Management Discussion and Analysis
As of and for the year ended June 30, 2009

Overview of Financial Statements

The Maryland Clean Energy Center is an instrumentality of the State of Maryland founded for the purpose of promoting clean energy economic development and jobs in the state, encouraging the deployment of clean energy technologies, assisting in the demonstration of newly developed technologies, analyzing and disseminating industry data, and providing outreach and technical support to expand the clean energy industry in Maryland. The financial statements report information and use accounting methods similar to those employed by governments.

The purpose of the discussion and analysis that follows is to provide an understanding of the financial performance and activities of the Center as of and for the fiscal year ended June 30, 2009. As required supplementary information, the accompanying analysis should be used in conjunction with the financial statements and related notes to assess the overall financial condition and reported operating results of the Center.

The Center commenced operations in December 2008 with the appointment of its Board. The executive director was appointed effective June 1, 2009.

The following table presents condensed financial information about the Center’s net assets as of June 30, 2009:

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current and other assets</td>
<td>$438,382</td>
</tr>
<tr>
<td>Capital assets</td>
<td>-</td>
</tr>
<tr>
<td>Total assets</td>
<td>438,382</td>
</tr>
<tr>
<td>Long-term debt outstanding</td>
<td>400,000</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>21,972</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>421,972</td>
</tr>
<tr>
<td>Net assets:</td>
<td></td>
</tr>
<tr>
<td>Invested in capital assets, net of related debt</td>
<td>-</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>16,410</td>
</tr>
<tr>
<td>Total net assets</td>
<td>$16,410</td>
</tr>
</tbody>
</table>
Fiscal Year 2009
Net assets represent the difference between total assets and total liabilities. Net assets are considered to be a measure of the Center’s net worth. Total net assets increased by $16,410 all of which is unrestricted.

<table>
<thead>
<tr>
<th>Revenues, Expenses and Changes in Net Assets</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues</td>
<td>$ 51,443</td>
</tr>
<tr>
<td>Operating expenses</td>
<td></td>
</tr>
<tr>
<td>Administration</td>
<td>35,033</td>
</tr>
<tr>
<td>Operating income</td>
<td>$ 16,410</td>
</tr>
<tr>
<td>Change in net assets</td>
<td>16,410</td>
</tr>
<tr>
<td>Net assets, beginning of year</td>
<td></td>
</tr>
<tr>
<td>Net assets, end of year</td>
<td>$ 16,410</td>
</tr>
</tbody>
</table>

Revenues by Source

Fiscal Year 2009
The Center’s revenue is primarily Grants from Montgomery County, Maryland.

Operating Expenses

Operating expenses include those classified as administrative. Expenses were 68% of revenues in 2009.

Operating Income

Fiscal Year 2007
The Authority reported operating income of $16410 in 2009.

Investment in Capital Assets

Fiscal Year 2009
The Center owned no capital assets at June 30, 2009.
Outstanding Debt

Fiscal Year 2009
At the end of 2009 outstanding debt totaled $400,000, a net increase of $400,000 from 2006. The net change consists of new borrowings of $400,000. The Center entered into a loan agreement with the Maryland Department of Energy to fund start up costs. The loan bears no interest.
MARYLAND CLEAN ENERGY CENTER
STATEMENT OF NET ASSETS
JUNE 30, 2009

ASSETS
Cash- SunTrust $ 429,712
Cash- MES 8,670

Total Assets 438,382

LIABILITIES AND FUND BALANCE
Liabilities
Accounts payable 7,658
Accrued salaries and benefits 14,314
Non current liabilities
Due in more than one year 400,000

Total Liabilities 421,972

NET ASSETS
Unrestricted $ 16,410
MARYLAND CLEAN ENERGY CENTER
STATEMENT OF INCOME, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

**REVENUES**
Grants received $ 50,000
Other revenue 1,443

Total Revenues 51,443

**EXPENSES**
Salaries and benefits 23,644
Legal 3,312
Telephone 228
Travel 120
Information Systems 1,406
Accounting 2,000
Marketing 3,999
Supplies 252
Miscellaneous 72

Total Expenses 35,033

Increase in Net Assets 16,410

Beginning Net Assets -

Net Assets June 30, 2009 $ 16,410
Notes to Financial Statements

June 30, 2009

Organization and Summary of Significant Accounting Policies

Reporting Entity

The Maryland Clean Energy Center (the Center) is an instrumentality of the State of Maryland created by the passage of House Bill 1337 in the 2008 session of the legislature.

The Authority is a public body politic and corporate of the State of Maryland. It is governed by a nine member board, eight of whom are appointed by the Governor with the advice and consent of the State Senate. The ninth member of the board is the Executive Director of the Center and is appointed by the board. It is not a component unit of any other entity and is financially independent.

Actual operations began in December of 2008 with the appointment of the board members. The Executive Director was appointed effective June 1, 2009.

The Center is established to promote clean energy economic development and jobs in the state, encourage the deployment of clean energy technologies, assist in the demonstration of newly developed technologies, analyze and disseminate industry data, and provide outreach and technical support to expand the clean energy industry in Maryland.

Measurement focus, basis of accounting, and financial statement presentation

The accompanying financial statements, which are governmental type activities, present the financial position and results of operations of all of the Center's activities. The Center uses the accrual basis of accounting and the economic measurement focus in preparing its financial statements wherein revenues are recognized when earned and expenses are recognized when incurred. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the preparation of these financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.
Revenue Recognition

The Center records revenue when measurable and available. Revenues are considered to be available when they are collectable in the current period, or soon enough thereafter to pay liabilities of the current period. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider are met.

Cash Equivalents

Cash held by the Center was as follows at year-end:

<table>
<thead>
<tr>
<th>Carrying Amount</th>
<th>Collected Bank Balances at Fair Value</th>
<th>Total Collateral</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand Deposit Accounts</td>
<td>$429,712</td>
<td>$429,712</td>
</tr>
</tbody>
</table>

At year end, the Center held $179,712 in excess of available FDIC coverage, in violation of State law.

In addition to cash held in its own name, certain cash is held by the Maryland Environmental Service. A copy of their financial statements is available from:

Maryland Environmental Service
259 Najoles Road
Millersville, Maryland 21108

The Maryland Environmental Service acts as a fiscal agent for the Center in payment of payroll and other expenses.

Accounts receivable

The Center had no accounts receivable at June 30, 2009.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.
Capital Assets

The Center had no capital assets at June 30, 2009.

The Center defines capital assets as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets useful life are not capitalized.

Changes in Noncurrent liabilities

During the year ended June 30, 2009, the following changes occurred in the noncurrent liabilities of the Center:

<table>
<thead>
<tr>
<th>Balance July 1, 2009</th>
<th>Additions</th>
<th>Repayments</th>
<th>Balance June 30, 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>MD Energy Administration</td>
<td>400,000</td>
<td>400,000</td>
<td>400,000</td>
</tr>
</tbody>
</table>

Future minimum payments for long term debt at June 30, 2009 are as follows:

<table>
<thead>
<tr>
<th>Year ending June 30:</th>
<th>Total</th>
<th>Principal</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>2011</td>
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<td>2013</td>
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<tr>
<td>2014</td>
<td>50,000</td>
<td>50,000</td>
<td></td>
</tr>
<tr>
<td>2015-2019</td>
<td>250,000</td>
<td>250,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$400,000</td>
<td>$400,000</td>
<td>$</td>
</tr>
</tbody>
</table>
Maryland Energy Administration Loan: The purpose of this loan is to provide the Center with funds to establish and commence operations, including programmatic activities and administrative and operating expenses.