

SECURITY AGREEMENT

This SECURITY AGREEMENT, dated as of _____ (as amended, supplemented or otherwise modified from time to time in accordance with the provisions hereof, this "**Agreement**"), made by and among _____, a _____ (the "**Grantor**"), in favor of AEE Solar Inc., (the "**AEE**").

RECITALS:

- A. AEE has extended and may continue to extend credit to Grantor (the "**Credit**"), evidenced by purchase orders submitted by Grantor and accepted by AEE, and the corresponding invoices submitted to Grantor by AEE and payable to the order of AEE;
- B. This Agreement is given by Grantor in favor of AEE to secure the payment and performance of all of the Secured Obligations; and
- C. It is a condition to AEE's continued willingness to accept POs from Grantor that Grantor execute and deliver this Agreement.

AGREEMENT:

Definitions.

(a) Unless otherwise specified, all references to Sections and Schedules herein are to Sections and Schedules of this Agreement.

(b) Unless otherwise defined, terms used herein that are defined in the UCC shall have the meanings assigned to them in the UCC. However, if a term is defined in Article 9 of the UCC differently than in another Article of the UCC, the term has the meaning specified in Article 9.

(c) For purposes of this Agreement, the following terms shall have the following meanings:

"**Collateral**" means all "accounts" and "goods" as such terms are defined in section 9-102 of the UCC.

"**Event of Default**" means failure to pay an AEE invoice when due.

"**First Priority**" means, with respect to any lien and security interest purported to be created in Collateral pursuant to this Agreement, such lien and security interest is the most senior lien to which the Collateral is subject.

"**Perfection Certificate**" has the meaning set forth in Section 5.

"**POs**" means the standard AEE Terms and Conditions of Sale as amended, supplemented or otherwise modified from time to time, together with each purchase order issued by Grantor and accepted by AEE.

"**Proceeds**" means "proceeds" as such term is defined in section 9-102 of the UCC and, in any event, shall include all dividends or other income from the Collateral, collections thereon or distributions with respect thereto.

"**Secured Obligations**" has the meaning set forth in Section 3.

"**UCC**" means the Uniform Commercial Code as in effect from time to time in the State of California or, when the laws of any other state govern the method or manner of the perfection or enforcement of any security interest in any of the Collateral, the Uniform Commercial Code as in effect from time to time in such state.

Grant of Security Interest. The Grantor grants to AEE, and hereby creates a continuing First Priority lien and security interest in favor of AEE in and to all of Grantor's right, title and interest in and to all Collateral, wherever located, whether now existing or hereafter from time to time arising or acquired.

Secured Obligations. The Collateral secures the obligations of the Grantor from time to time arising under the POs, this Agreement or otherwise with respect to the prompt payment of (i) the Credit and (ii) all other monetary obligations, including fees, costs, attorney fees and disbursements, reimbursement obligations, contract causes of action, expenses and indemnities, due or to become due, now existing or hereafter arising, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), of the Grantor under or in respect of the POs and this Agreement (all such obligations, debts, liabilities, sums and expenses set forth in Section 3 being herein collectively called the "**Secured Obligations**").

Perfection of Security Interest and Further Assurances.

(d) The Grantor shall, from time to time, as may be required by AEE with respect to all Collateral, immediately take all actions as may be requested by AEE to perfect the security interest of AEE in the Collateral at the sole cost and expense of the Grantor.

(e) The Grantor hereby irrevocably authorizes AEE at any time and from time to time to file in any relevant jurisdiction financing statements and amendments thereto that contain the information required by Article 9 of the UCC for such filing to perfect a security interest in the Collateral, including any financing or continuation statements or other documents for the purpose of confirming, continuing or enforcing the security interest granted by the Grantor, without the signature of the Grantor where permitted by law. The Grantor agrees to provide all information required by AEE pursuant to this Section promptly to AEE upon request.

(f) The Grantor agrees that at any time and from time to time, at the expense of the Grantor, the Grantor will promptly execute and deliver all further instruments and documents, obtain such agreements from third parties, and take all further action that AEE may request, in order to create or maintain the validity, perfection or priority of and

to protect any security interest granted hereby or to enable AEE to exercise and enforce its rights and remedies with respect to Collateral.

Representations and Warranties. The Grantor represents and warrants as follows:

(g) It has previously delivered to AEE a certificate signed by the Grantor and entitled "Perfection Certificate" ("**Perfection Certificate**"), and that: (i) the Grantor's exact legal name is indicated on the Perfection Certificate and on the signature page hereof, (ii) the Grantor is an organization of the type, and is organized in the jurisdiction, set forth in the Perfection Certificate, (iii) the Perfection Certificate accurately sets forth the Grantor's organizational identification number (or accurately states that the Grantor has none), the Grantor's place of business (or, if more than one, its chief executive office), and its mailing address, (iv) all other information set forth on the Perfection Certificate relating to the Grantor is accurate and complete and (v) there has been no change in any such information since the date on which the Perfection Certificate was signed by the Grantor.

(h) All information set forth on the Perfection Certificate relating to the Collateral is accurate and complete and there has been no change in any such information since the date on which the Perfection Certificate was signed by the Grantor.

(i) None of the account debtors or other persons obligated on any of the Collateral is a governmental authority covered by the Federal Assignment of Claims Act or like federal, state or local statute or rule in respect of such Collateral.

(j) At the time the Collateral becomes subject to the lien and security interest created by this Agreement, the Grantor will be the sole owner thereof, free and clear of any lien, security interest, encumbrance or claim of others except for the security interest created by this Agreement.

(k) The pledge of the Collateral pursuant to this Agreement creates a valid and perfected First Priority security interest in the Collateral, securing the payment and performance when due of the Secured Obligations.

(l) The Grantor has full power, authority and legal right to issue the POs and pledge the Collateral pursuant to this Agreement.

(m) Each of this Agreement and the POs have been duly authorized, executed and delivered by the Grantor and constitute binding obligations of the Grantor enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization or other similar laws affecting creditor's rights and subject to equitable principles (regardless of whether enforcement is sought in equity or at law).

(n) No authorization or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the issuance of the pledge by the Grantor of the Collateral pursuant to this Agreement or for the execution and delivery of this Agreement by the Grantor or the performance by the Grantor of its obligations thereunder.

(o) The execution and delivery of this Agreement by the Grantor and the performance by the Grantor of its obligations will not violate any provision of applicable law or regulation or any order, judgment, writ, award or decree of any court, arbitrator or governmental authority, domestic or foreign, applicable to the Grantor or any of its property, or the organizational or governing documents of the Grantor or any agreement or instrument to which the Grantor is party or by which it or its property is bound.

2. Receivables. If any Event of Default occurs and is continuing, AEE may, or at the request and option of AEE, the Grantor shall notify its account debtors of the security interest of AEE in any account and that payment thereof is to be made directly to AEE.

Covenants. The Grantor covenants as follows:

(a) The Grantor will not, without providing at least 30 days prior written notice to AEE, change its legal name, identity, type of organization, jurisdiction of organization, corporate structure, location of its chief executive office or its principal place of business or its organizational identification number. The Grantor will, prior to any change described in the preceding sentence, take all actions requested by AEE to maintain the perfection and priority of AEE's security interest in the Collateral.

(b) The Grantor shall, at its own cost and expense, defend title to the Collateral and the First Priority lien and security interest of AEE against the claim of any person claiming against or through the Grantor and shall preserve such perfected First Priority security interest for so long as this Agreement shall remain in effect.

(c) The Grantor will not sell, assign or otherwise transfer, grant any option with respect to, restrict, or grant, create, permit or suffer to exist any mortgage, pledge, lien, security interest, option, right of first offer, encumbrance or other restriction or limitation of any nature whatsoever on, any of the Collateral or any interest therein.

(d) The Grantor will keep the Collateral in good order and repair. The Grantor will permit AEE, or its designee, to inspect the Collateral at any reasonable time, wherever located.

(e) The Grantor will pay promptly when due all taxes and governmental charges upon the Collateral or incurred in connection with the use of the Collateral or incurred in connection with this Agreement.

AEE Appointed Attorney-in-Fact. The Grantor hereby appoints AEE the Grantor's attorney-in-fact, with full authority in the name of the Grantor, from time to time during the continuance of an Event of Default to take any action and to execute any instrument that AEE may deem advisable to accomplish the purposes of this Agreement (but AEE shall not be obligated to and shall have no liability to the Grantor or any third party for failure to do so or take action). This appointment, being coupled with an interest, shall be irrevocable. The Grantor hereby ratifies all that AEE's attorneys shall lawfully do or cause to be done by virtue hereof.

AEE May Perform. If the Grantor fails to perform any obligation contained in this Agreement, AEE may itself perform, or cause performance of, such obligation, and the expenses of AEE

incurred in connection therewith shall be payable by the Grantor; provided that AEE shall not be required to perform or discharge any obligation of the Grantor.

Remedies Upon Default.

(f) If any Event of Default occurs and is continuing, AEE, without any other notice to or demand upon the Grantor, may assert all rights and remedies of a secured party under the UCC or other applicable law. To the extent that the Collateral consists of goods, AEE shall assess the Collateral upon taking possession of it, and shall credit the Grantor for the invoice price of all goods recovered by AEE that are undamaged, unused and in their original packaging. To the extent that the Collateral consists of accounts, AEE shall be entitled to collect all such accounts. To the extent permitted by applicable law, the Grantor waives all claims, damages and demands it may acquire against AEE arising out of the exercise by AEE of any rights hereunder.

(g) If any Event of Default occurs and is continuing, all cash Proceeds received by AEE in respect of any sale of the Collateral shall be applied in whole or in part by AEE to the payment of expenses incurred by AEE in connection with the sale or incidental to the care or safekeeping of any of the Collateral, including reasonable attorney fees, and the balance of such proceeds shall be applied or set off against all or any part of the Secured Obligations in such order as AEE elects. Any surplus of such cash or cash Proceeds held by AEE and remaining after payment in full of all the Secured Obligations shall be paid over to the Grantor or to whomsoever may be lawfully entitled to receive such surplus. The Grantor shall remain liable for any deficiency if such cash and the cash Proceeds of any sale or other realization of the Collateral are insufficient to pay the Secured Obligations and the fees and other charges of any attorneys employed by AEE to collect the deficiency.

No Waiver and Cumulative Remedies. AEE shall not by any act (except by a written instrument pursuant to Section 13) be deemed to have waived any right or remedy hereunder or to have acquiesced in any Event of Default. All rights and remedies herein provided are cumulative and are not exclusive of any rights or remedies provided by law.

SECURITY INTEREST ABSOLUTE. The Grantor hereby waives all demands and notices of any description. All rights of AEE and liens and security interests hereunder, and all Secured Obligations of the Grantor hereunder, shall be absolute and unconditional irrespective of:

- (h) any illegality or lack of validity or enforceability of any Secured Obligation or any related agreement or instrument;
- (i) any change in the time, place or manner of payment of, or in any other term of, the Secured Obligations, including any increase in the Secured Obligations resulting from AEE's confirmation of additional POs or otherwise;
- (j) any taking, exchange, substitution or release of any Collateral, or any taking, release, impairment, amendment, waiver or other modification of any guaranty, for all or any of the Secured Obligations;

(k) any sale, disposition or application of proceeds of any Collateral or any other collateral or other assets to all or part of the Secured Obligations; or

(l) any defense, set-off or counterclaim (other than a defense of payment or performance) that may be available to, or be asserted by, the Grantor against AEE.

Amendments. None of the terms or provisions of this Agreement may be amended, terminated or waived, and no consent to any departure by the Grantor therefrom shall be effective unless the same shall be in writing and signed by AEE and the Grantor, and then such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which made or given.

Addresses for Notices. All notices and other communications provided for in this Agreement shall be in writing and addressed to the respective parties at their addresses as specified on the signature pages hereof or as to either party at such other address as shall be designated by such party in a written notice to the other party.

Continuing Security Interest; Further Actions. This Agreement shall create a continuing First Priority lien and security interest in the Collateral and shall (a) subject to Section 16, remain in full force and effect until payment and performance in full of the Secured Obligations, (b) be binding upon the Grantor, its successors and assigns, and (c) inure to the benefit of AEE and its successors, transferees and assigns; provided that the Grantor may not assign or otherwise transfer any of its rights or obligations under this Agreement without the prior written consent of AEE.

Termination; Release. On the date on which all Secured Obligations have been paid and performed in full, AEE will, at the request of the Grantor, (a) deliver to the Grantor a UCC-3 termination statement that the Grantor may file, and (b) execute and deliver to the Grantor a proper instrument acknowledging the satisfaction and termination of this Agreement.

GOVERNING LAW. This Agreement and any claim, controversy, dispute or cause of action (whether in contract or tort or otherwise) based upon, arising out of or relating to this Agreement and the transactions contemplated hereby and thereby shall be governed by, and construed in accordance with, the laws of the State of . The other provisions of the GOVERNING LAW; VENUE section of the POs are incorporated herein, mutatis mutandis, as if a part hereof.

Counterparts. This Agreement and any amendments, waivers, consents or supplements may be executed in counterparts, each of which shall constitute an original, but all taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or in electronic (i.e., "pdf" or "tif") format shall be effective as delivery of a manually executed counterpart of this Agreement. This Agreement constitutes the entire contract among the parties with respect to AEE's First Priority lien upon the Collateral and supersedes all previous agreements and understandings, oral or written, with respect thereto.

[SIGNATURE PAGE FOLLOWS]

AEE SOLAR

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

, as Grantor

By _____

Name:

Title:

Address for Notices:

AEE SOLAR Inc., as AEE

By _____

Name:

Title:

Address for Notices: 775 Fiero Lane, Suite
200, San Luis Obispo CA 93401

Perfection Certificate

Reference is hereby made to that certain SECURITY AGREEMENT (the "**Security Agreement**"), dated as of _____, between _____, a (the "**Company**") and AEE SOLAR INC. ("**AEE**"). Capitalized terms used but not defined herein have the meanings assigned to them in the Security Agreement. The undersigned] hereby certifies to AEE:

Name.

The exact legal name of the Company, as such name appears in its certificate of incorporation or any other formation or organizational document, is as follows:

The following are any other legal names that the Company has had in the past four months, together with the date of the relevant change:

The following are any other names (including trade names) used by the Company, or any other business or organization to which the Company became the successor by merger, consolidation, acquisition, change in form, nature or jurisdiction of organization or otherwise, now or at any time during the past four months:

Other Identifying Factors.

The Company is the type of entity described next to its name below:

The Company is a registered organization except to the extent disclosed below:

The jurisdiction of organization or formation of the Company is as follows:

Except as set forth below, the Company has not changed its jurisdiction of organization or formation at any time during the past four months:

The organizational identification number, if any, of the Company is:

The federal taxpayer identification number of the Company is:

Current Locations.

The chief executive office of the Company is located at the following address:

The principal mailing address of the Company is the following address, if different from the chief executive office:

The following are all locations within the United States of America where the Company maintains any books or records relating to any of the Collateral consisting of accounts or goods:

The following are all other places of business of the Company in the United States of America:

The following are all locations within the United States of America where any of the Collateral consisting of goods is located:

The following are the names and addresses of all persons or entities other than the Company, such as warehousemen, who have possession or are intended to have possession of any of the Collateral consisting of goods:

The following are the chief executive office, mailing addresses, location of books or records and all other places of business maintained by the at any time during past four months:

UCC Filing Locations. The following is a list of the appropriate filing offices for the UCC-1 financing statements:

IN WITNESS WHEREOF, the undersigned executed this certificate effective as of

By _____

Name:

Title: