

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): September 24, 2002

AMERIGON INCORPORATED
(Exact name of registrant as specified in its charter)

California	0-21810	95-4318554
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

5462 Irwindale Avenue
Irwindale, California 91706
(626) 815-7400

(Address, including zip code, and telephone number, including area code,
of registrant's principal executive offices)

Item 5. Other Events.

On September 24, 2002, the Company obtained a loan from Big Beaver Investments LLC ("Big Beaver"), one of the Company's principal shareholders, for \$1,000,000. The loan is secured by all accounts receivable of the Company. At June 30, 2002, the Company had accounts receivable of \$2,185,000. The loan from Big Beaver accrues interest at 12% per annum, which is payable on the first day of each month (commencing on October 1, 2002), on the date of any prepayment of the loan and, if still outstanding, at maturity. The loan matures and all outstanding principal and accrued interest become due and payable on November 24, 2002. The loan is necessary to allow the Company to continue operations pending the raising of additional financing. Although the Company has received a proposal from a financial institution for a line of credit secured by its receivables, the Company continues to pursue obtaining an ongoing receivables-based line of credit from another financial institution on more favorable terms and conditions. There can be no assurance that the necessary additional financing will be available on terms and conditions acceptable to the Company.

Item 7. Exhibits.

Exhibit

No. Description

- 10.1 Credit Agreement, dated September 24, 2002, between Amerigon Incorporated and Big Beaver Investments LLC.
- 10.2 Security Agreement, dated September 24, 2002, between Amerigon Incorporated and Big Beaver Investments LLC.
- 10.3 Promissory Note, dated September 24, 2002, issued to Big Beaver Investments LLC.

SIGNATURE

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

AMERIGON INCORPORATED

By: /s/ Oscar B. Marx, III

Oscar B. Marx, III
Chief Executive Officer

Date: September 24, 2002

CREDIT AGREEMENT

THIS CREDIT AGREEMENT (this "Agreement"), dated as of September 24, 2002, is made between Amerigon Incorporated, a California corporation (the "Company"), and Big Beaver Investments LLC, a Delaware limited liability company (the "Lender").

The Company has requested the Lender to make a term loan to the Company in an aggregate principal amount of up to One Million Dollars (\$1,000,000) as provided herein. The Lender is willing to make such loan upon the terms and subject to the conditions set forth in this Agreement.

Accordingly, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01 CERTAIN DEFINED TERMS. As used in this Agreement, the following terms shall have the following meanings:

"AFFILIATE" means any Person which, directly or indirectly, controls, is controlled by or is under common control with another Person. For purposes of the foregoing, "control," "controlled by" and "under common control with" with respect to any Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or by contract or otherwise.

"BUSINESS DAY" means a day of the year on which commercial banks are not required or authorized by law to close in Los Angeles, California.

"CHARTER DOCUMENTS" means the Company's articles of incorporation, bylaws and other organizational documents, each as may be amended, modified or restated from time to time.

"CLOSING DATE" means the date upon which the conditions set forth in Sections 3.01 and 3.02 are satisfied and the Lender makes the Loan Advance to the Company.

"COLLATERAL" means the property described in one or more of the Collateral Documents, and all other property now existing or hereafter acquired which may at any time be or become subject to a Lien in favor of the Lender pursuant to one or more of the Collateral Documents or otherwise, securing the payment and performance of the Obligations.

"COLLATERAL DOCUMENTS" means the Security Agreement any other agreement pursuant to which the Company provides a Lien on its assets in favor of the Lender, and all filings (including, but not limited to, all U.C.C. financing statements filed to perfect the security interests granted in the Security Agreement), documents and agreements made or delivered pursuant thereto.

"COMMITMENT" means the Lender's obligation to make the Loan on the terms and conditions set forth in this Agreement.

"DEFAULT" means an Event of Default or an event or condition which with notice or lapse of time or both would constitute an Event of Default.

"ENVIRONMENTAL LAWS" means all federal, state or local laws, statutes, common law duties, rules, regulations, ordinances, judgments and codes, together with all administrative orders, directives, requests, licenses, authorizations and permits of, and agreements with (including consent decrees), any governmental agencies or authorities, in each case relating to or imposing liability or standards of conduct concerning public health, safety and/or environmental protection matters, including Hazardous Substances.

"EVENT OF DEFAULT" has the meaning set forth in Section 6.01.

"FINAL MATURITY DATE" means the earlier to occur of (i) the 60 day anniversary of the Closing Date, or (ii) acceleration of the Loan pursuant to Section 6.02.

"GAAP" means generally accepted accounting principles in the United States, consistently applied.

"HAZARDOUS SUBSTANCES" means any toxic, radioactive, caustic or other hazardous substances, materials, wastes, contaminants or pollutants, including asbestos, PCBs, petroleum products and byproducts, and any substances defined or listed as "hazardous substances," "hazardous materials," "hazardous wastes" or "toxic substances" (or similarly identified or having any constituent substances

displaying any of the foregoing characteristics), regulated under or forming the basis for liability under any applicable Environmental Law.

"INDEBTEDNESS" means, for any Person: (i) all indebtedness or other obligations of such Person for borrowed money or for the deferred purchase price of property or services which purchase price is (a) due more than six (6) months from the date of incurrence of the obligation in respect thereof, or (b) evidenced by a note or similar written instrument, but excluding trade payables incurred in the ordinary course of business; (ii) all obligations evidenced by notes, bonds, debentures or similar instruments, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses described in clause (i) above; (iii) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person; (iv) all reimbursement and other obligations of such Person in respect of letters of credit and bankers acceptances and all net obligations in respect of interest rate swaps, caps, floors and collars, currency swaps, and other similar financial products; (v) all obligations under leases which shall have been or should be, in accordance with GAAP, recorded as capital leases; and/or (vi) all indebtedness of another Person of the types referred to in clauses (i) through (v) guaranteed directly or indirectly in any manner by the Person for whom indebtedness is being determined, or in effect guaranteed directly or indirectly by such Person through an agreement to purchase or acquire such indebtedness, to advance or supply funds for the payment or purchase of such indebtedness or otherwise assure a creditor against loss, or secured by any Lien upon or in property owned by the Person for whom indebtedness is being determined, whether or not such Person has assumed or become liable for the payment of such indebtedness of such other Person.

"LIEN" means any mortgage, pledge, security interest, assignment, deposit arrangement, charge or encumbrance, lien or other type of preferential arrangement (other than a financing statement filed by a lessor in respect of an operating lease in the ordinary course of business not intended as security).

"LOAN ADVANCE" has the meaning set forth in Section 2.01.

"LOAN DOCUMENTS" means this Agreement, the Note, the Collateral Documents and all other certificates, documents, agreements and instruments delivered to the Lender under or in connection with this Agreement or the Loan.

"LOAN" has the meaning set forth in Section 2.01.

"MATERIAL ADVERSE EFFECT" means any event, circumstance or condition that, individually or in the aggregate: (i) has or could reasonably be expected to have a material adverse effect on the business, operations, assets, liabilities (including without limitation contingent liabilities), prospects, employee relationships, customer or supplier relationships, or the condition (financial or otherwise) of the Company; (ii) would materially impair the ability of the Company to perform or observe its obligations under or in respect of any of the Loan Documents; or (iii) adversely affects the legality, validity, binding effect or enforceability of any of the Loan Documents or the perfection or priority of any Lien granted to the Lender under any of the Collateral Documents.

"NOTE" has the meaning set forth in Section 2.03.

"OBLIGATIONS" means the indebtedness, liabilities and other obligations of the Company to the Lender under or in connection with the Loan Documents, including the Loan, all interest accrued thereon, all fees due under this Agreement and all other amounts payable by the Company to the Lender thereunder or in connection therewith.

"PERMITTED LIENS" means: (i) Liens in favor of the Lender; (ii) the existing Liens (including leases and subleases) listed in Section 4.01(g) of the Disclosure Letter or incurred in connection with the extension, renewal or refinancing of the Indebtedness secured by such existing Liens, PROVIDED that any extension, renewal or replacement Lien shall be limited to the property encumbered by the existing Lien and the principal amount of the Indebtedness being extended, renewed or refinanced does not increase; (iii) Liens for taxes, fees, assessments or other governmental charges or levies, either not delinquent or being contested in good faith by appropriate proceedings and which are adequately reserved for in accordance with GAAP, PROVIDED the same does not have priority over any of the Lender's Liens and no notice of tax lien has been filed of record; (iv) Liens of materialmen, mechanics, warehousemen, carriers or employees or other similar Liens provided for by mandatory provisions of law and securing obligations either not delinquent or being contested in good faith by appropriate proceedings and which do not in the aggregate materially impair the use or value of the property or risk the loss or forfeiture thereof; (v) Liens consisting of deposits or pledges to secure the performance of bids, trade contracts, leases, public or statutory obligations, or other obligations of a like nature incurred in the ordinary course of business (other than for

Indebtedness); (vi) Liens upon or in any equipment acquired or held by the Company to secure the purchase price of such equipment, or Indebtedness incurred solely for the purpose of financing the acquisition of such equipment; and (vii) restrictions and other minor encumbrances on real property which do not in the aggregate materially impair the use or value of such real property or risk the loss or forfeiture thereof.

"PERSON" means an individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or any other entity of whatever nature, or any governmental agency or authority.

"RESPONSIBLE OFFICER" means, with respect to any Person, the chief executive officer, the president, the chief financial officer or the treasurer of such Person, or any other senior officer of such Person having substantially the same authority and responsibility.

"SECURITY AGREEMENT" means the Security Agreement between the Company and the Lender, in form and substance satisfactory to the Lender.

SECTION 1.02 ACCOUNTING TERMS. Unless otherwise defined or the context otherwise requires, all accounting terms not expressly defined herein shall be construed, and all accounting determinations and computations required under this Agreement or any other Loan Document shall be made, in accordance with GAAP.

SECTION 1.03 INTERPRETATION. In the Loan Documents, except to the extent the context otherwise requires: (i) any reference to an Article, a Section, a Schedule or an Exhibit is a reference to an article or section thereof, or a schedule or an exhibit thereto, respectively, and to a subsection or a clause is, unless otherwise stated, a reference to a subsection or a clause of the Section or subsection in which the reference appears; (ii) the words "hereof," "herein," "hereto," "hereunder" and the like mean and refer to this Agreement or any other Loan Document as a whole and not merely to the specific Article, Section, subsection, paragraph or clause in which the respective word appears; (iii) the meaning of defined terms shall be equally applicable to both the singular and plural forms of the terms defined; (iv) the words "including," "includes" and "include" shall be deemed to be followed by the words "without limitation"; (v) references to agreements and other contractual instruments shall be deemed to include all subsequent amendments and other modifications thereto, but only to the extent such amendments and other modifications are not prohibited by the terms of the Loan Documents; (vi) references to statutes or regulations are to be construed as including all statutory and regulatory provisions consolidating, amending or replacing the statute or regulation referred to; (vii) any table of contents, captions and headings are for convenience of reference only and shall not affect the construction of this Agreement or any other Loan Document; and (viii) in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including"; the words "to" and "until" each mean "to but excluding"; and the word "through" means "to and including."

ARTICLE II

THE LOAN

SECTION 2.01 LOAN. Subject to the terms and conditions of this Agreement, including satisfaction of the conditions set forth under Article III, the Lender agrees to make a term loan to the Company in an aggregate principal amount of up to One Million Dollars (\$1,000,000) (the "Loan") as provided herein, to be advanced to the Company in two (2) installments as follows (each a "Loan Advance"): (i) the first distribution of five hundred thousand dollars (\$500,000) is to be advanced on the Closing Date (the "First Loan Advance"); (ii) the second distribution of five hundred thousand dollars (\$500,000) is to be advanced on or after October 15, 2002 (the "Second Loan Advance"). Whenever any Loan Advance hereunder shall be stated to be made on a day other than a Business Day, then such Loan Advance shall be made on the next succeeding Business Day.

SECTION 2.02 [INTENTIONALLY OMITTED]

SECTION 2.03 EVIDENCE OF INDEBTEDNESS. The Company shall execute and deliver for account of the Lender a promissory note (the "Note"), in a form reasonably acceptable to the Lender, as additional evidence of the Indebtedness of the Company to the Lender resulting from the Loan.

SECTION 2.04 INTEREST. The Company hereby promises to pay interest on the unpaid principal amount of the Loan from the date of each Loan Advance until maturity thereof, at a rate equal to twelve percent (12%) per annum, on the first day of each month commencing on the first such date after the date of the Loan Advance, on the date of any prepayment of the Loan and at the Final Maturity Date.

Upon the occurrence and continuation of an Event of Default, any principal under the Loan shall thereafter bear interest (including post-petition interest in any proceeding under applicable bankruptcy laws) payable on demand, at a rate which is five percent (5%) per annum in excess of the interest rate otherwise payable under this Agreement for the Loan. Payment or acceptance of the increased rates of interest provided for in this paragraph is not a permitted alternative to timely payment and shall not constitute a waiver of any Event of Default or otherwise prejudice or limit any rights or remedies of the Lender.

SECTION 2.05 COMPUTATIONS. All computations of fees and interest hereunder shall be made on the basis of a year of three hundred sixty (360) days for the actual number of days occurring in the period for which any such interest or fee is payable.

SECTION 2.06 HIGHEST LAWFUL RATE. Anything herein to the contrary notwithstanding, if during any period for which interest is computed hereunder, the applicable interest rate, together with all fees, charges and other payments which are treated as interest under applicable law, as provided for herein or in any other Loan Document, would exceed the maximum rate of interest which may be charged, contracted for, reserved, received or collected by the Lender in connection with this Agreement under applicable law (the "Maximum Rate"), the Company shall not be obligated to pay, and the Lender shall not be entitled to charge, collect, receive, reserve or take, interest in excess of the Maximum Rate, and during any such period the interest payable hereunder shall be limited to the Maximum Rate.

SECTION 2.07 [INTENTIONALLY OMITTED]

SECTION 2.08 REPAYMENT OF THE LOAN. The Company hereby promises to pay to the Lender the outstanding principal amount of the Loan and any accrued interest thereon in full on the Final Maturity Date.

SECTION 2.09 PREPAYMENTS OF THE LOANS.

(a) OPTIONAL PREPAYMENTS. The Company may, upon prior notice to the Lender, prepay the outstanding amount of the Loan in whole or in part, without premium or penalty, however, should an optional prepayment be made prior to the Second Loan Advance, the Lender shall no longer be required to make the Second Loan Advance.

(b) MANDATORY PREPAYMENTS. On the date of funding of any Indebtedness for borrowed money the Company shall prepay the Loan in full. Additionally, the net proceeds from any issuance of equity of the Company will be used to prepay the Loan to the extent of such proceeds. Furthermore, the net proceeds from the exercise of any warrants outstanding on the date hereof shall be used to prepay the Loan to the extent of such proceeds.

(c) NOTICE; APPLICATION. The notice given of any prepayment shall specify the date and amount of the prepayment. If the notice of prepayment is given, the Company shall make such prepayment and the prepayment amount specified in such notice shall be due and payable on the date specified therein, with accrued interest to such date. Each prepayment by or on behalf of the Company hereunder shall, unless a specific determination is made by the Lender with respect thereto, be applied (i) first, to accrued and unpaid interest due the Lender, and (ii) second, to principal due the Lender.

SECTION 2.10 PAYMENTS.

(a) PAYMENTS. The Company shall make each payment under the Loan Documents, unconditionally in full without deduction, set-off, counterclaim or, to the extent permitted by applicable law, other defense, and free and clear of, and without reduction for or on account of, any present or future taxes or withholdings (other than a tax on the overall net income of the Lender), and all liabilities with respect thereto. Each payment shall be made not later than 11:00 A.M. (California time) on the day when due to the Lender in U.S. dollars and in immediately available funds, or such other funds as shall be separately agreed upon in writing by the Company and the Lender, in accordance with the Lender's payment instructions.

(b) EXTENSION. Whenever any payment hereunder shall be stated to be due, or whenever any interest payment date or any other date specified hereunder would otherwise occur, on a day other than a Business Day, then, except as otherwise provided herein, such payment shall be made, and such interest payment date or other date shall occur, on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of accrued interest.

(c) APPLICATION. Each payment by or on behalf of the Company hereunder shall, unless a specific determination is made by the Lender with respect thereto, be applied (i) first, to accrued and unpaid interest due the Lender, and (ii) second, to principal due the Lender.

ARTICLE III

CONDITIONS PRECEDENT

SECTION 3.01 CONDITIONS PRECEDENT TO THE LOAN AND THE FIRST LOAN ADVANCE.

The obligation of the Lender to make the Loan and the First Loan Advance shall be subject to the satisfaction of each of the following conditions precedent before or concurrently on the Closing Date:

(a) FEES AND EXPENSES. The Company shall have paid all fees and invoiced costs and expenses then due hereunder, including fees, costs and expenses set forth in Section 7.04(a).

(b) LOAN DOCUMENTS. The Lender shall have received the following Loan Documents: (i) this Agreement executed by the Company; (ii) the Note executed by the Company; and (iii) the Collateral Documents executed by the Company.

(c) DOCUMENTS AND ACTIONS RELATING TO COLLATERAL. The Lender shall have received, in form and substance satisfactory to it, results of such Lien searches as it shall reasonably request, and evidence that all filings, registrations and recordings have been made in the appropriate governmental offices, and all other action has been taken, which shall be necessary to create, in favor of the Lender, a perfected first priority Lien on the Collateral, subject only to Permitted Liens.

(d) ADDITIONAL CLOSING DOCUMENTS. The Lender shall have received the following, in form and substance satisfactory to it: (i) evidence that all (A) authorizations or approvals of any governmental agency or authority, and (B) approvals or consents of any other Person, required in connection with the execution, delivery and performance of the Loan Documents shall have been obtained; and (ii) a certificate of the Secretary or other appropriate officer of the Company, dated the Closing Date, certifying (A) copies of its Charter Documents and the resolutions and other actions taken or adopted by the Company authorizing the execution, delivery and performance of the Loan Documents, and (B) the incumbency, authority and signatures of each officer of the Company authorized to execute and deliver the Loan Documents and act with respect thereto.

(e) LEGAL OPINION. The Lender shall have received an opinion of legal counsel to the Company dated the Closing Date, in the form attached hereto as Exhibit A.

SECTION 3.02 ADDITIONAL CONDITIONS PRECEDENT TO THE LOAN AND ALL LOAN ADVANCES.

The obligation of the Lender to make the Loan and each Loan Advance shall be subject to the satisfaction of each of the following conditions precedent before or concurrently on the date of the Loan and each Loan Advance:

(a) REPRESENTATIONS AND WARRANTIES. The representations and warranties of the Company contained in this Agreement and the other Loan Documents, or in any certificate or document delivered pursuant to the provisions hereof or in connection with the transactions contemplated hereby, shall be true on and as of the date of the Loan and each Loan Advance as though such representations and warranties were made at and as of such date(s).

(b) COMPLIANCE. The Company shall have performed and complied with all agreements and conditions required by this Agreement and the other Loan Documents to be performed or complied with by it.

(c) OFFICER'S CERTIFICATE. The Lender shall have received certificates duly executed by the Chief Executive Officer or the Chief Financial Officer of the Company dated the date of the Loan and each Loan Advance certifying in such detail as the Lender may reasonably request to the fulfillment of the conditions specified in Sections 3.02(a) and 3.02(b).

(d) MATERIAL ADVERSE EFFECT. On and as of the date of each Loan Advance, there shall have occurred no change or event since the date of this Agreement that has or could reasonably be expected to have a Material Adverse Effect.

(e) NO DEFAULT. On the date of each Loan Advance, both before and after giving effect thereto and to the application of proceeds therefrom, no Default shall have occurred and be continuing or shall result from the making of such Loan Advance. The acceptance by the Company of the proceeds of each Loan Advance shall be deemed a certification to the Lender that on and as of the date of each Loan Advance no material Default shall have occurred or shall result from the making of each Loan Advance.

(f) ADDITIONAL DOCUMENTS. The Lender shall have received, in form and substance satisfactory to it, such additional approvals, opinions, documents

and other information as the Lender may reasonably request.

SECTION 3.03 CONDITIONS PRECEDENT TO THE SECOND LOAN ADVANCE. The obligation of the Lender to make the Second Loan Advance shall be subject to the satisfaction by the Company of all conditions set forth in Sections 3.01 and 3.02 before or concurrently on the date of the Second Loan Advance.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.01 REPRESENTATIONS AND WARRANTIES OF THE COMPANY. Except as specifically set forth in the Disclosure Letter, with each disclosure to reference the Section or Sections hereof to which it relates, the Company represents and warrants to the Lender that the following statements are true and correct on and as of the date of this Agreement and will be true and correct on and as of the date of each Loan Advance as if made on such date(s):

(a) ORGANIZATION AND POWERS. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of California, and has all requisite power and authority to execute, deliver and perform its Obligations under the Loan Documents. The Company is qualified to do business and is in good standing in each jurisdiction in which the failure so to qualify or be in good standing would result in a Material Adverse Effect and has all requisite power and authority to own its assets and carry on its business.

(b) AUTHORIZATION; NO CONFLICT. The execution, delivery and performance by the Company of the Loan Documents have been duly authorized by all necessary corporate action of the Company and do not and will not (i) result in a violation of any of its Charter Documents, (ii) conflict with, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any material agreement, indenture or instrument to which the Company or any of its properties is subject, or result in a violation of any material law, rule, regulation, order, judgment or decree (including U.S. federal and state securities laws and regulations, including NASDAQ rules or other rules of any exchange) applicable to the Company or by which any property or asset of the Company is bound or affected, and (iii) except as contemplated by this Agreement, result in, or require, the creation or imposition of any Lien upon or with respect to any of the properties, assets or revenues of the Company. The Company is not in violation of any of its Charter Documents, or of any judgment, order, writ, decree, law, rule or regulation to which the Company or its properties is subject in any material respect. The Company is not in default (and no event has occurred which, with notice or lapse of time or both, would put the Company in default) under, nor has there occurred any event giving others (with notice or lapse of time or both) any rights of termination, amendment, acceleration or cancellation of, any material agreement, indenture or instrument to which the Company is a party or any of its properties is subject in any material respect.

(c) BINDING OBLIGATION. The Loan Documents constitute, or when delivered under this Agreement, will constitute, legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, and (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies.

(d) CONSENTS. No authorization, consent, approval, license, exemption of, or filing or registration with, any governmental agency or authority, or approval or consent of any other Person, is required for the due execution, delivery or performance by the Company of any of the Loan Documents, except for such approvals as have been obtained or as set forth in 4.01(d) of the Disclosure Letter hereto.

(e) LITIGATION. There is no action, suit, proceeding or investigation pending, or to the Company's knowledge, currently threatened against the Company, except as which individually or in the aggregate would not have a Material Adverse Effect. The Company is not a party or subject to the provisions of any order, writ, injunction, judgment or decree of any court or government agency or instrumentality. Except as set forth on the Disclosure Letter, there is no material action, suit, proceeding or investigation by the Company currently pending or that the Company intends to initiate.

(f) PATENTS AND TRADEMARKS. The Company owns or licenses from another person all inventions, patents, patent rights, computer software, trademarks, trademark rights, service marks, service mark rights, trade names, trade name rights and copyrights (collectively, the "Intellectual Property") necessary for its business without any conflict with or infringement of the valid rights of others and the lack of which could materially and adversely affect the operations or

condition, financial or otherwise, of the Company. The consummation of the transactions contemplated hereby will not result in the termination or impairment of the Company's ownership of, or right to use, any Intellectual Property. The Company has a valuable body of trade secrets, including know-how, concepts, business plans, and other technical data (the "Proprietary Information") for the development, manufacture and sale of its products. The Company has the right to use the Proprietary Information free and clear of any material rights, Liens, encumbrances or claims of others.

(g) TITLE TO PROPERTIES; LIENS. The Company has good and marketable title to, or valid and subsisting leasehold interests in, its properties and assets, including all property forming a part of the Collateral, in all material respects, and there is no Lien upon or with respect to any of such properties or assets, including any of the Collateral, except for Permitted Liens.

(h) SEC DOCUMENTS AND FINANCIAL STATEMENTS. Since January 1, 1997, the Company has timely filed all reports, schedules, forms, statements and other documents required to be filed by it with the Securities and Exchange Commission ("SEC") pursuant to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (all of the foregoing and all exhibits included therein and financial statements and schedules thereto and documents incorporated by reference therein, with amendments read together with underlying documents, are referred to herein as the "SEC Documents"). As of their respective dates, the SEC Documents complied in all material respects with the requirements of the Exchange Act and the rules and regulations of the SEC promulgated thereunder applicable to the SEC Documents, and none of the SEC Documents, at the time they were filed with the SEC, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. As of their respective dates, the financial statements of the Company included in the SEC Documents complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto. Such financial statements have been prepared in accordance with GAAP during the periods involved and fairly and accurately present in all material respects the consolidated financial position of the Company and its consolidated subsidiaries as of the dates thereof and the consolidated results of their operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments). Except as set forth in the most recent balance sheet provided to the Lender or the Disclosure Letter, the Company has no liabilities, contingent or otherwise, other than (i) liabilities incurred in the ordinary course of business subsequent to the date of such financial statements and (ii) obligations under contracts and commitments incurred in the ordinary course of business and not required under GAAP to be reflected in such financial statements, which, individually or in the aggregate, are not material to the financial condition or operating results of the Company. Except as disclosed in such financial statements or in the Disclosure Letter, the Company is not a guarantor or indemnitor of any Indebtedness of any other Person.

(i) TAX RETURNS. The Company has timely filed all tax returns (federal, state and local) required to be filed by it and such tax returns are true and correct in all material respects. In addition, (i) the Company has not requested any extension of time within which to file any tax returns in respect of any fiscal year which have not since been filed and no request for waivers of the time to assess any taxes are pending or outstanding, (ii) no claim for taxes has become a Lien against the property of the Company or is being asserted against the Company other than liens for taxes not yet due and payable, (iii) no audit of any tax return of the Company is being conducted by a tax authority, (iv) no extension of the statute of limitations on the assessment of any taxes has been granted to, by or applied for by, the Company and is currently in effect, and (v) there is no agreement, contract or arrangement to which the Company is a party that may result in the payment of any amount that would not be deductible by reason of Sections 280G, 162 or 404 of the Internal Revenue Code.

(j) PERMITS. The Company has all material franchises, permits, licenses and any similar authority necessary for the conduct of its business ("Permits"). The Company is not in default in any material respect under any of such Permits.

(k) ENVIRONMENTAL AND SAFETY LAWS. The Company is not in violation of any applicable material statute, law or regulation relating to the environment or occupational health and safety or Hazardous Substances, and no material expenditures are or will be required in order to comply with any such existing statute, law or regulation.

(l) ORGANIZATION AND POWERS OF BSST. BSST LLC is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware. BSST is qualified to do business and is in good standing in each jurisdiction in which the failure so to qualify or be in good standing would result in a material adverse effect on BSST or its business or operations, and has all requisite limited liability power and authority to own its assets

and carry on its business.

(m) VALID SENIOR LOAN. The Loan and the Obligations under the Loan Documents constitute a valid senior secured debt of the Company owed to the Lender, negotiated and consummated at arm's length, and in no respects constitutes equity or an equity contribution to the Company or its Affiliates on the part of the Lender or its Affiliates. The Company hereby forever waives any and all rights and claims to characterize the Loan or any Obligation as equity or equity contribution by the Lender or its Affiliates.

(n) NO USURY. The Loan Documents and the Obligations are in compliance with California Corporations Code Section 25118, and do not violate any usury laws of the State of California or the United States.

(o) WAIVER OF PARTICIPATION RIGHTS. Special Situations Funds and MicroCapital Funds have waived any and all rights and claims to characterize the Loan as equity or equity contribution by the Lender or its Affiliates and have waived all participation rights in the Loan.

SECTION 4.02 REPRESENTATIONS AND WARRANTIES OF THE LENDER. The Lender represents and warrants to the Company that:

(a) INVESTMENT REPRESENTATIONS. The Lender: (i) will acquire the Note for its own account for investment and not with a view to any resale or other distribution (other than to Affiliates) of the Note in a transaction constituting a public offering or otherwise requiring registration under the Securities Act, or in a transaction that would result in noncompliance with applicable state securities laws; (ii) has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and the risks of its acquisition of the Note and credit extensions to the Company; (iii) is an accredited investor as such term is defined in Rule 501 of Regulation D under the Securities Act; and (iv) understands that the Note has not been registered under the Securities Act or any state securities laws.

(b) ORGANIZATION AND POWERS. The Lender is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware, and has all requisite power and authority to execute, deliver and perform its obligations under this Agreement.

(c) AUTHORIZATION; BINDING OBLIGATION. The execution, delivery and performance by the Lender of this Agreement has been duly authorized by all necessary organizational action of the Lender. This Agreement constitutes a legal, valid and binding obligation of the Lender, enforceable against the Lender in accordance with its terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, and (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies.

(d) FINANCIAL CAPACITY. The Lender has access to adequate capital to enable it to satisfy its obligations to make the Loan contemplated hereby.

ARTICLE V

COVENANTS

SECTION 5.01 REPORTING COVENANTS. So long as any of the Obligations shall remain unpaid or the Lender shall have any Commitment, the Company agrees that:

(a) FINANCIAL STATEMENTS AND OTHER REPORTS. The Company will furnish to the Lender: (i) as soon as available and in any event within ten (10) days after the end of a month, monthly agings (aged from invoice date) of accounts receivable, payables reports, and unaudited financial statements (including a balance sheet, income statement and statement of cash flows) with respect to that month prepared on a basis consistent with such statements prepared in prior months and otherwise in accordance with GAAP and certified by a Responsible Officer as being prepared in accordance with GAAP; and (ii) as soon as available and in any event within forty-five (45) days after the end of each fiscal quarter, its quarterly consolidated and, if requested by the Lender, consolidating financial statements (including a balance sheet, income statement and statement of cash flows), prepared in accordance with GAAP, together with a certificate of a Responsible Officer of the Company stating that such financial statements fairly present in all material respects the financial condition of the Company as at such date and the results of operations of the Company for the period ended on such date and have been prepared in accordance with GAAP, subject to changes resulting from normal, year-end audit adjustments and except for the absence of notes.

(b) ADDITIONAL INFORMATION. The Company will furnish to the Lender: (i) promptly after the Company has knowledge or becomes aware thereof, notice of the

occurrence of any Default; (ii) prompt written notice of all actions, suits and proceedings before any governmental agency or authority or arbitrator pending, or to the best of the Company's knowledge, threatened against or affecting the Company; (iii) prompt written notice of any other condition or event which has resulted, or that could reasonably be expected to result, in a Material Adverse Effect; (iv) promptly after the same are released, copies of all press releases; (v) promptly after the giving, sending or filing thereof, copies of all reports and financial information, if any, which the Company sends to the holders of its capital stock or other securities, and the holders, if any, of any other Indebtedness, and of all reports or filings, if any, by the Company with the SEC or any national securities exchange; and (vi) such other information respecting the operations, properties, business or condition (financial or otherwise) of the Company (including with respect to the Collateral) as the Lender may from time to time reasonably request. Each notice pursuant to clauses (i) through (iii) of this subsection (b) shall be accompanied by a written statement by a Responsible Officer of the Company setting forth details of the occurrence referred to therein.

(c) OTHER INFORMATION. Upon the Lender's reasonable request, and at least twice monthly after the date of this Agreement, the Company shall provide reports to the Lender concerning the status of all programs with major customers and such other information requested by Lender, in such detail as Lender may reasonably request.

SECTION 5.02 AFFIRMATIVE COVENANTS. So long as any of the Obligations shall remain unpaid or the Lender shall have any Commitment, the Company agrees that:

(a) PRESERVATION OF EXISTENCE, ETC. The Company will maintain and preserve its corporate existence, its rights to transact business and all other material rights, franchises and privileges necessary or desirable in the normal course of its business and operations and the ownership of its properties, except in connection with any transactions expressly permitted by Section 5.03.

(b) PAYMENT OF TAXES, ETC. The Company will pay and discharge all taxes, fees, assessments and governmental charges or levies imposed upon it or upon its properties or assets prior to the date on which penalties attach thereto, and all lawful claims for labor, materials and supplies which, if unpaid, might become a Lien upon any properties or assets of the Company prior to the date on which penalties attach thereto except to the extent such taxes, fees, assessments or governmental charges or levies, or such claims, are being contested in good faith by appropriate proceedings and are adequately reserved against in accordance with GAAP.

(c) MAINTENANCE OF INSURANCE. The Company will carry and maintain in full force and effect, at its own expense and with financially sound and reputable insurance companies, insurance in such amounts, with such deductibles and covering such risks as is consistent with the Company's past practices.

(d) KEEPING OF RECORDS AND BOOKS OF ACCOUNT. The Company will keep adequate records and books of account to permit preparation of financial statements in accordance with GAAP.

(e) INSPECTION RIGHTS. The Company will at any reasonable time during regular business hours and from time to time permit the Lender or any of its agents or representatives to visit and inspect any of the properties of the Company and to examine the records and books of account of the Company, and to discuss the business affairs, finances and accounts of the Company with any of the officers, employees or accountants of the Company, provided that the Company may designate one or more individuals who will be present during such discussions.

(f) COMPLIANCE WITH LAWS. The Company will comply in all material respects with the requirements of all applicable laws, rules, regulations and orders of any governmental agency or authority, including all Environmental Laws.

(g) MAINTENANCE OF PROPERTIES, ETC. The Company will maintain and preserve all of its material properties necessary or useful in the proper conduct of its business in good working order and condition in accordance with the general practice of other corporations of similar character and size, ordinary wear and tear excepted.

(h) LICENSES. The Company will obtain and maintain all licenses, authorizations, consents, filings, exemptions, registrations and other governmental approvals of any governmental agency or authority necessary in connection with the execution, delivery and performance of the Loan Documents, the consummation of the transactions therein contemplated or the operation and conduct of its business and ownership of its properties, except where the failure to do so would not have a Material Adverse Effect.

(i) USE OF PROCEEDS. The Company will use the proceeds of the Loan for its general corporate purposes.

(j) FURTHER ASSURANCES AND ADDITIONAL ACTS. The Company will execute, acknowledge, deliver, file, notarize and register at its own expense all such further agreements, instruments, certificates, documents and assurances and perform such acts as the Lender shall deem necessary or appropriate to effectuate the purposes of the Loan Documents, and promptly provide the Lender with evidence of the foregoing satisfactory in form and substance to the Lender.

SECTION 5.03 NEGATIVE COVENANTS. So long as any of the Obligations shall remain unpaid or the Lender shall have any Commitment, the Company agrees that without the consent of Lender:

(a) LIENS; NEGATIVE PLEDGES. (i) The Company will not create, incur, assume or suffer to exist any Lien upon or with respect to any of its properties, revenues or assets, whether now owned or hereafter acquired, other than Permitted Liens. (ii) The Company will not enter into any agreement (other than this Agreement or any other Loan Document) prohibiting the creation or assumption of any Lien upon any of its properties, revenues or assets, whether now owned or hereafter acquired.

(b) CHANGE IN NATURE OF BUSINESS. The Company will not engage in any material line of business substantially different from those lines of business carried on by it at the date hereof.

(c) RESTRICTIONS ON FUNDAMENTAL CHANGES. The Company will not merge with or consolidate into, or acquire all or substantially all of the assets of, any Person, or sell, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets.

(d) SALES OF ASSETS. The Company will not sell, lease, transfer, or otherwise dispose of, or part with control of (whether in one transaction or a series of transactions) any assets (including any shares of stock in any other Person), except: (i) sales or other dispositions of inventory, and the license, sublicense and grant of distribution and similar rights, in the ordinary course of business; (ii) sales or other dispositions of assets in the ordinary course of business which have become worn out or obsolete or which are promptly being replaced; or (iii) sales or other dispositions of assets (other than accounts receivable) outside the ordinary course of business not exceeding in the aggregate Twenty-Five Thousand Dollars (\$25,000) in any fiscal year.

(e) DISTRIBUTIONS. The Company will not declare or pay any dividends in respect of the Company's capital stock, or purchase, redeem, retire or otherwise acquire for value any of its capital stock now or hereafter outstanding, return any capital to its shareholders as such, except that the Company may: (A) declare and deliver dividends and distributions payable only in common stock of the Company; and (B) purchase, redeem, retire, or otherwise acquire shares of its capital stock with the proceeds received from a substantially concurrent issue of new shares of its capital stock.

(f) LOANS AND INVESTMENTS. The Company will not purchase or otherwise acquire the capital stock, assets (constituting a business unit), obligations or other securities of or any interest in any Person, or otherwise extend any credit to or make any additional investments in any Person, other than in connection with: (i) extensions of credit in the nature of accounts receivable or notes receivable arising from the sales of goods or services in the ordinary course of business; and (ii) short term, investment grade money market instruments, in accordance with the Company's usual and customary treasury management policies.

(g) TRANSACTIONS WITH RELATED PARTIES. The Company will not enter into any transaction, including the purchase, sale or exchange of property or the rendering of any services, with any Affiliate, any officer or director thereof or any Person which beneficially owns or holds five percent (5%) or more of the equity securities, or five percent (5%) or more of the equity interest, thereof (a "Related Party"), or enter into, assume or suffer to exist, any employment or consulting contract with any Related Party, except a transaction or contract which is in the ordinary course of the Company's business and which is upon fair and reasonable terms not less favorable to the Company than it would obtain in a comparable arm's length transaction with a Person not a Related Party.

(h) INDEBTEDNESS. The Company will not incur any additional Indebtedness for borrowed money except for the Loans and Indebtedness that is immediately used to repay the Loans.

SECTION 5.04 CONFIDENTIALITY. The Lender will hold in confidence all, and not disclose to others for any reason whatsoever any, material non-public information received by it from the Company in connection with this Agreement, except that the Lender may provide such confidential information in response to legal process or applicable governmental regulations provided that the Lender forthwith notifies the Company of its obligation to provide such confidential information and fully cooperates (to the extent permitted by law) with the

Company to protect the confidentiality of such information.

ARTICLE VI

EVENTS OF DEFAULT

SECTION 6.01 EVENTS OF DEFAULT. Any of the following events which shall occur shall constitute an "Event of Default":

(a) PAYMENTS. The Company shall fail to pay when due any amount of principal of, or interest on, the Loan or the Note, or any fee or other amount payable under any of the Loan Documents.

(b) REPRESENTATIONS AND WARRANTIES. Any representation or warranty by the Company under or in connection with the Loan Documents shall prove to have been incorrect in any material respect when made or deemed made.

(c) FAILURE BY COMPANY TO PERFORM CERTAIN COVENANTS. The Company shall fail to perform or observe any term, covenant or agreement contained in Section 5.03 or Subsections (a), (i) or (j) of Section 5.02.

(d) FAILURE BY COMPANY TO PERFORM OTHER COVENANTS. The Company shall fail to perform or observe any term, covenant or agreement, other than those specified in Section 6.01(c), contained in any Loan Document on its part to be performed or observed, and any such failure shall continue for a period of ten (10) days from the occurrence thereof (unless the Lender determines that such failure is not capable of remedy).

(e) INSOLVENCY. (i) The Company shall (A) make a general assignment for the benefit of creditors or (B) be dissolved, liquidated, wound up or cease its corporate existence; or (ii) the Company (A) shall file a voluntary petition in bankruptcy or a petition or answer seeking reorganization, to effect a plan or other arrangement with creditors or any other relief under the Bankruptcy Reform Act of 1978 (the "Bankruptcy Code") or under any other state or federal law relating to bankruptcy or reorganization granting relief to debtors, whether now or hereafter in effect, or (B) shall file an answer admitting the jurisdiction of the court and the material allegations of any involuntary petition filed against the Company pursuant to the Bankruptcy Code or any such other state or federal law; or (iii) the Company shall be adjudicated a bankrupt, or shall make an assignment for the benefit of creditors, or shall apply for or consent to the appointment of any custodian, receiver or trustee for all or any substantial part of the Company's property, or shall take any action to authorize any of the actions or events set forth above in this subsection; or (iv) an involuntary petition seeking any of the relief specified in this subsection shall be filed against the Company and not dismissed within sixty (60) days; or (v) any order for relief shall be entered against the Company, in any involuntary proceeding under the Bankruptcy Code or any such other state or federal law referred to in this subsection (e).

(f) DISSOLUTION, ETC. The Company shall (i) liquidate, wind up or dissolve (or suffer any liquidation, wind-up or dissolution), (ii) discontinue its operations, or (iii) take any corporate action to authorize any of the actions or events set forth above in this subsection (f).

(g) JUDGMENTS. (i) A final judgment or order for the payment of money in excess of Fifty Thousand Dollars (\$50,000) (or its equivalent in another currency) which is not fully covered by third-party insurance shall be rendered against the Company (or its equivalent in another currency); or (ii) any non-monetary judgment or order shall be rendered against the Company which has or would reasonably be expected to have a Material Adverse Effect; and in each case there shall be any period of fifteen (15) consecutive days during which such judgment continues unsatisfied or during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect.

(h) MATERIAL ADVERSE EFFECT. Any circumstance, condition, or event shall have occurred which has or could reasonably be expected to have a Material Adverse Effect.

(i) COLLATERAL DOCUMENTS. Any "Event of Default" as defined in the Collateral Documents shall have occurred; or any of the Collateral Documents after delivery thereof shall for any reason be revoked or invalidated, or otherwise cease to be in full force and effect, or the Company or any other Person shall contest in any manner the validity or enforceability thereof, or the Company or any other Person shall deny that it has any further liability or obligation thereunder; or any of the Collateral Documents for any reason, except to the extent permitted by the terms thereof, shall cease to create a valid and perfected first priority Lien subject only to Permitted Liens in any of the Collateral purported to be covered thereby.

SECTION 6.02 EFFECT OF EVENT OF DEFAULT. If any Event of Default shall occur, the Lender may, by notice to the Company, declare the Commitment to be

terminated, whereupon the same shall forthwith terminate, and cease to make the Loan and all or any Loan Advances. If any Event of Default under Section 6.01(e) shall occur, the Lender may declare the entire unpaid principal amount of the Loan and the Note, all interest accrued and unpaid thereon and all other Obligations to be forthwith due and payable, whereupon the Loan and the Note, all such accrued interest and all such other Obligations shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Company. In addition, if any Event of Default under Section 6.01(a) or Section 6.01(e) shall occur, the Lender may exercise any or all of the Lender's rights and remedies under the Collateral Documents and proceed to enforce all other rights and remedies available to the Lender under the Loan Documents and applicable law.

ARTICLE VII

MISCELLANEOUS

SECTION 7.01 AMENDMENTS AND WAIVERS. No amendment to any provision of the Loan Documents shall be effective unless it is in writing and has been signed by the Lender and the Company, and no waiver of any provision of any Loan Document, or consent to any departure by the Company therefrom, shall be effective unless it is in writing and has been signed by the Lender. Any such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

SECTION 7.02 NOTICES. All notices and other communications provided for hereunder and under the other Loan Documents shall, unless otherwise stated herein, be in writing (including by facsimile transmission) and mailed, sent or delivered to the respective parties hereto at or to their respective addresses or facsimile numbers set forth below their names on the signature pages hereof, or at or to such other address or facsimile number as shall be designated by any party in a written notice to the other party hereto. All such notices and communications shall be effective: (i) if delivered by hand, when delivered; (ii) if sent by mail, upon the earlier of the date of receipt or five (5) Business Days after deposit in the mail, first class, postage prepaid; or (iii) if sent by facsimile transmission, when sent; PROVIDED, HOWEVER, that notices and communications to the Lender pursuant to Article II shall not be effective until received.

SECTION 7.03 NO WAIVER; CUMULATIVE REMEDIES. No failure on the part of the Lender to exercise, no delay in exercising, and no course of dealing with respect to, any right, remedy, power or privilege under any Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, remedy, power or privilege preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights and remedies under the Loan Documents are cumulative and not exclusive of any rights, remedies, powers and privileges that may otherwise be available to the Lender.

SECTION 7.04 COSTS AND EXPENSES; INDEMNITY.

(a) **COSTS AND EXPENSES.** The Company agrees to pay on demand: (i) the reasonable out-of-pocket costs and expenses of the Lender and any of its Affiliates, and the reasonable fees and disbursements of counsel to the Lender and its Affiliates, in connection with the Loan, including the negotiation, preparation, execution, delivery and administration of the Loan Documents and any amendments, modifications or waivers of the terms thereof, and (ii) all reasonable costs and expenses of the Lender and its Affiliates, and fees and disbursements of counsel, in connection with (A) any Default, (B) the enforcement or attempted enforcement of, and preservation of any rights or interests under, the Loan Documents, (C) any out-of-court workout or other refinancing or restructuring or any bankruptcy or insolvency case or proceeding, and (D) the preservation of and realization upon any of the Collateral. Without limiting the foregoing, the costs and reasonable fees of counsel to the Lender and its Affiliates incurred or reasonably expected to be incurred in connection with the Loan will be automatically deducted from the disbursement of the Loan Advance and, accordingly, the amount of the Loan Advance actually disbursed to the Company will be less of such fees and costs.

(b) **INDEMNIFICATION.** Whether or not the transactions contemplated hereby shall be consummated, the Company hereby agrees to indemnify the Lender, any Affiliate thereof and their respective directors, officers, employees, agents, counsel and other advisors (each an "Indemnified Person") against, and hold each of them harmless from, any and all liabilities, obligations, losses, claims, damages, demands, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever, including the reasonable fees and disbursements of counsel to an Indemnified Person, which may be imposed on, incurred by, or asserted against any Indemnified Person, (i) in any way relating to or arising out of any of the Loan Documents, the use or intended use of the proceeds of the Loan or the transactions contemplated hereby or thereby, (ii) with respect to any investigation, litigation or other proceeding relating to

any of the foregoing, irrespective of whether the Indemnified Person shall be designated a party thereto, and/or (iii) in any way relating to or arising out of the use, generation, manufacture, installation, treatment, storage or presence, or the spillage, leakage, leaching, migration, dumping, deposit, discharge, disposal or release, at any time, of any Hazardous Substances on, under, at or from any properties of the Company, including any personal injury or property damage suffered by any Person, and any investigation, site assessment, environmental audit, feasibility study, monitoring, clean-up, removal, containment, restoration, remedial response or remedial work undertaken by or on behalf of any Indemnified Person at any time, voluntarily or involuntarily, with respect to the Premises (the "Indemnified Liabilities"); PROVIDED that the Company shall not be liable to any Indemnified Person for any portion of such Indemnified Liabilities to the extent they are found by a final decision of a court of competent jurisdiction to have resulted from such Indemnified Person's gross negligence or willful misconduct. If and to the extent that the foregoing indemnification is for any reason held unenforceable, the Company agrees to make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities which is permissible under applicable law.

SECTION 7.05 SURVIVAL. All covenants, agreements, representations and warranties made in any Loan Document shall, except to the extent otherwise provided therein, survive the execution and delivery of this Agreement, the making of the Loan, and the making of all Loan Advances, and the execution and delivery of the Note, and shall continue in full force and effect so long as the Lender has any Commitment, the Loan remains outstanding or any other Obligations remain unpaid or any obligation to perform any other act hereunder or under any other Loan Document remains unsatisfied. Without limiting the generality of the foregoing, the obligations of the Company under Section 7.04, and all similar obligations under the other Loan Documents (including all obligations to pay costs and expenses and all indemnity obligations), shall survive the repayment of the Loans and the termination of the Commitment.

SECTION 7.06 BENEFITS OF AGREEMENT. The Loan Documents are entered into for the sole protection and benefit of the parties hereto and their permitted successors and permitted assigns, and no other Person shall be a direct or indirect beneficiary of, or shall have any direct or indirect cause of action or claim in connection with, any Loan Document.

SECTION 7.07 BINDING EFFECT; ASSIGNMENT. This Agreement shall become effective when it shall have been executed by the Company and the Lender and thereafter shall be binding upon, inure to the benefit of and be enforceable by the Company, the Lender and their respective permitted successors and permitted assigns. The Company shall not have the right to assign its rights or Obligations or any interest herein or therein without the prior written consent of the Lender. The Lender reserves the right freely to sell, assign, transfer or grant participations in all or any portion of the Lender's rights and obligations hereunder and under the other Loan Documents (i) to one or more Affiliates of the Lender and/or (ii) with the prior consent of the Company (which consent shall not be unreasonably withheld) to any other Person. In the event of any such assignment, the assignee shall be deemed a "Lender" for all purposes of the Loan Documents with respect to the rights and obligations assigned to it, and the obligations of the Lender so assigned shall thereupon terminate. The Company shall, from time to time upon request of the Lender, enter into such amendments to the Loan Documents and execute and deliver such other documents as shall be necessary to effect any such grant or assignment. The Company agrees that in connection with any such grant or assignment, the Lender may deliver to the prospective participant or assignee financial statements and other relevant information relating to the Company (subject to such Person entering into a confidentiality agreement with the Company on terms reasonably satisfactory to the Company).

SECTION 7.08 GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF MICHIGAN.

SECTION 7.09 WAIVER OF JURY TRIAL. THE COMPANY AND THE LENDER EACH WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT, THE OTHER LOAN DOCUMENTS, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY OTHER PARTY OR PARTIES, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. THE COMPANY AND THE LENDER EACH AGREE THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS OR ANY PROVISION HEREOF OR THEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS.

SECTION 7.10 CONSENT TO JURISDICTION AND SERVICE OF PROCESS. ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST COMPANY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR ANY OBLIGATIONS THEREUNDER, MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE STATE OF MICHIGAN. BY EXECUTING AND DELIVERING THIS AGREEMENT, COMPANY, FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, IRREVOCABLY

(I) ACCEPTS GENERALLY AND UNCONDITIONALLY THE NONEXCLUSIVE JURISDICTION AND VENUE OF SUCH COURTS;

(II) WAIVES ANY DEFENSE OF FORUM NON CONVENIENS;

(III) AGREES THAT SERVICE OF ALL PROCESS IN ANY SUCH PROCEEDING IN ANY SUCH COURT MAY BE MADE BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED;

(IV) AGREES THAT SERVICE AS PROVIDED IN CLAUSE (III) ABOVE IS SUFFICIENT TO CONFER PERSONAL JURISDICTION OVER COMPANY IN ANY SUCH PROCEEDING IN ANY SUCH COURT, AND OTHERWISE CONSTITUTES EFFECTIVE AND BINDING SERVICE IN EVERY RESPECT;

(V) AGREES THAT LENDER RETAINS THE RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO BRING PROCEEDINGS AGAINST COMPANY IN THE COURTS OF ANY OTHER JURISDICTION; AND

(VI) AGREES THAT THE PROVISIONS OF THIS SUBSECTION 7.10 RELATING TO JURISDICTION AND VENUE SHALL BE BINDING AND ENFORCEABLE TO THE FULLEST EXTENT PERMISSIBLE UNDER MICHIGAN LAW OR OTHERWISE

SECTION 7.11 ENTIRE AGREEMENT. The Loan Documents reflect the entire agreement between the Company and the Lender with respect to the matters set forth herein and therein and supersede any prior agreements, commitments, drafts, communication, discussions and understandings, oral or written, with respect thereto.

SECTION 7.12 SEVERABILITY. Whenever possible, each provision of the Loan Documents shall be interpreted in such manner as to be effective and valid under all applicable laws and regulations. If, however, any provision of any of the Loan Documents shall be prohibited by or invalid under any such law or regulation in any jurisdiction, it shall, as to such jurisdiction, be deemed modified to conform to the minimum requirements of such law or regulation, or, if for any reason it is not deemed so modified, it shall be ineffective and invalid only to the extent of such prohibition or invalidity without affecting the remaining provisions of such Loan Document, or the validity or effectiveness of such provision in any other jurisdiction.

SECTION 7.13 COUNTERPARTS. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

[Remainder of page intentionally left blank; signatures follow]

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

THE COMPANY:

AMERIGON INCORPORATED, a California corporation

By: /s/ O.B. Marx, III

Name: O.B. Marx, III
Its: Chairman

Address:
500 Town Center Drive, Suite 200
Dearborn, MI 48126
Attn: Oscar B. Marx, III

with copy to:

Amerigon Incorporated
5462 Irwindale Avenue
Irwindale, California 91706
Attn: Sandra L. Grouf

THE LENDER:

BIG BEAVER INVESTMENTS LLC, a Delaware
limited liability company

By: /s/ L.M. Luke

Name: L. M. Luke

Title: President

Address:

801 W. Big Beaver Road, Suite 201
Troy, Michigan 48084

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this "Agreement"), dated as of September 24, 2002, is made between Amerigon Incorporated, a California corporation (the "Borrower"), and Big Beaver Investments LLC, a Delaware limited liability company (the "Lender").

The Borrower and the Lender are parties to a Credit Agreement dated as of September 24, 2002 (as amended, modified, renewed or extended from time to time, the "Credit Agreement"). It is a condition precedent to the borrowings under the Credit Agreement that the Borrower enter into this Agreement and grant to the Lender the security interests hereinafter provided to secure the obligations of the Borrower described below.

Accordingly, the parties hereto agree as follows:

SECTION 1. DEFINITIONS; INTERPRETATION.

(a) TERMS DEFINED IN CREDIT AGREEMENT. All capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings assigned to them in the Credit Agreement.

(b) CERTAIN DEFINED TERMS. As used in this Agreement, the following terms shall have the following meanings:

"ACCOUNTS" means any and all rights to payment or obligations owed to the Borrower, whether or not earned by performance, whether now existing or hereafter acquired or arising, and in any event includes all accounts receivable, contract rights, rights to payment, and other obligations of any kind owed to the Borrower, including obligations for property that has been or is to be sold, leased, licensed, assigned, or otherwise disposed of, for services rendered or to be rendered, for policies of insurance issued or to be issued, for a secondary obligation incurred or to be incurred, for energy provided or to be provided, for the use or hire of a vessel under a charter or other contract, arising out of the use of a credit or charge card or information contained on or for use with the card, as winnings in a lottery or other game of chance, or arising from any other transaction, however evidenced, and all guaranties, indemnities and security with respect to the foregoing, and all letters of credit relating thereto, in each case whether now existing or hereafter acquired or arising.

"BOOKS" means any and all books, records and other written, electronic or other documentation in whatever form maintained now or hereafter by or for the Borrower in connection with the ownership of its assets or the conduct of its business or evidencing or containing information relating to the Collateral, including: (i) ledgers; (ii) records indicating, summarizing, or evidencing the Borrower's assets (including all accounts, books and proceeds), business operations or financial condition; (iii) computer programs and software; (iv) computer discs, tapes, files, manuals, spreadsheets; (v) computer printouts and output of whatever kind; (vi) any other computer prepared or electronically stored, collected or reported information and equipment of any kind; and (vii) any and all other rights now or hereafter arising out of any contract or agreement between the Borrower and any service bureau, computer or data processing company or other Person charged with preparing or maintaining any of the Borrower's books or records or with credit reporting, including with regard to the Borrower's Accounts.

"COLLATERAL" has the meaning set forth at UCC Section 9102 and in any event includes the meaning set forth in Section 2.

"FINANCING STATEMENTS" has the meaning set forth in Section 3.

"PROCEEDS" means whatever is receivable or received from or upon the sale, lease, license, collection, use, exchange or other disposition, whether voluntary or involuntary, of any Collateral or other assets of the Borrower, including "proceeds" as defined at UCC Section 9102, any and all proceeds of any insurance, indemnity, warranty or guaranty payable to or for the account of the Borrower from time to time with respect to any of the Collateral, any and all payments (in any form whatsoever) made or due and payable to the Borrower from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any governmental authority (or any Person acting under color of governmental authority), any and all other amounts from time to time paid or payable under or in connection with any of the Collateral or for or on account of any damage or injury to or conversion of any Collateral by any Person, any and all other tangible or intangible property received upon the sale or disposition of Collateral, and any and all proceeds from the foregoing.

"SECURED OBLIGATIONS" means the indebtedness, liabilities and other obligations of the Borrower to the Lender under or in connection with any of the

Credit Agreement, the Note and the other Loan Documents, including all unpaid principal of the Loan, all interest accrued thereon, all fees due under the Credit Agreement and all other amounts payable by the Borrower to the Lender thereunder or in connection therewith, whether now existing or hereafter arising, and whether due or to become due, absolute or contingent, liquidated or unliquidated, determined or undetermined.

"UCC" means the Uniform Commercial Code as the same may, from time to time, be in effect in the State of Michigan; PROVIDED, HOWEVER, in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of the security interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of Michigan, the term "UCC" shall mean the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such attachment, perfection or priority and for purposes of definitions related to such provisions.

(c) TERMS DEFINED IN UCC. Where applicable and except as otherwise defined herein or in the Credit Agreement, terms used in this Agreement shall have the meanings assigned to them in the UCC.

(d) INTERPRETATION. The rules of interpretation set forth in Section 1.03 of the Credit Agreement shall be applicable to this Agreement and are incorporated herein by this reference.

SECTION 2. SECURITY INTEREST.

(a) GRANT OF SECURITY INTEREST. As security for the payment and performance of the Secured Obligations, the Borrower hereby pledges, assigns, transfers, hypothecates and sets over to the Lender, and hereby grants to the Lender a security interest in, all of the Borrower's right, title and interest in, to and under the following assets and property of the Borrower, wherever located and whether now existing or owned or hereafter acquired or arising (collectively, the "Collateral"): (i) all Accounts; (ii) all Books; and (iii) all products and Proceeds of any and all of the foregoing.

(b) BORROWER REMAINS LIABLE. Anything herein to the contrary notwithstanding, (i) the Borrower shall remain liable under any contracts, agreements and other documents included in the Collateral, to the extent set forth therein, to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (ii) the exercise by the Lender of any of the rights hereunder shall not release the Borrower from any of its duties or obligations under such contracts, agreements and other documents included in the Collateral and (iii) the Lender shall not have any obligation or liability under any contracts, agreements and other documents included in the Collateral by reason of this Agreement, nor shall the Lender be obligated to perform any of the obligations or duties of the Borrower thereunder or to take any action to collect or enforce any such contract, agreement or other document included in the Collateral hereunder.

(c) CONTINUING SECURITY INTEREST. The Borrower agrees that this Agreement shall create a continuing security interest in the Collateral which shall remain in effect until terminated in accordance with Section 23.

SECTION 3. PERFECTION PROCEDURES.

(a) FINANCING STATEMENTS, ETC. The Borrower shall execute and deliver, as appropriate, to the Lender concurrently with the execution of this Agreement, and at any time and from time to time thereafter, all financing statements, continuation financing statements, termination statements, security agreements, assignments, affidavits, reports, notices, schedules of account, letters of authority and all other documents and instruments, in form satisfactory to the Lender (collectively, the "Financing Statements"), and take all other action, as the Lender may request, to perfect and continue perfected, maintain the priority of or provide notice of the Lender's security interest in the Collateral and to accomplish the purposes of this Agreement. The Borrower shall not file or have filed any Financing Statement, correction statement to any Financing Statement, or other filings relative to any Financing Statement in connection with any Collateral without the express prior written consent the Lender.

(b) CERTAIN AGENTS. Any third person at any time and from time to time holding all or any portion of the Collateral, as agent of or as pledge holder for the Lender, shall be deemed to, and shall, hold the Collateral for the Lender. At any time and from time to time, the Lender may give notice to any third person holding all or any portion of the Collateral that such third person is holding the Collateral as the agent of, and as pledge holder for, the Lender.

SECTION 4. REPRESENTATIONS AND WARRANTIES. In addition to the representations and warranties of the Borrower set forth in the Credit Agreement, which are incorporated herein by this reference, the Borrower represents and warrants to the Lender that the following statements are true and

correct on and as of the date of this Agreement and will be true and correct on and as of the date of each Loan Advance as if made on such date(s):

(a) JURISDICTION OF ORGANIZATION, LOCATION OF CHIEF EXECUTIVE OFFICE AND LOCATION COLLATERAL. The Borrower's jurisdiction of organization, chief executive office and principal place of business is located at the address set forth in paragraph 1(a) of SCHEDULE 1, and all other locations where the Borrower conducts business or where the Collateral is kept are set forth in paragraph 1(c) of SCHEDULE 1.

(b) LOCATIONS OF BOOKS. All locations where Books pertaining to the Accounts are kept, including all equipment necessary for accessing such Books and the names and addresses of all service bureaus, computer or data processing companies and other Persons keeping any Books or collecting Accounts for the Borrower, are set forth in paragraph 2 of SCHEDULE 1.

(c) TRADE NAMES AND TRADE STYLES. All trademarks, trade names and trade styles under which the Borrower presently conducts its business operations are set forth in paragraph 3 of SCHEDULE 1, and, except as set forth in paragraph 3 of SCHEDULE 1, the Borrower has not, at any time in the past: (i) been known as or used any other trademark, trade name or trade style; (ii) changed its name; (iii) been the surviving or resulting entity in a merger or consolidation; or (iv) acquired through asset purchase or otherwise any business of any Person.

(d) OWNERSHIP OF COLLATERAL. The Borrower is, and, except as permitted by Section 5(i), will continue to be, the sole and complete owner of the Collateral (or, in the case of after-acquired Collateral, at the time the Borrower acquires rights in such Collateral, will be the sole and complete owner thereof), free from any Lien other than Permitted Liens.

(e) ENFORCEABILITY; PRIORITY OF SECURITY INTEREST. (i) Except as set forth in Section 4.01(b) to the Borrower's Disclosure Letter to the Credit Agreement, this Agreement creates a security interest against the Collateral in which the Borrower now has rights and will create a security interest which is enforceable against the Collateral in which the Borrower hereafter acquires rights at the time the Borrower acquires any such rights; and (ii) the Lender has a perfected and first priority security interest in the Collateral, in which the Borrower now has rights, and will have a perfected and first priority security interest in the Collateral in which the Borrower hereafter acquires rights at the time the Borrower acquires any such rights, in each case securing the payment and performance of the Secured Obligations except for Permitted Liens.

(f) OTHER FINANCING STATEMENTS. Other than (i) Financing Statements set forth in paragraph 4 of Schedule 1 and (ii) Financing Statements in favor of the Lender, no effective Financing Statement naming the Borrower as debtor, assignor, grantor, mortgagor, pledgor or the like and covering all or any part of the Collateral is on file in any filing or recording office in any jurisdiction.

(g) ACCOUNTS.

(1) The Accounts represent valid, binding and enforceable obligations of the account debtors or other Persons obligated thereon, representing undisputed, bona fide transactions completed in accordance with the terms and provisions contained in any documents related thereto, and are and will be genuine, free from Liens, and not subject to any adverse claims, counterclaims, setoffs, defaults, disputes, defenses, discounts, retainages, holdbacks or conditions precedent of any kind of character, except to the extent reflected by the Borrower's reserves for uncollectible Accounts or to the extent, if any, that such account debtors or other Persons may be entitled to normal and ordinary course trade discounts, returns, adjustments and allowances in accordance with Section 5(1), or as otherwise disclosed to the Lender in writing;

(2) to the best of the Borrower's knowledge and belief, all account debtors and other obligors on all material Accounts are solvent and generally paying their debts as they come due;

(3) all Accounts comply with all applicable laws in all material respects concerning form, content and manner of preparation and execution, including where applicable any federal and state consumer credit laws;

(4) the Borrower has not assigned any of its rights under the Accounts except as provided in this Agreement or as set forth in the other Loan Documents;

(5) all statements made, all unpaid balances and all other information in the Books and other documentation relating to the Accounts are true and correct in all material respects and in all material respects are what they purport to be; and

(6) the Borrower has no knowledge of any fact or circumstance which would impair the validity or collectibility of any material Accounts.

(7) Paragraph 5 of Schedule 1 includes a complete list of the Accounts of Borrower as of August 31, 2002, including any reserves relating thereto.

SECTION 5. COVENANTS. In addition to the covenants of the Borrower set forth in the Credit Agreement, which are incorporated herein by this reference, so long as any of the Secured Obligations remain unsatisfied or the Lender shall have any Commitment, the Borrower agrees that:

(a) DEFENSE OF COLLATERAL. The Borrower will appear in and defend any action, suit or proceeding which may affect to a material extent its title to, or right or interest in, or the Lender's right or interest in, the Collateral.

(b) PRESERVATION OF COLLATERAL. The Borrower will do and perform all reasonable acts that may be necessary and appropriate to maintain, preserve and protect the Collateral.

(c) COMPLIANCE WITH LAWS, ETC. The Borrower will comply with all material laws, regulations and ordinances, and all policies of insurance, relating to the possession, operation, maintenance and control of the Collateral.

(d) LOCATION OF BOOKS AND CHIEF EXECUTIVE OFFICE. The Borrower will: (i) keep all Books pertaining to the Accounts at the locations set forth in paragraph 2 of SCHEDULE 1; and (ii) give at least thirty (30) days' prior written notice to the Lender of (A) any changes in any such location where Books pertaining to the Accounts are kept, including any change of name or address of any service bureau, computer or data processing company or other Person preparing or maintaining any Books or collecting Accounts for the Borrower or (B) any changes in the location of the Borrower's chief executive office or principal place of business.

(e) LOCATION OF COLLATERAL. The Borrower will: (i) keep the Collateral at the locations set forth in SCHEDULE 1 and not remove the Collateral from such locations (other than disposals of Collateral permitted by subsection (i)) except upon at least thirty (30) days' prior written notice of any removal to the Lender; and (ii) give the Lender at least thirty (30) days' prior written notice of any change in the locations set forth in SCHEDULE 1.

(f) CHANGE IN NAME, IDENTITY OR STRUCTURE. The Borrower will give at least thirty (30) days' prior written notice to the Lender of (i) any change in name, (ii) any changes in, additions to or other modifications of its trade names and trade styles set forth in SCHEDULE 1, and (iii) any changes in its identity or structure in any manner which might make any Financing Statement filed hereunder incorrect or misleading.

(g) MAINTENANCE OF RECORDS. The Borrower will keep separate, accurate and complete Books with respect to the Collateral, disclosing the Lender's security interest hereunder.

(h) INVOICING OF SALES. The Borrower will invoice all of its sales upon forms customary in the industry and to maintain proof of delivery and customer acceptance of goods.

(i) DISPOSITION OF COLLATERAL. The Borrower will not surrender or lose possession of (other than to the Lender), sell, lease, rent, or otherwise dispose of or transfer any of the Collateral or any right or interest therein, except for sales of inventory in the ordinary course of business or to the extent permitted by the Loan Documents.

(j) LIENS. The Borrower will keep the Collateral free of all Liens except Permitted Liens.

(k) EXPENSES. The Borrower will pay all expenses of protecting and insuring the Collateral.

(l) ACCOUNTS. The Borrower will:

(1) with such frequency as the Lender may require, furnish to the Lender full and complete reports, in form and substance reasonably satisfactory to the Lender, with respect to the Accounts, including information as to concentration, aging, identity of account debtors, letters of credit securing Accounts, disputed Accounts and other matters, as the Lender shall request;

(2) give only normal discounts, allowances and credits as to Accounts, in the ordinary course of business, according to normal trade practices utilized by the Borrower in the past, and enforce all Accounts strictly in accordance with their terms in all material respects, and take all such action to such end as may from time to time be reasonably requested by the Lender, except that the Borrower may grant any extension of the time for payment or enter into any agreement to make a rebate or otherwise to reduce the amount owing on or with respect to, or compromise or settle for less than the full amount thereof, any Account, in the ordinary course of business, according to normal trade practices utilized by the

Borrower in the past, and where the amount involved does not exceed Ten Thousand Dollars (\$10,000) or where the Account does not exceed Ten Thousand Dollars (\$10,000) or would not be materially impaired;

(3) if any material discount, allowance, credit, extension of time for payment, agreement to make a rebate or otherwise to reduce the amount owing on, or compromise or settle, an Account exists or occurs, or if, to the knowledge of the Borrower, any such dispute, setoff, claim, counterclaim or defense exists or has been asserted or threatened with respect to an Account, disclose such fact fully to the Lender in the Books relating to such Account and in connection with any invoice or report furnished by the Borrower to the Lender relating to such Account;

(4) if any Accounts arise from contracts with the United States or any department, agency or instrumentality thereof, immediately notify the Lender thereof and execute any documents and instruments and take any other steps requested by the Lender in order that all monies due and to become due thereunder shall be assigned to the Lender and notice thereof given to the federal authorities under the Federal Assignment of Claims Act;

(5) in accordance with its sound business judgment perform and comply in all material respects with its obligations in respect of the Accounts;

(6) upon the request of the Lender (A) at any time, notify all or any designated portion of the account debtors and other obligors on the Accounts of the security interest hereunder, and (B) upon the occurrence and during the continuance of an Event of Default, notify the account debtors and other obligors on the Accounts or any designated portion thereof that payment shall be made directly to the Lender or to such other Person or location as the Lender shall specify; and

(7) upon the occurrence and during the continuance of any Event of Default, establish such lockbox or similar arrangements for the payment of the Accounts as the Lender shall require.

(m) NOTICES, REPORTS AND INFORMATION. The Borrower will (i) notify the Lender of any other modifications of or additions to the information contained in SCHEDULE 1; (ii) notify the Lender of any material claim made or asserted against the Collateral by any Person and of any change in the composition of the Collateral or other event which could materially adversely affect the value of the Collateral or the Lender's Lien thereon; (iii) furnish to the Lender such statements and schedules further identifying and describing the Collateral and such other reports and other information in connection with the Collateral as the Lender may reasonably request, all in reasonable detail; and (iv) upon request of the Lender make such demands and requests for information and reports as the Borrower is entitled to make in respect of the Collateral.

SECTION 6. ACCOUNTS.

(a) COLLECTION OF ACCOUNTS. Until the Lender exercises its rights hereunder to collect Accounts, the Borrower shall endeavor in the first instance in accordance with prudent business practice to diligently collect all material amounts due or to become due on or with respect to the Accounts. At the request of the Lender, upon and after the occurrence and during the continuance of any Event of Default, all remittances received by the Borrower shall be held in trust for the Lender to the extent permitted by applicable law and, in accordance with the Lender's instructions, remitted to the Lender or deposited to an account with the Lender in the form received (with any necessary endorsements or instruments of assignment or transfer).

SECTION 7. AUTHORIZATION; LENDER APPOINTED ATTORNEY-IN-FACT. The Lender shall have the right to, in the name of the Borrower, or in the name of the Lender or otherwise, without notice to or assent by the Borrower, and the Borrower hereby constitutes and appoints the Lender (and any of Lender's officers, employees or agents designated by Lender) as the Borrower's true and lawful attorney-in-fact, with full power and authority to:

(1) sign any of the Financing Statements which must be executed or filed to perfect or continue perfected, maintain the priority of or provide notice of the Lender's security interest in the Collateral; and

(2) Upon the occurrence and during the continuance of an Event of Default:

(A) take possession of and endorse any notes, acceptances, checks, drafts, money orders or other forms of payment or security and collect any Proceeds of any Collateral;

(B) sign and endorse any invoice or bill of lading relating to any of the Collateral, warehouse or storage receipts, drafts against customers or other obligors, assignments, notices of assignment, verifications and notices to customers or other obligors;

(C) send requests for verification of Accounts to the customers or other obligors of the Borrower;

(D) contact, or direct the Borrower to contact, all account debtors and other obligors on the Accounts and instruct such account debtors and other obligors to make all payments directly to the Lender;

(E) assert, adjust, sue for, compromise or release any claims under any policies of insurance;

(F) exercise dominion and control over, and refuse to permit further withdrawals from, Deposit Accounts maintained with any financial institution or other Person;

(G) notify each Person maintaining lockbox or similar arrangements for the payment of the Accounts to remit all amounts representing collections on the Accounts directly to the Lender;

(H) ask, demand, collect, receive and give acquittances and receipts for any and all Accounts, enforce payment or any other rights in respect of the Accounts and other Collateral, grant consents, agree to any amendments, modifications or waivers of the agreements and documents governing the Accounts and other Collateral, and otherwise file any claims, take any action or institute, defend, settle or adjust any actions, suits or proceedings with respect to the Collateral, as the Lender may deem necessary or desirable to maintain, preserve and protect the Collateral, to collect the Collateral or to enforce the rights of the Lender with respect to the Collateral;

(I) execute any and all endorsements, assignments or other documents and instruments necessary to sell, lease, assign, convey or otherwise transfer title in or dispose of the Collateral;

(J) execute and deliver to any securities intermediary or other Person any entitlement order, account control agreement or other notice, document or instrument which the Lender may deem necessary or advisable to maintain, protect, realize upon and preserve the Collateral and the Lender's security interest therein; and/or

(K) execute any and all such other documents and instruments, and do any and all acts and things for and on behalf of the Borrower, which the Lender may deem necessary or advisable to maintain, protect, realize upon and preserve the Collateral and the Lender's security interest therein and to accomplish the purposes of this Agreement.

The foregoing power of attorney is coupled with an interest and irrevocable so long as the Lender has any Commitment or the Secured Obligations have not been paid and performed in full. The Borrower hereby ratifies, to the extent permitted by law, all that the Lender shall lawfully and in good faith do or cause to be done by virtue of and in compliance with this Section 7.

SECTION 8. LENDER PERFORMANCE OF BORROWER OBLIGATIONS. The Lender may perform or pay any obligation which the Borrower has agreed to perform or pay under or in connection with this Agreement, and the Borrower shall reimburse the Lender on demand for any amounts paid by the Lender pursuant to this Section 8 to the extent permitted by applicable law.

SECTION 9. LENDER'S DUTIES. Notwithstanding any provision contained in this Agreement, the Lender shall have no duty to exercise any of the rights, privileges or powers afforded to them and shall not be responsible to the Borrower or any other Person for any failure to do so or delay in doing so. Beyond the exercise of reasonable care to assure the safe custody of Collateral in the Lender's possession and the accounting for moneys actually received by the Lender hereunder, the Lender shall have no duty or liability to exercise or preserve any rights, privileges or powers pertaining to the Collateral to the extent permitted by applicable law.

SECTION 10. REMEDIES.

(a) REMEDIES. Upon the occurrence and during the continuance of any Event of Default, the Lender shall have, in addition to all other rights and remedies granted to them in this Agreement, the Credit Agreement or any other Loan Document, all rights and remedies of a secured party under the UCC and other applicable laws. Without limiting the generality of the foregoing, the Borrower agrees that to the extent permitted by applicable law:

(1) The Lender may peaceably and without notice enter any premises of the Borrower, take possession of any the Collateral, remove or dispose of all or part of the Collateral on any premises of the Borrower or elsewhere, and otherwise collect, receive, appropriate and realize upon all or any part of the Collateral, and demand, give receipt for, settle, renew, extend, exchange,

compromise, adjust, or sue for all or any part of the Collateral, as the Lender may determine.

(2) The Lender may require the Borrower to assemble all or any part of the Collateral and make it available to the Lender at any place and time designated by the Lender.

(3) The Lender may secure the appointment of a receiver of the Collateral or any part thereof (to the extent and in the manner provided by applicable law).

(4) The Lender may withdraw (or cause to be withdrawn) any and all funds from any Deposit Accounts or securities accounts.

(5) The Lender may sell, resell, lease, use, assign, transfer or otherwise dispose of any or all of the Collateral in its then condition or following any commercially reasonable preparation or processing (utilizing in connection therewith any of the Borrower's assets, without charge or liability to the Lender therefor) at public or private sale, by one or more contracts, in one or more parcels, at the same or different times, for cash or credit, or for future delivery without assumption of any credit risk, all as the Lender deems advisable; PROVIDED, HOWEVER, that the Borrower shall be credited with the net proceeds of sale only when such proceeds are finally collected by the Lender. The Lender shall have the right upon any such public sale, and, to the extent permitted by law, upon any such private sale, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption, which right or equity of redemption the Borrower hereby releases, to the extent permitted by law. The Borrower hereby agrees that the sending of notice by ordinary mail, postage prepaid, to the address of the Borrower set forth in the Credit Agreement, of the place and time of any public sale or of the time after which any private sale or other intended disposition is to be made, shall be deemed reasonable notice thereof if such notice is sent ten (10) days prior to the date of such sale or other disposition or the date on or after which such sale or other disposition may occur, PROVIDED that the Lender may provide the Borrower shorter notice or no notice, to the extent permitted by the UCC or other applicable law. The Borrower recognizes that the Lender may be unable to make a public sale of any or all of the Collateral, by reason of prohibitions contained in applicable securities laws or otherwise, and expressly agrees that a private sale to a restricted group of purchasers for investment and not with a view to any distribution thereof shall be considered a commercially reasonable sale.

(b) LICENSE. For the purpose of enabling the Lender to exercise its rights and remedies under this Section 10 or otherwise in connection with this Agreement, the Borrower hereby grants to the Lender an irrevocable, non-exclusive and assignable license (exercisable without payment or royalty or other compensation to the Borrower) to use, license or sublicense any intellectual or other property of Borrower, except to the extent a grant of such license would violate the terms of an existing agreement to which the Borrower is a party.

(c) APPLICATION OF PROCEEDS. The cash proceeds actually received from the sale or other disposition or collection of Collateral, and any other amounts received in respect of the Collateral the application of which is not otherwise provided for herein, shall be applied (i) first, to any fees, costs, expenses and other amounts (other than principal and interest) then due to the Lender under the Loan Documents; (ii) second, to accrued and unpaid interest due the Lender; and (iii) third, to principal due the Lender. Any surplus thereof which exists after payment and performance in full of the Secured Obligations shall be promptly paid over to the Borrower or otherwise disposed of in accordance with the UCC or other applicable law. The Borrower shall remain liable to the Lender for any deficiency which exists after any sale or other disposition or collection of Collateral to the extent permitted by applicable law.

SECTION 11. CERTAIN WAIVERS. The Borrower waives, to the fullest extent permitted by law, (i) any right of redemption with respect to the Collateral, whether before or after sale hereunder, and all rights, if any, of marshalling of the Collateral or other collateral or security for the Secured Obligations; (ii) any right to require the Lender (A) to proceed against any Person, (B) to exhaust any other collateral or security for any of the Secured Obligations, (C) to pursue any remedy in the Lender's power, or (D) to make or give any presentments, demands for performance, notices of nonperformance, protests, notices of protests or notices of dishonor in connection with any of the Collateral; (iii) all claims, damages, and demands against the Lender arising out of the repossession, retention, sale or application of the proceeds of any sale of the Collateral; and (iv) any right of Borrower to require the Secured Obligations to be equitably subordinated.

SECTION 12. NOTICES. All notices or other communications hereunder shall be given in the manner and to the addresses specified in the Credit Agreement. All such notices and other communications shall be effective (i) if delivered by hand, when delivered; (ii) if sent by mail, upon the earlier of the date of receipt or five Business Days after deposit in the mail, first class (or air

mail, with respect to communications to be sent to or from the United States); and (iii) if sent by facsimile transmission, when sent.

SECTION 13. NO WAIVER; CUMULATIVE REMEDIES. No failure on the part of the Lender to exercise, and no delay in exercising, any right, remedy, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, remedy, power or privilege preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights and remedies under this Agreement are cumulative and not exclusive of any rights, remedies, powers and privileges that may otherwise be available to the Lender.

SECTION 14. COSTS AND EXPENSES; INDEMNIFICATION; OTHER CHARGES.

(a) COSTS AND EXPENSES. The Borrower agrees to pay on demand:

(1) the reasonable out-of-pocket costs and expenses of the Lender and any of its Affiliates, and the reasonable fees and disbursements of counsel to the Lender, in connection with the negotiation, preparation, execution, delivery and administration of this Agreement together with the costs associated with the preparation of the Loan Documents, and any amendments, modifications or waivers of the terms thereof, and the custody of the Collateral;

(2) all appraisal (including the allocated costs of internal appraisal services), audit, consulting, search, recording, filing and similar costs, fees and expenses incurred or sustained by the Lender or any of its Affiliates in connection with this Agreement or the Collateral; and

(3) all costs and expenses of the Lender and its Affiliates, and the reasonable fees and disbursements of counsel, in connection with the enforcement or attempted enforcement of, and preservation of any rights or interests under, this Agreement, including any out-of-court workout or other refinancing or restructuring or in any bankruptcy case, and the protection, sale or collection of, or other realization upon, any of the Collateral, including all expenses of taking, collecting, holding, sorting, handling, preparing for sale, selling, or the like, and other such expenses of sales and collections of Collateral, and any and all losses, costs and expenses sustained by the Lender as a result of any failure by the Borrower to perform or observe its obligations contained herein.

(b) INDEMNIFICATION. The Borrower hereby agrees to indemnify the Lender, any Affiliate thereof, and their respective directors, officers, employees, agents, counsel and other advisors (each an "Indemnified Person") against, and hold each of them harmless from, any and all liabilities, obligations, losses, claims, damages, demands, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever, including the reasonable fees and disbursements of counsel to an Indemnified Person, which may be imposed on, incurred by, or asserted against any Indemnified Person, in any way relating to or arising out of this Agreement or the transactions contemplated hereby or any action taken or omitted to be taken by it hereunder (the "Indemnified Liabilities"); PROVIDED that the Borrower shall not be liable to any Indemnified Person for any portion of such Indemnified Liabilities to the extent they are found by a final decision of a court of competent jurisdiction to have resulted from such Indemnified Person's gross negligence or willful misconduct. If and to the extent that the foregoing indemnification is for any reason held unenforceable, the Borrower agrees to make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities which is permissible under applicable law.

(c) OTHER CHARGES. The Borrower agrees to indemnify the Lender against and hold it harmless from any and all present and future stamp, transfer, documentary and other such taxes, levies, fees, assessments and other charges made by any jurisdiction by reason of the execution, delivery, performance and enforcement of this Agreement.

(d) INTEREST. Any amounts payable to the Lender under this Section 14 or otherwise under this Agreement if not paid upon demand shall bear interest from the date of such demand until paid in full, at the rate of interest set forth in Section 2.04 of the Credit Agreement.

SECTION 15. BINDING EFFECT; ASSIGNMENT. This Agreement shall be binding upon, inure to the benefit of and be enforceable by the Borrower, the Lender and their respective permitted successors and permitted assigns. The Borrower shall not have the right to assign its rights or obligations or any interest herein without the prior written consent of the Lender. The Lender reserves the right to freely sell, assign, transfer or grant participations in all or any portion of the Lender's rights and obligations hereunder (i) to one or more Affiliates of the Lender and/or (ii) with the prior consent of the Borrower (which consent shall not be unreasonably withheld) to any other Person.

SECTION 16. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND

CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF MICHIGAN, EXCEPT AS REQUIRED BY MANDATORY PROVISIONS OF LAW AND TO THE EXTENT THE VALIDITY OR PERFECTION OF THE SECURITY INTERESTS HEREUNDER, OR THE REMEDIES HEREUNDER, IN RESPECT OF ANY COLLATERAL ARE GOVERNED BY THE LAW OF A JURISDICTION OTHER THAN MICHIGAN.

SECTION 17. CONSENT TO JURISDICTION AND SERVICE OF PROCESS. ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST COMPANY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR ANY OBLIGATIONS THEREUNDER, MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE STATE OF MICHIGAN. BY EXECUTING AND DELIVERING THIS AGREEMENT, COMPANY, FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, IRREVOCABLY

(I) ACCEPTS GENERALLY AND UNCONDITIONALLY THE NONEXCLUSIVE JURISDICTION AND VENUE OF SUCH COURTS;

(II) WAIVES ANY DEFENSE OF FORUM NON CONVENIENS;

(III) AGREES THAT SERVICE OF ALL PROCESS IN ANY SUCH PROCEEDING IN ANY SUCH COURT MAY BE MADE BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED;

(IV) AGREES THAT SERVICE AS PROVIDED IN CLAUSE (III) ABOVE IS SUFFICIENT TO CONFER PERSONAL JURISDICTION OVER COMPANY IN ANY SUCH PROCEEDING IN ANY SUCH COURT, AND OTHERWISE CONSTITUTES EFFECTIVE AND BINDING SERVICE IN EVERY RESPECT;

(V) AGREES THAT LENDER RETAINS THE RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO BRING PROCEEDINGS AGAINST COMPANY IN THE COURTS OF ANY OTHER JURISDICTION; AND

(VI) AGREES THAT THE PROVISIONS OF THIS SUBSECTION 7.10 RELATING TO JURISDICTION AND VENUE SHALL BE BINDING AND ENFORCEABLE TO THE FULLEST EXTENT PERMISSIBLE UNDER MICHIGAN LAW OR OTHERWISE

SECTION 18. ENTIRE AGREEMENT; AMENDMENT. This Agreement and the other Loan Documents contain the entire agreement of the parties with respect to the subject matter hereof and shall not be amended except by the written agreement of the parties as provided in the Credit Agreement.

SECTION 19. SEVERABILITY. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under all applicable laws and regulations. If, however, any provision of this Agreement shall be prohibited by or invalid under any such law or regulation in any jurisdiction, it shall, as to such jurisdiction, be deemed modified to conform to the minimum requirements of such law or regulation, or, if for any reason it is not deemed so modified, it shall be ineffective and invalid only to the extent of such prohibition or invalidity without affecting the remaining provisions of this Agreement, or the validity or effectiveness of such provision in any other jurisdiction.

SECTION 20. COUNTERPARTS. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

SECTION 21. INCORPORATION OF PROVISIONS OF THE CREDIT AGREEMENT. To the extent the Credit Agreement contains provisions of general applicability to the Loan Documents, such provisions are incorporated herein by this reference.

SECTION 22. NO INCONSISTENT REQUIREMENTS. The Borrower acknowledges that this Agreement and the other Loan Documents may contain covenants and other terms and provisions variously stated regarding the same or similar matters, and agrees that all such covenants, terms and provisions are cumulative and all shall be performed and satisfied in accordance with their respective terms.

SECTION 23. TERMINATION. Upon termination of the Commitment of the Lender and payment and performance in full of all Secured Obligations, this Agreement shall terminate and the Lender shall promptly execute and deliver to the Borrower such documents and instruments reasonably requested by the Borrower as shall be necessary to evidence termination of all security interests given by the Borrower to the Lender hereunder; PROVIDED, HOWEVER, that the obligations of the Borrower under Section 14 shall survive such termination.

[Remainder of page intentionally left blank; signatures follow]

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

THE BORROWER

AMERIGON INCORPORATED, a California corporation

By: /s/ O.B. Marx, III

Name: O.B. Marx, III

Its: Chairman

THE LENDER

BIG BEAVER INVESTMENTS LLC, a Delaware limited liability company

By: /s/ L. M. Luke

Name: L. M. Luke

Title: President

\$1,000,000

September 24, 2002
Irwindale, California

FOR VALUE RECEIVED, Amerigon Incorporated, a California corporation (the "BORROWER"), promises to pay to the order of Big Beaver Investments LLC, a Delaware limited liability company (the "LENDER"), the principal amount of One Million Thousand Dollars (\$1,000,000), or, if less, the aggregate principal amount of the Loan Advance (as defined in the Credit Agreement referred to below) made by the Lender to the Borrower pursuant to the Credit Agreement.

The Borrower also promises to pay interest on the unpaid principal amount hereof from the date hereof until paid at the rates and at the times which shall be determined in accordance with the provisions of the Credit Agreement. Any interest not paid when due shall be compounded and shall thereafter accrue interest at the rates and at the times which shall be determined in accordance with the provisions of the Credit Agreement. All unpaid amounts of principal and interest shall be due and payable in full on the Final Maturity Date (as defined in the Credit Agreement).

All payments of principal and interest in respect of this Note shall be made in lawful money of the United States of America in same day funds at the office of the Lender located at 801 West Big Beaver Road, Suite 201, Troy, Michigan 48084, or at such other place as shall be designated in writing for such purpose in accordance with the terms of the Credit Agreement. Until notified of the transfer of this Note, the Borrower shall be entitled to deem the Lender or such person who has been so identified by the transferor in writing to the Borrower as the holder of this Note, as the owner and holder of this Note. Each of the Lender and any subsequent holder of this Note agrees that before disposing of this Note or any part hereof, it will make a notation hereon of all principal payments previously made hereunder and of the date to which interest hereon has been paid on the schedule attached hereto, if any; PROVIDED, HOWEVER, that the failure to make notation of any payment made on this Note shall not limit or otherwise affect the obligation of the Borrower hereunder with respect to payments of principal or interest on this Note.

This Note is referred to in, and is entitled to the benefits and subject to the terms and conditions of, that certain Credit Agreement dated as of September 24, 2002 (as amended, modified, renewed or extended from time to time, the "CREDIT AGREEMENT") between the Borrower and the Lender. The Credit Agreement, among other things, (i) provides for the making of a term loan by the Lender to the Borrower in an aggregate amount not to exceed at any time outstanding the U.S. dollar amount first above mentioned (the "Loan"), the indebtedness of the Borrower resulting from the Loan being evidenced by this Note, (ii) contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and (iii) permits the prepayment of the Loan by the Borrower prior to maturity.

The Borrower's obligations under this Note are also secured by certain assets of the Borrower pursuant to the terms of the Credit Agreement and the Collateral Documents (as defined in the Credit Agreement). The terms and conditions of the Credit Agreement and the Collateral Documents are incorporated herein by this reference.

The terms of this Note are subject to amendment only in the manner provided in the Credit Agreement.

No reference herein to the Credit Agreement or the Collateral Documents, and no provision of this Note or such agreements shall alter or impair the obligation of the Borrower, which is absolute and unconditional, to pay the principal of and interest on this Note at the place, at the respective times, and in the currency herein prescribed.

The Borrower promises to pay all reasonable costs and expenses, including reasonable attorneys' fees, incurred in the collection and enforcement of this Note. The Borrower hereby consents to renewals and extensions of time at or after the maturity hereof, without notice, and, subject to the Credit Agreement, hereby waives diligence, presentment, protest, demand and notice of every kind and, to the full extent permitted by law, the right to plead any statute of limitations as a defense to any demand hereunder.

IN WITNESS WHEREOF, the Borrower has caused this Note to be executed and delivered by its duly authorized officer, as of the date and the place first above-written.

AMERIGON INCORPORATED,
a California corporation

By: /s/ O.B. Marx, III

Name: O.B. Marx, III

Its: Chairman