UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

# FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE

For the quarterly period ended June 30, 2000

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________________ to ________________.

Commission File Number: 0 - 21810

# AMERIGON INCORPORATED

(Exact name of registrant as specified in its charter)

| California | 95-4318554 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| 5462 Irwindale Avenue, Irwindale, California | 91706 |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code: (626) 815-7400

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No __

At August 4, 2000, the registrant had 4,427,482 shares of Class A Common Stock, no par value, issued and outstanding.

AMERIGON INCORPORATED

TABLE OF CONTENTS

AMERIGON INCORPORATED

CONDENSED BALANCE SHEET

(In thousands)

| ASSETS | June 30, 2000 (Unaudited) | December 31, 1999 |
|---|---|---|
| Current Assets: | | |
| Cash & cash equivalents | $ 8,341 | $ 1,647 |
| Accounts receivabel less allowance of $55 at June 30, 2000 and $58 at December 31, 1999 | 1,035 | 282 |
| Inventory | 1,025 | 490 |
| Prepaid expenses and other assets | 415 | 251 |
| Total current assets | 10,816 | 2,670 |
| Property and equipment, net | 1,025 | 1,051 |
| Deferred exclusivity fee | 1,307 | - |
| Total assets | $ 13,148 | $ 3,721 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)** | | |
| Current Liabilities: | | |
| Accounts payable | $ 1,356 | $ 592 |
| Accrued Liabilities | 554 | 597 |
| Deferred Revenue | 126 | - |
| Total current liabilities | 2,036 | 1,189 |
| Long term portion of captial lease | 8 | 11 |
| Total liabilities | 2,044 | 1,200 |
| Mandatorily redeemable preferred stock: | | |
| Series A-Preferred Stock-no par value; redeemable and convertible; 9 shares authorized, none and 9 issued and outstanding at June 30, 2000 and December 31, 1999 | - | 8,267 |
| Shaeholders' equity (deficit): | | |
| Preferred Stock: | | |
| Series A -no par value; convertible; 9 shares authorized, 9 and none issued and outstanding at June 30, 2000 and December 31, 1999; liquidation preference of $9,630 | 8,267 | - |
| Common Stock: | | |
| No par value;20,000 shares authorized, 4,427 and 1,910 issued and outstanding at June 30, 2000 and December 31, 1999 | 38,040 | 28,149 |
| Paid-in capital | 14,797 | 10,059 |
| Deferred compensation | (102) | (74) |
| Accumulated deficit | (49,898) | (43,880) |
| Total shareholders' equity (deficit) | 11,104 | (5,746) |
| Total liabilities and shareholders' equity (deficit) | $ 13,148 | $ 3,721 |

See accompanying notes to the unaudited condensed financial statements

AMERIGON INCORPORATED

CONDENSED STATEMENT OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

| | Three Months Ended June 30, 2000 | Three Months Ended June 30, 1999 (Restated-Note 4) | Six Months Ended June 30, 2000 | Six Months Ended June 30, 1999 (Restated-Note 4) |
|---|---|---|---|---|
| Revenues: | | | | |
| Product sales | $ 944 | $ 10 | $ 1,898 | $ 27 |
| Development contracts | 79 | 83 | 159 | 286 |
| Total revenues | 1,023 | 93 | 2,057 | 313 |
| Costs and expenses: | | | | |
| Product | 811 | 11 | 1,663 | 43 |
| Development contracts | 551 | 439 | 825 | 886 |
| Research and development | 611 | 472 | 1,258 | 1,006 |
| Selling, general and administrative | 1,150 | 741 | 2,470 | 1,601 |
| Total costs and expenses | 3,123 | 1,663 | 6,216 | 3,536 |
| Operating loss | (2,100) | (1,570) | (4,159) | (3,223) |
| Interest income | 31 | - | 41 | 16 |
| Interest expense | (2,592) | (23) | (2,607) | (25) |
| Loss on disposal of assets | - | (19) | - | (19) |
| Loss before extraordinary item | (4,661) | (1,612) | (6,725) | (3,251) |
| Extraordinary gain from extinguishment of debt | 707 | - | 707 | - |
| Net loss | $(3,954) | $(1,612) | $(6,018) | $ (3,251) |
| Net loss available to common shareholders | $(3,954) | $(9,879) | $(6,018) | $(11,518) |
| Basic and diluted net loss per share: | | | | |
| Loss before extraordinary gain | $ (1.96) | $(5.17) | $ (3.13) | $(6.03) |
| Extraordinary gain from extinguishment of debt | 0.30 | - | 0.33 | - |
| Net loss | $ (1.66) | $(5.17) | $ (2.80) | $(6.03) |
| Weighted average number of common shares outstanding | 2,382 | 1,910 | 2,147 | 1,910 |

See accompanying notes to the unaudited condensed financial statements

AMERIGON INCORPORATED

CONDENSED STATEMENT OF CASH FLOWS
(In thousands)
(Unaudited)

| | Six Months Ended June 30, 2000 | Six Months Ended June 30, 1999 (RESTATED -NOTE 4) |
|---|---|---|
| Operating Activities: | | |
| Net loss | $(6,018) | $(3,251) |
| Adjustments to reconcile net loss to cash used in operating activities: | | |
| Depreciation and amortization | 257 | 159 |
| Amortization of debt discount | 57 | - |
| Extraordinary gain from extinguishment of debt | (707) | - |
| Deferred revenue | 126 | (44) |
| Non-cash interest due to beneficial conversion feature | 2,500 | - |
| Provision for doubtful accounts | (3) | (59) |
| Compensation from grant of non-employee stock options and Warrants | 3 | - |
| Loss from sale of assets | - | 19 |
| Change in operating assets and liabilities: | | |
| Accounts receivable | (750) | 98 |
| Inventory | (535) | (63) |
| Prepaid expenses and other assets | (164) | (255) |
| Accounts payable | 764 | 40 |
| Accrued liabilities | (38) | (50) |
| Net cash used in operating activities | (4,508) | (3,406) |
| Investing Activities: | | |
| Purchase of property and equipment | (169) | (218) |
| Short-term investments purchased | - | (1,854) |
| Net cash used in investing activities | (169) | (2,072) |
| Financing Activities: | | |
| Proceeds from sale of Preferred Stock | - | 9,001 |
| Proceeds from sale of Common Stock | 11,000 | - |
| Cost of equity issuances | (1.175) | (377) |
| Proceeds from exercise of stock options | 54 | - |
| Repayment of capital lease | (8) | (6) |
| Proceeds from bridge financing | 2,500 | 1,200 |
| Repayment of bridge financing | (1,000) | (1,200) |
| Sale of shares in consolidated subsidiary | - | 88 |
| Net cash provided by financing activities | 11,371 | 8,706 |
| Net decrease (increase) in cash and cash equivalents | 6,694 | 3,228 |
| Cash and cash equivalents at beginning of period | 1,647 | 1,667 |
| Cash and cash equivalents at end of period | $ 8,341 | $ 4,895 |

See accompanying notes to unaudited condensed financial statements

AMERIGON INCORPORATED

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

Note 1 - The Company

Amerigon Incorporated (the "Company") was incorporated in California in April 1991 and is a developer, marketer and manufacturer of proprietary, high technology electronic components and systems for sale to car and truck original equipment manufacturers ("OEMs"). The Company is currently focusing the majority of its efforts on the introduction of its primary product, a Climate Control Seat(TM) ("CCS(TM)"), which provides both heating and cooling to seat occupants. The Company has one other product under development, the AmeriGuard(TM) radar-based speed and distance sensor system, which alerts drivers to the presence of objects near the vehicle.

Note 2 - Basis of Presentation and Summary of Certain Accounting Policies

The accompanying financial statements as of June 30, 2000 have been prepared by the Company without audit. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) necessary for fair presentation have been included. The results of operations for the three-month and six-month periods ended June 30, 2000 are not necessarily indicative of the operating results for the full year.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These condensed financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Form 10-K for the year ended December 31, 1999.

Certain amounts have been reclassified from the prior year Form 10-Q to conform to current period presentation.

Note 3 - Going Concern

The Company has suffered recurring losses and negative cash flows from operations since inception and has a significant accumulated deficit. The Company expects to incur losses for the foreseeable future, until it begins selling units in the automotive market with an appropriate margin and volume. Even with the shipments of volume production for the Lincoln Navigator SUV platform, the revenue generated from the initial orders will not be sufficient to meet the Company's operating needs. The Company will need to raise additional cash from financing sources before the Company can achieve profitability from its operations. There can be no assurance that profitability can be achieved in the future. Although the Company has begun limited production on its CCS product, larger orders for the CCS product and the ability to begin production on the AmeriGuard product will require significant expenses for tooling and to set up manufacturing and/or assembly processes. The Company also expects to require significant capital to fund other near-term production engineering and manufacturing, as well as research and development and marketing of these products. The Company does not intend to pursue any more significant development contracts to fund operations and therefore is highly dependent on its current working capital sources. Future financing may be required and there can be no assurance that additional financing will be available in the future or that it will be available on favorable terms. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

On June 14, 2000, the Company completed the sale of 2.2 million of the Company's common shares in a private placement (the "Private Placement") to institutional and accredited investors for $11.0 million. Management may need to seek additional sources of permanent equity or long-term financing to fund its operations. The outcome of such efforts to obtain additional financing cannot be assured.

Note 4 - Restatement

The Company determined that it was necessary to revise its unaudited results of operations as of and for the three and six month periods ended June 30, 1999.

A summary of the impact of such restatements on the unaudited financial statements as of and for the three and six month periods ended June 30, 1999 is as follows (in thousands, except per share information):

| | Three Months Ended June 30, 1999 | | Six Months Ended June 30, 1999 | |
|---|---|---|---|---|
| | As Previously Reported | Restated | As Previously Reported | Restated |
| Shareholders' equity | $ 6,951 | $ (1,415) | $ 6,951 | $ (1,415) |
| Revenue | 93 | 93 | 412 | 313 |
| Net loss | (1,663) | (1,612) | (3,203) | (3,251) |
| Net loss available to Common shareholders | (1,730) | (9,879) | (3,270) | (11,518) |
| Basic & diluted net loss per share | (0.91) | (5.17) | (1.71) | (6.03) |

In June, 1999, the Company issued 9,000 shares of Series A Preferred Stock for total. Net proceeds of $8,267,000. The revision to shareholders' equity at June 30, 1999 included the reclassification of the Preferred Stock from Stockholders Equity to Mezzanine Equity due to a provision of the Preferred Stock that was deemed to be a condition of redemption that is not solely within the control of the issuer. In addition, the Company increased its net loss available to Common shareholders by $8,200,000 to reflect the beneficial difference between the conversion price of $1,675 and the closing price of the Common Stock on the date of issuance of $4.31. The revision to revenue and net loss for the six month period ended June 30, 1999 includes the reclassification of $99,000 of revenue recorded in the first quarter of 1999 to liabilities. The amount related to a research and development arrangement with New Mexico Department of Transportation and was offset against research and development expenses in the quarter ended March 31, 2000. The revision to net loss for the three and six month period ended June 30, 1999 includes a decrease in amortization of debt issuance costs of $51,000 due to a change in the estimated valuation of warrants issued in conjunction with a bridge financing. The revisions also include a change in the way the Company reported the disposal of its Electric Vehicle Unit. In the three and six month periods ended June 30, 1999, the Electric Vehicle Unit disposition was classified as a discontinued operation for historical financial reporting purposes. In the three and six month period ended June 30, 2000 the disposition is no longer reported as a discontinued operation for historical financial purposes and the Company reported the loss on disposition of $19,000 as a loss on disposal of assets.

In March 2000, the holders of the Series A Preferred Stock entered into an agreement, subsequently approved by the Company's stockholders, whereby the holders agreed to amend the Company's Certificate of Determination of the Series A Preferred Stock to eliminate the provision which defined a merger, acquisition or sale of assets where there is change in control as a liquidation event. Accordingly, the Series A Preferred Stock is no longer considered mandatorily redeemable and was reclassified from the mezzanine to equity.

Note 5 - Net Loss per Share

The Company's net loss per share calculations are based upon the weighted average number of shares of Common Stock outstanding. Because their effects are anti-dilutive, net loss per share for the three and six months ended June 30, 2000 and 1999, does not include the effect of:

| | Three and Six Months Ended June 30, 2000 | Three and Six Months Ended June 30, 1999 |
|---|---|---|
| Stock options outstanding for: 1993 and 1997 Stock Option Plans | 873,940 | 779,488 |
| Options granted by an officer to directors and officers | - | 10,245 |
| Shares of Common Stock issuable upon the exercise of warrants | 2,555,118 | 1,666,200 |
| Shares of Common Stock issuable upon the exercise of contingent warrants | 1,653,520 | 1,229,574 |
| Common Stock issuable upon the conversion of Series A Preferred Stock | 5,373,134 | 5,373,134 |
| Total | 10,455,712 | 9,058,641 |

The net loss available to common shareholders for the three and six months ended June 30, 1999, represents net loss increased by a non-cash deemed dividend of $8,267,000 to the holders of the Series A Preferred Stock resulting from the beneficial difference between the conversion price and the fair market value of the Common Stock on the date of issuance of the Series A Preferred Stock.

Note 6 - Non-cash Supplemental Disclosure

| | June 30, 2000 | December 31, 1999 |
|---|---|---|
| Issuance of warrants to underwriter of private placement | $1,440 | - |
| Exchange of bridge note payable for Common Stock | 1,452 | - |
| Issuance of stock options to non-employees | 31 | - |
| Issuance of warrants to underwriter in conjunction with the bridge loan | 173 | - |
| Issuance of warrants to Ford for exclusivity rights | 1,369 | - |

Note 7 - Recent Accounting Pronouncements

In December 1999, the Securities and Exchange Commission ("SEC") issued staff accounting bulletin No. 101 ("SAB 101"), Revenue Recognition, which outlines the basic criteria that must be met to recognize revenue and provides guidance for presentation of revenue and for disclosure related to revenue recognition policies in financial statements filed with the SEC. We believe that adopting SAB 101 will not have a material impact on our financial position or results of operations.

In March 2000, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 44 (FIN 44), "Accounting for Certain Transactions Involving Stock Compensation", which is an interpretation of Accounting Principal Board No. 25. This interpretation clarifies:

- the definition of employee for purposes of applying Opinion 25, which deals with stock compensation issues;

- the criteria for determining whether a plan qualifies as a noncompensatory plan;

- the accounting consequence of various modifications to the terms of a previously fixed stock option or award; and

- the accounting for an exchange of stock compensation awards in a business combination.

This interpretaion is effective July 1, 2000, but certain conclusions in this interpretation cover specific events that occur after either December 31, 1998 or January 12, 2000. To the extent that this interpretation covers events during the period after December 31, 1998 or January 12, 2000, but before the effective date of July 1, 2000, the effects of applying this interpretation are recognized on a prospective basis from July 1, 2000. We believe that the adoption of FIN 44 will not have a material impact on our financial statements.

Note 8 - Private Placement

On June 14, 2000, the Company completed the sale of 2.2 million restricted shares of its Common Stock in the Private Placement to selected institutional and accredited investors, resulting in total proceeds of $11.0 million. The $11.0 million excludes a $1.5 million advance on the Bridge Loan which was exchanged for 300,000 shares of Common Stock and issued to Westar Capital II LLC ("Westar") and Big Beaver Investments LLC ("Big Beaver"), the owners of Big Star, the lender on the Bridge Loan. As partial compensation for services rendered in the Private Placement, Roth Capital Partners, Inc., was granted a warrant to purchase up to 188,000 shares of the Company's Common Stock at $5 per share. The value of such warrant of $1.4 million was determined using the Black-Scholes model and was reflected as a non-cash offering expense.

Note 9 - Bridge Loan

On March 16, 2000, the Company obtained a Bridge Loan from Big Star Investments LLC (a limited liability company owned by Westar and Big Beaver, the Company's two principal shareholders) for an initial advance of $1.5 million. The Company took a second advance of $1.0 million on May 10, 2000. The loan accrued interest at 10% per annum.

The terms of the Bridge Loan specified that the principal and accrued interest were convertible at any time into Common Stock at a conversion price (the "Conversion Price") equal to the average daily closing bid price of the Common Stock during the ten day period preceding the date of each Bridge Loan advance. This Conversion Price was $18.84 and $9.86 per share for the $1.5 million and $1.0 million advances, respectively. The Conversion Price was contingently adjustable in the event the Company issued in excess of $5 million of equity securities in an offering at an issuance price less than the initial Conversion Price with respect to the Bridge Loan. Due to the Company's Private Placement of equity securities in June 2000 (Note 8) at an issuance price of $5 per share, the Conversion Price of the Bridge Loan was adjusted to $5 per share. This adjustment of the Conversion Price resulted in a non-cash charge to interest expense and a credit to additional paid in capital of $2.5 million, because it met the definition of a "beneficial conversion feature" in accordance with Emerging Issues Task Force Consensus 98-5.

In connection with entering into the Bridge Loan, the Company issued warrants for the right to purchase 7,963 and 10,146 shares of the Company's Common Stock relating to the $1.5 million and $1.0 million Bridge Loan advances, respectively (an amount equal to 10% of the principal amount of the advance divided by the original Conversion Price of $18.84 and $9.86, respectively.) The Conversion Price of the warrants was adjustable in the same manner as the Bridge Loan. The proceeds of the Bridge Loan were allocated between the Bridge Loan and the warrants based upon their estimated relative fair values. The allocated value of the warrants resulted in a discount of $173,000 to the Bridge Loan, of which $57,000 was amortized to interest expense during the quarter ended June 30, 2000.

The Company repaid $1.0 million of Bridge Loan principal and accrued interest of $49,000 on June 16, 2000 with proceeds from the Private Placement (Note 8). The Company's $1.0 million payment was allocated for accounting purposes between reacquiring the beneficial conversion feature and the debt. Due to this allocation, the debt was extinguished for less than its net book value, resulting in a $707,000 extraordinary gain on extinguishment of debt. The remaining $1.5 million of Bridge Loan principal was exchanged for 300,000 shares of Common Stock, which was issued equally to Westar and Big Beaver.

Note 10 - Ford Agreement

On March 27, 2000, the Company entered into a Value Participation Agreement ("VPA") with Ford Motor Company ("Ford"). Pursuant to the VPA, Ford agreed that, through December 31, 2004, the Company has the exclusive right to manufacture and supply CCS units to Ford's Tier 1 suppliers for installation in Ford, Lincoln and Mercury branded vehicles produced and sold in North America (other than Ford badged vehicles produced by Auto Alliance, Inc.). Ford is not obligated to purchase any CCS units under the VPA.

As part of the VPA, the Company will grant to Ford warrants exercisable for Common Stock. A warrant for the right to purchase 82,197 shares of Common Stock at an exercise price of $2.75 per share was issued and fully vested on March 27, 2000. The fair value of the warrant of $1,148,000 was determined using the Black-Scholes valuation model and was recorded as a deferred exclusivity fee on the balance sheet. This fee is being amortized on a straight-line basis from April 2000 to December 2004, the initial term of the Agreement. In addition, Ford received an additional warrant for 26,148 shares of Common Stock due to certain anti-dilution provisions of the VPA that were triggered by the Company's Private Placement after June 2000. The fair value of the additional warrant of $220,000 was determined using the Black-Scholes model and will be accounted for in the same manner as the deferred exclusivity fee. Additional warrants will be granted and vested based upon purchases by Ford's Tier 1 suppliers of a specified number of CCS units throughout the length of the VPA. The exercise price of these additional warrants depends on when such warrants vest, with the exercise price increasing each year. If Ford does not achieve specific goals in any year, the VPA contains provisions for Ford to make up the shortfall in the next succeeding year. If Ford achieves all of the incentive levels required under the VPA, warrants will be granted and vested for an additional 1,300,140 shares of Common Stock. The total number of shares subject to warrants which may become vested will be adjusted in certain circumstances for anti-dilution purposes, including an adjustment for equity issuances of up to $15 million on or before September 30, 2000, so that the percentage interest in the Company represented by the aggregate number of shares subject to warrants is not diluted by such issuances.

Note 11 - Segment Reporting

The tables below present segment information about the reported revenues and operating loss of Amerigon for the three and six months ended June 30, 2000 and 1999 (in thousands). Asset information by reportable segment is not reported since management does not produce such information.

| For the Three Months Ended June 30, | CCS | Radar | Reconciling Items | As Reported |
|---|---|---|---|---|
| 2000 | | | | |
| Revenue | $1,023 | $ - | $ - | $ 1,023 |
| Operating Loss | (762) | (188) | (1,150)(1) | (2,100) |
| 1999 | | | | |
| Revenue | 93 | - | - | 93 |
| Operating Loss | (631) | (198) | (741)(1) | (1,570) |

(1) Represts selling, general and administrative costs of $1,098,000 and $684,000, respectively, and depreciation expense of $52,000 and $57,000, respectively, for the three months ended June 30, 2000 and 1999.

| For the Six Months Ended June 30, | CCS | Radar | Reconciling Items | As Reported |
|---|---|---|---|---|
| 2000 | | | | |
| Revenue | $ 2,057 | $ - | $ - | $ 2,057 |
| Operating Loss | (1,425) | (264) | (2,470)(1) | (4,159) |
| 1999 | | | | |
| Revenue | 313 | - | - | 313 |
| Operating Loss | (1,214) | (408) | (1,601)(1) | (3,223) |

(1) Represents selling, general and administrative costs of $2,349,000 and $1,488,000, respectively, and depreciation expense of $121,000 and $113,000, respectively, for the six months ended June 30, 2000 and 1999.

Revenue information by geographic area (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2000 | 1999 | 2000 | 1999 |
| Unites States - Commercial | $ 975 | $79 | $1,997 | $205 |
| Asia | 47 | 14 | 59 | 103 |
| Europe | 1 | - | 1 | 5 |
| Total Revenues | $1,023 | $93 | $2,057 | $313 |

For the three months ended June 30, 2000, one commercial customer (CCS) represented 91% of the Company's sales. For the three months ended June 30, 1999, one commercial customer represented 51% of the Company's sales. For the six months ended June 30, 2000, one domestic customer (CCS) represented 90% of the Company's sales. For the six months ended June 30, 1999, one domestic customer (CCS) and one foreign customer (CCS) represented 34% and 33% of the Company's sales, respectively.

Note 12 - Class A Warrants

On April 19, 2000, the Company effected a one-for-five reduction in its outstanding, publicly traded, Class A Warrants. Due to this reduction, only one Class A Warrant is required to purchase one share of Common Stock. The total number of publicly traded Class A Warrants oustanding was adjusted to approximately 1,468,778, down from approximately 7,343,890, prior to the reduction.

The issuance of 2.5 million shares of Common Stock in June, 2000 triggered certain anti-dilution provisions in the Class A Warrants which required the Company to issue additional warrants to purchase 524,486 shares of Common Stock. As a result, the number of Class A Warrants outstanding increased to 1,993,264. As a result of the warrant issued to Ford in March, 2000, and the issuance of the 2.5 million shares of Common Stock in June, the total exercise price for each publicly traded warrant has been lowered from $25.00 to $17.795. The Company's Class A Warrants trade under the symbol ARGNW.

ITEM 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

Amerigon Incorporated (the "Company"), was incorporated in California in April 1991, and is a developer, marketer and manufacturer of proprietary, high technology electronic components and systems for sale to car and truck original equipment manufacturers ("OEMs"). The Company is currently focusing the majority of its efforts on the introduction of its primary product, a Climate Control Seat(TM) ("CCS(TM)"), which provides both heating and cooling to seat occupants. The Company has one other product under development, the AmeriGuard(TM) radar-based speed and distance sensor system, which alerts drivers to the presence of objects near the vehicle.

Results of Operations

First Quarter 2000 Compared with First Quarter 1999
- ----------------------------------------------------

Revenues. Revenues for the three months ended June 30, 2000 (the "Second Quarter") were $1,023,000. Revenues for the three months ended June 30, 1999 were $93,000. The increase in revenues was due primarily to product shipments to Johnson Controls Incorporated ("JCI") of the Company's CCS systems.

Product Cost. Product cost increased to $811,000 in the Second Quarter 2000 from $11,000 in the Second Quarter 1999. The increase is due to the shipments to JCI of CCS units in the Second Quarter 2000. The Company anticipates product costs to increase in absolute dollars while decreasing as a percentage of revenue.

Development Contracts. Development contract costs incurred in the Second Quarter 2000 were $551,000 compared to $439,000 in the Second Quarter 1999. The increase is due to development activity for new CCS platforms in the Second Quarter 2000.

Research and Development Expenses. Research and development expenses increased to $611,000 in Second Quarter 2000 from $472,000 in Second Quarter 1999. The increase was due to higher levels of research and development activity on the Company's CCS.

Selling, General and Administrative Expenses. Selling, general and administrative ("SG&A") expenses increased to $1,165,000 in Second Quarter 2000 compared to $741,000 in the Second Quarter 1999. The change was due to marketing costs associated with the Company's pursuit of additional automotive platforms for the CCS in the U.S., Asia and Europe.

First Six Months of 2000 Compared with First Six Months of 1999
- ----------------------------------------------------------------

Revenues. Revenues for the six months ended June 30, 2000 were $2,057,000. Revenues for the six months ended June 30, 1999 were $313,000. The increase in revenues was due primarily to product shipments to JCI of the Company's CCS systems.

Product Cost. Product cost increased to $1,663,000 in the first six months of 2000 from $43,000 in the first six months of 1999. The increase is due to shipments to JCI of CCS units in the first six months of 2000. The Company anticipates product costs to increase in absolute dollars while decreasing as a percentage of revenue.

Development Contracts. Development contract costs incurred in the first six months of 2000 were $826,000 compared to $886,000 in the first six months of 1999. The decrease is due to the reclassification of $99,000 of revenue recorded in the first quarter of 1999 to liabilities. The amount related to a research and development arrangement with the New Mexico Department of Transportation and was offset against development contract costs in the quarter ended March 31, 2000. This reclassification was partially offset by increased costs related to prototype sales.

Research and Development Expenses. Research and development expenses increased to $1,258,000 in the first six months of 2000 from $1,006,000 in the first six months of 1999. The increase was due to higher levels of research and development activity on the Company's CCS.

Selling, General and Administrative Expenses. SG&A expenses increased to $2,470,000 in the first six months of 2000 compared to $1,601,000 in the first six months of 1999. The change was due to costs associated with the launch of the Lincoln Navigator CCS program and increased marketing expenses associated with the Company's pursuit of additional automotive platforms for the CCS in the U.S., Asia and Europe.

Liquidity and Capital Resources

As of June 30, 2000, the Company had net working capital of $8,780,000. The Company also had cash and cash equivalents of $8,341,000 at June 30, 2000. On June 14, 2000, the Company completed the sale of 2.2 million restricted shares of its Common Stock in a private placement (the "Private Placement") to selected institutional and accredited investors, resulting in net proceeds to the Company of $9.8 million.

The Company's principal sources of operating capital have been the proceeds of its various financing transactions and, to a lesser extent, CCS product revenues, development contracts and sale of prototypes to customers.

Cash and cash equivalents increased by $6,694,000 in 2000 primarily due to the Private Placement. This was offset by cash used in operating activities of $4,508,000, which was mainly attributable to the net loss of $6,018,000. The loss includes net non-cash charges of $1,793,000 relating to the beneficial conversion feature associated with the Bridge Loan. Investing activities used $169,000 to purchase equipment. Financing activities provided $11,371,000. The Company received $2.5 million in advances on its Bridge Loan from Big Star. The owners of Big Star, Westar Capital II LLC and Big Beaver Investments LLC exchanged $1.5 million of the bridge loan for 300,000 Common shares in the Private Placement. The Company received $9,825,000 in net proceeds from the Private Placement, and exchanged $1.5 million from the bridge loan for 300,000 shares of Common Stock. The remaining $1.0 million owed on the Bridge Loan was repaid with funds from the Private Placement.

The Company expects to incur losses for the foreseeable future, until it begins selling CCS units in the automotive market with an appropriate margin and volume. Even with the shipments of volume production for the Lincoln Navigator SUV platform, the revenue generated from the initial orders will not be sufficient to meet the Company's operating needs. The Company may need to raise additional cash from financing sources before the Company can achieve profitability from its operations. There can be no assurance that profitability can be achieved in the future. Although the Company has begun limited production on its CCS product, larger orders for the CCS product and the ability to begin production on the AmeriGuard product will require significant expenses for tooling and to set up manufacturing and/or assembly processes. The Company also expects to require significant capital to fund other near-term production engineering and manufacturing, as well as research and development and marketing of these products. The Company does not intend to pursue any more significant development contracts to fund operations and therefore is highly dependent on its current working capital sources. Future financing may be required and there can be no assurance that additional financing may be available in the future or that it will be available on favorable terms.

Other Information

Certain matters discussed or referenced in this report, including the Company's intention to develop, manufacture and market the CCS and AmeriGuard products and the Company's expectation of reduced revenues and continuing losses for the foreseeable future, are forward-looking statements. Other forward-looking statements may be identified by the use of forward-looking terminology such as "may", "will", "expect", "believe", "estimate", "anticipate", "continue", or similar terms, variations of such terms or the negative of such terms. Such statements are based upon management's current expectations and are subject to a number of risks and uncertainties which could cause actual results to differ materially from those described in the forward looking statements. Such risks and uncertainties include the market demand for and performance of the Company's products, the Company's ability to develop, market and manufacture such products successfully, the viability and protection of the Company's patents and other proprietary rights, and the Company's ability to obtain new sources of financing. Additional risks associated with the Company and its business and prospects are described in the Company's Annual Report on Form 10-K for the year ended December 31, 1999.

ITEM 3

QUANTITATIVE AND QUALITATIVE DISCLOSURES
ABOUT MARKET RISK

The Company's exposure to market risk for changes in interest rates relate primarily to the Company's investment portfolio. The Company places its investments in debt instruments of the U.S. government and in high-quality corporate issuers. As stated in its policy, the Company seeks to ensure the safety and preservation of its invested funds by limiting default risk and market risk. The Company has no investments denominated in foreign country currencies and therefore is not subject to foreign exchange risk.

There have been no material changes since the Form 10-K was filed for the Company's year ended December 31, 1999.

PART II

OTHER INFORMATION

ITEM 2. Changes in Securities and Use of Proceeds

On May 10, 2000, the Company issued a warrant to purchase up to 10,146 shares of Common Stock of the Company to Big Star Investments LLC ("Big Star") in connection with the $1.0 million advance on the secured Bridge Loan with Big Star dated March 27, 2000. The warrant expires in five years and allows Big Star to purchase Common Stock of the Company at $5.00 per share. The warrant was exempt from registration under Section 4(2) of the Securities Act of 1933.

On June 14, 2000, the Company issued 2,500,000 shares of its Common Stock at $5 per share to institutional and accredited investors in a Private Placement. In connection with the Private Placement, the Company issued a warrant to purchase up to 188,000 shares of Common Stock in the Company to Roth Capital Partners, Inc., for services as placement agent. The warrant expires in five years and allows Roth Capital Partners, Inc. to purchase Common Stock of the Company at $5 per share. The shares of Common Stock and the warrant were exempt from registration under section 4(2) of the Securities Act of 1933.

On June 14, 2000, the Company issued a warrant to purchase up to 26,148 shares of Class A Common Stock of the Company to Ford Motor Company ("Ford") pursuant to the terms of the Value Participation Agreement dated March 27, 2000, between Ford and the Company in which the total number of shares subject to warrants will be adjusted for anti-dilution puposes. The Warrant, which expires in March 2007, allows Ford to purchase shares of Common Stock of the Company at $2.75 per share. The warrant was exempt from registration under Section 4(2) of the Securities Act of 1933.

ITEM 4. Submission of Matters to a Vote of Security Holders

The Annual Meeting of Shareholders was held on May 24, 2000. The following summarizes each matter voted upon at the meeting and the number of votes cast for or against and the number of abstentions.

1. As to the election of directors, the number of votes cast as to each nominee was as follows:

Elected by the Preferred Stockholders:

| Nominee | For | Against | Abstain |
|---|---|---|---|
| Oscar B. Marx, III | 5,373,134 | 0 | 0 |
| Roy A. Anderson | 5,373,134 | 0 | 0 |
| John W. Clark | 5,373,134 | 0 | 0 |
| Paul Oster | 5,373,134 | 0 | 0 |
| James J. Paulsen | 5,373,134 | 0 | 0 |

Elected by the Common Stockholders:

| Nominee | For | Against | Abstain |
|---|---|---|---|
| Richard A. Weisbart | 1,799,186 | 0 | 3,570 |
| Lon E. Bell | 1,802,756 | 0 | 3,630 |

2. As to approval of an amendment to the Certificate of Determination of the Series A Preferred Stock, deleting subsection 2(c), thereof, which specifies certain events deemed to trigger preferential rights of the holders of Series A Preferred Stock in a liquidation, dissolution or winding up of the Company, the number of votes cast was as follows:

| For | Against | Abstain | Broker Non-Votes |
|---|---|---|---|
| 5,773,663 | 4,685 | 320 | 1,397,222 |

3. As to approval of an amendment to the Articles of Incorporation, eliminating the Class B Stock and renaming the Class A Common Stock as "Common Stock", the number of votes cast was as follows:

| For | Against | Abstain | Broker Non-Votes |
|---|---|---|---|
| 7,171,870 | 3,800 | 220 | 0 |

4. As to approval of an amendment to the 1997 Stock Option Plan to increase the number of shares of Class A Common Stock authorized under the plan from 150,000 to 1,300,000, the number of votes cast was as follows:

| For | Against | Abstain | Broker Non-Votes |
|---|---|---|---|
| 5,724,719 | 53,829 | 120 | 1,397,222 |

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits
- 3.1 Articles of Incorporation (as amended)
- 4.1 Ford Warrant dated March 27, 2000 (1)
- 4.2 Certificate of Designation of Series A Convertible Preferred Stock
- 27. Financial Data Schedule

(b) Reports on Form 8-K

On May 24, 2000, the Company filed a Current Report on Form 8-K (event date May 22, 2000) to report under Item 5 (other events).

On June 20, 2000, the Company filed a Current Report on Form 8-K (event date June 14, 2000) to report under Item 5 (other events).

---

(1) Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2000 and incorporated by reference.

## Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Amerigon Incorporated
---------------------
Registrant

Date: August 14, 2000

/s/ Richard A. Weisbart
-----------------------
Richard A. Weisbart
Chief Executive Officer
and Chief Financial Officer

/s/ Craig P. Newell
-------------------
Craig P. Newell
Vice President, Finance
(Chief Accounting Officer)

# AMENDED AND RESTATED

# ARTICLES OF INCORPORATION

# OF

# AMERIGON INCORPORATED

(as amended, May 2000)

## I

The name of the Corporation is Amerigon Incorporated.

## II

The purpose of this corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporations Code.

## III

(1) The total number of shares which the Corporation is authorized to issue is 25,000,000, of which 20,000,000 shall be Common Stock, without par value, and 5,000,000 shall be Preferred Stock, without par value.

(2) The Class A Common Stock and the Class B Common Stock shall be identical in all respects and shall have equal rights and privileges, except as provided otherwise in this Article III.

Dividend and Liquidation Distributions. The Class B Common Stock will be entitled to receive, on a per share basis, only five percent (5%) of the dividends as may be declared by the Board of Directors on the Class A Common Stock, and five percent (5%) of the amount receivable by Class A Common Stock upon liquidation or distribution.

(3) The Preferred Stock may be issued from time to time in one or more series. The Board of Directors is authorized to fix the number of shares of any series of Preferred Stock and to determine the designation of any such series. The Board of Directors is also authorized to determine or alter the voting and other rights, preferences, privileges, and restrictions granted to or imposed upon any wholly unissued series of Preferred Stock and, within the limits and restrictions stated in any resolution or resolutions of the Board of Directors originally fixing the number of shares constituting any series, to increase or decrease (but not below the number of shares of such series then outstanding) the number of

shares of any such series subsequent to the issue of shares of that series.

IV

The liability of the directors of the corporation for monetary damages shall be eliminated to the fullest extent permissible under California law.

V

The Corporation is authorized to indemnify the agents (as defined in Section 317 of the Corporations Code) of the corporation to the fullest extent permissible under California law.

CERTIFICATE OF DETERMINATION
OF RIGHTS, PREFERENCES AND PRIVILEGES
OF
THE SERIES A PREFERRED STOCK
OF
AMERIGON INCORPORATED

(as amended, August 2000)

Pursuant to the Provisions of Section 401 of the
General Corporation Law of the State of California

The undersigned, Lon E. Bell and Sandra L. Grouf, the Chairman of the Board and Assistant Secretary, respectively, of Amerigon Incorporated, a California corporation (the "Corporation"), do hereby certify as follows:

A. That the following resolution designates nine thousand shares of Series A Preferred Stock, and that as of the date hereof, no shares of Series A Preferred Stock have been issued or are outstanding.

B. That the Board of Directors of the Corporation, pursuant to the authority so vested in it by the Articles of Incorporation of the Corporation and in accordance with the provisions of Section 401 of the General Corporation Law of the State of California, adopted the following resolution creating a series of Preferred Stock designated as "Series A Preferred Stock":

WHEREAS, THE ARTICLES OF INCORPORATION OF THIS CORPORATION AUTHORIZE THE ISSUANCE OF ONE OR MORE SERIES OF PREFERRED STOCK ("PREFERRED STOCK") OF THE CORPORATION AND AUTHORIZE THE BOARD OF DIRECTORS TO DETERMINE THE RIGHTS, PREFERENCES, PRIVILEGES AND RESTRICTIONS GRANTED TO OR IMPOSED UPON ANY WHOLLY UNISSUED SERIES OF PREFERRED STOCK AND TO FIX THE NUMBER OF SHARES OF SUCH SERIES;

NOW, THEREFORE, BE IT RESOLVED, THAT PURSUANT TO THE AUTHORITY EXPRESSLY GRANTED TO AND VESTED IN THE BOARD OF DIRECTORS OF THE CORPORATION PURSUANT TO THE ARTICLES OF INCORPORATION, THERE IS HEREBY CREATED ONE SERIES OF PREFERRED STOCK, WITHOUT PAR VALUE, OF THE CORPORATION WHICH SHALL BE DESIGNATED "SERIES A PREFERRED STOCK." THE NUMBER OF SHARES OF SERIES A PREFERRED STOCK AUTHORIZED FOR ISSUANCE IS NINE THOUSAND. IN ADDITION TO THOSE SET FORTH IN THE ARTICLES OF INCORPORATION OF THE CORPORATION, THE SERIES A PREFERRED STOCK SHALL HAVE THE POWERS AND PREFERENCES, THE RELATIVE, PARTICIPATING, OPTIONAL OR OTHER RIGHTS, AND THE QUALIFICATIONS, LIMITATIONS OR RESTRICTIONS SET FORTH BELOW:

1. Dividend Provisions. Subject to the rights of series of Preferred Stock which may from time to time come into existence, the holders of shares of Series A Preferred Stock shall be entitled to receive dividends, out of any assets legally available therefor, in an amount equal to the dividends that would be paid on the outstanding Class A Common Stock of the corporation into which the Series A Preferred Stock is convertible on an as converted basis, payable when, as and if declared by the Board of Directors.

2. Liquidation Preference.

(a) In the event of any liquidation, dissolution or winding up of this corporation, either voluntary or involuntary, subject to the rights of series of Preferred Stock that may from time to time come into existence, the holders of Series A Preferred Stock shall be entitled to receive, prior and in preference to any distribution of any of the assets of this corporation to the holders of Common Stock by reason of their ownership thereof, an amount per share equal to the sum of (i) $1,000 for each outstanding share of Series A Preferred Stock (the "Original Series A Issue Price"), (ii) an amount equal to 7% of the Original Series A Issue Price annually, but only until the fourth anniversary of the issuance of the Series A Preferred Stock, and (iii) an amount equal to any declared but unpaid dividends on such share (the amounts in (ii) and (iii) being referred to herein as the "Premium"). If upon the occurrence of such event, the assets and funds thus distributed among the holders of the Series A Preferred Stock shall be insufficient to permit the payment to such holders of the full aforesaid preferential amounts, then, subject to the rights of series of Preferred Stock that may from time to time come into existence, the entire assets and funds of the corporation legally available for distribution shall be distributed ratably among the holders of the Series A Preferred Stock in proportion to the amount of such stock owned by each such holder.

(b) Upon the completion of the distribution required by subparagraph (a) of this Section 2 and any other distribution that may be required with respect to series of Preferred Stock that may from time to time come into existence, if assets remain in this corporation, the holders of the Common Stock of this corporation, shall receive all of the remaining assets of the corporation.

3. Redemption.

(a) Subject to the rights of series of Preferred Stock which may from time to time come into existence, on or at any time after January 1, 2003, this corporation may at any time it may lawfully do so, at the option of the Board of Directors, redeem in whole or in part the Series A Preferred Stock (such date of redemption is referred to herein as the "Series A Redemption Date") by paying in cash therefor a sum equal to the Original Series A Issue Price plus the Premium, as adjusted for any stock dividends, combinations or splits with respect to such shares (the "Series A Redemption Price"); provided, however, that this corporation may only redeem shares of Series A Preferred Stock hereunder if the average of the closing prices of the Class A Common Stock as reported by Nasdaq (or such other exchange or market on which the shares are then traded) for the sixty trading days preceeding the date the notice of redemption is given in accordance with subsection (b) is at least 4 times greater than the then applicable Conversion Price (as defined in Section 4(a) below). Any redemption effected pursuant to this subsection (3)(a) shall be made on a pro rata basis among the holders of the Series A Preferred Stock in proportion to the number of shares of Series A Preferred Stock then held by them.

(b) As used herein and in subsection (3)(c) and (d) below, the term "Redemption Date" shall refer to each "Series A Redemption Date" and the term "Redemption Price" shall refer to each "Series A Redemption Price." Subject to the rights of series of Preferred Stock which may from time to time come into existence, at least fifteen (15) but no more than thirty (30) days prior to each Redemption Date, written notice shall be mailed, first class postage prepaid, to each holder of record (at the close of business on the business day next preceding the day on which notice is given) of the Series A Preferred Stock to be redeemed, at the address last shown on the records of this corporation for such holder, notifying such holder of the redemption to be effected, specifying the number of shares to be redeemed from such holder, the Redemption Date, the Redemption Price, the place at which payment may be obtained and calling upon such holder to surrender to this corporation, in the manner and at the place designated, his, her or its certificate or certificates representing the shares to be redeemed (the "Redemption Notice"). Except as provided in subsection (3)(c) on or after the Redemption Date, each holder of Series A Preferred Stock to be redeemed shall surrender to this corporation the certificate or certificates representing such shares, in the manner and at the place designated in the Redemption Notice, and thereupon the Redemption Price of such shares shall be payable to the order of the person whose name appears on such certificate or certificates as the owner thereof and each surrendered certificate shall be cancelled. In the event less than all the shares represented by any such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares.

(c) From and after the Redemption Date, unless there shall have been a default in payment of the Redemption Price, all rights of the holders of shares of Series A Preferred Stock designated for redemption in the Redemption Notice as holders of Series A Preferred Stock (except the right to receive the Redemption Price without interest upon surrender of their certificate or certificates) shall cease with respect to such shares, and such shares shall not thereafter be transferred on the books of this corporation or be deemed to be outstanding for any purpose whatsoever. Subject to the rights of series of Preferred Stock which may from time to time come into existence, if the funds of the corporation legally available for redemption of shares of Series A Preferred Stock on any Redemption Date are insufficient to redeem the total number of shares of Series A Preferred Stock to be redeemed on such date, those funds which are legally available will be used to redeem the maximum possible number of such shares ratably among the holders of such shares to be redeemed based upon their holdings of Series A Preferred Stock. The shares of Series A Preferred Stock not redeemed shall remain outstanding and entitled to all the rights and preferences provided herein. Subject to the rights of series of Preferred Stock which may from time to time come into existence, at any time thereafter when additional funds of the corporation are legally available for the redemption of shares of Series A Preferred Stock, such funds will immediately be used to redeem the balance of the shares which the corporation has become obliged to redeem on any Redemption Date but which it has not redeemed.

(d) On or prior to each Redemption Date, this corporation shall deposit the Redemption Price of all shares of Series A Preferred Stock designated for redemption in the Redemption Notice, and not yet redeemed or converted, with a bank or trust corporation having aggregate capital and surplus in excess of $100,000,000 as a trust fund for the benefit of the respective holders of the shares designated for redemption and not yet redeemed, with irrevocable instructions and authority to the bank or trust corporation to publish the notice of redemption thereof and pay the Redemption Price for such shares to their respective holders on or after the Redemption Date, upon receipt of notification from the corporation that such holder has surrendered his, her or its share certificate to the corporation pursuant to subsection (3)(b) above. As of the date of such deposit (even if prior to the Redemption Date), the deposit shall constitute full payment of the shares to their holders, and from and after the date of the deposit the shares so called for redemption shall be redeemed and shall be deemed to be no longer outstanding, and the holders thereof shall cease to be shareholders with respect to such shares and shall have no rights with respect thereto except the rights to receive from the bank or trust corporation payment of the Redemption Price of the shares, without interest, upon surrender of their certificates therefor, and the right to convert such shares as provided in Section 4 hereof. Such instructions shall also provide that any moneys deposited by the corporation pursuant to this subsection (3)(d) for the redemption of shares thereafter converted into shares of the corporation's Common Stock pursuant to Section 4 hereof prior to the Redemption Date shall be returned to the Corporation forthwith upon such conversion. The balance of any moneys deposited by this corporation pursuant to this subsection (3)(d) remaining unclaimed at the expiration of two (2) years following the Redemption Date shall thereafter be returned to this corporation upon its request expressed in a resolution of its Board of Directors.

4. Conversion. The holders of the Series A Preferred Stock shall have conversion rights as follows (the "Conversion Rights"):

(a) Right to Convert. Each share of Series A Preferred Stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share and on or prior to the fifth day prior to the Redemption Date, if any, as may have been fixed in any Redemption Notice with respect to the Series A Preferred Stock, at the office of this corporation or any transfer agent for such stock, into such number of fully paid and nonassessable shares of Class A Common Stock as is determined by dividing the Original Series A Issue Price by the conversion price ("Conversion Price") applicable to such share, determined as hereafter provided, in effect on the date the certificate is surrendered for conversion. The initial Conversion Price per share for shares of Series A Preferred Stock shall be $1.675; provided, however, that the Conversion Price for the Series A Preferred Stock shall be subject to adjustment as set forth in subsection 4(d).

(b) Automatic Conversion. Each share of Series A Preferred Stock shall automatically be converted into shares of Class A Common Stock at the Conversion Price at the time in effect for such Series A Preferred Stock immediately upon the date specified by written consent or agreement of the holders of a majority of the then outstanding shares of Series A Preferred Stock.

(c) Mechanics of Conversion. Before any holder of Series A Preferred Stock shall be entitled to convert the same into shares of Class A Common Stock, he shall surrender the certificate or certificates therefor, duly endorsed, at the office of this corporation or of any transfer agent for the Series A Preferred Stock, and shall give written notice to this corporation at its principal corporate office, of the election to convert the same and shall state therein the name or names in which the certificate or certificates for shares of Class A Common Stock are to be issued. This corporation shall, as soon as practicable thereafter, issue and deliver at such office to such holder of Series A Preferred Stock, or to the nominee or nominees of such holder, a certificate or certificates for the number of shares of Class A Common Stock to which such holder shall be entitled as aforesaid. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the shares of Series A Preferred Stock to be converted, and the person or persons entitled to receive the shares of Class A Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Class A Common Stock as of such date. If the conversion is in connection with an underwritten offering of securities registered pursuant to the Securities Act of 1933, the conversion may, at the option of any holder tendering Series A Preferred Stock for conversion, be conditioned upon the closing with the underwriters of the sale of securities pursuant to such offering, in which event the person(s) entitled to receive the Class A Common Stock upon conversion of the Series A Preferred Stock shall not be deemed to have converted such Series A Preferred Stock until immediately prior to the closing of such sale of securities.

(d) Conversion Price Adjustments of Preferred Stock for Certain Dilutive Issuances, Splits and Combinations. The Conversion Price of the Series A Preferred Stock shall be subject to adjustment from time to time as follows:

(i) In the event the corporation should at any time or from time to time after the date upon which any shares of Series A Preferred Stock were first issued (the "Purchase Date" with respect to such series) fix a record date for the effectuation of a split or subdivision of the outstanding shares of Class A Common Stock or the determination of holders of Class A Common Stock entitled to receive a dividend or other distribution payable in additional shares of Class A Common Stock without payment of any consideration by such holder for the additional shares of Class A Common Stock, then, as of such record date (or the date of such dividend distribution, split or subdivision if no record date is fixed), the Conversion Price of the Series A Preferred Stock shall be appropriately decreased so that the number of shares of Class A Common Stock issuable on conversion of each share of such series shall be increased in proportion to such increase of the aggregate of shares of Class A Common Stock outstanding. In the event the corporation shall declare or pay, without consideration, any dividend on the Class A Common Stock payable in any right to acquire Class A Common Stock for no consideration, then the corporation shall be deemed to have made a dividend payable in Class A Common Stock in an amount of shares equal to the maximum number of shares issuable upon exercise of such rights to acquire Class A Common Stock.

(ii) If the number of shares of Class A Common Stock outstanding at any time after the Purchase Date is decreased by a combination of the outstanding shares of Common Stock, then, following the record date of such combination, the Conversion Price for the Series A Preferred Stock shall be appropriately increased so that the number of shares of Class A Common Stock issuable on conversion of each share of such series shall be decreased in proportion to such decrease in outstanding shares.

(iii) All adjustments to the Conversion Price will be calculated to the nearest cent of a dollar. No adjustment in the Conversion Price will be required unless such adjustment would require an increase or decrease of at least one cent per dollar; provided, however, that any adjustments which by reason of this Section 4(d)(iii) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All adjustments to the Conversion Price shall be made successively.

(e) Other Distributions. In the event this corporation shall declare a distribution payable in securities of other persons, evidences of indebtedness issued by this corporation or other persons, assets (excluding cash dividends) or options or rights not referred to in subsection 4(d), then, in each such case for the purpose of this subsection 4(e), the holders of the Series A Preferred Stock shall be entitled to a proportionate share of any such distribution as though they were the holders of the number of shares of Class A Common Stock of the corporation into which their shares of Series A Preferred Stock are convertible as of the record date fixed for the determination of the holders of Class A Common Stock of the corporation entitled to receive such distribution.

(f) Recapitalizations and Reorganizations. If the Class A Common Stock issuable upon conversion of the Series A Preferred Stock shall be changed into or exchanged for a different class or classes of capital stock, or other securities or property whether by reorganization, recapitalization or otherwise (other than a subdivision, combination or merger or sale of assets transaction provided for elsewhere in this Section 4 or Section 2) provision shall be made so that the holders of the Series A Preferred Stock shall thereafter be entitled to receive upon conversion of the Series A Preferred Stock the number of shares of stock or other securities or property, to which a holder of Class A Common Stock deliverable upon conversion would have been entitled on such recapitalization or reorganization. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 4 with respect to the rights of the holders of the Series A Preferred Stock after the recapitalization or reorganization to the end that the provisions of this Section 4 (including adjustment of the Conversion Price then in effect and the number of shares purchasable upon conversion of the Series A Preferred Stock) shall be applicable after that event as nearly equivalent as may be practicable.

(g) No Impairment. This corporation will not, by amendment of its Articles of Incorporation or through any reorganization, recapitalization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by this corporation, but will at all times in good faith assist in the carrying out of all the provisions of this Section 4 and in the taking of all such action as may be necessary or appropriate in order to protect the Conversion Rights of the holders of the Series A Preferred Stock against impairment.

(h) No Fractional Shares and Certificate as to Adjustments.

(i) No fractional shares shall be issued upon the conversion of any share or shares of the Series A Preferred Stock, and the number of shares of Class A Common Stock to be issued shall be rounded to the nearest whole share. Whether or not fractional shares are issuable upon such conversion shall be determined on the basis of the total number of shares of Series A Preferred Stock the holder is at the time converting into Class A Common Stock and the number of shares of Class A Common Stock issuable upon such aggregate conversion.

(ii) Upon the occurrence of each adjustment or readjustment of the Conversion Price of Series A Preferred Stock pursuant to this Section 4, this corporation, at its expense, shall promptly compute such adjustment or readjustment in accordance with the terms hereof and prepare and furnish to each holder of Series A Preferred Stock a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. This corporation shall, upon the written request at any time of any holder of Series A Preferred Stock, furnish or cause to be furnished to such holder a like certificate setting forth (A) such adjustment and readjustment, (B) the Conversion Price for such series of Preferred Stock at the time in effect, and (C) the number of shares of Class A Common Stock and the amount, if any, of other property which at the time would be received upon the conversion of a share of Series A Preferred Stock.

(i) Notices of Record Date. In the event of any taking by this corporation of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend (other than a cash dividend) or other distribution, any right to subscribe for, purchase or otherwise acquire any shares of stock of any class or any other securities or property, or to receive any other right (except the right to vote), this corporation shall mail to each holder of Series A Preferred Stock, at least 20 days prior to the date specified therein, a notice specifying the date on which any such record is to be taken for the purpose of such dividend, distribution or right, and the amount and character of such dividend, distribution or right.

(j) Reservation of Stock Issuable Upon Conversion. This corporation shall at all times reserve and keep available out of its authorized but unissued shares of Class A Common Stock, solely for the purpose of effecting the conversion of the shares of the Series A Preferred Stock, such number of its shares of Class A Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of the Series A Preferred Stock; and if at any time the number of authorized but unissued shares of Class A Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Series A Preferred Stock, in addition to such other remedies as shall be available to the holder of such Series A Preferred Stock, this corporation will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Class A Common Stock to such number of shares as shall be sufficient for such purposes, including, without limitation, engaging in best efforts to obtain the requisite shareholder approval of any necessary amendment to these articles.

(k) Notices. Any notice required by the provisions of this Section 4 to be given to the holders of shares of Series A Preferred Stock shall be deemed given if deposited in the United States mail, postage prepaid, and addressed to each holder of record at his address appearing on the books of this corporation.

5. Voting Rights. The holder of each share of Series A Preferred Stock shall have the right to one vote for each share of Class A Common Stock into which such Series A Preferred Stock could then be converted, and with respect to such vote, such holder shall have full voting rights and powers equal to the voting rights and powers of the holders of Class A Common Stock, and shall be entitled, notwithstanding any provision hereof, to notice of any shareholders' meeting in accordance with the bylaws of this corporation, and, except with

respect to the election of directors as provided in Section 6 hereof, shall be entitled to vote, together with holders of Class A Common Stock, with respect to any question upon which holders of Class A Common Stock have the right to vote. Fractional votes shall not, however, be permitted and any fractional voting rights available on an as-converted basis (after aggregating all shares into which shares of Series A Preferred Stock held by each holder could be converted) shall be rounded to the nearest whole number (with one-half being rounded upward).

6. Board of Directors. So long as at least 40% of the authorized shares of Series A Preferred Stock are outstanding, the holders of Series A Preferred Stock, voting as a class, shall be entitled to elect five directors and the holders of Common Stock, voting as a class, shall be entitled to elect two directors. So long as at least 40% of the authorized shares of Series A Preferred Stock are outstanding, this corporation shall not without first obtaining the approval (by vote or written consent, as provided by law) of the holders of at least a majority of the then outstanding shares of Series A Preferred Stock, change the authorized number of directors of the corporation.

7. Status of Converted or Redeemed Stock. In the event any shares of Series A Preferred Stock shall be redeemed or converted pursuant to Section 3 or Section 4 hereof, the shares so converted or redeemed shall be cancelled and shall not be issuable by the corporation. The Articles of Incorporation of this corporation shall be appropriately amended to effect the corresponding reduction in the corporation's authorized capital stock.

8. Repurchase of Shares. In connection with repurchases by this corporation of its Common Stock pursuant to its agreements with certain of the holders thereof, Sections 502 and 503 of the California General Corporation Law shall not apply in whole or in part with respect to such repurchases.

IN WITNESS WHEREOF, this Certificate is signed by Lon E. Bell, Chairman of the Board, and Sandra L Grouf, acting Chief Financial Officer, as of this 24th day of May, 1999.

/s/ LON E. BELL
Lon E. Bell, Chairman of the Board

/s/SANDRA L. GROUF
Sandra L. Grouf, Assistant Secretary

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this Certificate are true and correct of our own knowledge.

/s/ LON E. BELL
Lon E. Bell, Chairman of the Board

/s/SANDRA L. GROUF
Sandra L. Grouf, Assistant Secretary

5
1,000

6-MOS
DEC-31-2000
JAN-01-2000
JUN-30-2000
8,341
0
1,035
0
1,025
10,816
1,025
0
13,148
2,036
0
0
8,267
38,040
(35,203)
11,104
2,057
2,057
2,488
6,216
(41)
0
2,607
(6,725)
0
(6,725)
0
707
0
(6,018)
(2.80)
(2.80)