

SECURITY AGREEMENT
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SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this "Agreement"), is entered into on _____, 20__, by _____, [an] individual(s) residing at _____, New Jersey _____ ([collectively] "Grantor") and Public Service Electric and Gas Company, a New Jersey corporation having an address for purposes of this Agreement at 80 Park Plaza, Newark, New Jersey 07101 ("Secured Party") (Grantor and Secured Party together, "Parties").

Secured Party and Grantor have entered into a Solar Program Loan Agreement ("Loan Agreement"). As security for Secured Party's lending to Grantor the principal amount of the Loan (as defined in the Loan Agreement), Grantor and Secured Party enter into this Agreement.

ARTICLE I DEFINITIONS; INTERPRETATIONS

Section 1.01 Definitions. As used in this Agreement, the following terms shall have the following meanings:

"Books and Records" has the meaning set forth in Section 2.01(e) of this Agreement.

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

"Code" means of the Uniform Commercial Code in force in the State of New Jersey, as it may be amended or superseded.

"Collateral" has the meaning set forth in Section 2.01 of this Agreement.

"Customer Agreement" means the agreement between Equipment Provider and Grantor to develop, design, procure and install the Project.

"Documents" means all instruments, files, records, ledger sheets and documents about 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, air pollution avoidance. The exact quantity of the environmental benefit (for example, 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 the Environmental Attributes, and have the right to trade those Environmental Attributes for its own account.

"Equipment" means all solar panels and related Project equipment, machinery, equipment, components, additions, wirings, meters, replacement parts and consumables that compromise the Project.

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

"Event of Default" has the meaning set forth in Section 4.01.

"General Intangibles" has the meaning stated in the Code.

"Grantor" has the meaning set forth above.

"Instruments" has the meaning stated in the Code.

"Investment Property" has the meaning stated in the Code.

"Liens" means any and all mortgages, liens, security interests and/or encumbrances of any kind, and/or pledges 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) all interest accruing on the Loan; (c) all fines, fees and penalties related to the Loan; (d) all liabilities of Secured Party to Grantor related to the Loan and the Loan Agreement; and (e) all costs and expenses incurred by Secured Party in collecting any of the above and enforcing this Agreement or the other Loan Documents (as that term is defined in the Loan Agreement), including, 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, which may include, among other things, a home mortgage or home equity loan or line of credit, so long as the foregoing do not impair the Secured Party's first priority security interest in the Collateral; (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 is 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, institution, entity, party,

corporation, 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 theft or damage of the Collateral or any portion thereof.

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

"Project Documents" means: (a) a fully executed Customer Agreement; (b) forms signed 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; and (f) 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 as Lot _____ Block _____.

"Secured Party" has the meaning set forth above.

"Security Interest" has the meaning set forth 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; and references to persons include their permitted successors and assigns.

Section 1.03 Relationship of the Parties. For purposes of this Agreement, the Parties 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 Loan.

ARTICLE II SECURITY INTEREST

Section 2.01 Security Interest. As security for the full payment and performance of the Obligations, Grantor assigns, 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 listed below (collectively, the "Security Interest"):

- (a) the Project, all Equipment and all other assets related to the Project, (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);
- (b) all Project Documents;
- (c) all SRECs, including, the SREC Account, Environmental Attributes, Investment Property related to the SRECs, and all proceeds of the sale of any of these;
- (d) all General Intangibles related to the Project and/or the Project Documents, including all 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 in any way related to the property described in subsections (a) through (d) 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) above; and

(g) all products, additions, substitutions and Proceeds of any of the property described above, including 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 all refunds of unearned premiums in connection with any cancellation, adjustment or termination of any insurance policy or policies, all proceeds obtained as a result of any legal action or proceeding related of the property described above, 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) above, is collectively referred to as the "Collateral."

It is the intention of Grantor and Secured Party that: (i) all Collateral will, at all times, be considered to be personal property, and not a "fixture" as defined under the Uniform Commercial Code; (ii) to the extent the Collateral may be attached to the Real Property, the Collateral is not intended to be attached permanently to the Real Property; (iii) to the extent the Collateral may be attached to the Real Property, the Collateral will be able to be removed or disconnected without materially damaging the Collateral or the Real Property; and (iv) the Real Property's use and purpose, prior to any attachment of the Collateral to the Real Property, will not be changed by the Collateral or by any attachment of the Collateral to the Real Property. Despite such intentions, Grantor and Secured Party have agreed to file financing statements with respect to the Collateral in the New Jersey Department of Treasury, Division of Revenue and in the real property records of the county in which the Real Property is located, in order to be especially cautious, in case any Collateral is determined by a court to be a fixture.

Section 2.02 Financing Statements. Secured Party is authorized to file financing statements, continuation statements, fixture filings and/or any other documents required to perfect, confirm, continue, enforce or protect the Security Interest of Secured Party, with or without the signature of Grantor, naming Grantor as "debtor" and Secured Party as "secured party" on each document.

Section 2.03 Further Assurances of Grantor. Grantor, at his/her sole cost, shall execute, acknowledge, deliver and file any such further consents, instruments, certificates and documents and to take any actions as Secured Party may reasonably request in order to perfect, preserve and protect the Security Interest.

Section 2.04 Intentionally Omitted.

Section 2.05 Security Interest Absolute. The Security Interest and all rights of Secured Party under this Agreement, and all obligations of Grantor under this Agreement, shall be absolute and unconditional without regard to: (a) any change in the time, manner or place of payment of the Obligations, including any amendment or waiver of, or consent to, any departure from the terms governing the Obligations; (b) any exchange, release or non-perfection of any Collateral, including any release or amendment or waiver of, or consent to, or departure from any guaranty, for the Obligations; or (c) any other circumstance that

might otherwise allow Grantor to discharge Grantor's duties 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 pledged to 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 power and authority to grant the Security Interest to Secured Party and to perform his/her obligations under 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 governmental or other office in every jurisdiction in which such a filing is required in order to perfect or establish a valid and legal security interest in the Collateral in favor of Secured Party.

(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) 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 any portion of the Collateral, except for the Permitted Encumbrances and the Security Interest granted in this Agreement.

(e) Taxes. Grantor will pay 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 its agents have the right to inspect all Books and Records in Grantor's possession which relate to the Loan, the Project, or the Collateral, and to make copies from them. Secured Party must give Grantor reasonable notice of its desire to conduct such an inspection.

Section 3.03 Protection of Security Interest. Grantor shall, at his/her sole expense: (a) take all actions necessary to defend his/her title, right and interest in the Collateral against all Persons and, further, to defend the Security Interest of Secured Party in the Collateral and the priority of the Security Interest against any Lien that is not a Permitted Encumbrance; (b) advise Secured Party promptly, in reasonable detail, of any Lien made or asserted against any of the Collateral and (c) advise Secured Party of the occurrence of

any event that may have a negative effect on the value of the Collateral and/or on the Security Interest.

Section 3.04 Use and Disposition of Collateral. Grantor shall neither make nor allow another to make any assignment, pledge or hypothecation of the Collateral or grant any other security interest in the Collateral other than as permitted in this Agreement.

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 shall properly protect, maintain and care for the Collateral and defend it against any adverse claims.

ARTICLE IV EVENTS OF DEFAULT

Section 4.01 Events of Default. An "Event of Default" shall exist under this Security Agreement at any time that:

(a) any representation or warranty by Grantor contained in this Agreement is not materially true and correct;

(b) Grantor breaches his/her obligation to perform any material covenant or agreement in this Agreement;

(c) an 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, if such order, judgment or decree is not satisfied and remains in effect for twenty (20) consecutive calendar days without being vacated, discharged, satisfied or stayed or bonded pending appeal;

(d) any lien or encumbrance, other than any Permitted Encumbrances or the Security Interest, shall attach to the Collateral;

(e) Secured Party's liens or security interests in any of the Collateral becomes unenforceable; and/or

(f) An Event of Default under the Loan Agreement shall remain in effect after the expiration of the applicable opportunity to cure therein.

Section 4.02 Cure Rights; 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) 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 (i) to take or employ any or all the remedies set forth in Section 11.2 of the Loan Agreement, (ii) to charge, setoff and/or otherwise apply the amount of the Obligations, or any portion of the Obligations, against the amounts held by Secured Party for the benefit of Grantor; and, (iii) 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, SRECs, and the proceeds of any collection or sale of any other Collateral as follows:

FIRST, to the payment of any costs incurred by Secured Party to collect or sell the Collateral or otherwise in connection with this Agreement or any of the Loan Documents including all court costs and reasonable legal fees and disbursements -- whether incurred in any action or proceeding 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 his/her successors or assigns, or as a court or agency of competent jurisdiction may otherwise direct.

ARTICLE V OBLIGATIONS OF GRANTOR

Section 5.01 Joint and Several Obligations. If this Security Agreement is signed by two or more individuals as Grantor, the obligations of such individuals under this Security Agreement are joint and several as if each individual executed a separate Security Agreement in favor of Secured Party. This Security Agreement shall be enforceable by Secured Party against each of or all of such individuals as Secured Party may elect.

ARTICLE VI MISCELLANEOUS

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

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

Section 6.03 Binding Effect; Assignments. This Agreement shall be binding upon and benefit the Parties, except, however, that Grantor shall not, without the prior written consent of Secured Party, assign or delegate any of his/her rights, duties, liabilities or obligations under this Agreement or any of his/her interest in the Collateral, or otherwise grant any option or right with respect to the Collateral except as expressly permitted under 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. At that time, Secured Party shall execute and deliver to Grantor, or to Grantor's designee who shall be designated by Grantor in writing, all termination statements as provided in the Code, and any other documents prepared by Grantor, at Grantor's sole expense, which Grantor shall reasonably request as evidence of the 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 that it has under this Agreement shall operate as a waiver. No partial exercise of any right or power, or any abandonment or discontinuance of steps to enforce any right or power, shall preclude the exercise of any other right or power. The respective rights and remedies of Secured Party and Grantor under this Agreement and the Loan Documents 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 waives any right it may have to a trial by jury in any litigation or other action arising 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 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.

[Signatures on Following Page]

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)

[By: _____]
(Signature)

[Name: _____]
(Print Name)

Secured Party: PUBLIC SERVICE ELECTRIC AND GAS COMPANY

By: _____
(Signature)

Name: _____
(Print Name)

Title: _____