Funding Opportunity Announcement ("FOA")

FY26 Jane E. Lawton Conservation Loan Program

Program Description: The Maryland Energy Administration (MEA) provides the Fiscal Year 2026 ("FY26") Jane E. Lawton Conservation Loan Program ("Lawton Loan Program", "the Program") to Maryland eligible businesses, nonprofit organizations, local governments and State agencies, including departments, to finance cost-effective energy efficiency and conservation projects to benefit their facilities and operations by (1) promote energy conservation; (2) reduce consumption of fossil fuels; (3) improve energy efficiency; (4) enhance energy-related economic development and stability in the nonprofit, commercial, and industrial sectors; and (5) reduce greenhouse gas emissions. Comprehensive projects that include multiple measures to maximize energy cost savings and greenhouse gas emissions reductions are highly desired.

Program Purpose: The Lawton Loan Program promotes energy efficiency, reduces consumption of fossil fuels, and enhances energy-related economic development and stability in the commercial and industrial, nonprofit, and government sectors. The Jane E. Lawton Conservation Loan Program authorizes the Maryland Energy Administration to:

- Make low-interest loans to eligible nonprofit organizations, eligible businesses, and local governments.

- Enhance the credit of financings offered by eligible banks and other financial institutions to benefit eligible nonprofit organizations, eligible businesses, and local governments.

Funds are provided at below-market rates to Maryland nonprofits and eligible businesses, and at zero financing cost to local governments and State agencies and departments, to improve access to affordable capital and spur energy efficiency and conservation projects in the built environment.

Program Regulations: The Lawton Loan Program is governed by Md. Code Ann. State Gov't Art. §§ 9-20A-01 – 9-20A-10. Regulations governing the Lawton Loan Program can be viewed in the Code of Maryland Regulations (COMAR), section 14.26.01. The Lawton statutes and regulations shall control in the event of conflict with this Funding Opportunity Announcement ("FOA").

Type of Program: Non-competitive (first-come, first-served) based on the date that MEA receives a complete application

Application Deadline: **Tuesday, February 27, 2026 at 3:00 P.M. EST.**

Applications will be accepted on an ongoing basis, however, funding is limited and will be allocated on a first-come, first-served basis pursuant to the Funding Restrictions described below.

Eligible Applicant Type: The Lawton Loan Program is open to:

- Eligible Maryland businesses and nonprofit organizations[1] that have legal authority to transact business or operate within the State of Maryland. A business located within a residence is not eligible for a Lawton Loan.
- Local governments and all State of Maryland governmental bodies[2] (agencies, departments, and other State bodies and sub-units, including State colleges and universities).

Non-governmental borrowers must be in Good Standing with the Maryland State Department of Assessments and Taxation (SDAT).

Application Fee: Eligible businesses, nonprofit organizations, local governments (counties, and municipalities) are **required to pay a one-time $250 application fee** ("Lawton Loan Application Fee") to apply to the Lawton Loan Program. State agencies are exempt from this requirement.

Funding: A total of **$4,281,842** is anticipated to be available for Lawton loans in FY26. The amount loaned may be higher or lower depending on the quantity and quality of applications received.

90-Day Funding Restrictions: A total of $2,140,921 is initially reserved for non-profit borrowers[3] and $2,140,921 for state governmental bodies. These restrictions will be fully lifted after October 31, 2025. All remaining funds are available for potential loans to all eligible Applicants beginning November 1, 2025 as reflected in table 1

[1] Nonprofit organization" means a corporation, foundation, school, hospital, or other legal entity, no part of the net earnings of which inure to the benefit of any private shareholder or individual holding an interest in the entity.

[2] "State agency" means any permanent or temporary State office, department, division or unit, bureau, board, commission, task force, authority, institution, State college or university, and any other unit of State government, whether executive, legislative, or judicial, including any subunits of State government.

[3] The Administration shall annually reserve for at least 90 days 20% of the money from the Fund that is available for financial assistance under the Program for loans to nonprofit organizations.

Borrower Type	Restricted Period	Restriction on Fund Availability
Nonprofit borrowers	July 1, 2025 – October 31, 2025	$2,140,921 is reserved for nonprofit organizations
DGS & State Agencies	July 1, 2025 – October 31, 2025	$2,140,921 is reserved for State Agencies
All eligible borrowers	November 1, 2025 - March 31, 2026	Funding restrictions lifted; All remaining funds are available to all eligible borrowers

Table 1: Funding restrictions

Loan Features:

Loans are offered to Maryland eligible businesses, nonprofit organizations, local governments, the Maryland Department of General Services (“DGS”), and other State Agencies.

Funds for **eligible businesses and non-profit organizations** (non-DGS and non-State entities) are offered across two (2) Categories (Microloans and Traditional loans) based on loan sized requested (See Table 2):

FEATURES	1. MICROLOANS	2. TRADITIONAL LOANS
Loan Amount:	$10,000 - $50,000	$50,001 - $500,000
Interest rate:	3%	2%
Loan Term (Payback Ratio):	up to 10 years	up to 18 years
Personal Guarantee (s)	Required	Required
Collateral	May be required	Required
Fully secured liens:	May be required	Required
Application fee:	$250	$250

Table 2: Eligible businesses and non-profit organizations

Category 1 | **Microloans:** Small projects

- **LOAN AMOUNT:** $10,000 - $50,000 in principal,
- **LOAN PAYBACK RATIO:** Project simple payback by no later than 50% of the project's cost effectiveness (see "Cost Effectiveness" section for more information);
- **COLLATERAL:** Microloans are not secured by a security agreement, but do require at least one (1) personal guarantee from the organization's principal(s);
- **FINANCIALS:** Applicants for microloans must demonstrate adequate financial resources on their personal balance sheet to more than collateralize the requested loan, any evaluation of these resources and final decision is at MEA's sole discretion;
- **INTEREST RATE:** The interest rate for eligible businesses and nonprofits is 3%;
- **LOAN TERM:** Maximum loan term is ten (10) years.

Category 2 | **Traditional Loans:** Medium-to-large-scale projects

- **LOAN AMOUNT:** $50,001 - $500,000 in principal, for medium-to-large-scale projects that include multiple, deep-retrofit energy efficiency and energy conservation measures;
- **LOAN PAYBACK RATIO:** Project simple payback cannot exceed the project's cost effectiveness (see "Cost Effectiveness" section for more information);
- **COLLATERAL:** Fully-secured loans that include the execution of a security agreement and collateralization of the financed energy equipment;
  - A lien on property may be required under certain risk situations.
- **INTEREST RATE:** The interest rate for eligible businesses and nonprofits is 2%;
- **LOAN TERM:** Maximum loan term is eighteen (18) years.

DGS & State Agencies | For State of Maryland Governmental Bodies ONLY

- **LOAN AMOUNT:** Up to $2,000,000 in principal, for medium-to-large-scale projects that include multiple, energy efficiency and energy conservation ;
- **LOAN PAYBACK RATIO:** Project simple payback cannot exceed the project's cost effectiveness;
- **INTEREST RATE:** The interest rate is zero (0%) for [4]State of Maryland DGS and other State agency ;
- **LOAN FEE:** There is a 1% administrative fee in lieu of interest charges.
- **LOAN TERM:** Maximum loan term is eighteen (18) years.

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[4] Subject to Lawton state government approval, Jane E. Lawton's loan will carry a 0% interest rate and a 1% administrative fee calculated on the loan balance.

Interest Rate: The interest rate for Maryland eligible businesses and nonprofit organizations is **two (2%) to three percent; (3%) depending on the category of loan.** While there are no interest charges, administrative fees of 1% apply for [5]Maryland's local governments (counties and municipalities), nor for State of Maryland governmental bodies.

Project Type Funding: Funding amounts are subject to constraints based upon the type of project to be financed. These constraints are provided in table below that follows (See Table 2 and Fig 2):

Project Type	Constraint
Facility Retrofits: Projects installed in **existing** buildings, infrastructure, or other facilities that are **not** undergoing a full structure rehabilitation[6].	Loan funds can finance **up to 100%** of the **Net Total Project Cost**[7].
Incremental Improvements: Projects installed as part of a new building, infrastructure, or other facility construction; **OR** projects installed as part of a full structure rehabilitation*.	Loan funds can finance **up to 100%** of the **Incremental Project Cost**[8]

Table 2: Eligible businesses and non-profit organizations

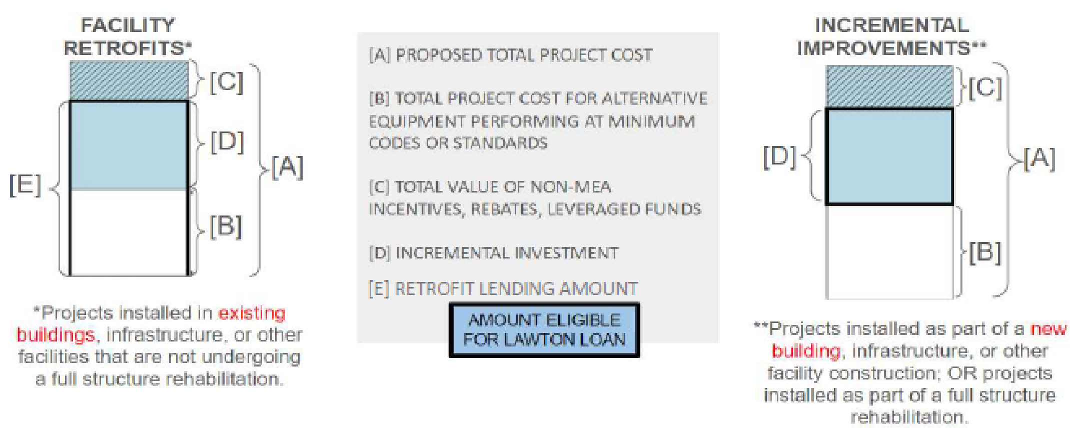

Fig. 2: Facility Retrofits and Incremental Improvements

[5] Subject to Lawton state government approval, Jane E. Lawton's loan will carry a 0% interest rate and a 1% administrative fee calculated on the loan balance.
[6] A full structure rehabilitation means a structure that is undergoing substantial renovation, typically stripping down to its shell and rebuilding. MEA will consult with the Applicant to make this determination on a case-by-case basis.
[7] Net Total Project Cost means the total energy project cost minus all applicable rebates, incentives, and other leveraged funding sources
[8] Incremental Project Cost means the difference between the total energy project cost and the total cost of an energy project that would have included code-minimum measures, minus all applicable rebates, incentives, and other leveraged funding sources

Cost-effectiveness: Projects must be **cost-effective,** meaning that the project's aggregate Simple payback must be achieved **before** the consideration of any rebates or incentives. The majority of claimed and documented energy financial savings should come from a reduction in energy use and cost.

Simple Payback: (SPB) describes the investment performance of any distinct ECM. SPB indicates the number of years in which the ECM will pay for itself through the accumulated dollar value of annual energy savings provided by that ECM. Note that the "total ECM cost" for this calculation is its gross cost before subtraction of values representing any rebate, incentive, or other leveraged funds (See Fig. 1):

$$\text{SPB} = \text{TOTAL PROJECT COST} \div \text{ANNUAL DOLLAR VALUE OF NET ENERGY SAVINGS PROVIDED BY THE PROJECT}$$

Fig. 1: Simple Payback (SPB)

Permissible Uses for Loan Funds: A loan under the Program may be used to pay for "Ancillary Cost" of implementing projects, including the costs of all necessary:

> Technical assessments; Studies; Surveys; Plans and specifications; and Start-up, architectural, engineering, and other special services; The costs of procuring necessary technology, equipment, licenses, or materials; and The costs of construction, rehabilitation, or modification related to a project including the purchase and installation of necessary machinery, equipment, or furnishings.

A loan may be made in conjunction with, or in addition to, financial assistance provided through other State or federal programs.

Eligible ECM Activities: Lawton Loans are available to fund the following energy conservation measures ("ECMs") and activities. MEA is focusing on funding projects with large GHG reduction potential and electrification of technologies. Please contact MEA prior to applying to discuss the particular situation.

ENERGY- EFFICIENCY PROJECTS ONLY

- LED lighting and controls
- Heat Pump replacements from fossil fuels
- Non-fueled equipment and other HVAC electrification alternatives

- Improvements to non-fossil fueled equipment
- Building envelope measures (insulation, air sealing, etc.)
- Chiller replacements and other measures
- Building management systems
- Building automation measures
- Hot water, chilled water, and steam system management measures and improvements that **do not use fossil fuels** or extend the service, production, and or productivity life of fossil fueled equipment
- Variable frequency drives
- Process-specific equipment and other measures that result in significant energy cost savings
- Combined Heat and Power (CHP) and other gas technologies for manufacturing, critical infrastructure, large institutions and similar situations, where an electrification alternative is not available. ***Any applications for combined heat and power must include a technical analysis of why an electrified alternative or zero emission alternative cannot be used***, this analysis should not be on the basis of operating or capital costs alone and deemed eligible by MEA on a case-by-case basis[9]
- Other energy efficiency and conservation measures, deemed eligible by MEA on a case-by-case basis

Ineligible activities include, but are not limited to the following:

- New installations of natural gas technologies, other than uses permitted above,
- Significant system life extensions, beyond basic health and safety repairs or efforts that enhance efficiency but extend gas system life. Improvements must be in concert with other energy efficiency improvements that reduce or eliminate fossil fuel use,
- Vehicle energy efficiency technologies,
- Solar array systems,
- Staffing support,
- Prioritizing operations over energy efficiency;
- Previously funded projects and/or projects in process.

Application Review Process:

A Lawton Loan Application will undergo a **three (3) step** Review Process that may take a few months to allow third-party reviews sufficient time.

Step 1: The Lawton Loan Program Manager will review the application package to ensure that all required documents have been provided and that the application package meets all Minimum Evaluation Criteria, which are listed in the next section of the FOA.

[9] MEA Fossil Fuel Policy included in Appendix 1

MEA may proceed with a financial viability analysis prior to energy savings analysis on a case by case basis.

Step 2: A Lawton Loan application package that passes Step 1 will undergo a technical analysis, typically completed by an outside vendor, to evaluate the accuracy of the ECM and activity specifications, energy cost savings assumptions, and the general feasibility of the project.

Step 3: A Lawton Loan package will undergo a financial viability and creditworthiness review to gauge the Applicant's ability to repay the Lawton Loan, the Applicant's level of financial risk, and to recommend what security instruments are most appropriate to extend a Lawton Loan offer.

The Lawton Loan Program Manager will review the findings between each evaluation to determine eligibility.

Evaluation Criteria: Applicants to the Lawton Loan Program must meet the following minimum evaluation criteria to be considered for Lawton Loan funding:

- **Type of applicant** with local governments, including schools, and nonprofits receiving special priority;
- Amount of **projected electricity saved**, fossil fuels displaced, or renewable energy generated;
- The extent to which the loan would **leverage other energy investment dollars**, including funds from the applicant or other private, local government, or federal financing;
- **Risk profile** of loan, including the length of the payback period, the applicant's ability to repay or provide security or collateral, or both, as required by the Administration;
- The availability of **insurance**;
- How the loan interacts with the applicant's **broader energy conservation strategy**; and
- **Project readiness.**
- **Project Location:** Projects must be located within the State of Maryland.
- **Facility Ownership:** Projects must be installed at a facility owned or leased by the Applicant for at least the time period until the loan is fully repaid. If the facility is leased, the Applicant must have explicit written permission from the facility owner to complete the project. In addition, if the facility is leased, the Applicant must obtain acknowledgment from the owner that the Applicant will own the installed equipment.
- **Application Package Documentation:** An Applicant **must include all** documentation in its Lawton Loan Application package required by this FOA. All required documentation can be

found in the Application Documents section of this FOA, which follows this section.

- **Baseline Energy Consumption:** All baseline energy consumption documentation provided in the application package must successfully demonstrate an accurate and complete twelve (12) consecutive month period of baseline energy usage under **normal conditions**. Periods of abnormal consumption should be noted, and an estimation of normal consumption for that period should be provided.
- **Energy Savings Accuracy:** All energy cost savings, equipment, and project activity documentation provided in the application package must successfully demonstrate that the energy cost savings assumptions, equipment specification, and other ECM or activity metrics are accurate and reliable. Applicants should use vetted and generally-accepted sources of technical information, such as the Mid-Atlantic Technical Resource Manual (most recent edition), or vetted energy modeling and simulation software.
- **Historical Properties:** The project, once installed, must not have an adverse effect on the historical significance of the property, as determined by the Maryland Historic Trust.
- **Good Standing Requirements:** eligible businesses, nonprofit organizations, and any other non-governmental borrower must be in Good Standing with the Maryland State Department of Assessments and Taxation (SDAT)[10]. Applicants may supply evidence of Good Standing in one of two ways: (1) by supplying a screenshot or PDF of the organization's status as returned in SDAT's Business Entity Search[11], or by supplying its Certificate of Status, available from SDAT here[12].
- **Applicant's Resource Contribution:** Maryland eligible businesses, nonprofit organizations, and local governments must make a contribution toward the project. This can be, at minimum, the **$250 Lawton Loan Application Fee.** State agencies are exempt from the Lawton Loan Application Fee and must instead pay a one-time administrative fee equal to one percent (1%) of the initial loan balance. This fee is added to the first loan payment.

[10] https://dat.maryland.gov/Pages/default.aspx
[11] https://egov.maryland.gov/businessexpress/entitysearch
[12] https://dat.maryland.gov/ businesses/Pages/Internet-Certificate-of-Status.aspx

Application Documents:

Lawton Loan Program Application Requirements (Maryland Entities)

Eligibility: This section applies to Maryland businesses, nonprofit organizations, and local governments.

(*State agencies, please refer to the next subsection.*)

Minimum Required Documents

1. **Lawton Loan Application:** A completed and signed application workbook or Jotform, authorized by an individual with the authority to conduct business and, if applicable, execute a Lawton Loan on behalf of the applicant. (Application available on the Lawton Loan webpage.)
2. **IRS Form W9:** A completed and signed IRS Form W9.
3. **Organization Foundational Document(s):** Articles of Incorporation, Articles of Organization, or equivalent legal documentation establishing the applicant's legal authority in Maryland.
4. **Organizational Structure Document(s):** Bylaws, Operating Agreement, Stockholder Agreement(s), or similar documents detailing the applicant's organizational structure.
5. **Documentation of Good Standing:** A current (within three months) Certificate of Good Standing from the Maryland State Department of Assessments and Taxation (SDAT)
   Documentation for Existing Loans and Liens: Documents detailing all existing loans (repayment, default, or anticipated within the next year) and existing liens on the applicant's assets.
6. **Real Property Appraisal:** A current appraisal reflecting the property value where the project will be installed. This may include an automated valuation model (AVM), broker price opinion (BPO) using the sales comparison, income capitalization, or cost approach. Zillow.com or website snapshot will not be accepted.
7. **Applicant's Resource of $250 Contribution Documentation:** Documentation of the applicant's resource contribution, as defined in the Eligibility Requirements section of this FOA
8. **Energy Savings Summary:** A spreadsheet summarizing energy cost savings projections, including all assumptions, calculations, estimations, models, and data sources.
9. **Energy Savings Supporting Documents:** Copies of data sources used in the Energy Savings Summary (e.g., energy audit reports, modeling outputs, TRM pages, equipment specifications). Include direct copies/images, not web links.
10. **Applicant Financial Statements:** Three consecutive years of financial statements. If unavailable, provide all available statements with a written explanation. Certified statements are preferred; if unavailable, provide a written explanation. If no financial statements are available, please provide bank statements.

11. **Board of Directors Roster:** A list of current board members, if applicable
12. **Goods/Services Provided Summary:** A description of the business's products and/or services.

Project - Specific Documents
Please Select One Below

If needed, return to page 5 of this FOA, section "project type" for more information determining your project type.

For Facility Retrofit Projects:

13. **Utility Bills:** All utility bills corresponding to the one-year energy consumption period detailed in the application's Energy Baseline tables.
14. **Completed Utility Rebate Application(s):** Copies of submitted EmPOWER utility rebate application

For Incremental Improvements Projects:

15. **Utility Baseline Estimation Documentation:** All assumptions, calculations, models, and data sources used to estimate energy consumption in the application's Energy Baseline table.

State Governmental Bodies ONLY:

Lawton Loan Program Application Requirements (State Governmental Bodies)

Eligibility: This section applies exclusively to Maryland State Governmental Bodies.

(Businesses, nonprofits, and local governments, please refer to the preceding section.)

Minimum Required Documents:

1. **Lawton Loan Application:** A completed and signed application form, authorized by an individual with the authority to conduct business and, if applicable, execute a Lawton Loan on behalf of the applicant.
2. **Energy Savings Documentation:** Detailed energy cost savings calculations and maintenance savings estimates for all proposed energy conservation measures (ECMs) for which Lawton Loan funding is requested. Include clear source citations and explicitly state all assumptions used in the calculations.

Risk and Security: All applications from Maryland eligible businesses, nonprofit organizations, counties, and local governments will undergo a financial viability and creditworthiness review (Step 3 of the Evaluation Process detailed in this FOA). This may include, but not limited to a review of the Applicant's credit report history, review of the financial and/or bank statements provided by the Applicant. MEA may require superior or subordinate mortgage liens, guarantees of repayment, or other forms of collateral. Security may include any or all of the following as a condition of the loan:

Primary Lien:

- Personal guarantee(s) from individual stakeholder(s) or majority stakeholder(s),
- Security on installed project equipment , which may include MEA becoming a first lien holder on the equipment using a uniform commercial code (UCC-1)[13] filing with SDAT and/or land records.
- Liens on real property where the project 's equipment is located;

Secondary Lien:

- Legal counsel opinion letter assuring the borrower's legal capacity to enter into the loan and substantiating the legal premises stated in the financing documents; Other collateral that may be required depending on the credit profile of a prospective borrower.
- Pledge of condominium association fees;
- Pledge of rent schedules payments;
- Letter of credit;
- MEA having primacy on any liens on specific assets financed by the Lawton Loan Program; or,
- Additional collateral or security as determined by MEA on a case-by-case basis.

Anticipated Application Submittal Timeline: MEA will make best efforts to process Lawton Loan application packages as quickly as possible. Please note that instant approval is not possible. Applications that are complete and present well-defined energy cost savings calculations, estimations, and assumptions will be the quickest to process. Applicants are highly encouraged to contact MEA before submitting a Lawton Loan application to clarify any requirements that are unclear or to ask any questions to ensure the most efficient review can be conducted.

The evaluation of a Lawton Loan application package may be delayed if MEA requires additional documentation, or if any other questions or concerns must be addressed during the evaluation process. Applications will be evaluated pursuant to this FOA and Lawton Loan statutes and regulations. Approval of a Lawton Loan application is not

[13] Specific collateral UCC-1 statements: They give MEA first-order secured rights to real estate properties or specific collateral, such as the equipment purchased with the loaned funds; or Blanket liens are also "all-asset" liens. This gives MEA secured rights to a range of assets, as long as the terms of these liens are detailed in the collateral section of the UCC-1 statement.

guaranteed. Any requests or loan applications that require a potential exception to any aspect of the program requirements as published will be evaluated on an indeterminate timeline, because each situation is different MEA will not be able to commit to a specific date at which the loan can be issued or if it can be issued. Any exceptions are at MEA's sole discretion.

Project Expenses Incurred:

MEA may permit, at its sole discretion, that Lawton Loan funds be eligible to reimburse project expenses a borrower incurs after the execution of a Commitment Letter with MEA but prior to closing of the loan. **Project expenses <u>initiated or incurred</u> prior to execution of a Commitment Letter are at the borrower's sole risk and <u>will not be reimbursed</u>**.

PROJECT TERMS, CONDITIONS, AND REQUIREMENTS ARE SUBJECT TO CHANGE THROUGHOUT THE FISCAL YEAR AT THE SOLE DISCRETION OF MEA. AN APPLICANT SHOULD THOROUGHLY REVIEW THE MEA LAWTON LOAN WEBPAGE FOR THE MOST CURRENT POLICIES AND GUIDELINES WHEN PREPARING A LAWTON LOAN APPLICATION.

For more information or assistance, please visit the FY26 Lawton Loan webpage or send an email to Lawton.MEA@Maryland.gov

Appendix 1:
MEA Fossil Fuel Policy

Each project that receives financial support from MEA must adhere to the MEA Fossil Fuel Policy:

- Projects that include fossil-fuel or other combustion technologies that produce greenhouse gas emissions are typically not eligible for funding.
- Specific examples of projects that would not be eligible for funding under the Program include:
  - ➔ Efforts that expand the use of fossil fuel or natural gas technologies, except where meeting one of the exemptions or those efforts are technically infeasible;
  - ➔ Expansion of infrastructure that results in an expansion of fossil fuel delivery volume;
  - ➔ New installations of fossil fuel or natural gas fired technologies;
  - ➔ Projects that result in significant life extension of fossil fuel fired systems, beyond basic health and safety repairs or efforts that enhance efficiency but do not extend the gas system/or fossil fueled fired equipment life.

Note: Limited exceptions may be considered where there is no other technically feasible technology or where a source can be demonstrated to be zero emission. Any applications for projects involving fossil fuel should provide evidence that a technical analysis of why electrified or other zero emission alternatives cannot be implemented, this analysis should not be on the basis of operating or capital costs alone.

While basic health and safety repairs or efforts that enhance efficiency but do not extend the gas system/or fossil fueled fired equipment life are allowable, projects must be part of a project that includes other energy efficiency improvements that reduce or eliminate fossil fuel use. This situation is anticipated to primarily, but not exclusively, be seen in residential energy efficiency projects.

Exemptions:
All exemption requests will be in writing and provide a thorough technical analysis of why electrification and other zero emission technologies cannot be applied from a technical perspective and consider the following:

- Currently available commercialized technologies,
- Ability of locationally specific existing utility infrastructure to support non-fossil fuel applications,
- Thorough evaluation of alternatives,
- Mitigation efforts to offset the greenhouse gas emissions of fossil fuel use, A description of any efforts to make infrastructure ready for future technologies, such as green hydrogen, or phase out fossil fueled technology in the future, and
- Statutorily directed activities.

Operating and capital costs alone will not be considered justification for any exemption and exemptions will not be approved purely on cost saving opportunities alone.