the financing statements referred to in paragraph (b), above, a first-priority perfected security interest in all the Collateral granted by Grantor for payment and performance of the Obligations, and the Collateral granted by Grantor is not subject to any Liens other than Permitted Encumbrances.

(d) Information Regarding Names and Locations. Grantor has disclosed in writing to Secured Party any and all trade names which Grantor used or currently uses to identify itself in its business or in the ownership of any of its assets.

(e) Absence of Other Liens. Grantor has neither filed nor had filed against it any financing statement under the Code, or its equivalent in any other jurisdiction, regarding in anyway the Collateral, or any portion thereof, except solely for the Permitted Encumbrances and the Security Interest herein granted.

(f) Taxes. Grantor will pay any and all taxes and other charges relating to the Collateral or its use and will remain current on all taxes.

Section 3.02 Inspection and Verification. Secured Party and such persons as Secured Party may reasonably designate shall have the right, at any reasonable time or times upon reasonable prior notice during the usual business hours of Grantor, to inspect all Books and Records which are in Grantor's possession and to make extracts, summaries and copies from such Books and Records.

Section 3.03 Protection of Security Interest. Grantor shall, at its sole cost and expense: (a) take any and all actions necessary to defend its respective title, rights and interests in and to the Collateral against all Persons and, further, to defend the Security Interest of Secured Party in the Collateral and the priority thereof against any Lien that is not a Permitted Encumbrance; and (b) advise Secured Party promptly, in reasonable detail, of any Lien made or asserted against any of the Collateral and of the occurrence of any event that may have an adverse effect on the aggregate value of the Collateral and/or on the Security Interest herein granted.

Section 3.04 Use and Disposition of Collateral. Grantor shall neither make nor permit to be made any assignment, pledge or hypothecation of the Collateral and/or grant any other security interest in the Collateral other than as permitted hereunder.

Section 3.05 Insurance. Grantor shall insure the Collateral for such coverages and in such amounts as required by the Loan Agreement.

Section 3.06 Maintenance of Collateral. Grantor will properly maintain and care for the Collateral, defend same against any adverse claims and demands and protect and maintain the Collateral in accordance with the highest standards customary for businesses similar to Grantor's.

**ARTICLE IV
EVENTS OF DEFAULT**

Section 4.01 Events of Default. An "Event of Default" shall exist hereunder at any time that:

- (a) any representation or warranty by Grantor herein contained is found not be true and correct in each and every material respect;
- (b) Grantor breaches its obligation to perform any material covenant or agreement contained herein;
- (c) the dissolution, liquidation, merger or termination of Grantor;
- (d) any order, judgment or decree for the payment of money which would have a material and adverse effect on the Collateral or the financial condition of Grantor is entered against Grantor, and such order, judgment or decree shall not be satisfied and be in effect for twenty (20) consecutive calendar days without being vacated, discharged, satisfied or stayed or bonded pending appeal;
- (e) any lien or encumbrance of any kind or character, other than any Permitted Encumbrances or the Security Interest herein granted, shall attach to the Collateral, or any portion thereof, or to any asset or property of Grantor, or any levy, seizure or attachment thereof or thereon;
- (f) Secured Party's liens or security interests in any of the Collateral becomes unenforceable; and/or
- (g) An Event of Default under the Loan Agreement shall remain in effect after the expiration of any applicable cure period provided therein.

Section 4.02 Remedies upon Event of Default.

- (a) Secured Party shall provide Grantor with written notice of an Event of Default arising under the Security Agreement, *provided, however*, that Grantor shall be entitled to only one opportunity to cure an Event of Default arising under more than one Loan Document. Following receipt of such notice, Grantor shall have: (i) a two-Business-Day period within which to fully cure any Event of Default involving the payment of money; and (ii) a thirty-day period within which either to cure any Event of Default not involving the payment of money or, if the Event of Default does not involve the payment of money and cannot be fully cured within the thirty-day period, to institute corrective action satisfactory to Secured Party and to pursue such corrective action diligently, *provided, however*, that the thirty-day cure period shall not be made available to Grantor if Secured Party determines, in its sole discretion, that Secured Party's rights with respect to Grantor and/or Collateral could be materially adversely affected.
- (b) If the applicable Event of Default has not been cured within the prescribed cure period, Grantor agrees to deliver each item of Collateral to Secured Party on demand. Further, the parties agree that Secured Party has the right to take any of the following remedies: (a) to apply all or part of the Obligations against the amounts held by Secured Party for the benefit of Grantor, without notice to Grantor except as required by law; (b) to exercise any other remedies

a secured party has under the Code or other applicable law, and, in the event of the failure of the foregoing remedies, (c) to enter onto the Facility where the Collateral may be located, take possession of it and restore the roof, the costs of which shall be recouped by Secured Party as set forth in Section 4.03, paragraph "First".

Upon the occurrence and during the continuance of an Event of Default, Grantor agrees to deliver each item of Collateral to Secured Party on demand. Further, the parties agree that Secured Party shall have the right to take any or all of the following remedies at the same or different times: (a) without notice to Grantor, except as required by law, and at any time and from time to time, charge, setoff and/or otherwise apply the amount of the Obligations, or any portion thereof, against the amounts held by Secured Party for the benefit of Grantor, with or without legal process and with or without prior notice, or demand for performance to take possession of the Collateral or any portion thereof; and (b) without liability for trespass, to enter onto any of Grantor's premises where such Collateral may be located for the purpose of taking possession of or removing such Collateral; and (c) generally, to exercise any and all rights and remedies afforded to a secured party under the Code and/or other applicable law.

Section 4.03 Application of Proceeds. Secured Party shall apply any Collateral consisting of cash and the proceeds of any collection or sale of any other Collateral as follows:

FIRST, to the payment of all costs and expenses incurred by Secured Party in connection with such collection or sale or otherwise in connection with this Agreement, or any other agreement in connection with the Loan and accrued interest, including, but not limited to, all court costs and the reasonable fees, disbursements and other charges of its agents and legal counsel -- whether incurred in any action or proceeding either between the parties or between Secured Party and any third party;

SECOND, to the payment in full of the accrued interest on the Loan;

THIRD, to the payment of the principal of the Loan; and

FOURTH, to Grantor and its successors or assigns, or as a court or agency of competent jurisdiction may otherwise direct.

ARTICLE V SECURED PARTY

Section 5.01 Secured Party Appointed Attorney-in-Fact. Grantor hereby appoints Secured Party to act as attorney-in-fact on behalf of Grantor for the purposes of carrying out the provisions of this Agreement and taking any action and executing any instrument or other writing which Secured Party may deem reasonably necessary or advisable to accomplish the purposes hereof, which appointment is irrevocable and coupled with an interest.

ARTICLE VI MISCELLANEOUS

Section 6.01 Notices. Notices and other communications provided for herein shall be in writing and given and mailed or delivered to the appropriate party at the address specified for such party in the introductory paragraph of this Agreement.

Section 6.02 Survival of Agreement. Any and all covenants, agreements, representations and warranties made by Grantor herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by Secured Party and shall survive the execution and delivery hereof.

Section 6.03 Binding Effect; Assignments. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except, however, that Grantor shall not, without the prior written consent of Secured Party, assign or delegate any of its rights, duties, liabilities or obligations hereunder or any of its interest herein or in the Collateral, or any part thereof, or otherwise pledge, encumber or grant any option or right with respect to the Collateral, or any part thereof, except as expressly permitted under either this Agreement or the Loan Agreement.

Section 6.04 Expiration; Release. This Agreement and the Security Interest shall expire upon Secured Party's execution and delivery of a written termination and release thereof, at which time Secured Party shall execute and deliver to Grantor, or to such other person or persons as Grantor shall reasonably designate in writing, all termination statements, as per the Code, and similar documents prepared by Grantor, at Grantor's sole cost and expense, which Grantor shall reasonably request to evidence such termination and release.

Section 6.05 Applicable Law. THE PARTIES AGREE THAT THIS AGREEMENT SHALL BE CONSTRUED IN STRICT ACCORDANCE WITH AND GOVERNED EXCLUSIVELY BY THE LAWS OF THE STATE OF NEW JERSEY WITHOUT REGARD TO NEW JERSEY'S CONFLICT OF LAWS PROVISIONS WHICH MAY DEFEAT THE APPLICATION OF NEW JERSEY'S SUBSTANTIVE LAWS.

Section 6.06 No Waivers. No failure or delay of Secured Party or Grantor in exercising any power or right hereunder shall operate as a waiver thereof. No single or partial exercise of any right or power hereunder, or any abandonment or discontinuance of steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The respective rights and remedies of Secured Party and Grantor hereunder and under the Loan Agreement are cumulative and do not exclude any rights or remedies that such party would otherwise have.

Section 6.07 Waiver of Jury Trial. Each party hereto hereby waives, to the fullest extent permitted by law, any right it may have to a trial by jury in respect of any litigation or other action directly or indirectly arising out of, under or in connection with this Agreement.

Section 6.08 Severability. The invalidity or unenforceability of any provision in this Agreement will not affect the validity or enforceability of any other provision.

Section 6.09 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original but all of which when taken together shall constitute but one contract.

Section 6.10 Headings. Article and Section headings are for convenience of reference only, are not part of this Agreement, have no independent substantive meaning and are not to affect the construction of, or to be taken into consideration in interpreting, this Agreement.

IN WITNESS WHEREOF, the parties have each caused its respective, duly authorized representative to execute and deliver this Agreement as of the day and year first above written.

Grantor: _____

By: _____
(Signature)

Name: _____
(Print Name)

Title: _____

Secured Party: PUBLIC SERVICE ELECTRIC AND GAS COMPANY

By: _____
(Signature)

Name: _____
(Print Name)

Title: _____