UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2001

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

For the transition period from __________________ to ________________.

Commission File Number: 0 - 21810

AMERIGON INCORPORATED

(Exact name of registrant as specified in its charter)

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

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

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

At July 31, 2001, the registrant had 4,717,259 shares of Common Stock, no par value, issued and outstanding.

AMERIGON INCORPORATED

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PART I

ITEM 1

AMERIGON INCORPORATED

CONSOLIDATED BALANCE SHEET
(In thousands)

ASSETS	June 30, 2001 (Unaudited)	December 31, 2000
Current Assets:		
Cash & cash equivalents	$ 749	$ 2,852
Restricted cash	873	-
Accounts receivable less allowance of $49 at June 30, 2001 and $55 at December 31, 2000	988	1,375
Inventory	1,233	1,478
Prepaid expenses and other assets	124	487
Total current assets	3,967	6,192
Property and equipment, net	1,382	1,383
Deferred exclusivity fee	1,024	1,170
Total assets	$ 6,373	$ 8,745
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 104	$ 1,376
Accrued liabilities	831	1,446
Deferred manufacturing agreement - current portion	200	-
Deferred revenue	-	170
Total current liabilities	1,135	2,992
Deferred manufacturing agreement - long term portion	1,750	-
Long term portion of capital lease	3	5
Minority interest in subsidiary	54	-
Total liabilities	2,942	2,997
Shareholders' equity:		
Preferred stock:		
Series A - no par value; convertible; 9 shares authorized, 9 issued and outstanding at June 30, 2001 and December 31, 2000; liquidation preference of $10,260 at June 30, 2001	8,267	8,267
Common stock;		
No par value; 20,000 shares authorized, 4,717 and 4,428 issued and outstanding at June 30, 2001 and December 31, 2000	39,192	37,947
Paid-in capital	14,746	14,689
Deferred compensation	(55)	(1)
Accumulated deficit	(58,719)	(55,154)
Total shareholders' equity	3,431	5,748
Total liabilities and shareholders' equity	$ 6,373	$ 8,745

See accompanying notes to the condensed consolidated financial statements

AMERIGON INCORPORATED

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Product revenues	$ 1,117	$ 944	$ 3,452	$ 1,898
Cost of sales	870	801	2,905	1,646
Gross margin	247	143	547	252
Operating costs and expenses:				
Research and development	924	1,093	1,804	1,941
Selling, general and administrative	1,097	1,150	2,356	2,470
Total operating costs and expenses	2,021	2,243	4,160	4,411
Operating loss	(1,774)	(2,100)	(3,613)	(4,159)
Interest income	25	31	41	41
Interest expense	-	(2,592)	-	(2,607)
Minority interest in net loss of subsidiary	7	-	7	-
Loss before extraordinary item	(1,742)	(4,661)	(3,565)	(6,725)
Extraordinary gain from early extinguishment of debt	-	707	-	707
Net loss	$ (1,742)	$ (3,954)	$ (3,565)	$ (6,018)
Net loss available to common shareholders	$ (1,742)	$ (3,954)	$ (3,565)	$ (6,018)
Basic and diluted net loss per share:				
Loss before extraordinary item	$ (0.37)	$ (1.96)	$ (0.79)	$ (3.13)
Extraordinary gain from early extinguishment of debt	-	0.30	-	0.33
Net loss	$ (0.37)	$ (1.66)	$ (0.79)	$ (2.80)
Weighted average number of common shares outstanding	4,649	2,382	4,539	2,147

See accompanying notes to the condensed consolidated financial statements

AMERIGON INCORPORATED

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

	Six Months Ended June 30,	
Operating Activities:	2001	2000
Net loss	$ (3,565)	$ (6,018)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	302	314
Extraordinary gain on early extinguishment of debt	-	(707)
Deferred revenue	(170)	126
Non-cash interest	-	2,500
Non-cash expense	58	-
Minority interest in subsidiary	(7)	-
Change in operating assets and liabilities:		
Accounts receivable	393	(750)
Inventory	245	(535)
Prepaid expenses and other assets	363	(164)
Accounts payable	(1,272)	764
Accrued liabilities	(370)	(38)
Net cash used in operating activities	(4,023)	(4,508)
Investing Activities:		
Purchase of property and equipment	(205)	(169)
Increase in restricted cash	(873)	-
Net cash used in investing activities	(1,078)	(169)
Financing Activities:		
Proceeds from sale of Common Stock, net	1,000	11,325
Proceeds from exercise of stock options	-	54
Proceeds from deferred manufacturing agreement	2,000	-
Repayment of capital lease	(2)	(8)
Proceeds from bridge financing	-	1,500
Repayment of bridge financing	-	(1,500)
Net cash provided by financing activities	2,998	11,371
Net (decrease) increase in cash and cash equivalents	(2,103)	6,694
Cash and cash equivalents at beginning of period	2,852	1,647
Cash and cash equivalents at end of period	$ 749	$ 8,341

See accompanying notes to condensed consolidated financial statements

AMERIGON INCORPORATED

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - The Company

Amerigon Incorporated (the "Company"), incorporated in California in April 1991, is a developer, marketer and manufacturer of proprietary, high technology electronic components and systems for sale to car and truck original equipment manufacturers ("OEMs"). The Company is currently focusing its efforts on the introduction of its Climate Control Seat(TM) ("CCS(TM)"), which provides both heating and cooling to seat occupants, and the development of the next generation CCS device.

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

The accompanying condensed consolidated financial statements as of June 30, 2001 have been prepared by the Company without audit. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) necessary for fair presentation have been included. The consolidated results of operations for the six-month period ended June 30, 2001 are not necessarily indicative of the operating results for the full year.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Form 10-K for the year ended December 31, 2000.

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

Note 3 - Going Concern

The Company has suffered recurring losses and negative cash flows from operations since inception and has a significant accumulated deficit. The Company expects to incur losses for the next one to two years as current sales volumes are not sufficient to cover the Company's fixed manufacturing, overhead and operating costs. Sufficient volume will not be reached in the near term, as automotive industry development timing tends to be relatively long.

Even with the shipments of volume production for the Lincoln Navigator SUV, Lincoln Blackwood, Lexus LS 430 and Toyota Celsior, the revenue generated from the initial orders will not be sufficient to meet the Company's operating needs. There can be no assurance that profitability can be achieved in the future. Although the Company has begun production on its CCS product, larger orders for the CCS product will require significant expenses for tooling and to set up manufacturing and/or assembly processes. The Company also expects to require significant capital to fund other near-term production engineering and manufacturing, as well as research and development and marketing of these products. Future financing will be required and there can be no assurance that additional financing will be available in the future or that it will be available on favorable terms. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

Note 3 - Going Concern (cont.)

In March 2001, the Company entered into a Manufacturing and Supply Agreement and a Subscription Agreement with Ferrotec Corporation, a Tokyo based manufacturer (see Note 8). Ferrotec paid to the Company $2,000,000 and $1,000,000 in April 2001 in accordance with the Manufacturing and Supply Agreement and the Subscription Agreement, respectively. The Company is obligated, under the BSST option agreement (see Note 4), to pay an additional $1,090,000, in installment payments, to BSST by February 28, 2002. Management will need to seek additional sources of permanent equity or long-term financing to fund its operations. The outcome of such efforts to obtain additional financing cannot be assured.

Note 4 - Investment in BSST / Restricted Cash

Dr. Lon Bell, the founder of Amerigon, established BSST as a Delaware limited liability company in August 2000. BSST is engaged in a research and development effort to improve the efficiency of thermoelectric devices. The objective of these efforts is to expand the applications of thermoelectric devices to automotive and non-automotive applications, that could include for example temperature control and power generation.

In September 2000, the Company entered into an option agreement with BSST to purchase 2,000 Series A Preferred Shares, which represents a 90% interest in BSST, for $2,000,000. At June 30, 2001, the Company has paid to BSST $910,000 and is required to pay an additional $1,090,000 in installments of no more than $400,000 in any three month period, beginning August 31, 2001. No accrual has been recorded for this commitment. This acquisition was accounted for by the purchase method of accounting. The Preferred Shares give the Company a 90% voting interest and a 90% interest in the results of operations of BSST. At the time of the exercise of its option, the Company recorded a charge to research and development costs of $357,000 representing the excess of its investment to date in BSST over the proportional underlying net assets of BSST.

The condensed consolidated financial statements at June 30, 2001 reflect the consolidated financial position and consolidated operating results of the Company and, since June 1, 2001, BSST. Intercompany accounts have been eliminated in consolidation. The 10% of BSST not owned by the Company is reflected as minority interest. Had the acquisition of BSST occurred as of January 1, 2001, the pro forma consolidated net loss for the six months ended June 30, 2001 would not have been significantly different.

Restricted cash represents cash that is available exclusively to BSST.

Note 5 - Inventory

Details of inventory by category, in thousands:

	June 30, 2001	December 31, 2000
Raw material	$ 943	$ 1,118
Work in process	51	76
Finished goods	407	452
Total inventory	1,401	1,646
Less inventory reserve	(168)	(168)
Net inventory	$ 1,233	$ 1,478

Note 6 - Net Loss per Share

The Company's net loss per share calculations are based upon the weighted average number of shares of Common Stock outstanding. Because their effects are anti-dilutive, net loss per share for the six months ended June 30, 2001 and 2000 does not include the effect of:

	Six Months Ended June 30,	
	2001	2000
Stock options outstanding for: 1993 and 1997 Stock Option Plans	860,280	873,940
Shares of Common Stock issuable upon the exercise of warrants	3,997,382	4,018,238
Shares of Common Stock issuable upon the exercise of an option to purchase Unit Purchase Options granted to underwriter	190,400	190,400
Common Stock issuable upon the conversion of Series A Preferred Stock	5,373,134	5,373,134
Total	10,421,196	10,455,712

Note 7 - Recent Accounting Pronouncements

In June 2001, the FASB issued SFAS No. 141, "Business Combinations." SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Use of the pooling-of-interest method will be prohibited. The Company has evaluated this standard and believes that adoption will not have an impact on its condensed consolidated financial statements.

In July 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No 142, which changes the accounting for goodwill from an amortization method to an impairment-only approach, will be effective for fiscal years beginning after December 15, 2001. The Company has evaluated this standard and believes that adoption will not have an impact on its condensed consolidated financial statements.

Note 8 - Manufacturing and Supply Agreement, and Subscription Agreement

On March 28, 2001 the Company entered into a Manufacturing and Supply Agreement (the "Agreement") with Ferrotec Corporation, a Tokyo based manufacturer. The Agreement grants to Ferrotec the exclusive right to manufacture CCS units in certain countries (the "Territory"), for ultimate distribution by Amerigon to its customers within the Territory, with the understanding that the parties will enter into good faith negotiations to establish a joint venture for the purpose of purchasing, marketing, selling and distributing the CCS units in the Territory. The Territory includes China, Japan, Taiwan, Korea, India, Thailand, Vietnam, Malaysia, Indonesia and the Philippines. The initial term of the Agreement begins April 1, 2001 and expires on April 1, 2011. The $2,000,000 fee is being amortized on a straight-line basis over the term of the Agreement. Ferrotec also entered into a Subscription Agreement with the Company, whereby Ferrotec purchased 200,000 shares of unregistered Common Stock at $5 per share. The Subscription Agreement grants Ferrotec demand registration rights beginning one year from the closing of the Subscription Agreement and piggy-back registration rights if the Company proposes to register any securities before then. The Company received the $2,000,000 and $1,000,000 payments under the two agreements in April 2001.

Note 9 - Private Placement

On June 14, 2000, the Company completed the sale of 2,200,000 restricted shares of its Common Stock in the private placement to selected institutional and accredited investors (the "Private Placement"), resulting in total proceeds of $11,000,000, less issuance costs of $1,300,000. The $11,000,000 excludes a $1,500,000 advance on the Bridge Loan (see Note 10) that was exchanged for 300,000 shares of Common Stock and issued to Westar Capital II LLC ("Westar") and Big Beaver Investments LLC ("Big Beaver"), the owners of Big Star, the lender on the Bridge Loan. As partial compensation for services rendered in the private placement, Roth Capital Partners, Inc., was granted a warrant to purchase up to 188,000 shares of the Company's Common Stock at $5 per share. The value of such warrant of $1,400,000 was determined using the Black-Scholes model and was reflected as non-cash offering expense.

Note 10 - Bridge Loan

On March 16, 2000, the Company obtained a Bridge Loan from Big Star Investments LLC (a limited liability company owned by Westar and Big Beaver, the Company's two principal shareholders) for an initial advance of $1,500,000. The Company took a second advance of $1,000,000 on May 10, 2000. The loan accrued interest at 10% per annum.

The terms of the Bridge Loan specified that the principal and accrued interest were convertible at any time into Common Stock at a conversion price (the "Conversion Price") equal to the average daily closing bid price of the Common Stock during the ten-day period preceding the date of each Bridge Loan advance. This Conversion Price was $18.84 and $9.86 per share for the $1,500,000 and $1,000,000 advances, respectively. The Conversion Price was contingently adjustable in the event the Company issued in excess of $5,000,000 of equity securities in an offering at an issuance price less than the initial Conversion Price with respect to the Bridge Loan. Due to the Company's Private Placement of equity securities in June 2000 (Note 9) at an issuance price of $5 per share, the Conversion Price of the Bridge Loan was adjusted to $5 per share. This adjustment of the Conversion Price resulted in a non-cash charge to interest expense and a credit to additional paid-in capital of $2,500,000, because it met the definition of a "beneficial conversion feature" in accordance with Emerging Issues Task Force Consensus 98-5.

Note 10 - Bridge Loan (cont.)

In connection with entering into the Bridge Loan, the Company issued warrants for the right to purchase 7,963 and 10,146 shares of the Company's Common Stock relating to the $1,500,000 and $1,000,000 Bridge Loan advances, respectively (an amount equal to 10% of the principal amount of the advance divided by the original Conversion Price of $18.84 and $9.86, respectively.) The Conversion Price of the warrants was adjustable in the same manner as the Bridge Loan. The proceeds of the Bridge Loan were allocated between the Bridge Loan and the warrants based upon their estimated relative fair values. The allocated value of the warrants resulted in a discount of $173,000 to the Bridge Loan, of which $57,000 was amortized to interest expense, $68,000 was offset against extraordinary gain and $48,000 was offset against paid-in capital during the quarter ended June 30, 2000.

The Company repaid $1,000,000 of Bridge Loan principal and accrued interest of $49,000 on June 16, 2000 with proceeds from the Private Placement (Note 9). The Company's $1,000,000 payment was allocated for accounting purposes between reacquiring the beneficial conversion feature and the debt. Due to this allocation, the debt was extinguished for less than its net book value, resulting in a $775,000 extraordinary gain on extinguishment of debt. The remaining $1,500,000 of Bridge Loan principal was exchanged for 300,000 shares of Common Stock, which was issued equally to Westar and Big Beaver.

Note 11 - Ford Agreement

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

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

Note 12 - Segment Reporting

The Company operated primarily one business segment during the three and six months ended June 30, 2001 and 2000. The Company's Radar segment, which was discontinued in December 2000, was not significant to the Company's financial results in 2000.

Revenue information by geographic area (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
United States	$ 557	$ 928	$1,247	$1,882
Asia	560	16	2,205	16
Total Revenues	$ 1,117	$ 944	$3,452	$1,898

For the three months ended June 30, 2001, one domestic customer and one foreign customer represented 41% and 50% of the Company's sales, respectively. For the three months ended June 30, 2000, one domestic customer represented 98% of the Company's sales. For the six months ended June 30, 2001, one domestic customer and one foreign customer represented 33% and 64% of the Company's sales, respectively. For the six months ended June 30, 2000, one domestic customer represented 97% of the Company's sales.

Note 13 - Accrued Liabilities

Details of accrued liabilities (in thousands):

	June 30, 2001	December 31, 2000
Accrued salaries	$ 349	$ 710
Accrued vacation	136	209
Other accrued liabilities	346	527
Total accrued liabilities	$ 831	$ 1,446

Note 14 - Class A Warrants

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

The issuance of 2,500,000 shares of Common Stock in June 2000 triggered certain anti-dilution provisions in the Class A Warrants which required the Company to issue additional warrants to purchase 524,486 shares of Common Stock. As a result, the number of Class A Warrants outstanding increased to 1,993,264. As a result of the warrant issued to Ford in March 2000, and the issuance of the 2,500,000 shares of Common Stock in June 2000, the total exercise price for each publicly traded warrant has been lowered from $25.00 to $17.795.

ITEM 2

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

General

We design, market and manufacture proprietary high technology electronic components and systems for sale to car and truck original equipment manufacturers ("OEMs"). In 2000, we completed our first full year of producing and selling our Climate Control Seat(TM) ("CCS(TM)"), which provides year-round comfort by providing both heating and cooling to seat occupants.

We were incorporated in California in 1991 and originally focused our efforts on developing electric vehicles and high technology automotive systems. Because the electric vehicle market did not develop as rapidly as anticipated, we are now focusing our efforts on the CCS system, our only commercial product.

We are now operating as a supplier to the automotive industry. Inherent in this market are costs and expenses well in advance of the receipt of orders (and resulting revenues) from customers. This is due in part to OEMs requiring the coordination and testing of proposed new components and sub-systems. Revenues from these expenditures may not be realized for two to three years as the OEMs tend to group new components and enhancements into annual or every two to three year vehicle model introductions. In addition, we believe that in light of the current economic conditions, lower industry volumes and other factors, that new vehicle production volumes for OEMs in 2001 will be lower than levels in 2000. Reduced demand for new vehicles could have an impact on our financial results for fiscal year 2001.

Results of Operations

Second Quarter 2001 Compared with Second Quarter 2000
- ---

Revenues. Revenues for the three months ended June 30, 2001 (the "Second Quarter 2001") were $1,117,000 on approximately 16,900 units compared with revenues of $944,000 on approximately 13,400 units for the three months ended June 30, 2000 (the "Second Quarter 2000"). This increase of $173,000, or 18%, is due to higher sales to NHK for the Lexus LS 430, from $16,000 in the Second Quarter 2000 to $560,000 in Second Quarter 2001. Shipments to NHK began in late June 2000, therefore, there were very few units shipped in Second Quarter 2000 compared to a full three months of shipments in Second Quarter 2001. The higher NHK sales were partially offset by lower sales to JCI for the Lincoln Navigator, from $924,000 in Second Quarter 2000 to $456,000 in Second Quarter 2001. The lower sales to JCI are due to softening sales of the Lincoln Navigator, a slowdown in the economy in general, and in the automobile industry in particular.

Cost of Sales. Cost of sales increased to $870,000 in the Second Quarter 2001 from $801,000 in the Second Quarter 2000. This increase of $69,000, or 9%, is due to the higher sales volume of CCS units in the Second Quarter 2001. The gross margin increased to 22.11% compared to 15.15% for 2000 due to higher tooling reimbursements and fixed costs being spread over the higher production volume in 2001. We anticipate cost of sales to increase in absolute dollars while decreasing as a percentage of revenue as sales volume increases. Cost of sales includes tooling costs and related reimbursements. Net reimbursements of $95,000 and $3,000 were recorded for the Second Quarter of 2001 and the Second Quarter of 2000, respectively.

Results of Operations (cont.)

Research and Development Expenses. Research and development expenses decreased to $924,000 in Second Quarter 2001 from $1,093,000 in Second Quarter 2000. This $169,000, or 15%, decrease was due primarily to the discontinued investment in our AmeriGuard product. We also experienced lower costs relating to our first generation CCS device due to the advanced stage of its development. The costs reductions were partially offset by development costs relating to the next generation CCS device and BSST's research and development costs. BSST research and development costs were $417,000 for the Second Quarter 2001.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased to $1,097,000 in Second Quarter 2001 compared to $1,150,000 in the Second Quarter 2000. This $53,000, or 5%, decrease was due to lower professional fees, partially offset by an increase in costs for our office in Europe.

We group development and prototype costs and related reimbursements in research and development. This is consistent with accounting standards applied in the automotive industry. Costs for tooling, net of related reimbursements, are included in cost of sales.

Six Months Ended June 30, 2001 Compared with the Six Months Ended June 30, 2000

Revenues. Revenues for the six months ended June 30, 2001 were $3,452,000 as compared with revenues of $1,898,000 for the six months ended June 30, 2000. This increase of $1,554,000, or 82%, is due to the increase in customer platforms in 2001. We had two primary customers during 2001, Johnson Controls Incorporated and NHK Spring Company, LTD, and provided CCS for three platforms, the Lincoln Navigator, Lexus LS 430 and Toyota Celsior as compared to one customer, Johnson Controls, and one platform, the Lincoln Navigator, in 2000. The additional customer and platforms resulted in higher sales volume in 2001 as the number of CCS units shipped increased to 53,000, or 97%, from 27,000 in 2000.

Cost of Sales. Cost of sales increased to $2,905,000 in 2001 from $1,646,000 in 2000. This increase of $1,259,000, or 77%, is due to the higher sales volume of CCS units in 2001. The gross margin increased to 15.85% compared to 13.28% for 2000 due to higher tooling reimbursements and fixed costs being spread over the higher production volume in 2001. We anticipate cost of sales to increase in absolute dollars while decreasing as a percentage of revenue as sales volume increases. Cost of sales includes tooling costs and related reimbursements. Net reimbursements of $150,000 and $10,000 were recorded for 2001 and 2000, respectively.

Research and Development Expenses. Research and development expenses decreased to $1,804,000 in 2001 from $1,941,000 in 2000. This $137,000, or 7%, decrease was due primarily to the discontinued investment in our AmeriGuard product. We also experienced lower costs relating to our first generation CCS device due to the advanced stage of its development. The costs reductions were partially offset by development costs relating to the next generation CCS device and BSST's research and development costs. BSST research and development costs were $417,000 for 2001.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased to $2,356,000 in 2001 compared to $2,470,000 in the 2000. This $114,000, or 5%, decrease was due primarily to lower professional fees in 2001, partially offset by costs associated with the opening of our European office. We also recorded $146,000 in amortization for the warrants granted to Ford Motor Company relating to the Value Participation Agreement in 2001, compared to $62,000 in 2000. These higher costs were offset by a decrease in compensation related expense due to a $415,000 bonus accrued in 2000, compared to no accrual in 2001.

Liquidity and Capital Resources

As of June 30, 2001, we had net working capital of $2,832,000. We also had cash and cash equivalents of $749,000 at June 30, 2001. Our principal sources of operating capital have been the proceeds of our various financing transactions and, to a lesser extent, CCS product revenues and sale of prototypes to customers.

As of June 30, 2001, our cash and cash equivalents decreased by $2,103,000 in 2001 from $2,852,000 at December 31, 2000. Cash used in operating activities amounted to $4,023,000, which was mainly attributable to the net loss of $3,565,000. Cash used in investing activities amounted to $1,078,000, which is mainly attributable to the purchase of equipment of $205,000 and the increase in restricted cash of $873,000 (see Note 4). Financing activities provided $2,998,000. This is due to Ferrotec payments of $3,000,000 slightly offset by $2,000 in capital lease payments.

In April 2001, Ferrotec Corporation, a Tokyo-based manufacturer, paid us $2,000,000 in connection with a 10-year manufacturing and supply agreement for the exclusive right to manufacture CCS units in China, Japan, Taiwan, Korea, India, Thailand, Vietnam, Malaysia, Indonesia and the Philippines, for ultimate distribution by us to our customers within those countries. Concurrently, paid an additional $1,000,000 for the purchase 200,000 unregistered shares of our common stock.

In May 2001, we announced that the CCS system has been selected to be included in four additional automotive platforms, which are expected to be introduced over the next 18 months and bringing to eight the total number of automotive platforms where the CCS system has been selected to be included as either an optional or standard feature. For confidentiality reasons, however, we are not permitted to identify the four additional automotive platforms and the automotive and seat manufacturers at this time.

BSST LLC was established in August 2000 by Dr. Lon E. Bell, the founder of Amerigon. BSST is engaged in a research and development effort to improve the efficiency of thermoelectric devices. In September 2000, we entered into an option agreement with BSST to purchase a 90% interest in BSST for an aggregate of $2,000,000. We paid to BSST $150,000 for the option rights at that time. The original option agreement was amended to extend the termination date from January 31, 2001 to May 31, 2001, in exchange for additional option payments totaling $360,000. On May 31, 2001, we exercised our option by paying $400,000 to BSST. After August 31, 2001, BSST can require us to contribute additional capital of up to $400,000 in any three month period, until the remaining $1,090,000 is paid under the Option Agreement. Should we miss any of these payments, our ownership in BSST would be reduced proportionately. In addition, we have, as the majority owner of BSST, certain funding obligations to BSST of up to $500,000 per year.

Until we are selling units in the automotive market with an appropriate margin and volume, we expect to incur losses for the foreseeable future. There can be no assurance that profitability can be achieved in the future. The volume production we expect for the Lincoln Navigator SUV, Lincoln Blackwood, Lexus LS 430 and Toyota Celsior as well as the four new platforms will not generate sufficient revenue to meet our operating needs. Sufficient volume will not be reached in the near term, as automotive industry development timing tends to be relatively long. Although we are working with many automobile manufacturers for future introduction of our CCS technology, most of them will not introduce the product until the 2003 model year (2002 calendar year) and beyond, and there is no guarantee that any manufacturer will introduce the Company's products.

Larger orders for the CCS products will require significant expenses for tooling and to set up manufacturing and/or assembly processes. We also expect to require significant capital to fund other near-term production engineering and manufacturing, as well as research and development and marketing of these products. We do not intend to pursue any more significant grants or development contracts to fund operations and therefore are highly dependent on current working capital sources.

Based on our current operating plan, we believe existing cash and working capital are not sufficient to meet our anticipated financial requirements. We believe that current cash balances, together with the funds previously received from the Ferrotec Corporation, will be sufficient to meet our operating needs through the end of August 2001.

Liquidity and Capital Resources (cont.)

We will need to raise additional cash from financing sources before we can achieve profitability from our operations. We are currently negotiating a bridge financing while considering pursuit of additional funds through additional debt or equity financing or through strategic corporate partnerships. We also plan, in the next 12 months, to attempt to obtain a line of credit secured by the Company's receivables and to reduce discretionary spending to the extent feasible. There can be no assurance that any additional financing will be available on acceptable terms, if at all. Failure to raise additional capital would have a material adverse effect on our ability to continue as a going concern and to achieve our intended business objectives.

Other Information

Certain matters discussed or referenced in this report, including our intention to develop, manufacture and market the CCS product, our expectation of increased revenues and continuing losses, our financing requirements, our capital expenditures and our prospects for the development of platforms with major automotive manufacturers, are forward-looking statements. Other forward-looking statements may be identified by the use of forward-looking terminology such as "may", "will", "expect", "believe", "estimate", "anticipate", "continue", or similar terms, variations of such terms or the negative of such terms. Such statements are based upon our current expectations and are subject to a number of risks and uncertainties which could cause actual results to differ materially from those described in the forward looking statements. Such risks and uncertainties include the market demand for and performance of our products, our ability to develop, market and manufacture such products successfully, the viability and protection of our patents and other proprietary rights, and our ability to obtain new sources of financing. Additional risks associated with us and our business and prospects are described in our Annual Report on Form 10-K for the year ended December 31, 2000.

ITEM 3

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our exposure to market risk for changes in interest rates relate primarily to our investment portfolio. We place our investments in debt instruments of the U.S. government and in high-quality corporate issuers. We seek to ensure the safety and preservation of its invested funds by limiting default risk and market risk. We have no investments or transactions denominated in foreign country currencies and therefore are not subject to foreign exchange risk.

There have been no material changes with respect to market risk since the Form 10-K was filed for our year ended December 31, 2000.

PART II

OTHER INFORMATION

ITEM 4

SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Annual Meeting of Shareholders was held on May 23, 2001. The following summarizes each matter voted upon at the meeting and the number of votes cast for or against and the number of abstentions.

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

Elected by the Preferred Stockholders:

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

Elected by the Common Stockholders:

Nominee	For	Against	Abstain
Richard A. Weisbart	815,041	-	400
Lon E. Bell	815,041	-	400

2. As to approval of an amendment to the 1997 Stock Option Plan to give the Company the authority to grant awards in the form of stock bonuses and/or restricted stock to eligible employees under the 1997 Plan (in addition to options which are already authorized under the Plan).

For	Against	Abstain
6,157,817	29,858	900

ITEM 5. Other Information

On May 23, 2001, the Board of Directors appointed Francois J. Castaing to fill a vacancy on the Board. Mr. Castaing was most recently technical advisor to the Chairman of Chrysler Corporation, now DaimlerChrysler. Prior to that, he was Executive Vice President and ran Chrysler International Operations outside of North America. After spending thirteen years with Chrysler, Mr. Castaing retired in 2000. From 1980 to 1987, he was with American Motors where he was Vice President of Engineering and later Group Vice President Product and Quality until Chrysler acquired that company. Mr. Castaing began his career with Renault in France as Technical Director for Renault Motorsport Programs.

On May 31, 2001, we exercised our option pursuant to an Option Agreement dated September 4, 2000 to acquire a controlling interest in BSST LLC, a Delaware limited liability company. BSST was founded by Dr. Lon E. Bell, the founder and a director of Amerigon, and is engaged in a research and development effort to improve the efficiency of thermoelectric devices. The objective of these efforts is to expand the applications of thermoelectric devices to new applications. Dr. Lon Bell has resigned his position as Chief Technology Officer of Amerigon in order to devote his attention full-time to BSST. The Option Agreement gave us the option to purchase 2,000 Series A preferred units of BSST for $2,000,000, which represented 90 percent ownership in BSST as of May 31, 2001.

We paid BSST a non-refundable option payment of $150,000 for the option on September 6, 2000. In January 2001, we amended the Option Agreement to extend the termination date of the option from the initial expiration date of January 31, 2001. In exchange for non-refundable option extension payments of $60,000, $80,000, $100,000 and $120,000, made at end of January, February, March and April, respectively, the expiration date was extended to May 31, 2001. The option extension payments were also applied against the $2,000,000. After August 31, 2001, BSST can require us to contribute additional capital of up to $400,000 in any three month period, until the remaining $1,090,000 is paid under the Option Agreement. Should we miss any of these payments, our ownership in BSST would be reduced proportionately. In addition, we have, as the majority owner of BSST, certain funding obligations to BSST of up to $500,000 per year.

Dr. Bell had previously assigned his intellectual rights to BSST with respect to thermoelectric devices and an unspecified amount of cash, not to exceed $50,000, in return for 100,000 common units, which represented 10 percent ownership of BSST as of May 31, 2001. Dr. Bell serves as the president and chief executive officer of BSST and has entered into a one-year employment contract with BSST effective as of June 1, 2001 with a base rate of $180,000 per year and received an option for 58,824 common units, which vest upon the achievement of certain milestones. Dr. Bell also received certain anti-dilution rights, preemptive rights, and equity step-up rights.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

10.1	BSST Assignment and Subscription Agreement
10.2	BSST Bell Employment Agreement
10.3	BSST Option Agreement
10.4	BSST Revenue Sharing Agreement
10.5	BSST Operating Agreement
10.6	BSST First Amendment to Option Agreement
10.7	BSST Second Amendment to Option Agreement

(b) Reports on Form 8-K

None

Signatures

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

Amerigon Incorporated

Registrant

Date: August 13, 2001

/s/ Richard A. Weisbart

Richard A. Weisbart
President, Chief Executive Officer
and Chief Financial Officer

/s/ Craig P. Newell

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

Exhibit 10.1

ASSIGNMENT AND SUBSCRIPTION AGREEMENT

This ASSIGNMENT AND SUBSCRIPTION AGREEMENT (this "Agreement") is entered into as of September 4, 2000 by and between DR. LON E. BELL (the "Assignor") and BSST, LLC, a Delaware limited liability company (the "Company").

RECITALS

WHEREAS, as part of the initial capitalization of the Company and subject to the terms hereof, the Assignor desires to convey and assign certain assets described herein as full consideration for the issuance by the Company to the Assignor of 100,000 Class A Common Units (the "Units"), which represent all of the outstanding membership interests of the Company as of the date hereof, and the Company desires to accept such conveyance and assignment and assume such assets and rights and to issue the Units to the Assignor; and

WHEREAS, in order to induce the Assignor to enter into this Agreement, the Company has agreed concurrently to enter into the Revenue Sharing Agreement dated as of the date hereof between the Company and the Assignor;

NOW, THEREFORE, in consideration of the premises set forth above, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE I
CONTRIBUTION OF ASSETS

Section 1.1 Assignment of Technology.

Subject to Section 4.1, Assignor hereby grants, sells, conveys and assigns to the Company all of Assignor's right, title and interest in and to the following assets and rights (collectively, the "Technology") wherever the same may be located:

(a) all intellectual property of any kind or description existing, now or in the future, related to thermoelectrics, whether such intellectual property exists under the laws of the United States, or of any domestic or foreign jurisdiction, or the rules of any international organization, or under any treaty or convention, including, without limitation, any patents, copyrights, trade secrets, trademarks, trade dress, inventions, invention disclosures, patent applications, provisional applications, amendments, continuations, continuations-in-part, continuing patent applications, requests for further examination, divisions, reissues, reexamination certificates, and all renewals and extensions thereof, including all right, title and interest that are presently or in the future may be owned by Assignor, and including all rights corresponding thereto (including without limitation the right, but not the obligation, to sue for past, present and future infringements in the name of Assignor or in the name of Company) (all of the foregoing being collectively referred to as the "Intellectual Property"), it being understood that the rights and interest assigned hereby shall include, without limitation, all rights and interests pursuant to

licenses or other contracts in favor of Assignor pertaining to any Intellectual Property owned or used, presently or in the future, by third parties;

(b) without limitation of the foregoing, all patents, patent applications, invention disclosures, or intellectual property listed in Schedule I annexed hereto;

(c) all general intangibles relating to any of the Intellectual Property;

(d) all books, records, ledger cards, files, correspondence, computer programs, tapes, disks and related data processing software that at any time evidence or contain information relating to any of the Intellectual Property or are otherwise necessary or helpful in the collection thereof or realization thereupon; and

(e) all proceeds, products, rents and profits (including without limitation license royalties and proceeds of infringement suits) of or from any and all of the Intellectual Property and, to the extent not otherwise included, all payments under insurance (whether or not the Company is the loss payee thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the Intellectual Property. For purposes of this Agreement, the term "proceeds" includes whatever is receivable or received when Intellectual Property or its proceeds are sold, exchanged, collected or otherwise disposed of, whether such disposition is voluntary or involuntary

(f) For purposes of this Agreement, intellectual property is "related to thermoelectrics" if it covers, discloses, is intended for, or is suitable for use in, any thermoelectric devices, products, or processes or in the creation or use of any thermoelectric devices, products, or processes or if such intellectual property would cover the making, use, sale, offer for sale, or importation of any thermoelectric device, product, or process. As used in this Agreement, "thermoelectric devices, products, or processes" include, without limitation, the following products and their manufacture and use: portable heaters and coolers; office water coolers and heaters; car heating, ventilation, and air conditioning; electric temperature controls; integrated circuit coolers; motor vehicle alternator replacement; waste power generators; vehicle power generation; personal heating and cooling; portable power generators; standby power generators; auxiliary power plant electricity production; home heating, ventilation, and air conditioning; wall-mounted air conditioning; refrigerators; and superconducting electronics coolers. The Company, however, is under no obligation to pursue commercialization of any thermoelectric devices, products, or processes described above.

; provided, however, the Assignor's obligation to assign future Technology to the Company shall terminate upon the termination of the Company's obligation to make contract payments to the Assignor (or the assignees of the Assignor) under that Revenue Sharing Agreement dated as of even date hereof between the Company and the Assignor.

Section 1.2 Further Assurances.

The Assignor covenants and agrees that he will fully cooperate with and assist the Company's efforts to obtain and enforce patents and other intellectual property protection on the Technology and that, on the Company's request, he will sign any truthful declarations, affidavits, or other documents related to such efforts.

Section 1.3 Other Assets.

The Assignor hereby agrees to transfer funds to the Company, from time to time upon request of the Company, for use as working capital and to pay operating expenses of the Company (including but not limited to the expenses of filing and prosecuting the patent applications pursuant to Section 4.1) in an amount not to exceed $50,000.

ARTICLE II
ISSUANCE AND SALE OF SECURITIES

Section 2.1 Issuance of Securities.

As consideration for the Assignor's assignment of the Technology and commitment to contribute cash in the amount of up to $50,000 to the Company pursuant to Article I, the Company will, contemporaneously with its execution hereof, issue to Assignor 100,000 Class A Common Units of its membership interests.

Section 2.2 Legend.

The following legend (or a substantially similar legend) will be placed on any certificate or certificates evidencing the Units:

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR REGISTERED OR QUALIFIED UNDER APPLICABLE STATE SECURITIES LAW AND MAY NOT BE OFFERED FOR RESALE OR RESOLD UNLESS REGISTERED PURSUANT TO THE PROVISION OF THE SECURITIES ACT AND REGISTERED OR QUALIFIED PURSUANT TO THE PROVISION OF APPLICABLE STATE SECURITIES LAW, UNLESS AN EXEMPTION FROM SAID REGISTRATION OR QUALIFICATION IS AVAILABLE.

ARTICLE III
REPRESENTATIONS AND WARRANTIES

Section 3.1 Assignor's Representations and Warranties.

(a) The Assignor has full legal capacity and authority to enter into this Agreement; the execution, delivery and performance of this Agreement does not and will not breach, violate or conflict with any agreement to which the Assignor is a party or is bound; and this Agreement constitutes the legal, valid and binding obligation of the Assignor, enforceable against Assignor in accordance with its terms.

(b) The Assignor understands that the offering and sale of the Units is intended to be exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"), by virtue of Section 4(2) of the Securities Act, as well as exempt from the Corporate Securities Law of 1968 of California by virtue of Section 25102(f) and in accordance therewith and in furtherance thereof, the Assignor represents, warrants and agrees as follows:

(1) The Assignor has a preexisting business relationship with the Company and is an executive level employee of the Company with intimate knowledge of and about the Company, and is fully aware of the risks entailed in an investment in the Company in the form of the Units.

(2) THE ASSIGNOR UNDERSTANDS AND ACKNOWLEDGES THAT ITS INVESTMENT IN THE COMPANY INVOLVES A HIGH DEGREE OF RISK AND IS SUITABLE ONLY FOR INVESTORS OF SUBSTANTIAL MEANS WHO HAVE NO IMMEDIATE NEED FOR LIQUIDITY OF THE AMOUNT INVESTED, AND THAT SUCH INVESTMENT INVOLVES A RISK OF LOSS OF ALL OR A SUBSTANTIAL PART OF SUCH INVESTMENT.

(3) The Assignor is not subscribing for the Units as a result of or subsequent to any advertisement, article, notice or other communication published in any newspaper, magazine or similar media or broadcast over television or radio, or presented at any seminar or meeting, or any solicitation of a subscription by a person other than a representative of the Company;

(4) The Assignor has reached the age of majority in the state in which the Assignor resides;

(5) The address set forth below is the Assignor's true and correct domicile;

(6) The Assignor has adequate means of providing for the Assignor's current financial needs and contingencies, is able to bear the substantial economic risks of an investment in the Company for an indefinite period of time, has no need for liquidity in such investment, and, at the present time, could afford a complete loss of such investment;

(7) The Assignor has such knowledge and experience in financial, tax and business matters so as to enable the Assignor to utilize the information available to the Assignor to evaluate the merits and risks of an investment in the Company and to make an informed investment decision with respect thereto;

(8) The Assignor is not relying on the Company with respect to the tax or other economic considerations of an investment in the Units and has obtained, or had the opportunity to obtain, the advice of the Assignor's own legal, tax and other advisors;

(9) The Assignor will not sell or otherwise transfer the Units for value without registration under the Securities Act or applicable state or foreign securities laws or an exemption therefrom. The Units have not been registered under the Securities Act or under the securities laws of any other jurisdiction. The Assignor represents that the Assignor is purchasing the Units for the Assignor's own account, for investment and not with a view to resale or distribution except in compliance with the Securities Act. The Assignor has not offered or sold any portion of the Units being acquired nor does the Assignor have any present intention of selling, distributing or otherwise disposing of any portion of the Units, which may be a violation of the Securities Act, unless (i) a registration statement has been filed and declared effective by the Securities and

Exchange Commission covering such securities to be resold or otherwise distributed; (ii) the passage of a fixed or determinable period of time that makes such resale or distribution exempt from registration and is pursuant to Rule 144 promulgated under the Securities Act; or (iii) the transfer is not a "sale" of securities as said term is defined in the Securities Act. The Assignor is aware that there is currently no market for Company's Units;

(10) The Assignor is an "accredited investor" within the meaning of Rule 501 of Regulation D promulgated under the Securities Act;

(11) The Assignor's overall commitment to investments which are not readily marketable is reasonable in relation to the Assignor's net worth; and

(12) In making an investment decision the Assignor has relied on the Assignor's own examination of Company, including the merits and risks involved. THE SECURITIES OFFERED IN THIS AGREEMENT HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

(c) The Assignor represents, warrants and agrees that Schedule I annexed hereto lists all Intellectual Property in his name, or in which he owns any interest, related to thermoelectrics.

(d) The Assignor represents, warrants and agrees that he is the sole owner of all of the Technology assigned to the Company pursuant to Section 1.1, that he has not otherwise transferred or encumbered any such Technology, and that he has the complete right and ability to assign and transfer it to the Company.

(e) The Assignor represents, warrants and agrees that all statements listed in Schedule I are truthful and that, to the best of his knowledge, he has complied with all laws, regulations, and requirements applicable to such patents, patent applications, invention disclosures, or other documents.

(f) The Assignor represents, warrants and agrees that he is the sole owner of all of the Technology assigned to the Company pursuant to Section 1.1 which provides such necessary technology so as to operate the business of the Company in accordance with the confidential business presentation prepared by the Assignor.

Section 3.2 Company's Representations and Warranties.

(a) The Company has full legal capacity and authority to enter into this Agreement; the execution, delivery and performance of this Agreement does not and will not breach, violate or conflict with any agreement to which the Company is a party or is bound; and this Agreement constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms .

(b) The Company owes no commission, fee or other compensation to any person as a finder or broker as a result of the transactions contemplated by this Agreement.

(c) The Company is duly organized and existing under the laws of the State of Delaware.

(d) The Company represents and warrants that the Units, when issued, will be duly authorized, validly issued, fully paid and nonassessable.

ARTICLE IV
ADDITIONAL AGREEMENTS

Section 4.1 Patent Registrations.

The Assignor agrees to make the initial filing and prosecuting of the patent and patent applications listed on Schedule I with the U.S. Patent and Trademark Office. The Company agrees pay for all expenses for filing and prosecuting such patent and patent applications, including, without limitation, patent attorneys' fees, and expenses and filing fees, issue fees and other fees of the U.S. Patent and Trademark Office.

Section 4.2 Reversionary Interest.

In the event of a liquidation or wind-down of the Company, the Technology assigned hereunder shall be re-assigned, transferred and conveyed by the Company to the Assignor, provided that the Assignor hereby acknowledges that Amerigon Incorporated shall retain rights for exclusive worldwide royalty-free use of the Technology for climate controlled seats and radar technology. The parties agree that Amerigon Incorporated shall be a third-party beneficiary of this acknowledgement.

ARTICLE V

MISCELLANEOUS

Section 5.1 Governing Law.

This Agreement and the rights and obligations of the parties hereunder shall be governed by, and shall be construed and enforced in accordance with, the internal laws of the State of California, without regard to conflicts of laws principles, and of the United States.

Section 5.2 Notices.

Any notice or other communication provided for in this Agreement shall be in writing and sent to the address listed under each party's signature hereto or at such other address a party may from time to time in writing designate. Each such notice or other communication shall be effective (i) if given by telecommunication, when transmitted to the applicable number so specified pursuant to this Section and a confirmation of transmission is received, (ii) if given by mail, three days after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid or (iii) if given by any other means, when actually delivered at such address.

Section 5.3 Amendments and Waiver.

No amendment, modification, termination or waiver of any provision of this Agreement, shall be effective unless the same shall be in writing and signed by the parties. Any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given. Failure by either party, at any time, to require performance by the other party or to claim a breach of any provision of this Agreement shall not be construed as a waiver of any right accruing under this Agreement, nor shall it affect any subsequent breach or the effectiveness of this Agreement or any part hereof, or prejudice either party with respect to any subsequent action.

Section 5.4 Severability.

If any provision of this Agreement is held invalid or unenforceable, the remainder of this Agreement shall nevertheless remain in full force and effect, and if any provision is held invalid or unenforceable with respect to particular circumstances, it shall nevertheless remain in full force and effect in all other circumstances, to the fullest extent permitted by law.

Section 5.5 Integration.

This Agreement, together with any exhibits and schedules hereto, constitutes the entire agreement among the parties pertaining to the subject matter hereof and supersedes all prior agreements and understandings of the parties in connection therewith.

Section 5.6 Arbitration.

Any controversy or claim arising out of or relating to this Agreement, its enforcement or interpretation, or because of an alleged breach, default, or misrepresentation in connection with any of its provisions, other than a controversy or claim arising out of or relating to a calculation pursuant to any of its provisions, shall be submitted to arbitration, to be held in Los Angeles County, California in accordance with California Civil Procedure Code Sections 1282-1284.2. In the event either party institutes arbitration under this Agreement, the party prevailing in any such arbitration shall be entitled, in addition to all other relief, to reasonable attorneys' fees relating to such arbitration. The non-prevailing party shall be responsible for all costs of the arbitration, including but not limited to, the arbitration fees, court reporter fees, etc.

Section 5.7 Further Assurances.

Each party hereto agrees to execute, acknowledge and deliver any and all further instruments, and to do any and all further acts, as may be necessary or appropriate to carry out the intent and purpose of this Agreement, and each party will use its best efforts to obtain any and all third party consents or approvals necessary or useful for the consummation of the transactions contemplated by this Agreement.

Section 5.8 Headings.

The Article headings in this Agreement are for convenience only, and shall not be considered a part of, or affect the interpretation of, any provision of this Agreement.

Section 5.9 Counterparts.

This Agreement may be executed in one or more counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

[Remainder of page intentionally left blank]

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

BSST, LLC

By: ___________________________________
Name:
Title:

Address:

DR. LON E. BELL

____

Address:

SCHEDULE I

PATENTS, PATENT APPLICATIONS AND INVENTION DISCLOSURES
Summary
7 September 2000

1. Use of convection of working fluids and TE (thermoelectric) materials to reduce conductive thermal power losses in TE system cooling, heating and power generation.

2. Use of thermal isolation of TE elements and control of flow direction to enhance TE system efficiency in cooling and heating modes.

3. Combined convection and thermal isolation to enhance cooling, heating and power generation.

4. Transient sequential powering of TE elements to reduce conductive losses in cooling and heating systems.

5. Transient powering combined with variable electric path length to reduce resistive and conductive power loss in cooling and heating systems.

6. Transport of TE materials perpendicular to current flow to reduce conductive losses in cooling and heating systems.

7. Transport with variable electrical path length to reduce resistive and conductive power loss in cooling and heating systems.

8. Rotational transport of TE materials in a staged cooling system to increase the coefficient of performance by reducing conductive power loss.

9. TE convective power generation cycle combined with another power cycle (which employs a working fluid) to increase overall system efficiency.

Exhibit 10.2

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is entered into by and between BSST, LLC, a Delaware limited liability company (the "Company"), and Dr. Lon E. Bell (the "Employee") as of the ____ day of _______________. [to be entered upon exercise of Amerigon stock option]

I. EMPLOYMENT.

The Company hereby employs Employee and Employee hereby accepts such employment, upon the terms and conditions hereinafter set forth, from ____ ___, ____, to and including ____ ___, ____ [for a one year term] (the "Stated Term"). This Agreement is subject to renewal only as set forth in Section VI below.

II. DUTIES.

A. Employee shall serve during the course of his employment as President and Chief Executive Officer of the Company, and shall have such duties and responsibilities as the Board of Directors of the Company shall determine from time to time.

B. Employee agrees to devote substantially all of his time, energy and ability to the business of the Company. Nothing herein shall prevent Employee, upon approval of the Board of Directors of the Company and which approval shall not be unreasonably withheld, from serving as a director or trustee of other corporations or businesses which are not in competition with the business of the Company or in competition with any affiliate of the Company. Nothing herein shall prevent Employee from investing in real estate for his own account or from becoming a partner or a stockholder in any corporation, partnership or other venture not in competition with the business of the Company or in competition with any affiliate of the Company.

C. For the term of this Agreement, Employee shall report to the Board of Directors of the Company or its designee.

III. COMPENSATION.

A. The Company will pay to Employee a base salary at the rate of $180,000 per year. Such salary shall be earned monthly and shall be payable in periodic installments no less frequently than monthly in accordance with the Company's customary practices. Amounts payable shall be reduced by standard withholding and other authorized deductions. The Company will review Employee's salary at least annually.

B. <u>Incentive, Savings and Retirement Plans</u>. Employee shall be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs applicable generally to other executives of the Company; <u>provided</u>, <u>however</u>, that Employee has elected to not participate in any cash bonus or incentive program.

C. Welfare Benefit Plans. Employee and/or his family, as the case may be, shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs (including, but not limited to, disability insurance) provided by the Company to the extent applicable generally to other executives of the Company.

D. Expenses. Employee shall be entitled to receive prompt reimbursement for all reasonable employment expenses incurred by him in accordance with the policies, practices and procedures as in effect generally with respect to other executives of the Company.

E. Fringe Benefits. Employee shall be entitled to fringe benefits in accordance with the plans, practices, programs and policies as in effect generally with respect to other executives of the Company.

F. Vacation. Employee shall be entitled to paid vacation in accordance with the plans, policies, programs and practices as in effect generally with respect to other executives of the Company.

G. Changes. The Company reserves the right to modify, suspend or discontinue any and all of the above plans, practices, policies and programs described in paragraphs B through F above at any time without recourse by Employee so long as such action is taken generally with respect to other similarly situated executives and does not single out Employee.

H. Option. Employee shall be granted, upon the initial execution of this Agreement, an option for 58,824 Class A Common Units of the Company which shall vest and be exercisable upon achievement of Milestones (as defined in the Company's Amended and Restated Operating Agreement as in effect on the date hereof).

IV. TERMINATION.

A. Termination Events.

1. Death or Disability. Employee's employment shall terminate automatically upon Employee's death. If the Company determines in good faith that the Disability of Employee has occurred (pursuant to the definition of Disability set forth below), it may give to Employee written notice in accordance with Section XVIII of its intention to terminate Employee's employment. In such event, Employee's employment with the Company shall terminate effective on the 90th day after receipt of such notice by Employee, provided that, within such period, Employee shall not have returned to full-time performance of his duties. For purposes of this Agreement, "Disability" shall mean a physical or mental impairment that renders Employee unable to perform the essential functions of his position, even with reasonable accommodation that does not impose an undue hardship on the Company. The Company reserves the right, in good faith, to make the determination of disability under this Agreement based upon information supplied by Employee and/or his medical personnel, as well as information from medical personnel (or others) selected by the Company or its insurers.

2. Cause. The Company may terminate Employee's employment for Cause. For purposes of this Agreement, "Cause" shall mean that the Company, acting in good faith based upon the information then known to the Company, determines that Employee has engaged in or committed: willful misconduct; theft, fraud or other illegal conduct; documented refusal or unwillingness to perform his duties after written notice thereof; sexual harassment; insubordination; any willful act that is likely to and which does in fact have the effect of injuring the reputation, business, or a business relationship of the Company; violation of any fiduciary duty to the Company; violation of any duty of loyalty to the Company; and breach of any term of this Agreement after written notice thereof and failure to cure within 30 days.

3. Other than Cause or Death or Disability. The Company may terminate Employee's employment at any time, with or without cause, upon 90 days' written notice. The Employee may terminate his employment at any time with Good Reason.

B. Obligations of the Company Upon Termination.

1. Death or Disability. If Employee's employment is terminated by reason of Employee's Death or Disability, this Agreement shall terminate without further obligations to Employee or his legal representatives under this Agreement, other than for (a) payment of the sum of (i) Employee's annual base salary through the date of termination to the extent not theretofore paid and (ii) any compensation previously deferred by Employee (together with any accrued interest or earnings thereon) and any accrued vacation pay in each case to the extent not theretofore paid (the sum of the amounts described in clauses (i) and (ii) shall be hereinafter referred to as the "Accrued Obligations"), which shall be paid to Employee or his estate or beneficiary, as applicable, in a lump sum in cash upon termination; (b) payment to Employee or his estate or beneficiary, as applicable, any amounts due pursuant to the terms of any applicable welfare benefit plans and (c) continued participation in the Company's group health plan(s) at the same benefit level at which he and his covered dependent(s) participated immediately before the termination of his employment for a period of nine months after such termination.

2. Cause. If Employee's employment is terminated by the Company for Cause, this Agreement shall terminate without further obligations to Employee other than for the timely payment of Accrued Obligations. If it is subsequently determined that the Company did not have Cause for termination under this Section IV(B)(2), then the Company's decision to terminate shall be deemed to have been made under Section IV(B)(3) and the amounts payable thereunder shall be the only amounts Employee may receive for his termination.

3. Other than Cause or Death or Disability. If the Company terminates Employee's employment for other than Cause or Death or Disability, or Employee terminates his employment for Good Reason, this Agreement shall terminate without further obligations to Employee other than (a) the timely payment of Accrued Obligations and (b) payment to Employee of a lump sum of nine months' salary, less

standard withholdings and other authorized deductions. As used herein, "Good Reason" shall mean (i) a reduction in Employee's base salary (other than as part of a broad salary reduction program instituted because the Company is in financial distress), or (ii) the elimination or reduction of Employee's eligibility to participate in the Company's benefit programs that is inconsistent with the eligibility of other employees of the Company to participate therein, or (iii) the placement of the Employee into a non-executive position due to an act of the Company, excluding for this purpose any isolated action not taken in bad faith and which is remedied by the Company within 30 days of receipt of written notice from Employee.

C. Exclusive Remedy. Employee agrees that the payments contemplated by this Agreement shall constitute the exclusive and sole remedy for any termination of his employment and Employee covenants not to assert or pursue any other remedies, at law or in equity, with respect to any termination of employment.

V. ARBITRATION.

Any controversy or claim arising out of or relating to this Agreement, its enforcement or interpretation, or because of an alleged breach, default, or misrepresentation in connection with any of its provisions, or otherwise arising out of Employee's employment with or separation from the Company, including any claims for discrimination, sexual or other unlawful harassment, retaliation, breach of public policy, torts or the violation of any federal, state or local law, regulation or ordinance or the common law, shall be submitted to final and binding arbitration, to be held in Los Angeles County, California in accordance with California Civil Procedure Code (S)(S) 1282-1284.2. In such arbitration, the arbitrator shall issue a written opinion describing the essential findings and conclusions upon which an award is based. Employee hereby represents that he understands that in exchange for the benefits of a speedy, economical and impartial dispute resolution procedure of arbitration, the Company and the Employee are foregoing their rights to resolution of disputes in a court of law by judge or jury. In the event either party institutes arbitration under this Agreement, the party prevailing in any such litigation shall be entitled to all relief permitted by law.

VI. RENEWAL.

This Agreement shall be automatically renewed for one additional year on the annual anniversary of the expiration of the Stated Term, unless one party or the other gives notice, in writing, at least 30 days prior to the expiration of this Agreement (or any renewal), of their desire to terminate the Agreement or modify its terms.

VII. ANTISOLICITATION.

Employee promises and agrees that during the term of this Agreement or renewal in accordance with Section VI above, he will not influence or attempt to influence customers of the Company or any of its subsidiaries or affiliates, either directly or indirectly, to divert their business to any individual, partnership, firm, corporation or other entity then in competition with the business of the Company, or any subsidiary or affiliate of the Company.

VIII. JOINING OTHER EMPLOYEES.

Employee promises and agrees that he will not, for a period of one year following termination of his employment or the expiration of this Agreement or renewal in accordance with Section VI above, enter into business, work with, employ, hire or retain any of the Company employees who earned annually $50,000 or more as a Company employee during the last six months of his or her own employment to work for any business, individual, partnership, firm, corporation, or other entity then in competition with the business of the Company or any subsidiary or affiliate of the Company.

IX. CONFIDENTIAL INFORMATION.

A. Employee, in the performance of Employee's duties on behalf of the Company, shall have access to, receive and be entrusted with confidential information, including but in no way limited to development, marketing, organizational, financial, management, administrative, production, distribution and sales information, data, specifications and processes presently owned or at any time in the future developed, by the Company or its agents or consultants, or used presently or at any time in the future in the course of its business that is not otherwise part of the public domain (collectively, the "Confidential Material"). All such Confidential Material is considered secret and will be available to Employee in confidence. Except in the performance of duties on behalf of the Company, Employee shall not, directly or indirectly for any reason whatsoever, disclose or use any such Confidential Material, unless such Confidential Material ceases (through no fault of Employee's) to be confidential because it has become part of the public domain. All records, files, drawings, documents, equipment and other tangible items, wherever located, relating in any way to the Confidential Material or otherwise to the Company's business, which Employee prepares, uses or encounters, shall be and remain the Company's sole and exclusive property and shall be included in the Confidential Material. Upon termination of this Agreement by any means, or whenever requested by the Company, Employee shall promptly deliver to the Company any and all of the Confidential Material, not previously delivered to the Company, that may be or at any previous time has been in Employee's possession or under Employee's control.

B. Employee hereby acknowledges that the sale or unauthorized use or disclosure of any of the Company's Confidential Material by any means whatsoever and any time before, during or after Employee's employment with the Company shall constitute Unfair Competition. Employee agrees that Employee shall not engage in Unfair Competition either during the time employed by the Company or any time thereafter.

X. RESULTS AND PROCEEDS.

Employee acknowledges and agrees that the Company shall own all rights in and to the results and proceeds of Employee's services under this Agreement, including anything which is, in whole or in part, created, developed and/or produced by Employee and which is suggested by Employee or related to Employee's employment under this Agreement. To the fullest extent permitted by law, all work product (including any inventions and works of authorship) created by Employee during the term of this Agreement shall belong to the

Company and shall, to the fullest extent possible, be considered a work made for hire for the Company. To the extent the Company does not own such work product as a work made for hire, Employee hereby assigns to Company all rights in such work product, including, but not limited to, all patent rights, copyrights, trade secret rights and any other intellectual rights of any kind throughout the world. Such assignment by Employee to Company shall include, but not be limited to, all reproduction rights, distribution rights, public display rights, with no limitation on the use of such rights. Employee agrees to execute all documents reasonably requested by the Company to further evidence the foregoing assignment and to provide all reasonable assistance to the Company in perfecting or protecting the Company's rights in such work product. If Employee is unable or unwilling to assist the Company in perfecting or protecting its legal rights to such work product, Employee designates and appoints the Company as his agent and attorney-in-fact to act for Employee and to take any steps necessary to perfect or protect the Company's legal rights with the same legal force and effect as if done by Employee. This provision does not apply to an invention which qualifies fully under Section 2870 of the California Labor Code.

Notwithstanding the above, the provisions of this Section X shall be limited and only apply to the "Technology" as defined in the Assignment and Subscription Agreement dated as of September 4, 2000 entered by and between the Company and Employee and the "Basic Technology" as defined in the Revenue Sharing Agreement dated as of even date hereof between the Company and Employee. The Company further acknowledges any reversionary rights that Employee has to the Technology under the Assignment and Subscription Agreement and the Company's Amended and Restated Operating Agreement.

XI. MISCELLANEOUS.

A. Governing Law. This Agreement and the rights and obligations of the parties hereunder shall be governed by, and shall be construed and enforced in accordance with, the internal laws of the state of California, without regard to conflicts of laws principles, and of the United States.

B. Notices. Any notice or other communication provided for in this Agreement shall be in writing and sent to the address listed under each party's signature hereto or at such other address a party may from time to time in writing designate. Each such notice or other communication shall be effective (i) if given by telecommunication, when transmitted to the applicable number so specified pursuant to this Section and a confirmation of transmission is received, (ii) if given by mail, three days after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid or (iii) if given by any other means, when actually delivered at such address.

C. Amendments and Waiver. No amendment, modification, termination or waiver of any provision of this Agreement, shall be effective unless the same shall be in writing and signed by the parties. Any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given. Failure by either party, at any time, to require performance by the other party or to claim a breach of any provision of this Agreement shall not be construed as a waiver of any right accruing under this

Agreement, nor shall it affect any subsequent breach or the effectiveness of this Agreement or any part hereof, or prejudice either party with respect to any subsequent action.

D. Severability. If any provision of this Agreement is held invalid or unenforceable, the remainder of this Agreement shall nevertheless remain in full force and effect, and if any provision is held invalid or unenforceable with respect to particular circumstances, it shall nevertheless remain in full force and effect in all other circumstances, to the fullest extent permitted by law.

E. Integration. This Agreement, together with any exhibits and schedules hereto, constitutes the entire agreement among the parties pertaining to the subject matter hereof and supersedes all prior agreements and understandings of the parties in connection therewith.

G. Assignment.

1. This Agreement is personal to Employee and shall not, without the prior written consent of the Company, be assignable by Employee.

2. This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns and any such successor or assignee shall be deemed substituted for the Company under the terms of this Agreement for all purposes. As used herein, "successor" and "assignee" shall include any person, firm, corporation or other business entity which at any time, whether by purchase, merger or otherwise, directly or indirectly acquires the stock of the Company or to which the Company assigns this Agreement by operation of law or otherwise.

H. Legal Counsel. Employee and the Company recognize that this is a legally binding contract and acknowledge and agree that they have had the opportunity to consult with legal counsel of their choice.

I. Construction. Each party has cooperated in the drafting and preparation of this Agreement. Hence, in any construction to be made of this Agreement, the same shall not be construed against any party on the basis that the party was the drafter. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect.

J. Headings. The Article headings in this Agreement are for convenience only, and shall not be considered a part of, or affect the interpretation of, any provision of this Agreement.

K. Counterparts. This Agreement may be executed in one or more counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

[Signature page follows]

In witness whereof, the parties hereto have executed this Agreement as of the date first above written.

BSST, LLC	DR. LON E. BELL
By _________________________	_________________________
Name:	
Title:	
Notice Address:	Notice Address:

Exhibit 10.3

OPTION AGREEMENT

by and among

AMERIGON INCORPORATED,

BSST, LLC

and

DR. LON E. BELL

Dated September 4, 2000

OPTION AGREEMENT

This OPTION AGREEMENT (this "Agreement") is entered into as of September 4, 2000 by and among AMERIGON, INC., a California corporation (the "Holder"), BSST, LLC, a Delaware limited liability company (the "Company"), and DR. LON E. BELL, the sole member of the Company ("Dr. Bell").

R E C I T A L S

WHEREAS, Dr. Bell is party to an operating agreement with respect to the Company, dated as of August 29, 2000;

WHEREAS, the Company and Dr. Bell, desire, subject to the terms and conditions hereof, to grant to the Holder an Option (as defined below) to subscribe for 2,000 Series A Preferred Units of the Company (the "Option Units"), representing membership interests with such rights, preferences, and privileges as set forth in the form of Amended and Restated Operating Agreement ("Amended Operating Agreement") attached as Exhibit A hereto;

WHEREAS, concurrently with the exercise of this Agreement, (i) the Company and Dr. Bell shall execute and deliver the Amended Operating Agreement and the Employment Agreement attached as Exhibit B hereto and (ii) the Company shall grant to Dr. Bell a performance-based option based on the Milestones (as defined in the Amended Operating Agreement) for 58,824 Class A Common Units, which shall equal 5% of the fully-diluted membership interests of the Company (the "Initial Class A Member Option") at the time of exercise of the Option;

WHEREAS, it being understood that the Company and Dr. Bell desire the Option Units to be convertible into a number of Class B Common Units of the Company equal to no less than 90% of the outstanding membership interests of the Company at the time of exercise of the Option;

WHEREAS, the Holder is entering this Agreement concurrently and in reliance upon the execution by the Company and Dr. Bell of the Assignment and Subscription Agreement and Revenue Sharing Agreement each dated as of the date hereof (the "Related Agreements");

WHEREAS, as consideration for the Option, the Holder has delivered $150,000 in cash (the "Option Fee") to the Company and the Company and the Holder agree that, in the event the Holder exercises the Option, such Option Fee shall be credited to the Option Exercise consideration (as defined below); and

WHEREAS, Dr. Bell, being the sole member of the Company, has duly authorized the grant of the Option and the issuance of the Option Units in accordance with the terms hereof;

NOW, THEREFORE, in consideration of the promises, and of the parties' respective representations, warranties, covenants and agreements set forth below, the Company and the Holder agree as follows:

1. Grant of Option. Subject to the terms and conditions set forth herein, as consideration for the payment of the Option Fee, the Company hereby grants to the Holder an option (the "Option") to purchase the Option Units in exchange for payment of the Option Exercise Price (as defined below) in accordance with Sections 3 and 5; provided that such Option is exercised within the time and in the manner set forth in Section 2. The Option Fee shall be fully refundable to the Holder in the event that Dr. Bell is no longer an employee of the Company, but under all other circumstances shall be non-refundable.

2. Exercise of Option. The Option may be exercised by the Holder at any time after the date hereof, but no later than January 31, 2001 (the "Option Exercise Period"). The Holder may exercise the Option by delivering written notice to the Company during the Option Exercise Period of the Holder's intention to exercise the Option. The date, if any, on which the Holder shall be deemed to have exercised the Option shall be the date within the Option Exercise Period on which the Holder's written notice to the Company has been effectively received by the Company pursuant to Section 11(b) (the "Exercise Date"), whereupon such Option exercise shall become irrevocable.

3. Option Exercise Consideration. The consideration for exercise of the Option Units shall be a commitment by the Holder ("Option Exercise Consideration") to pay to the Company an amount equal to $2,000,000 minus the Option Fee (the "Commitment Amount") in accordance with the schedule set forth in Section 5.

4. Option Units. The number of Option Units to be purchased by the Holder upon exercise of the Option shall be 2,000 of the Company's Series A Preferred Units.

5. Payment and Closing.

(a) In the event that the Holder exercises the Option in accordance with Section 2, the Holder at the Option Closing (as defined below) shall pay $400,000 of the Commitment Amount to the Company in immediately available funds by wire transfer to an account designated by the Company and the Company shall thereupon issue to and register in the name of the Holder the Option Units.

(b) Upon five business days' prior notice and no more than once in any three month period, the Company shall request the Holder to pay the following amount to the Company of any remaining uncontributed portion of the Commitment Amount in immediately available funds by wire transfer to an account designated by the Company an amount equal to the lesser of (i) $400,000 and (ii) the aggregate remaining uncontributed Commitment Amount. Unless waived in writing by the Company, if the Holder does not pay such amount five business days after the end of such calendar quarter, the Holder shall foreit all rights in, and Company shall cancel, a number of Option Units equal to the unpaid portion of the requested amount divided by $1,000.

(c) The completion of the exercise of the Option shall take place at the offices of the Company, or such other reasonable location as the Company shall determine, on the third Business Day following the Exercise Date, or such other reasonable time as the Company and the Holder may agree to in writing (the "Option Closing"). At the Option Closing, simultaneously with the delivery of immediately available funds as provided in Section 5(a), (i) the Company shall register the Option Units in the register of the Company, (ii) the Holder, Dr. Bell and the Company shall execute and deliver the Amended Operating Agreement, (iii) Dr. Bell and the Company shall execute and deliver the Employment Agreement, and (iv) each of the parties hereto shall execute and deliver or obtain or cause its equity holders and/or directors to execute and deliver or obtain any and all other agreements, consents or instruments reasonably necessary for the consummation of the transactions contemplated under this Agreement.

6. The Holder's Representations and Warranties.

(a) The Holder has full legal capacity and authority to enter into this Agreement; the execution, delivery and performance of this Agreement does not and will not breach, violate or conflict with any agreement to which the Holder is a party or is bound; and this Agreement constitutes the legal, valid and binding obligation of the Holder, enforceable against the Holder in accordance with its terms.

(b) The Holder understands that the offering and sale of the Option Units is intended to be exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"), by virtue of Section 4(2) of the Securities Act, as well as exempt from the Corporate Securities Law of 1968 of California by virtue of Section 25102(f) and in accordance therewith and in furtherance thereof, the Holder represents and warrants and agrees as follows:

(i) The Holder has a preexisting business relationship with the Company and is fully aware of the risks entailed in an investment in the Company in the form of Option Units, including but not limited to the risks enumerated in the Company's confidential business plan.

(ii) THE HOLDER UNDERSTANDS AND ACKNOWLEDGES THAT ITS INVESTMENT IN COMPANY INVOLVES A HIGH DEGREE OF RISK AND IS SUITABLE ONLY FOR INVESTORS OF SUBSTANTIAL MEANS WHO HAVE NO IMMEDIATE NEED FOR LIQUIDITY OF THE AMOUNT INVESTED, AND THAT SUCH INVESTMENT INVOLVES A RISK OF LOSS OF ALL OR A SUBSTANTIAL PART OF SUCH INVESTMENT.

(iii) The Holder is not subscribing for the Option Units as a result of or subsequent to any advertisement, article, notice or other communication published in any newspaper, magazine or similar media or broadcast over television or radio, or presented at any seminar or meeting, or any solicitation of a subscription by a person other than a representative of the Company;

(iv) The Holder has adequate means of providing for the Holder's current financial needs and contingencies, is able to bear the substantial economic risks of an

investment in the Company for an indefinite period of time, has no need for liquidity in such investment, and, at the present time, could afford a complete loss of such investment;

(v) The Holder has such knowledge and experience in financial, tax and business matters so as to enable the Holder to utilize the information available to the Holder to evaluate the merits and risks of an investment in the Company and to make an informed investment decision with respect thereto;

(vi) The Holder is not relying on the Company with respect to the tax or other economic considerations of an investment in the Option Units and has obtained, or had the opportunity to obtain, the advice of the Holder's own legal, tax and other advisors;

(vii) The Holder will not sell or otherwise transfer the Option Units for value without registration under the Securities Act or applicable state or foreign securities laws or an exemption therefrom. The Option Units have not been registered under the Securities Act or under the securities laws of any other jurisdiction. the Holder represents that the Holder is purchasing the Option Units for the Holder's own account, for investment and not with a view to resale or distribution except in compliance with the Securities Act. the Holder has not offered or sold any portion of the Option Units being acquired nor does the Holder have any present intention of selling, distributing or otherwise disposing of any portion of the Option Units, which may be a violation of the Securities Act, unless (i) a registration statement has been filed and declared effective by the Securities and Exchange Commission covering such Option Units to be resold or otherwise distributed; (ii) the passage of a fixed or determinable period of time that makes such resale or distribution exempt from registration and is pursuant to Rule 144 promulgated under the Securities Act or upon the occurrence or nonoccurrence of any predetermined event or circumstance in violation of the Securities Act; or (iii) the transfer is not a "sale" of securities as said term is defined in the Securities Act. the Holder is aware that there is currently no market for the Company's Option Units;

(viii) The Holder is an "accredited investor" within the meaning of Rule 501 of Regulation D promulgated under the Securities Act;

(ix) The Holder's overall commitment to investments which are not readily marketable is reasonable in relation to the Holder's net worth; and

(x) In making an investment decision the Holder has relied on the Holder's own examination of the Company, including the merits and risks involved. THE SECURITIES OFFERED IN THIS AGREEMENT HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

7. <u>The Company's Representations and Warranties.</u>

(a) The Company has full legal capacity and authority to enter into this Agreement; the execution, delivery and performance of this Agreement does not and will not breach, violate or conflict with any agreement to which the Company is a party or is bound; and this Agreement constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms.

(b) The Company owes no commission, fee or other compensation to any person as a finder or broker as a result of the transactions contemplated by this Agreement.

(c) The Company is duly organized and existing under the laws of the State of Delaware.

(d) The Company represents and warrants that the Option Units, when issued, will be duly authorized and validly issued.

(e) As of the date hereof, 100,000 of the Company's Class A Common Units and no units of any other class or series of the Company's Units are issued and outstanding and no Units are held in the treasury of the Company.

8. <u>Affirmative Covenants of the Company.</u> Prior to exercise of the Option, the Company agrees as follows:

(a) <u>Inspection Rights; Financial and Accounting Records.</u> The Company shall permit any authorized representatives designated by the Holder to visit and inspect any proprieties of the Company, to inspect and copy its financial and accounting records, and to discuss its affairs, finances and accounts with the Company's officers and its independent public accountants, all at such reasonable times and as often as the Holder may reasonably request. With reasonable promptness, the Company shall deliver such other information and data with respect to the Company as the Holder may from time to time reasonably request.

(b) <u>Financial Plans and Operating Budget.</u> The Company shall provide to the Holder an annual financial plan and operating budget of the Company, which shall include at least a projection of income and a projected cash flow statement for each fiscal quarter and a projected balance sheet as of the end of each fiscal quarter. Any material changes in such business plan and operating budget shall be delivered to the Holder as promptly as practicable.

(c) <u>Material Agreements.</u> Within five business days of discovery, notification of any material non-compliance with any material agreement (except if such non-compliance has been corrected within such five-day period).

(d) <u>Compliance with Laws.</u> The Company shall comply with all applicable laws, rules, regulations and orders relating to the conduct of its businesses or to its properties or assets.

(e) Prompt Payment of Taxes. The Company will promptly pay and discharge, or cause to be paid and discharged, when due and payable, all lawful taxes, assessments and governmental charges or levies imposed upon the income, profits, property or business of the Company or any subsidiary; provided, however, that any such tax, assessment, charge or levy need not be paid if the validity thereof shall currently be contested in good faith by appropriate proceedings and if the Company shall have set aside on its books adequate reserves with respect thereto, and provided, further, that the Company will pay all such taxes, assessments, charges or levies forthwith upon the commencement of proceedings to foreclose any lien which may have attached as security therefor. The Company will promptly pay or cause to be paid when due, or in conformance with customary trade terms or otherwise, all other indebtedness incident to operations of the Company.

(f) Insurance. The Company will keep its assets which are of an insurable character insured by financially sound and reputable insurers against loss or damage by fire, explosion and other risks customarily insured against by companies in the Company's line of business, and the Company will maintain, with financially sound and reputable insurers, insurance against other hazards and risks and liability to persons and property to the extent and in the manner customary for companies in similar businesses similarly situated.

(g) Maintenance of Existence. The Company shall maintain in full force and effect its existence, rights and franchises and all licenses and other rights in or to use patents, processes, licenses, trademarks, trade names or copyrights owned or possessed by it and deemed by the Company to be necessary to the conduct of its business.

(h) Proprietary Information and Inventions Agreements. The Company will cause each person now or hereafter employed by it with access to confidential information to enter into a proprietary information and inventions agreement.

9. Negative Covenants of the Company. The Company covenants and agrees that the Company will not do any of the following without the consent of the Holder prior to exercise of the Option:

(a) Dispositions. Convey, sell, lease, transfer, license or otherwise dispose of (collectively, a "Disposition"), or permit any of its subsidiaries to dispose, all or any part of its business or property (including intellectual property), other than Dispositions (i) of inventory in the ordinary course of business and (ii) of worn-out or obsolete equipment.

(b) Changes in Business. Engage in any business other than the businesses currently engaged in by the Company or contemplated by the business plan presented to the Holder and any business substantially similar or related thereto (or incidental thereto).

(c) Mergers or Acquisitions. Merge or consolidate to merge or consolidate, with or into any other business organization or entity, or acquire all or substantially all of the capital stock or property of another Person.

(d) Indebtedness. Create, incur, assume or be or remain liable with respect to any indebtedness in excess of $100,000 whether senior, subordinated, secured or unsecured, except advances and similar expenditures in the ordinary course of business or for trade accounts of the Company in the ordinary course of business.

(e) Encumbrances. Create, incur, assume or suffer to exist any encumbrance with respect to any of its property, or assign or otherwise convey any right to receive income, including without limitation pursuant to the Revenue Sharing Agreement dated as of the date hereof between the Company and Dr. Bell, created after the date hereof pursuant to agreements in effect on the date hereof, or created in the ordinary course of business.

(f) Distributions. Pay any other distribution or payment on account of or in redemption, retirement or purchase of any equity interest.

(g) Investments. Directly or indirectly acquire or own, or make any Investment (as defined below) in or to any Person. "Investment" means any beneficial ownership of (including stock, partnership interest or other securities) any Person, or any loan, advance or capital contribution to any Person.

(h) Transactions with Affiliates. Engage in any loans, leases, contracts or other transactions with any equity holder (other than the Holder), director, officer or key employee of the Company, or any member of any such person's immediate family, including the parents, spouse, children and other relatives of any such person, on terms less favorable than the Company would obtain in a transaction with an unrelated party.

(i) Equity Issuances. Issue any of its equity interests, or grant an option or rights to subscribe for, purchase or acquire any of its equity interests to any person, except the Company may concurrently with the exercise of the Option, issue the Initial Class A Member Option in form and substance reasonably satisfactory to the Holder.

(j) Compensation of Employees. Compensate any of its employees, including officers, or consultants in an annual amount greater than $180,000.

(k) Amendment of Related Agreements. Amend, modify or change the terms or conditions of any Related Agreement.

10. Agreement of Dr. Bell. Dr. Bell agrees that all of his activities relating to the "Technology" as defined in the Assignment and Subscription Agreement shall be carried out through the Company.

11. Miscellaneous.

(a) Governing Law. This Agreement and the rights and obligations of the parties hereunder shall be governed by, and shall be construed and enforced in accordance with, the internal laws of the state of California, without regard to conflicts of laws principles, and of the United States.

(b) Notices. Any notice or other communication provided for in this Agreement shall be in writing and sent to the address listed under each party's signature hereto or at such other address a party may from time to time in writing designate. Each such notice or other communication shall be effective (i) if given by telecommunication, when transmitted to the applicable number so specified pursuant to this Section and a confirmation of transmission is received, (ii) if given by mail, three days after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid or (iii) if given by any other means, when actually delivered at such address.

(c) Amendments and Waiver. No amendment, modification, termination or waiver of any provision of this Agreement, shall be effective unless the same shall be in writing and signed by the parties. Any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given. Failure by either party, at any time, to require performance by the other party or to claim a breach of any provision of this Agreement shall not be construed as a waiver of any right accruing under this Agreement, nor shall it affect any subsequent breach or the effectiveness of this Agreement or any part hereof, or prejudice either party with respect to any subsequent action.

(d) Severability. If any provision of this Agreement is held invalid or unenforceable, the remainder of this Agreement shall nevertheless remain in full force and effect, and if any provision is held invalid or unenforceable with respect to particular circumstances, it shall nevertheless remain in full force and effect in all other circumstances, to the fullest extent permitted by law.

(e) Integration. This Agreement, together with any exhibits and schedules hereto, supersedes all prior agreements and understandings of the parties in connection pertaining to the subject matter hereof. There are no oral agreements between the parties that pertain to the subject matter hereof.

(f) Arbitration. Any controversy or claim arising out of or relating to this Agreement, its enforcement or interpretation, or because of an alleged breach, default, or misrepresentation in connection with any of its provisions, other than a controversy or claim arising out of or relating to a calculation pursuant to any of its provisions, shall be submitted to arbitration, to be held in Los Angeles County, California in accordance with California Civil Procedure Code Sections 1282-1284.2. In the event either party institutes arbitration under this Agreement, the party prevailing in any such arbitration shall be entitled, in addition to all other relief, to reasonable attorneys' fees relating to such arbitration. The nonprevailing party shall be responsible for all costs of the arbitration, including but not limited to, the arbitration fees, court reporter fees, etc.

(g) Further Assurances. Each party hereto agrees to execute, acknowledge and deliver any and all further instruments, and to do any and all further acts, as may be necessary or appropriate to carry out the intent and purpose of this Agreement, and each party will use its best efforts to obtain any and all third party consents or approvals necessary or useful for the consummation of the transactions contemplated by this Agreement.

(h) *Headings*. The section headings in this Agreement are for convenience only, and shall not be considered a part of, or affect the interpretation of, any provision of this Agreement.

(i) *Counterparts*. This Agreement may be executed in one or more counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

[Signature page to follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

AMERIGON INCORPORATED

By:____________________________

Name:
Title:

Notice Address:

BSST, LLC

By:____________________________

Name:
Title:

Notice Address:

DR. LON E. BELL

____

Notice Address:

REVENUE SHARING AGREEMENT

THIS REVENUE SHARING AGREEMENT (this "Agreement") is entered into as of September 4, 2000 by and between BSST, LLC, a Delaware limited liability company (the "Company"), and DR. LON E. BELL (the "Inventor").

RECITALS:

WHEREAS, pursuant to an Assignment and Subscription Agreement dated September 4, 2000 between the Company and the Inventor (the "Assignment Agreement"), the Inventor has assigned to the Company all of his right, title and interest to the Technology (as defined in the Assignment Agreement) in exchange for Membership Interests in the Company;

WHEREAS, the Inventor has agreed to further develop the Technology for the Company in order to commercialize products based on the Technology; and

WHEREAS, the Company and the Inventor desire to enter into this Agreement to allow the Inventor to share in the Company's revenue from the sale of products resulting from the Basic Technology;

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained, the parties agree as follows:

ARTICLE I

DEFINITIONS

1.1 An "affiliate" of, or person "affiliated with," another person means a person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with such other person.

1.2 "Assignment Agreement" has the meaning specified in the first recital of this Agreement.

1.3 "Basic Technology" means all Technology (as defined in the Assignment Agreement) and any improvements, modifications, enhancements and derivatives on or to such Technology that are developed after the date of this Agreement by the Company. Basic Technology shall not include any technology acquired or licensed by the Company from a third party.

1.4 "Contract Payment" has the meaning specified in Section 2.1.

1.5 "Covered Product" means a product that incorporates, utilizes or results from the Basic Technology.

1.6 "Covered Revenue" means the aggregate amount of revenue included on the income statement of a person from the sale by such person of Covered Products during a specified period, as determined in accordance with generally accepted accounting principles.

1.7 "Fiscal Quarter" means a fiscal quarter of the Company for financial accounting purposes.

1.8 "Fiscal Year" means the fiscal year of the Company for financial accounting purposes.

1.9 "Holder of a Contract Payment Interest" means a person holding all or any part of the right to receive the Contract Payment.

1.10 "Inventor's Equity Interest" as of any date means the aggregate amount of equity securities of the Company and vested options to obtain additional equity interests in the Company held by Inventor as of such date.

1.11 "Royalty Receivable" means the amount of royalties earned in any period by the Company from a third party arising from such third party's sale of Covered Products.

1.12 "Special Events" means any of the following:

(a) any sale or transfer of securities representing 50% or more of the outstanding voting power of, or economic interests in, the Company;

(b) any consolidation, merger or other business combination of the Company into any other corporation or entity, whether or not the Company is the entity surviving such transaction, if, immediately after giving effect to such transaction (and all other transactions related thereto or contemplated thereby), the equity holders of the Company immediately prior to such transaction do not own, directly or indirectly, securities representing more than 50% of the outstanding voting power of, and economic interests in, the surviving corporation or entity; and

(c) the consummation of an initial public offering by the Company (other than pursuant to an employee stock option, stock purchase or similar plan or pursuant to a Rule 145 transaction under the Securities Act of 1933).

1.13 "Statement" has the meaning specified in Section 2.3.

1.14 "Term" has the meaning specified in Section 2.2.

ARTICLE II

REVENUE SHARING PLAN

2.1 <u>Revenue Sharing Payments</u>. Each Fiscal Quarter, the Company shall pay the Inventor, his successors and permitted assigns the following amounts (the "Contract Payment"):

(a) With respect to Covered Products manufactured by or on behalf of the Company, 2.5% of the Company's Covered Revenues from such Covered Products.

(b) With respect to Covered Products manufactured by a third party which has licensed the Basic Technology from the Company:

(i) If the Company's Royalty Receivable from such Covered Products is equal to or greater than 5% of such third party's Covered Revenue from such Covered Products, 2.5% of such Covered Revenue;

(ii) If the Company's Royalty Receivable from such Covered Products is less than 5% of such third party's Covered Revenue from such Covered Products, a percentage of such Covered Revenue mutually agreed by Inventor and the Company; *provided*, that the Company and Inventor shall mutually agree to share any other applicable form of revenue, compensation or consideration earned or received by the Company from such third party (including, but not limited to upfront fees and warrants).

2.2 *Term of Payments.* Subject to Section 3.5, commencing on the date of this Agreement, the Company shall make the Contract Payment specified in Section 3.1 for each Fiscal Quarter for a period of twenty-five years (the "Term"), provided that the Company's obligation to make such Contract Payments shall terminate in the event the Inventor (i) after 30 days notice from the Company of a default in the performance of or compliance with Sections 1.1 and 1.2 of the Assignment Agreement and the failure by the Inventor to cure the default within such 30 day period, (ii) engages in the same or similar type of business as the Company or engages in a thermoelectric business competitive with the Company or (iii) contests the validity or enforceability of the assignment of the Technology under the Assignment Agreement except in connection with the Inventor's reversionary rights under the Assignment Agreement upon the liquidation or winding up of the Company.

2.3 *Timing of Payments.* The Contract Payment payable to the Inventor (or the persons designated by the Inventor under Section 4.1), his successors, heirs and permitted assigns shall be paid in arrears by the Company within 45 days after the end of each Fiscal Quarter during the Term of this Agreement, notwithstanding the termination of Inventor's employment with Company or any of its affiliates for any reason whatsoever, including death of the Inventor. The Company shall accompany the Contract Payment with a reasonably detailed statement of calculation of the Contract Payment amounts (a "Statement").

2.4 *Option to Receive Contract Payment in Equity.* If the Company licenses any of its Basic Technology to a third party and the Company receives common stock or other equity interests of the third party in satisfaction of a Royalty Receivable, the Company and the Inventor shall mutually agree as to any Contract Payment applicable to such Royalty Receivable payable in equity and, in lieu of such agreement, the Inventor shall receive the Contract Payment in the form of a pro rata share of such Royalty Receivables payable in equity.

2.5 *Special Events.* Notwithstanding any other provisions of this Agreement, the aggregate amount of Contract Payments in any Fiscal Year shall be subject to the limitations set forth in this Section 2.5. Upon the occurrence of any Special Event, if the Inventor's Equity Interest has an aggregate fair market value (as deemed to be the value as determined by the Board of Directors of the Company in the good faith exercise of its business judgment, irrespective of the accounting treatment thereof) on the closing date of the Special Event of:

(a) at least $25,000,000, but less than $50,000,000, then (i) from such date forward, the aggregate amount of Contract Payments in any Fiscal Year shall not exceed $5,000,000 and (ii) the Term of this Agreement shall be revised to be the shorter of (A) ten years from such date or (B) the period from such date through the end of the Term of this Agreement specified in Section 2.2;

(b) at least $50,000,000, but less than $100,000,000, then from such date forward, the aggregate amount of Contract Payments in any Fiscal Year shall not exceed $2,500,000 and (ii) the Term of this Agreement shall be revised to be the shorter of (A) ten years from such date or (B) the period from such date through the end of the Term of this Agreement specified in Section 2.2; or

(c) equal to or greater than $100,000,000, then as of such date the Company's obligation to make Contract Payments to the Inventor shall terminate and have no further force and effect and this Agreement shall be terminated; _provided_, that the Company shall pay the Inventor any Contract Payments accrued but unpaid to the Inventor as of such date.

2.6 _Certain Approval Rights._ The Inventor shall have the right to approve, prior to execution, the Royalty Receivables in any license, agreement, contract or similar arrangement entered into with a third party by the Company in which Royalty Receivables will be less than 5% of the third party's Covered Revenue from Covered Products. The Company shall provide to the Inventor for his approval the proposed terms of such Royalty Receivables (including, if applicable, the types of equity interests described in Section 2.4 which may be received) no later than 10 business days prior to the proposed execution of such license, agreement, contract or similar arrangement for the Inventor's approval shall not be unreasonable withheld.

ARTICLE III

PAYMENT DISCLAIMER AND REALLOCATION; PERMITTED ASSIGNMENTS

3.1 _Payment Disclaimer and Reallocation._ The Inventor shall have the right, no later than 15 days prior to the beginning of each Fiscal Quarter, to deliver a written notice to the Company disclaiming the Inventor's right to receive all or any part of the Contract Payment to be paid at the end of such Fiscal Quarter (other than the share of the Contract Payment to be paid to Inventor's permitted assigns). Upon approval of the Board of Directors of the Company of such a disclaimer, which approval shall not be unreasonably withheld, the Inventor shall have the right to reallocate the amount of Contract Payment disclaimed by the Inventor to current or former officers, employees, consultants and contractors of the Company. If the Inventor fails to instruct the Company, then the Contract Payment payable at the end of such Fiscal Quarter shall be paid to the Inventor.

3.2 _Payment Assignments._ The Inventor shall have the right to sell, transfer or hypothecate ("assign") all or any part of the Inventor's right to receive the Contract Payment. Any such assignment shall be irrevocable and subject to all pertinent laws and governmental regulations and to the rights of the Company under this Agreement. In the event of any such irrevocable assignment by the Inventor, the Inventor shall deliver a written notice to the Company detailing the name and address of the assignee and the amount of the Contract

Payment that should be paid to the assignee. Following any such assignment, the Inventor shall have no further right or interest in the assigned portion of the Contract Payment and the assignee shall become a Holder of a Contract Payment Interest and treated as "Inventor" for all purposes hereunder with respect to his or her applicable percentage of the Contract Payment (other than with respect to Section 2.6). If the Inventor assigns all of his right to receive the Contract Payment, the Inventor shall cease to be a Holder of a Contract Payment Interest. For purposes of this Section 3.2, the Company may rely on any written notice believed by it to be genuine and to have been signed or presented by the Inventor. The Company need not investigate any fact or matter stated in the written notice.

ARTICLE IV

AUDIT RIGHTS; OWNERSHIP; SALE OF TECHNOLOGY

4.1 Accounting Records re Exploitation; Audit Rights.

(a) The Company shall keep books of account relating to its operations, together with records supporting the same (all of which are hereinafter referred to as "records"). The Inventor may audit the applicable records at the place where the Company maintains the same in order to verify Statements rendered hereunder. Any such audit shall be conducted by a reputable public accountant during reasonable business hours in such manner as not to interfere with the Company's normal business activities. In no event shall an audit with respect to any Statement commence later than 24 months from end of the Fiscal Quarter to which such Statement relates; nor shall audits be made hereunder more frequently than once annually; nor shall the records supporting any Statement be audited more than once. All Statements rendered hereunder shall be binding upon the Inventor and not subject to objection for any reason if the Inventor has not commenced an audit thereof within 24 months from the end of the Fiscal Quarter to which a Statement relates. If the Company, as a courtesy to the Inventor, shall include cumulative figures in any Statement, the time within which the Inventor may commence any audit or make any objection in respect of any statement shall not be enlarged or extended thereby. Subject to Section 4.1(c), the fees and expenses incurred by the public accountant retained by the Inventor in connection with any audit under this Section 4.1(a) shall be divided evenly between the Company and the Inventor, provided that the Company shall not be obligated to pay more than $25,000 of such fees and expenses per audit.

(b) If the Inventor contests any computations made in connection with a Statement, the Inventor shall provide written notice to the Company stating each item as to which the Investor takes exception, specifying reasonable detail the nature and extent of any such exception. If a proposed change is disputed by the Company, then the Company and the Inventor shall negotiate in good faith to resolve such dispute. If, after a period of 20 days following the date on which the Inventor gives the Company notice of any proposed change which remains disputed, then the Company and the Inventor shall choose any independent firm of public accountants of nationally recognized standing other than the auditor of Amerigon Incorporated or the Company at such time to resolve any remaining dispute. The accounting firm shall act as an arbitrator to determine, based solely on presentations by the parties and not by independent review, only those issues still in dispute. The decision of the accounting firm shall be final and binding. All of the fees and expenses of the accounting firm shall be paid

equally by the Company and the Investor; provided, however, that if the accounting firm determines that either party's position is totally correct, then the other party shall pay 100% of the costs and expenses incurred by the accounting firm in connection with any such determination. Any disputes other than computational errors shall be settled in accordance with Sections 5.6 and 5.7.

(c) If any audit of the Company's records by the Inventor reveals that the Company has failed to properly account for and pay the Inventor the Contract Payment that should have been paid for any Fiscal Quarter, and the amount of any Contract Payment which the Company has failed to properly account and pay for in aggregate in any Fiscal Year exceeds by 5% or more, the amount of Contract Payment actually accounted for and paid to the Inventor for such Fiscal Year, the Company shall, in addition to paying the Inventor such overdue percentage of Contract Payment, pay the Inventor an additional 10% of the Contract Payment that should have been paid for that Fiscal Year and reimburse the Inventor for his direct, reasonable out-of-pocket expenses incurred in conducting such audit.

(d) Any license, agreement, contract or similar arrangement entered into Company with a third party in which Royalty Receivables are receivable by the Company shall contain usual and customary rights to audit such third party. The Inventor shall have access to all records received by the Company from such third parties supporting Royalties Receivable and Covered Revenues received from such third party for which a Contract Payment is payable to the Inventor. The Inventor shall further have the right to request the Company to exercise the Company's audit rights with respect to third parties under any license, agreement, contract or similar arrangement entered for which Royalty Receivables are receivable and the Company shall reasonably comply with such request.

4.2 Ownership. The Inventor expressly acknowledges that the Inventor has and will have no right, title or ownership interest of any kind or character whatsoever in or to the Basic Technology, or to the literary, scientific or engineering material upon which the Basic Technology is based, or from which it may be adapted, and no lien thereon or other rights thereto, except as expressly provided herein and any reversionary rights upon a liquidation or winding up of the Company; and that the same shall be and remain the Company's sole and exclusive property. Subject to the Inventor's rights hereunder, including, without limitation, the Inventor's rights under Section 2.6, the Company shall have the sole and exclusive right to utilize, sell, license or otherwise dispose of all or any part of its rights in the Basic Technology or such literary, scientific or engineering material. The Company shall not be obligated to segregate Contract Payment from its other funds, it being the intent and purpose hereof that Contract Payment is referred to herein merely as a measure in determining the time and manner of payment to Inventor. The Contract Payment is unfunded by the Company and subject to the claims of the Company's creditors.

4.3 Exploitation. As between the Inventor and the Company, subject to Section 2.6, the Company shall have complete authority to exploit the Basic Technology and license the incorporation and use thereof throughout the world. The Company shall have the broadest possible latitude in the exploitation of the Basic Technology, and the exercise of its judgment in good faith in all matters pertaining thereto shall be final. The Company has not made any express or implied representation, warranty, guarantee or agreement as to the amount of proceeds

which will be derived from the exploitation of the Basic Technology, nor has the Company made any express or implied representation, warranty, guarantee or agreement that there will be any sums payable to Inventor hereunder, or that the Basic Technology will be favorably received by manufacturers or consumers, or will be exploited continuously. In no event shall the Company incur any liability based upon any claim that the Company has failed to realize receipts or revenue which should or could have been realized. Subject to Section 2.6, the Company may exploit the Basic Technology itself or through such licensees, sublicensees and other parties as the Company may, in its uncontrolled discretion, determine, upon such terms and conditions as the Company may deem advisable, and the Company may refrain from exploiting the Basic Technology in any territory for any reason whatsoever.

4.4 Sale of Technology. The Company shall have the right at any time to sell, transfer or assign all or any of its rights in and to the Basic Technology. Any such sale, transfer or assignment shall be subject to the Inventor's rights hereunder, and upon the purchaser, transferee or assignee assuming performance of this Agreement in place and stead of the Company, the Company shall be released and discharged of and from any further liability or obligation hereunder. No part of any sales price or other consideration received by, or payable to, the Company shall be included in the Company's Covered Revenues and the Inventor shall have no rights under this Agreement in respect of any thereof.

ARTICLE V

MISCELLANEOUS PROVISIONS

5.1 Governing Law. This Agreement and the rights and obligations of the parties hereunder shall be governed by, and shall be construed and enforced in accordance with, the internal laws of the State of California, without regard to conflicts of laws principles, and of the United States.

5.2 Notices. Any notice or other communication provided for in this Agreement shall be in writing and sent to the address listed under each party's signature hereto or at such other address a party may from time to time in writing designate. Each such notice or other communication shall be effective (i) if given by telecommunication, when transmitted to the applicable number so specified pursuant to this Section and a confirmation of transmission is received, (ii) if given by mail, three days after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid or (iii) if given by any other means, when actually delivered at such address.

5.3 Amendments. No amendment, modification, termination or waiver of any provision of this Agreement, shall be effective unless the same shall be in writing and signed by Inventor and, on behalf of the Company, by a senior executive officer after approval thereof by the Board of Directors. Any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given.

5.4 Severability. If any provision of this Agreement is held invalid or unenforceable, the remainder of this Agreement shall nevertheless remain in full force and effect, and if any provision is held invalid or unenforceable with respect to particular circumstances, it shall

nevertheless remain in full force and effect in all other circumstances, to the fullest extent permitted by law.

5.5 Integration. This Agreement, together with any exhibits and schedules hereto, constitutes the entire agreement among the parties pertaining to the subject matter hereof and supersedes all prior agreements and understandings of the parties in connection therewith.

5.6 Dispute Resolution. Except as otherwise provided in Section 4.1(b), the parties shall attempt in good faith to resolve any disputes or future agreements arising out of or relating to this Agreement (including any Contract Payments to be mutually agreed to under Section 2.1). In particular, those executives of the respective parties who have authority to settle the controversy and have direct responsibility for administration of the relationships established pursuant to this Agreement shall attempt in good faith to negotiate a settlement pursuant to the following process:

(a) Any party having a dispute or claim shall give the other party written notice stating the nature of the matter in reasonable detail. Within five business days after delivery of the notice, the receiving party shall submit to the other a written response also in reasonable detail. Within five business days after delivery of the written response, decisionmakers from both parties shall meet (in person or by telephone) at a mutually acceptable time and place (including telephonic conference), and thereafter as often as they reasonably deem necessary, to attempt to resolve the matter. All reasonable requests for information made by one party to the other shall be honored.

(b) If the matter has not been resolved by the persons referred to above within ten days of the first meeting of such persons, the matter shall be referred to more senior executives of each party who have authority to settle the matter and who shall likewise meet (in person or by telephone) to attempt to resolve the matter. Within five business days after the referral of the matter to more senior executives of each party, the senior executives of both parties shall meet at a mutually acceptable time and place (including telephonic conference), and thereafter as often as they reasonably deem necessary, to attempt to resolve the dispute.

(c) If the matter has not been resolved within ten days from the referral of the matter to such senior executives, then the parties may pursue arbitration in accordance with Section 5.7.

5.7 Arbitration. Except as otherwise provided in Section 4.1(b), any controversy or claim arising out of or relating to this Agreement, its enforcement or interpretation, or because of an alleged breach, default, or misrepresentation in connection with any of its provisions, other than a controversy or claim arising out of or relating to a calculation pursuant to any of its provisions, shall be submitted to arbitration, to be held in Los Angeles County, California in accordance with California Civil Procedure Code Sections 1282-1284.2. Any controversy or claim arising out of or relating to a calculation pursuant to any provision of this Agreement shall be resolved pursuant to Section 4.1(iii). Inventor shall have a right to submit such resolution to arbitration in accordance with the provisions of this Section 5.7 governing arbitration of any controversy or claim not arising out of or relating to a calculation under this Agreement. In the event either party institutes arbitration under this Agreement, the party prevailing in any such

arbitration shall be entitled, in addition to all other relief, to reasonable attorneys' fees relating to such arbitration. The nonprevailing party shall be responsible for all costs of the arbitration, including but not limited to, the arbitration fees, court reporter fees, etc.

5.8 Further Assurances. Each party hereto agrees to execute, acknowledge and deliver any and all further instruments, and to do any and all further acts, as may be necessary or appropriate to carry out the intent and purpose of this Agreement, and each party will use its best efforts to obtain any and all third party consents or approvals necessary or useful for the consummation of the transactions contemplated by this Agreement.

5.9 Headings. The Article headings in this Agreement are for convenience only, and shall not be considered a part of, or affect the interpretation of, any provision of this Agreement.

5.10 Counterparts. This Agreement may be executed in one or more counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

[Signature page to follow]

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

COMPANY: BSST, LLC

By: ______________________________

Its: _____________________________

Notice address:

INVENTOR: DR. LON E. BELL

____

Notice address:

Exhibit 10.5

AMENDED AND RESTATED

OPERATING AGREEMENT

OF

BSST, LLC

(a Delaware limited liability company)

Exhibit A

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AMENDED AND RESTATED

OPERATING AGREEMENT

OF

BSST, LLC

This Amended and Restated Operating Agreement (the "Agreement") is made as of _______ __, ____ by and among the undersigned members (the "Members") of BSST, LLC, a Delaware limited liability company (the "Company").

W I T N E S S E T H:

WHEREAS, the Company filed its Certificate of Formation, on August 29, 2000 with the Secretary of State of the State of Delaware;

WHEREAS, the Members desire to amend and restate the existing Operating Agreement, dated as of August 29, 2000 (as amended to date, the "Prior Operating Agreement"), to establish the respective economic and other rights of Members and to provide regulations and procedures for the governance of the Company; and

WHEREAS, the Prior Operating Agreement is hereby revoked in its entirety and is superceded by this Agreement.

NOW, THEREFORE in consideration of the premises, the mutual promises and obligations contained herein, and with the intent of being legally bound, the parties hereto agree as follows:

ARTICLE I -- DEFINITIONS

SECTION 1.1 Definitions. For purposes of this Agreement, capitalized terms used herein shall have the following meanings:

"Adjusted Capital Account" shall mean, the balance in a Member's Capital Account after giving effect to the following adjustments:

(a) credit or debit to such Capital Account, as applicable, all Capital Contributions and Distributions to the Member for the relevant Fiscal Year;

(b) credit to such Capital Account any amount that such Member is obligated to restore or is deemed obligated to restore pursuant to the penultimate sentences of Treasury Regulation Sections 1.704-2(g)(1) or 1.704-2(i)(5); and

(c) debit to such Capital Account the items described in Sections 1.704-1(b)(2)(ii)(d)(4), (5), and (6) of the Treasury Regulations.

"Affiliate" of a party shall mean any entity which directly or indirectly controls, is controlled by or is under common control with such party. For the purposes of this definition, "control" means the power to direct the affairs of an entity by reason of ownership of equity securities, by contract, or otherwise.

"Assignee" shall mean a Person to which a Membership Interest has been transferred or otherwise assigned, but who has not yet become a Substituted Member. Nothing contained in this definition shall imply that an Assignee may ever become a Substituted Member.

"Assigning Member" shall mean a Member that has transferred or otherwise assigned its Membership Interest in the Company to another Person.

"Board of Directors" or "Board" shall mean the Board of Directors of the Company created pursuant to Article VI hereof.

"Business Day" shall mean any day other than Saturday, Sunday and any other day on which banks in California are not open for business.

"Capital Account" shall mean the capital account established and maintained for each Member pursuant to Section 10.1, and as of the original date of this Agreement, the amount reflected in each Member's Capital Account shall be the amount as set forth in Exhibit A hereto.

"Capital Contribution" shall mean the amount of cash and the Fair Market Value (at the date of contribution) of property (net of liabilities secured by such property that the Company is considered to assume or take subject to under (S)752 of the Code) contributed by a Member to the capital of the Company and any Company liabilities assumed by a Member within the meaning of (S)1.704-1(b)(2)(iv)(c) of the Treasury Regulations.

"Certificate of Formation" shall mean the Certificate of Formation of the Company, as amended, and as the same may be amended, supplemented or restated from time to time.

"Class A Member" shall mean any holder of a Class A Common Units.

"Class A Member's Equity Ownership" as of any date of determination, means the aggregate amount of Units and vested Unit Equivalents held by the Class A Member as of such date.

"Class A Common Units" shall mean any Units having the rights, preferences, privileges and restrictions set forth in Section 3.1(a) and Article IV.

"Class B Member" shall mean any holder of Class B Common Units.

"Class B Common Units" shall mean any Units having the rights, preferences, privileges and restrictions set forth in Section 3.1(b).

"Code" shall mean the Internal Revenue Code of 1986, as amended (including corresponding provisions of subsequent or successor revenue laws).

"Commission" means the Securities and Exchange Commission.

"Common Units" shall mean the Class A Common Units and the Class B Common Units.

"Company" shall have the meaning set forth in the preamble to this Agreement.

"Company Minimum Gain" with respect to any year means the "partnership minimum gain" computed in accordance with the principles of Section 1.704-2(d)(1) of the Treasury Regulations.

"Conversion Price" shall have the meaning set forth in Section 5.3(a).

"Conversion Rights" shall have the meaning set forth in Section 5.3.

"Depreciation" shall mean, for each Fiscal Year or part thereof, an amount equal to the depreciation, amortization or other cost recovery deduction allowable for federal income tax purposes with respect to an asset for such Fiscal Year or part thereof, except that if the Gross Asset Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such Fiscal Year, the depreciation, amortization or other cost recovery deduction for such Fiscal Year or part thereof shall be an amount which bears the same ratio to such Gross Asset Value as the federal income tax depreciation, amortization or other cost recovery deduction for such Fiscal Year or part thereof bears to such beginning adjusted tax basis; provided, however, that if the federal income tax depreciation, amortization or other cost recovery deduction for such Fiscal Year is zero, Depreciation shall be determined with reference to such beginning Gross Asset Value using any reasonable method selected by the Board of Directors or the Tax Matters Member.

"Director" shall mean any of the individuals designated to the Board of Directors pursuant to Section 6.2(a).

"Dissolution" shall mean the happening of any of the events set forth in Section 13.1.

"Distribution" shall mean any money and the Fair Market Value of any property (net of liabilities secured by such property that the Member is deemed to assume or take pursuant to Section 752 of the Code) distributed by the Company to the Members in accordance with Article XI of this Agreement.

"DLLCA" shall mean the Delaware Limited Liability Company Act, as in effect in the State of Delaware.

"Economic Interest" shall mean the right to receive distributions of the Company's assets and allocations of income, gain, loss, deduction, credit and similar items from the Company pursuant to this Agreement and the DLLCA, but shall not include any other rights of a Member, including without limitation, the right to vote or participate in the management of the Company or to call a meeting of the Members, or except as may be required by the DLLCA, any right to information concerning the business and affairs of the Company.

"Effective Date" shall mean the date first above written.

"Encumbrance" shall mean any lien, pledge, option, charge, easement, security interest, deed of trust, mortgage, right of way, encumbrance, right of first refusal or other right or adverse claim of any third party of any sort whatsoever.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, or any similar successor federal statute and the rules and regulations thereunder, all as the same shall be in effect from time to time.

"Fair Market Value" shall mean, with respect to any property (including the Membership Interests), the value that would be obtained in an arm's length transaction for ownership of such property for cash between an informed and willing seller and an informed and willing purchaser, each with an adequate understanding of the facts and under no compulsion to buy or sell. The determination of the Fair Market Value of any property shall be determined by mutual agreement of the Board of Directors and any affected party or parties, or if no such agreement can be reached, the value as determined by the Board in good faith. The Board"s determinations in connection with the foregoing shall be final and binding on all parties, absent manifest error.

"Family Group" means, with respect to any individual, such individual's spouse and descendants (whether natural or adopted) and any trust established and maintained for the benefit of such individual, such individual's spouse or such individual's descendants.

"Fiscal Year" shall mean the fiscal and taxable year of the Company, which shall be the year ending December 31 unless another period is required by the Code, or as adopted by the Board of Directors pursuant to the Code.

"Form S-3" means such form under the Securities Act as in effect on the date hereof or any successor registration form under the Securities Act.

"Fully-Diluted Percentage Interest" means, as of any date of determination, the Percentage Interest calculated using the number of Units outstanding plus (without duplication) all Units issuable, whether at such time or upon the passage of time or the occurrence of future events, upon the exercise, conversion or exchange of all then-outstanding Unit Equivalents.

"GAAP" shall have the meaning set forth in Section 7.1(a).

"Gross Asset Value" shall mean, with respect to any asset of the Company, the adjusted basis of such asset as of the relevant date for federal income tax purposes, except as follows:

(a) the initial Gross Asset Value of any asset contributed by a Member to the Company shall be the Fair Market Value of such asset on the date of contribution;

(b) the Gross Asset Values of all Company assets (including intangible assets such as goodwill) shall be adjusted to equal their respective Fair Market Values as of the following times:

(i) the acquisition of an additional interest in the Company by any new or existing Member in exchange for more than a de minimis Capital Contribution;

(ii) the distribution by the Company to a Member of more than a de minimis amount of money or Company property as consideration for its interest in the Company; and

(iii) the liquidation of the Company within the meaning of (S)1.704-1(b)(2)(g) of the Treasury Regulations; and

(iv) an election under Code Sections 734(b) or 743(b), but only as provided in Treasury Regulation (S)1.704-1(b)(2)(iv)(m); provided, however, that in the case of the events described in clauses (i) or (ii), such adjustments shall be limited to adjustments that the Board determines are necessary or appropriate to reflect the relative economic interests of the Members.

The foregoing definition of Gross Asset Value is intended to comply with the provisions of (S)1.704-1(b)(2)(iv) of the Treasury Regulations and shall be interpreted and applied consistently therewith.

"Holder of Registrable Shares" means any person owning or having the right to acquire Registrable Securities or any assignee thereof.

"Initial Class A Member Options" means the options granted to the Class A Member on the Effective Date, exercisable upon performance-based vesting for a number of Class A Units equal to 5% of the Fully-Diluted Percentage Interests as of the Effective Date.

"Liquidation" shall mean a liquidation of the Company in accordance with Section 14.1.

"Majority in Interest" shall mean (i) in respect of any class or series, the affirmative vote of Members of such class or series holding at least a majority of the aggregate outstanding Voting Interests held by all Members of such class or series and (ii) in respect of all Members, the affirmative vote of all Members holding at least a majority of the aggregate outstanding Voting Interests held by all Members.

"Member" shall mean a Person, or another entity, that is a record owner of at least one Membership Interest.

"Member Nonrecourse Debt Minimum Gain" means an amount of gain characterized as "partner nonrecourse debt minimum gain" under Treasury Regulation Section 1.704-2(i)(2) and 1.704-2(i)(3).

"Member Nonrecourse Deductions" in any year means the Company deductions that are characterized as "partner nonrecourse deductions" under Sections 1.704-2(i)(1) and 1.704-2(i)(2) of the Treasury Regulations.

"Membership Interest" shall mean all of the ownership interests of a Member, as represented by Units, in the Company (which shall be considered personal property for all purposes), consisting of (a) such Member's interests in Net Profits, Net Losses, and Distributions of the Company, as such interests shall be adjusted from time to time in accordance with the provisions hereof, (b) such Member's Capital Account, (c) such Member's rights to participate in management as provided herein or under the DLLCA and (d) such Member's other rights and privileges as herein provided.

"Milestone" shall mean the milestones described on Exhibit B attached hereto.

"Net Profits" or "Net Loss" shall mean with respect to each Fiscal Year or other period, an amount equal to the Company"s taxable income or tax loss, as the case may be, for such year or period determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss or deduction required to be separately stated pursuant to Code Section 703(a))(1) shall be included in such taxable income or loss), together with the following adjustments:

(a) any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Net Profits or Net Loss pursuant to this definition shall be added to such taxable income or tax loss;

(b) any expenditures of the Company described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures pursuant to Treasury Regulations (S)1.704-1(b)(2)(iv)(i) and not otherwise taken into account in computing Net Profits or Net Loss pursuant to this definition shall be subtracted from such taxable income or tax loss in the year paid;

(c) in the event the Gross Asset Value of any Company property is adjusted pursuant to the definition of "Gross Asset Value" above, (i) the amount of such adjustment shall be taken into account as a gain or loss on the disposition of such property for purposes of computing Net Profits and Net Loss, and (ii) in lieu of the depreciation, amortization, and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such Fiscal Year or other period, computed in accordance with the definition of Depreciation herein;

(d) gain or loss resulting from any disposition of Company property with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the Gross Asset Value less Depreciation of the property disposed of, notwithstanding that the adjusted tax basis of such property may differ from its Gross Asset Value less Depreciation; and

(e) notwithstanding any other provision of this definition of Net Profits and Net Loss, any items comprising the Company's Net Profits or Net Loss that are allocated pursuant to Section 10.3 below shall not be taken into account in computing Net Profits or Net Loss.

"New Securities" shall mean any equity interests (including Common Units and/or Series A Preferred Units) of the Company whether now authorized or not, and rights, options or warrants to purchase such equity interests, and securities of any type whatsoever that are, or may

become, convertible into equity interests of the Company; provided that the term "New Securities" does not include (i) the Units purchased under the Option Agreement; (ii) equity interests issued as consideration for the acquisition of another business entity or business segment of any such entity approved by the Board; (iii) any borrowings, direct or indirect, from financial institutions or other persons by the Company, including any type of loan or payment evidenced by any type of debt instrument; provided, that such borrowings are approved by the Board and that such borrowings do not have any equity features including warrants, options or other rights to purchase equity interests and are not convertible into equity interests of the Company; (iv) securities (other than the Initial Class A Member Options) issued to employees, consultants, officers or directors of the Company pursuant to any option, purchase or bonus plan, agreement or arrangement approved by the Board, but only to the extent such securities in aggregate since the Effective Date exceed 5%, but are less than 10%, of the Fully-Diluted Percentage Interest as of the Effective Date (after giving effect to the Initial Class A Member Options); (v) securities issued to vendors or customers or to other persons in similar commercial situations with the Company in connection with such commercial relationships if such issuance is approved by the Board; (vi) securities issued in connection with obtaining lease financing, whether issued to a lessor, guarantor or other person, if such issuance is approved by the Board; (vii) securities issued in a Qualified IPO; (viii) securities issued in connection with any split, Distribution or recapitalization of the Company; (ix) securities issued in connection with partnering transactions on terms approved by the Board; and (x) any right, option or warrant to acquire any security convertible into the securities excluded from the definition of New Securities pursuant to subsections (i) through (ix) above.

"Nonrecourse Deductions" in any year means the Company deductions that are characterized as "nonrecourse deductions" under Sections 1.704-2(b)(1) and 1.704-2(c) of the Treasury Regulations.

"Officer" shall mean any officer of the Company appointed pursuant to Section 6.3(e).

"Option Agreement" shall mean that certain Option Agreement entered as of September 4, 2000 by and among Amerigon Incorporated, the Company and Dr. Lon E. Bell.

"Original Issue Price" shall have the meaning set forth in Section 5.2(a).

"Percentage Interest" shall mean, with respect to each Member, the applicable percentage interest of a Member's Units as compared to all outstanding Units, as determined on a fully converted basis of any Preferred Units, provided that if Percentage Interest is used with respect to a particular series or class of Units, then it shall mean the percentage interest of a Member's Units as compared to all outstanding Units in that particular series or class.

"Person" shall mean any individual, corporation, limited liability company, partnership, trust, unincorporated organization, governmental authority or any agency or political subdivision thereof, or other entity.

"Preferred Units" shall mean any series of Membership Interests designated by the Company from time to time as preferred units.

"Premium" shall have the meaning set forth in Section 5.2(a).

"Purchase Date" shall have the meaning set forth in Section 5.3(d).

"Qualified IPO" means an underwritten public offering by the Company of its Common Units at a pre-money Company valuation in excess of $75,000,000 pursuant to a registration statement under the Securities Act, which results in net proceeds of at least $15,000,000 to the Company and the public offering price of which is not less than $10.00 per Unit (appropriately adjusted for any split, Distribution, combination or other recapitalization).

"Registrable Securities" means (i) the Units issuable or issued upon the conversion or exercise of any warrant, right or other security held by a Series A Member or a Class A Member or otherwise acquired by a Series A Member and a Class A Member, and (ii) any other Units issued as (or issuable upon the conversion or exercise of any warrant, right or other security which is issued as) a distribution with respect to, or in exchange for or in replacement of (including but not limited to Units issued upon a split) the Units listed in (i), provided, however, that Registrable Securities shall not include any Units which have previously been registered or which have been sold to the public either pursuant to a registration statement or Rule 144, or which have been sold in a private transaction in which the transferor's rights under this Agreement are not assigned. The number of "Registrable Securities then outstanding" shall be determined by the number of Units outstanding which are, and the number of Units issuable pursuant to then exercisable or convertible securities which are, Registrable Securities.

"Regulatory Allocations" shall have the meaning set forth in Section 10.3(g).

"Rule 144" shall mean Rule 144 as promulgated by the Commission under the Securities Act, as such rule may be amended from time to time, or any similar successor rule that may be promulgated by the Commission.

"Rule 145" shall mean Rule 145 as promulgated by the Commission under the Securities Act, as such rule may be amended from time to time, or any similar successor rule that may be promulgated by the Commission.

"Securities Act" shall mean the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder, as the same may be amended from time to time.

"Series A Member" shall mean any holder of a Series A Preferred Unit.

"Series A Preferred Unit" shall mean any Unit having the rights, preferences, privileges and restrictions set forth in Section 3.1(c) and Article V.

"(S) 704(b) Regulations" shall have the meaning set forth in Section 10.1.

"Special Events" means any of the following:

(a) any sale or transfer of securities representing 50% or more of the outstanding Membership Interests in or Voting Interests of the Company;

(b) any consolidation, merger or other business combination of the Company into any other Company or entity, whether or not the Company is the entity surviving such transaction, if, immediately after giving effect to such transaction (and all other transactions related thereto or contemplated thereby), the Members immediately prior to such transaction do not own, directly or indirectly, securities representing more than 50% of the outstanding voting power of, and economic interests in, the surviving Company or entity; and

(c) the consummation of a Qualified IPO by the Company (other than pursuant to an employee option, purchase or similar plan or pursuant to a Rule 145 transaction under the Securities Act).

"Substituted Member" shall have the meaning set forth in Section 3.9.

"Tax Matters Member" shall have the meaning set forth in Section 9.5.

"Transfer" shall mean, when used as a noun, any sale, hypothecation, pledge, assignment, attachment, disposal, loan, gift, levy or other transfer, and, when used as a verb, to sell, hypothecate, pledge, assign, attach, dispose, loan, gift, levy or otherwise transfer.

"Transferring Member" shall mean a Member desiring to sell a Membership Interest.

"Treasury Regulations" means the income tax regulations (including temporary and proposed) promulgated under the Code.

"Unit Equivalents" means (without duplication with any Units or other Unit Equivalents) rights, warrants, options, convertible securities, or exchangeable securities or indebtedness, or other rights, exercisable for or convertible or exchangeable into, directly or indirectly, Units or securities exercisable for or convertible or exchangeable into Units, whether at the time of issuance or upon the passage of time or the occurrence of some future event.

"Units" shall mean the Class A Common Units, the Class B Common Units, and the Series A Preferred Units and any other class or series of units the Company may issue from time to time.

"Voting Interest" shall mean, with respect to a Member entitled to vote on a matter as set forth in this Agreement, the right to vote, except as limited by the provisions of this Agreement. A Member's Voting Interest shall be directly proportional to that Member's Percentage Interest in the Membership Interests then outstanding; in the context of a vote in which all Members shall be entitled to vote, as set forth in this Agreement, each such Member's Voting Interest shall be directly proportional to that Member's Percentage Interest in all Membership Interests then outstanding (including the Series A Preferred Units on an as-converted basis).

All other capitalized terms used herein and not otherwise defined herein shall have the meanings assigned thereto in the DLLCA. To the extent that a term specifically defined in this

Section 1.1 conflicts with a definition provided in the DLLCA, the specific definition set forth herein shall govern to the extent permitted by applicable law.

ARTICLE II -- ORGANIZATION

SECTION 2.1 Formation. The Company was formed on August 29, 2000 by the filing of the Certificate of Formation with the Secretary of State of the State of Delaware pursuant to the DLLCA and on behalf of the Members.

SECTION 2.2 Name. The name of the Company is "BSST, LLC." The business of the Company shall be conducted under such name or such other trade names or fictitious names as adopted by the Board.

SECTION 2.3 Term. The term of the Company commenced on August 29, 2000 and shall continue until the sooner of (x) December 31, 2100 or (y) the termination of the Company in accordance with this Agreement.

SECTION 2.4 Principal Office. The principal office, place of business and address of the Company shall be 5462 Irwindale Avenue, Irwindale, California 91706 and may be changed by the Board from time to time. Prompt written notice shall be given to all Members of any change in the Company's business address.

SECTION 2.5 Registered Agent and Office. The Company's registered agent and office in Delaware shall be National Registered Agents, ________________________, Wilmington, Delaware or such other agent and/or office as the Board may designate from time to time.

SECTION 2.6 Business. The business of the Company shall be to engage in any lawful activity for which limited liability companies may be organized under the DLLCA.

SECTION 2.7 Powers. The Company shall have all the powers permitted to a limited liability company under the DLLCA and which are necessary, convenient or advisable in order for it to conduct its business.

SECTION 2.8 Title to Company Assets. Title to, and all right and interest in, the Company's assets shall be acquired in the name of and held by the Company.

ARTICLE III -- MEMBERSHIP; VOTING; CAPITAL CONTRIBUTIONS

SECTION 3.1 Membership Interests. There shall be three (3) classes of Membership Interests.

(a) Class A Common Units. Class A Common Units shall have all the rights, preferences, privileges and restrictions generally granted to or imposed upon limited liability company membership interests under the DLLCA, in addition to those rights, preferences, privileges and restrictions granted to or imposed upon such interests by this Agreement, including those set forth in Article IV. Initially, Dr. Lon E. Bell shall be the only holder of Class

A Common Units. Class A Common Units shall automatically be converted to Class B Common Units upon transfer unless the transfer is to a person in the Family Group of Dr. Lon E. Bell.

(b) Class B Common Units. Class B Common Units shall have all the rights, preferences, privileges and restrictions generally granted to or imposed upon limited liability company membership interests under the DLLCA, in addition to those rights, preferences, privileges and restrictions granted to or imposed upon such interests by this Agreement. Other than as specifically set forth in this Agreement, the Class B Common Units shall be identical to the Class A Common Units.

(c) Series A Preferred Units. Series A Preferred Units shall have all the rights, preferences, privileges and restrictions generally granted to or imposed upon limited liability company membership interests under the DLLCA, in addition to those rights, preferences, privileges and restrictions granted to or imposed upon such interests by this Agreement, including those set forth in Article V. Initially, Amerigon Incorporated shall be the only holder of Series A Preferred Units.

SECTION 3.2 Voting. The Members (including the voting rights of the Series A Member as set forth in Section 5.4) shall have the right to vote in accordance with their Voting Interests. If a Member has assigned all or part of the Member's Economic Interest to a person who has not been admitted as a Member, the Assigning Member shall vote in proportion to the Voting Interest that the Assigning Member would have had if the assignment had not been made. Unless otherwise specified in this Agreement, all Members shall vote as a single class, with the Series A Member voting on an as-converted basis pursuant to Section 5.4.

SECTION 3.3 Names and Addresses. The names and addresses of the Members are as set forth in Exhibit A to this Agreement. The Board shall cause Exhibit A to be maintained and updated from time to time, as necessary, including in order to reflect the admission of Members and the issuance of Units in accordance with the terms of this Agreement. Any reference in this Agreement to Exhibit A shall be deemed a reference to Exhibit A as amended and in effect from time to time.

SECTION 3.4 Capital Contributions. Each Member has made contributions with a Fair Market Value set forth under the heading "Paid in Capital" in Exhibit A to this Agreement. The Members initially hold the number of Units set forth opposite their respective names on Exhibit A.

SECTION 3.5 Additional Contributions.

(a) Mandatory Additional Capital Contributions or Loans. Except as provided in this Section 3.5(a) with respect to the Series A Member, no Member shall be required to make any additional Capital Contributions or lend any funds to the Company.

(i) Additional Funding Requirement. Concurrently with delivery of audited financial statements as required by Section 7.1(a), the Company shall deliver a certificate (the "Certificate") setting forth the Company's free cashflow for the previous Fiscal Year and

requesting specified amounts and timing for such amounts of additional funding from the Series A Member. For purposes of this Section 3.5(a), "free cashflow" means, with respect to the Company, earnings before interest, taxes, depreciation and amortization minus capital expenditures, as determined in accordance with GAAP.

(ii) Obligation of Series A Member. The Series A Member may be requested to provide to the Company on an annual basis the difference between $500,000 and the amount of the Company's free cashflow as certified in the Certificate, to the extent such free cashflow is less than $500,000; provided, however, that the obligation of the Series A Member shall in no circumstance be greater than $500,000 per year. Such additional funding from the Series A Member may be in the form of additional Capital Contributions contributed to the Company in exchange for additional Series A Preferred Units. Within sixty (60) days after receipt of the Certificate and audited financial statements from the Company, the Series A Member shall either approve or reject such request by Company in its sole discretion.

(iii) Effect of Disapproval. In the event the Series A Member decides to reject the Company's request for additional financing, the Company may obtain alternative financing from another person on terms and conditions satisfactory to the Board. If the Company does not obtain such alternative financing by June 30 of the year following the Fiscal Year for which financial statements were delivered pursuant to Section 3.5(a)(i), then the Company shall commence liquidation pursuant to Section 14.1 unless the Board unanimously votes against proceeding with liquidation.

(iv) Obligations Continuing. Notwithstanding the conversion of all Series A Preferred Units to Class B Common Units, the obligations of the Series A Member under this Section 3.5(a) shall continue for so long as the Series A Member is a holder of any Units until the occurrence of a Special Event.

(b) Other Additional Capital Contributions. No Person may voluntarily make any Capital Contribution without the approval of the Board.

SECTION 3.6 Withdrawal of Capital. No Member shall be entitled to withdraw all or any part of such Member's Capital Contribution or Capital Account from the Company prior to the Company's Dissolution or Liquidation.

SECTION 3.7 No Interest on Capital. No Member shall be entitled to receive interest on such Member's Capital Account or any Capital Contribution except as provided herein.

SECTION 3.8 Priority and Return of Capital. Except as specifically provided in this Agreement with respect to the Series B Preferred Units, no Member shall have priority over any other Member, whether for the return of a Capital Contribution or any portion of a Capital Account or for a Distribution or an allocation of Net Profits or Net Losses; provided, however, that this Section 3.8 shall not apply to loans or other indebtedness (as distinguished from a Capital Contribution) made by a Member to the Company.

SECTION 3.9 Substituted Member.

(a) Admission of Substituted Member. A prospective transferee (other than an existing Member) of a Membership Interest may be admitted as a Member with respect to such Membership Interest ("Substituted Member") only on such prospective transferee executing a counterpart of this Agreement as a party hereto. Any prospective transferee of a Membership Interest shall be deemed an Assignee and, therefore, the owner of only an Economic Interest until such prospective transferee has been admitted as a Substituted Member. Except as otherwise permitted in the DLLCA, any such Assignee shall be entitled only to receive allocations and distributions under this Agreement with respect to such Membership Interest and shall have no right to vote or exercise any rights of a Member until such Assignee has been admitted as a Substituted Member. Until the Assignee becomes a Substituted Member, the Assigning Member shall continue to be a Member and to have the power to exercise any rights and powers of a Member under this Agreement, including the right to vote in proportion to the Percentage Interest that the Assigning Member would have had in the event that the assignment had not been made.

(b) Consequences of Substitution. Any Person admitted to the Company as a Substituted Member shall be subject to all the provisions of this Agreement that apply to the Member from whom the Membership Interest was assigned; provided, however, that the Assigning Member shall not be released from liabilities as a Member solely as a result of the assignment, both with respect to obligations to the Company and to third parties, incurred prior to the assignment.

SECTION 3.10 Representation and Warranties. Each Member hereby represents and warrants to the Company and each other Member that: (a) if that Member is an organization, (i) that it is duly organized, validly existing, and in good standing under the law of its jurisdiction of organization, (ii) it has full organizational power to execute and agree to this Agreement and to perform its obligations hereunder, and (iii) this Agreement is a valid and binding obligation of such Member, enforceable against such Member in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, fraudulent conveyance, fraudulent transfer, reorganization, moratorium or other similar laws relating to the enforcement of creditors' rights generally and by general principles of equity; (b) the Member is acquiring its Units in the Company for the Member's own account as an investment and without an intent to distribute the interest in violation of applicable securities laws; and (c) the Member acknowledges that the Units have not been registered under the Securities Act or any state securities laws, and may not be resold or transferred by the Member without appropriate registration or the availability of an exemption from such requirements, and in accordance with the terms of this Agreement.

ARTICLE IV -- RIGHTS, PREFERENCES AND PRIVILEGES OF THE CLASS A COMMON UNITS

SECTION 4.1 Anti-Dilution Protection. After a Majority in Interest of the Series A Preferred Units has reasonably determined that the Milestone has been achieved by the Company, the Class A Member shall be entitled to receive, upon the issuance and sale of New

Securities, additional Class A Common Units so that the Class A Member's Percentage Interest shall be the same Percentage Interest as held by the Class A Member immediately prior to the issuance of the New Securities; provided, that upon reaching such Milestone, the Class A Member shall receive additional Class A Common Units based on the issuance and sale of any New Securities issued and sold by the Company since the Effective Date, such that the Class A Member will have the number of Class A Common Units to which it otherwise would be entitled under the first proviso of this Section 4.1 but for the condition precedent of achieving the Milestone.

(a) No Fractional Units. No fractional Class A Common Units shall be issued upon the operation of this Section 4.1 and the number of units of Class A Common Units to be issued shall be rounded to the nearest whole unit.

(b) Expiration. Notwithstanding any other provision of this Agreement, the anti-dilution rights of the Class A Member may not be assigned or transferred other than to a person in the Family Group of the initial Class A Member and shall expire upon the earlier of (i) the consummation of a Qualified IPO or (ii) the receipt by the Company of $10,000,000 in aggregate gross proceeds from the sale of New Securities after the Effective Date; provided, that if the Milestone is achieved subsequent to such event, the Class A Member shall receive additional Class A Common Units as contemplated by the proviso of the first paragraph of this Section 4.1.

SECTION 4.2 Preemptive Rights. Upon expiration of the anti-dilution rights accorded to the Class A Member under Section 4.1, the Class A Member shall have the right to purchase up to the Class A Member's pro rata share of New Securities which the Company may, from time to time, propose to sell and issue. The Class A Member's pro rata share shall be equal to a number such that the Percentage Interest owned by the Class A Member after the issuance of New Securities is the same Percentage Interest as prior to the issuance of New Securities.

(a) In the event the Company proposes to undertake an issuance of New Securities subject to this Section 4.2, it shall promptly give the Class A Member written notice of its intention, describing the type of New Securities, their price and the general terms upon which the Company proposes to issue the same. The Class A Member shall have 20 days after any such notice is mailed or delivered to agree to purchase the Class A Member's pro rata share of such New Securities for the price and upon the terms specified in the notice by giving written notice to the Company and stating therein the quantity of New Securities to be purchased.

(b) If the Class A Member fails to exercise its preemptive right within said 20-day period, the Company shall have 120 days thereafter to sell or enter into an agreement (pursuant to which the sale of New Securities covered thereby shall be closed, if at all, within 60 days from the date of said agreement) to sell the New Securities respecting which the Class A Member's preemptive right was not exercised, at a price and upon terms no more favorable to the purchasers thereof than specified in the Company's notice to the Class A Member pursuant to Section 4.2(a). In the event the Company has not sold the New Securities or entered into an agreement to sell the New Securities in accordance with the foregoing 120 day period (and closed the sale of such New Securities within 60 days from the date of said agreement), the

Company shall not after such date issue or sell any New Securities, without first offering such securities to the Class A Member in the manner provided in Section 4.2(a) above.

SECTION 4.3 Equity "Step-Up" Rights.

(a) If the Class A Member does not completely vest the Initial Class A Member Options before the closing date of a Special Event that results in the Class A Member's Equity Ownership having an aggregate fair market value as determined in good faith by the Board of Directors on the closing date of such Special Event of at least $25,000,000 and, immediately prior to such date, the Class A Member's Equity Ownership comprises a Fully-Diluted Percentage Interest of less than 10%, then the Class A Member shall receive additional equity or cash proceeds in connection with the consummation of such Special Event equal in value to one-half of the difference between (i) the value of a Fully-Diluted Percentage Interest of 10% (as valued in the Special Event) and (ii) the value of the Class A Member's Equity Ownership immediately prior to such date (as valued in the Special Event); provided, there shall be deducted from proviso (i) above a value equal to the value of any Class A Common Units previously transferred to any Person not part of the Family Group of the initial Class A Member.

(b) If the Class A Member does completely vest the Initial Class A Member Options before the closing date of a Special Event that results in the Class A Member's Equity Ownership having an aggregate fair market value as determined in good faith by the Board of Directors on the closing date of such Special Event of at least $25,000,000 and, immediately prior to such date, the Class A Member's Equity Ownership comprises a Fully-Diluted Percentage Interest of less than 15%, then the Class A Member shall receive additional equity or cash proceeds in connection with the consummation of such Special Event equal in value to one-half of the difference between (i) the value of a Fully-Diluted Percentage Interest of 15% (as valued in the Special Event) and (ii) the value of the Class A Member's Equity Ownership immediately prior to such date (as valued in the Special Event); provided, there shall be deducted from proviso (i) above a value equal to the value of any Class A Common Units previously transferred to any Person not part of the Family Group of the initial Class A Member.

ARTICLE V -- RIGHTS, PREFERENCES AND PRIVILEGES OF THE SERIES A PREFERRED UNITS

SECTION 5.1 Distribution Provisions. In the event the Company shall declare a Distribution payable in cash, securities of other persons, evidences of indebtedness issued by the Company or other persons, assets (excluding cash dividends) or options or rights not referred to in subsection 5.3(d), then, in each such case for the purpose of this subsection 5.3(e), the Series A Members shall be entitled to a proportionate share of any such Distribution as though they were the holders of the number of Common Units into which their Series A Preferred Units are convertible as of the record date fixed for the determination of the holders of Common Units entitled to receive such Distribution.

SECTION 5.2 Liquidation Preference.

(a) In the event of any Liquidation or Dissolution of the Company, either voluntary or involuntary, the Series A Members shall be entitled to receive, prior and in preference to any distribution of any of the assets of the Company to the Class A Members and the Class B Members, but subject to the prior rights of the initial Class A Member pursuant to Section 14.2(e), an amount per Series A Preferred Unit equal to the sum of (i) $1,000 for each Series A Preferred Unit (the "Original Issue Price"), (ii) an amount equal to 7% of the Original Issue Price annually, and (iii) an amount equal to any declared but unpaid distributions on such Series A Preferred Unit (the amounts in (ii) and (iii) being referred to herein as the "Premium"). If upon the occurrence of such event, the assets and funds thus distributed among the Series A Members shall be insufficient to permit the payment to such Members of the full aforesaid preferential amounts, then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the Series A Members in proportion to the amount of such Series A Preferred Units owned by each such Member.

(b) Upon the completion of the distribution required by Section 5.2(a), if assets remain in the Company, the Class A Members and Class B Members shall receive all of the remaining assets.

SECTION 5.3 Conversion. The Series A Member shall have conversion rights as follows (the "Conversion Rights"):

(a) Right to Convert. Each Series A Preferred Unit shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such Unit, at the office of the Company or any transfer agent for such Units, into such number of fully paid and nonassessable Class B Common Units as is determined by dividing the Original Issue Price by the conversion price ("Conversion Price") applicable to such Unit, determined as hereafter provided, in effect on the date the certificate is surrendered for conversion. The initial Conversion Price per Series A Preferred Unit shall be $2.2222; provided, however, that the Conversion Price for the Series A Preferred Units shall be subject to adjustment as set forth in subsection 5.3(d).

(b) Automatic Conversion. Each Series A Preferred Unit shall automatically be converted into Class B Common Units at the Conversion Price at the time in effect for such Series A Preferred Unit immediately upon the date specified by written consent or agreement of the holders of a Majority in Interest of the Series A Preferred Units.

(c) Mechanics of Conversion. Before any Series A Member shall be entitled to convert the same into Class B Common Units, it shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Company or of any transfer agent for the Series A Preferred Units, and shall give written notice to the Company at its principal office, of the election to convert the same and shall state therein the name or names in which the certificate or certificates for Class B Common Units are to be issued. The Company shall, as soon as practicable thereafter, issue and deliver at such office to such Series A Member, or to the nominee or nominees of such holder, a certificate or certificates for the number of Class B Common Units to which such holder shall be entitled as aforesaid. Such conversion shall be

deemed to have been made immediately prior to the close of business on the date of such surrender of the Series A Preferred Units to be converted, and the person or persons entitled to receive the Class B Common Units issuable upon such conversion shall be treated for all purposes as the record holder or holders of such Class B Common Units as of such date. If the conversion is in connection with an underwritten offering of securities registered pursuant to the Securities Act of 1933, the conversion may, at the option of any holder tendering Series A Preferred Units for conversion, be conditioned upon the closing with the underwriters of the sale of securities pursuant to such offering, in which event the person(s) entitled to receive the Class B Common Units upon conversion of the Series A Preferred Units shall not be deemed to have converted such Series A Preferred Units until immediately prior to the closing of such sale of securities.

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

(i) In the event the Company should at any time or from time to time after the date upon which any Series A Preferred Units were first issued (the "Purchase Date" with respect to such series) fix a record date for the effectuation of a split or subdivision of the outstanding Common Units or the determination of holders of Common Units entitled to receive a Distribution payable in additional Common Units without payment of any consideration by such holder for the additional Common Units (other than pursuant to Section 4.1), then, as of such record date (or the date of such Distribution, split or subdivision if no record date is fixed), the Conversion Price of the Series A Preferred Units shall be appropriately decreased so that the number of Class B Common Units issuable on conversion of each Series A Preferred Unit shall be increased in proportion to such increase of the aggregate of Common Units. In the event the Company shall declare or pay, without consideration, any Distribution on the Common Units payable in any right to acquire Common Units for no consideration, then the Company shall be deemed to have made a Distribution payable in Common Units in an amount of Units equal to the maximum number of Units issuable upon exercise of such rights to acquire Common Units.

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

(iii) All adjustments to the Conversion Price will be calculated to the nearest cent of a dollar. No adjustment in the Conversion Price will be required unless such adjustment would require an increase or decrease of at least one cent per dollar; provided, however, that any adjustments which by reason of this Section 5.3(d)(iii) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All adjustments to the Conversion Price shall be made successively.

(e) Recapitalizations and Reorganizations. If the Class B Common Units issuable upon conversion of the Series A Preferred Units shall be changed into or exchanged for a

different class or classes of units, or other securities or property whether by reorganization, recapitalization or otherwise (other than a subdivision, combination or merger or sale of assets transaction provided for elsewhere in this Section 5.3 or Section 5.2) provision shall be made so that the Series A Member shall thereafter be entitled to receive upon conversion of the Series A Preferred Units the number of units or other securities or property, to which a holder of Class B Common Units deliverable upon conversion would have been entitled on such recapitalization or reorganization. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 5.3 with respect to the rights of the Series A Member after the recapitalization or reorganization to the end that the provisions of this Section 5.3 (including adjustment of the Conversion Price then in effect and the number of shares purchasable upon conversion of the Series A Preferred Units) shall be applicable after that event as nearly equivalent as may be practicable.

(f) No Impairment. This Company will not, by amendment of this Agreement or through any reorganization, recapitalization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this Section 5.3 and in the taking of all such action as may be necessary or appropriate in order to protect the Conversion Rights of the Series A Member against impairment.

(g) No Fractional Units and Certificate as to Adjustments.

(i) No fractional units shall be issued upon the conversion of any Series A Preferred Units, and the number of Class B Common Units to be issued shall be rounded to the nearest whole unit. Such conversion shall be determined on the basis of the total number of Series A Preferred Units the holder is at the time converting into Class B Common Units and the number of Class B Common Units issuable upon such aggregate conversion.

(ii) Upon the occurrence of each adjustment or readjustment of the Conversion Price of the Series A Preferred Units pursuant to this Section 5.3, the Company, at its expense, shall promptly compute such adjustment or readjustment in accordance with the terms hereof and prepare and furnish to each Series A Member a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Company shall, upon the written request at any time of any Series A Member, furnish or cause to be furnished to such holder a like certificate setting forth (A) any such adjustment and readjustment, (B) the Conversion Price for such series of Preferred Units at the time in effect, and (C) the number of Class B Common Units and the amount, if any, of other property which at the time would be received upon the conversion of a Series A Preferred Unit.

(h) Reservation of Units Issuable Upon Conversion. The Company shall at all times reserve and keep available out of its authorized but unissued Class B Common Units, solely for the purpose of effecting the conversion of the Series A Preferred Units, such number of its Class B Common Units as shall from time to time be sufficient to effect the conversion of all Series A Preferred Units; and if at any time the number of authorized but unissued Class B Common Units shall not be sufficient to effect the conversion of all then outstanding Series A Preferred Units, in

addition to such other remedies as shall be available to the holder of such Series A Preferred Units, the Company will take such action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued Class B Common Units to such number of Units as shall be sufficient for such purposes.

SECTION 5.4 Voting Rights. The Series A Member shall have the right to one vote for each Class B Common Unit into which such Series A Preferred Unit could then be converted, and with respect to such vote, such holder shall have full voting rights and powers equal to the voting rights and powers of the holders of Class B Common Units, and shall be entitled, notwithstanding any provision hereof, to notice of any meeting of the Members in accordance with this Agreement and shall be entitled to vote, together with holders of the Common Units as a single class, with respect to any question upon which holders of the Common Units have the right to vote.

ARTICLE VI -- MANAGEMENT

SECTION 6.1 Manager; Management and Control; Day to Day Affairs of the Company. The day-to-day business and affairs of the Company shall be operated and managed by the Officers, provided that the affairs of the Company shall be overseen by the Board of Directors. Any Officer acting pursuant to authority granted by the Board or the provisions of this Agreement is authorized to take any actions, to make any determinations and to provide any consents permitted to be taken, made or provided by the Company under this Agreement; provided, however, that no Officer shall take any action, make any determination or provide any consent expressly reserved by this Agreement to the Members or to the Board of Directors or reserved to the Board of Directors pursuant to an action duly and validly taken by the Board of Directors. No Member or Director or Officer shall, acting individually, have the power to sign or bind the Company unless duly authorized to do so by the Board of Directors or this Agreement. Notwithstanding the foregoing, no Officer shall have liability to the Members or the Company for exceeding the authority granted to such Officer in the event a decision made or an action taken by such Officer was made or taken with a reasonable good faith belief that such decision or action was within the scope of the day-to-day business and affairs of the Company. The Board shall from time to time set the compensation for each of the Officers of the Company, and shall not be permitted to delegate such authority to any Officer or Officers (in their capacity as such).

SECTION 6.2 Board of Directors.

(a) Designated Board. As of the date hereof, the members of the Board shall be John W. Clark, Oscar B. Marx III, Richard A. Weisbart, and Dr. Lon E. Bell, and the Members desire to appoint a prominent figure in thermoelectrics recommended by the Class A Member to the Board. The Members shall promptly cause such a figure to be appointed to the Board. Following this initial Board composition, at each meeting of the Members for the election of directors or any solicitation of written consents for such purpose, the Class A Member and the Series A Member hereby agree to vote all Voting Interests entitled to vote in the election of directors now owned or hereafter acquired or controlled by them (collectively, the "Members' Voting Interests"), and otherwise use their best efforts as Members to elect the Designated

Board (as defined below), which shall constitute the entire Board. The "Designated Board" shall consist of (i) one member designated by the Class A Member, (ii) three members designated by the Series A Member, and (iii) one prominent figure in thermoelectrics recommended by the Class A Member and approved by a majority of the Directors not designated by the Class A Member. The Members hereby agree that, if the size of the Board of Directors is increased or decreased, the "Designated Board" shall consist of (i) one member designated by the Class A Member, (ii) one prominent figure in thermoelectrics, and (iii) all remaining members designated by the Series A Member; provided, however, that if the Class A Member's Percentage Interest is ever less than 5%, the Designated Board shall consist of members designated entirely by the Series A Member.

(b) Failure to Vote per Agreement. In the event that any Series A Member or Class A Member shall fail to vote its Voting Interests so as to achieve the structure of the Board and/or representation thereon for the designees set forth in Section 6.2(a), such Member shall be deemed immediately upon the existence of such a breach to have granted to the person or persons entitled to designate or recommend the director(s) for which such Member failed to vote, a proxy to vote its Voting Interests to ensure that such Voting Interests will be voted for such nominee. Each of the Series A Member and the Class A Member acknowledges that each proxy granted hereby, including any successive proxy if need be, is given to secure the performance of a duty and shall be irrevocable until the duty is performed.

(c) Certain Resignations or Removals.

(i) Each of Class A Member and the Series A Member shall also have the right at any time to request, in a signed writing submitted to the Secretary of the Company, the resignation or removal of a Director originally designated or recommended by such Member. In such event, the affected Director shall immediately resign or be subject to removal by a vote of the Members, and the Members shall vote all of their Voting Interests in favor of such removal.

(ii) If any Director is no longer entitled to be designated to be a Director pursuant to Section 6.2(a), such Director shall immediately resign or be subject to removal by a vote of the Members, and the Members shall vote all of their Voting Interests in favor of such removal.

(iii) If the affected director shall fail to resign upon the occurrence of the events specified in Section 6.2(c)(i) or 6.2(c)(ii), then any Member shall have the right to call a special meeting of the Members or solicit written consents of the Members for the purpose of removing such director and the Members shall vote all of their Voting Interests in favor of removal.

(d) Filling Vacancies. In the event of the death, removal or resignation of any Director, any Member shall have the right to call a special meeting of Members for the purpose of electing a Director (provided that such Director shall be designated in accordance with Section 6.2(a)) to fill the vacancy created by such death, removal or resignation. Any party entitled to designate a Director to fill such vacancy that fails to do so prior to the election of a replacement by the Members hereunder may call a special meeting of Members or solicit written consents of

Members for the purpose of removing the Director so elected and electing such party's designee to the Board, or such party may designate a Director for election at the next annual meeting of Members to succeed the Director elected by the Members pursuant to this Section 6.2(d). In any such event, the Members shall vote all of their Voting Interests in favor of the designee of the party originally entitled to designate a Director to fill such vacancy.

(e) Notices.

(i) The Company shall promptly give each of the Members written notice of any request by a Member for the resignation or removal of a member of the Board.

(ii) Notice shall be given to each member of the Board at least 14 days prior to any meeting of the Board at which it is proposed that a vacancy on the Board be filled unless such notice shall have been waived by such member of the Board.

(f) Covenant to Vote. Each of the Members shall appear in person or by proxy at any annual or special meeting of Members for the purpose of obtaining a quorum and shall vote the Voting Interest held by such Member entitled to vote, either in person or by proxy, at any annual or special meeting of Members called for the purpose of voting on the election of Directors or by consensual action of Members with respect to the election of Directors, in favor of the election of the Directors designated in accordance with Sections 6.2(a) and 6.2(d). In addition, each Member shall appear in person or by proxy at any annual or special meeting of Members for the purpose of obtaining a quorum and shall vote their Voting Interests entitled to vote upon any other matter submitted to a vote of the Members of the Company in a manner so as to be consistent and not in conflict with, and to implement, the terms of this Agreement.

(g) No Voting or Conflicting Agreements. No Member shall grant any proxy or enter into or agree to be bound by any voting trust with respect to the Voting Stock held by such Member nor shall any Member enter into any Member agreements or arrangements of any kind with any person with respect to the Voting Interests inconsistent with the provisions of this Agreement (whether or not such agreements and arrangements are with other Members of the Company that are not parties to this Agreement). No Member shall act, for any reason, as a member of a group or in concert with any other persons in connection with the acquisition, disposition or voting of the Company's Units in any manner that is inconsistent with the provisions of this Agreement.

(h) Injunctive Relief. It is acknowledged that it will be impossible to measure in money the damages that would be suffered if the parties fail to comply with any of the obligations imposed on them pursuant to this Article VI and that in the event of any such failure, an aggrieved person will be irreparably damaged and will not have an adequate remedy at law. Any such person shall, therefore, be entitled to injunctive relief, including specific performance, to enforce such obligations, and if any action shall be brought in equity to enforce any of the provisions of this Agreement, none of the parties hereto shall raise the defense that there is an adequate remedy at law.

(i) Terms. Each Director shall serve until the earlier of (i) such Director's resignation, removal, retirement, death, or disability and (ii) the expiration of such Director's term as a Director.

(j) Compensation of Directors. Each Director shall be entitled to compensation for the Director's services as determined by the Board from time to time and to reimbursement for all expenses reasonably incurred by the Director in the performance of the Director's duties.

(k) Indemnification. The Company shall indemnify the Directors to the fullest extent permitted by law and as set forth in Article XII.

(l) Voting. Each Director shall have one vote in any decision of the Board. The Directors may participate in a meeting of the Board by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear or otherwise interactively communicate with each other, and such participation shall constitute presence in person at such meeting. Any action which may be taken at a meeting of the Board may be taken without a meeting if Directors casting votes sufficient to approve such action consent thereto in writing and the Company provides notice of such action to all other Directors.

(m) Meetings. A meeting of the Board shall be held at such times as called by a Majority in Interest of the Members, the Class A Member, or the Series A Member. No other regular meetings of the Board of Directors are required to be held. The meetings shall be noticed, held and conducted pursuant to this Agreement. In any instance in which the approval of the Board is required under this Agreement, such approval may be obtained in any manner as permitted by the DLLCA, including without limitation by the unanimous written consent of the members of the Board.

(n) Powers and Duties of Directors. Subject to the provisions of the DLLCA and any limitations in this Agreement relating to actions that are required to be approved by the Board, the business and affairs of the Company shall be managed and all Company powers shall be exercised by or under the direction of the Board. Without prejudice to these general powers, and subject to the same limitations, the Board shall have the power to:

(i) Select and remove all Officers, agents, and employees of the Company; prescribe any powers and duties for them that are consistent with law, with the Certificate, and with this Agreement; fix their compensation;

(ii) Change the principal executive office or the principal business from one location to another; cause the Company to be qualified to do business in any other state; territory, dependency, or country and conduct business within or outside the State of California and designate any place within or outside the State of California for holding any Members' meeting or meetings, including annual meetings.

(iii) Prescribe the forms of certificates of Membership Interests; and alter the form of the seal and certificates;

(iv) Authorize the issuance of Membership Interests of the Company on any lawful terms, in consideration of money paid, labor done, services actually rendered, debts or securities cancelled, or tangible or intangible property actually received;

(v) Borrow money and incur indebtedness on behalf of the Company, and cause to be executed and delivered for the Company's purposes, in the name of the Company, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations, and other evidences of debt and securities;

(vi) Determine or adopt the annual budget of the Company (or material modifications thereof);

(vii) Adopt or approve business plans of the Company (or material modifications thereof);

(viii) Cause or permit the merger or consolidation of the Company into or with another Person other than pursuant to Section 6.4 in connection with a Qualified IPO, or cause or permit the conversion of the Company into another form of business entity other than in connection with a Qualified IPO; or

(ix) Cause or permit the registered offering of any of the Company's securities.

SECTION 6.3 Officers. The Officers of the Company shall be Chairman of the Board (the "Chairman"), President, Treasurer and Secretary. The Company may also have, at the discretion of the Board, such other Officers as may be appointed in accordance with this Agreement. Any number of offices may be held by the same person.

(a) Chairman of the Board. The Board shall elect a Chairman, who shall preside, if present, at Board meetings and shall exercise and perform such other powers and duties as may be assigned from time to time by the Board. If there is no President, the Chairman shall in addition be the chief executive officer of the Company, and shall have the powers and duties as set forth in this Section.

(b) President. Subject to the control of the Board, the President shall have general supervision, direction, and control over the Company's business and its officers. These managerial powers and duties include, but are not limited to, all the general powers and duties of management usually vested in the office of president of a corporation under the Delaware General Corporation Law. The President shall have other powers and duties as prescribed by the Board or in this Agreement. When the Chairman is not present, the President shall preside at all meetings of the Members and of the Board. Any Person dealing with the Company may rely on a certificate signed by the President:

(i) as to the identity of the Members hereunder;

(ii) as to the existence or nonexistence of any fact or facts which constitute conditions precedent to acts by the Members or in any other manner germane to the affairs of the Company;

(iii) as to who is authorized to execute and deliver any instrument or document on behalf of the Company;

(iv) as to the authenticity of any copy of this Agreement and any amendments hereto; or

(v) as to the authority of the Board of Directors, any Officer, or the Tax Matters Member to act.

(c) Treasurer. Subject to the control of the Board, the Treasurer shall keep, or cause to be kept, adequate and correct books and records of accounts of the properties and business transactions of the Company, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings, and Membership Interests in accordance with the provisions of Article IX of this Agreement. The books of account shall be open to inspection by any Director at all reasonable times. In addition, the Treasurer shall (1) deposit Company funds and other valuables in the Company's name and to its credit with depositaries designated by the Board; (2) make disbursements of Company funds as authorized by the Board; (3) render a statement of the Company's financial condition and an account of all transactions conducted as Treasurer whenever requested by the President or the Board; and (4) have other powers and perform other duties as prescribed by the Board or this Agreement. The Treasurer shall be deemed to be the Treasurer for purposes of giving any reports or executing any certificates or other documents.

(d) Secretary. The Secretary shall cause to be kept, minutes of all of the meetings of the Members and the Board. The Secretary shall cause to be kept, at the principal executive office or such other place as designated by the Board, a book of minutes of all meetings and actions of the Members, of the Board, and of committees of the Board, if any. The minutes of each meeting shall state the time and place the meeting was held; whether it was regular or special; if special, how it was called or authorized; the names of Persons present at Board or committee meetings; the number of Membership Interests present or represented at Members' meetings; an accurate account of the proceedings; and when it was adjourned.

(i) Notice of Meetings. The Secretary shall give notice, or cause notice to be given, of all Members' meetings, Board meetings, and meetings of committees of the Board for which notice is required by statute or by this Agreement. If the Secretary or other person authorized by the Secretary to give notice fails to act, notice of any meeting may be given by any other Officer of the Company. Any such notice may be given in writing (which may include electronic writing) reasonably designed to give proper notice to the proper parties of the intended meetings.

(ii) Other Duties. The Secretary shall keep the seal of the Company, if any, in safe custody, and shall have such other powers and perform other duties as prescribed by the Board or by this Agreement.

(e) Appointment of Officers.

(i) The Officers of the Company, except for any subordinate officers appointed by Officers in accordance with this Article VI, shall be appointed annually by, and shall serve at the pleasure of, the Board.

(ii) The Board may appoint, and may empower any other Officer to appoint, other Officers as required by the business of the Company, whose duties shall be as determined from time to time by the Board or the President.

(f) Removal and Resignation of Officers

(i) Any Officer chosen by the Board may be removed at any time, with or without cause or notice, by the Board. Subordinate Officers appointed by persons other than the Board may be removed at any time, with or without cause or notice, by the Board or by the Officer by whom such Officer was appointed. Officers may be employed for a specified term under a contract of employment if authorized by the Board; such Officers may be removed from office at any time under this Section, and shall have no claim against the Company, any individual Officer or any Director because of the removal except any right to monetary compensation to which the Officer may be entitled under the contract of employment.

(ii) Any Officer may resign at any time by giving written notice to the Company. Resignations shall take effect on the date of receipt of the notice, unless a later time is specified in the notice. Unless otherwise specified in the notice, acceptance of the resignation is not necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Company to monetary damages under any contract of employment to which the Officer is a party.

(iii) A vacancy in any office resulting from an Officers' death, resignation, removal, disqualification, or from any other cause shall be filled in the manner prescribed in this Agreement for regular election or appointment to that office.

SECTION 6.4 Conversion to Delaware Corporation.

(a) At the discretion of a majority of the Board, the Company may be converted from a limited liability company to a corporation. The surviving corporation in a conversion event shall be taxed as a Subchapter C corporation under the Code, and such entity shall have a certificate of incorporation which the President determines is customary for Delaware corporations comparable to the Company at the time and is approved by a Majority in Interest of the Members. Upon such conversion, this Agreement shall terminate except as provided in Section 6.6 and Article XII. The Members shall take any actions and execute any documents reasonably requested by the President in connection with any such conversion.

(b) In the event of a conversion of the Company into a corporation, each Membership Interest shall be automatically converted into conversion securities, each with the same rights to dividends, voting and distributions upon liquidation, winding up or consolidation. Each Member shall receive conversion securities representing an economic interest in such surviving corporation reasonably equivalent to each such Member's Units immediately prior to such conversion (or in the case of a merger or other consolidation, reasonably proportional in relation to such holder's Membership Interests and all other Membership Interests in the Company before such transaction), as determined by the Board in good faith. The Board's determinations in connection with the foregoing, shall be final and binding on all parties, absent manifest error.

SECTION 6.5 Action by Written Consent. Any action which may be taken at a meeting of the Members may be taken without a meeting if such Members casting votes sufficient to approve such action consent thereto in writing and the Company provides notice of such action to all other Members.

SECTION 6.6 Stockholders' Agreement. Upon conversion of the Company into a corporation pursuant to Section 6.4 and termination of this Agreement, the Members' rights contained in Section 3.5 and Articles IV, V, VII, XV and XVI this Agreement shall survive and be incorporated into a stockholders' agreement which shall be in a form as shall be determined by the Board as providing reasonably equivalent rights to, and obligations of, each of the holders of each series or class of Members.

ARTICLE VII -- COVENANTS OF THE COMPANY

SECTION 7.1 Delivery of Financial Statements. The Company shall deliver to each Series A Member and Class A Member:

(a) As soon as practicable, but in any event within 90 days after the end of each Fiscal Year, a consolidated income statement of the Company and its subsidiaries, if any, for such fiscal year, a consolidated balance sheet of the Company and its subsidiaries, if any, and a statement of shareholder's equity as of the end of such year, and a statement of cash flows for such year, in each case in reasonable detail, prepared in accordance with generally accepted accounting principles ("GAAP"), consistently applied and setting forth in each case in comparative form the figures for the previous fiscal year, and certified by an independent public accounting firm of nationally recognized standing selected by the Company and reasonably acceptable to the Series A Member;

(b) As soon as practicable, and in any event within 45 days after the end of the first, second, and third quarterly accounting periods in each fiscal year of the Company, a consolidated balance sheet of the Company and its subsidiaries, if any, and a statement of cash flows for such period, in each case in reasonable detail, prepared in accordance with GAAP consistently applied and setting forth in comparative form the figures for the corresponding periods of the previous fiscal year and to the Company's operating plan then in effect and approved by the Board, subject to changes resulting from normal year-end audit adjustments, all in reasonable detail and certified by the principal financial or accounting officer of the Company, except that such financial statements need not contain the notes required by GAAP;

(c) As soon as practical after the end of each month, and in any event within 30 days thereafter, a consolidated balance sheet of the Company and its subsidiaries, if any, and a statement of cash flows for such period, in each case in reasonable detail, prepared in accordance with GAAP consistently applied, for each month and for the current fiscal year of the Company to date, all subject to normal year-end audit adjustments and certified by the principal financial or accounting officer of the Company, together with a comparison of such statements to the corresponding periods of the prior fiscal year and to the Company's operating plan then in effect and approved by the Board;

(d) Annually (and in any event no later than ten days after adoption by the Board) the financial plan of the Company, in such manner and form as approved by the Board, which shall include at least a projection of income and a projected cash flow statement for each fiscal quarter in such fiscal year and a projected balance sheet as of the end of each fiscal quarter in such fiscal year. Any material changes in such business plan shall be delivered to the Members as promptly as practicable after such changes have been approved by the Board;

(e) As soon as practicable, but in any event 30 days prior to the end of each fiscal year, an operating budget for the next fiscal year approved by the Board;

(f) Within five business days of discovery, notification of any material non-compliance with any material agreement (except if such non-compliance has been corrected within such five-day period);

(g) As soon as practicable after transmission or occurrence and in any event within ten days thereof, copies of any reports or communications delivered to any class of Members or broadly to the financial community; and

(h) With reasonable promptness, such other information and date with respect to the Company and its subsidiaries as Series A Member may from time to time reasonably request.

SECTION 7.2 Additional Information and Rights.

(a) The Company will permit any Member, so long as such Member (or its representative) owns a Fully-Diluted Percentage Interests of 5% or greater to discuss its affairs, finances and accounts with the Company's officers and its independent public accountants, all at such reasonable times and as often as such Member may reasonably request.

(b) The provisions of Section 7.1 and this Section 7.2 shall not be in limitation of any rights which the Series A Member may have with respect to the books and records of the Company and its subsidiaries, or to inspect their properties or discuss their affairs, finances and accounts, under the laws of the jurisdictions in which they are formed or are incorporated.

SECTION 7.3 Compliance with Laws. The Company and all its subsidiaries shall comply with all applicable laws, rules, regulations and orders relating to the conduct of their businesses or to their properties or assets.

SECTION 7.4 Option Plan. The Company will not, without the approval of the Board, issue any Units, or grant an option or rights to subscribe for, purchase or acquire any Units, to any employee, officer or director of the Company or a subsidiary except for the issue of up to 176,471 Class B Common Units under the Company's 2001 Option Plan. Each acquisition of any Class B Common Units or any option or right to acquire any Class B Common Units by an employee, officer or director of the Company will be conditioned upon the execution and delivery by the Company and such employee, officer or director of an agreement substantially in a form approved by the Board.

SECTION 7.5 Negative Covenants. The Company covenants and agrees that, so long as the Series A Member owns 20% of the Fully-Diluted Percentage Interests, the Company will not do any of the following without the consent of the Series A Member, which consent shall not be unreasonably withheld:

(a) Dispositions. Convey, sell, lease, transfer or otherwise dispose of (collectively, a "Disposition"), or permit any of its subsidiaries to Dispose, all or any part of its business or property, other than Dispositions (i) of inventory in the ordinary course of business; (ii) of non-exclusive licenses and similar arrangements for the use of the property of Company or its subsidiaries in the ordinary course of business; or (iii) of worn-out or obsolete equipment.

(b) Changes in Business, Ownership, Management or Business Locations. Engage in any business other than the businesses currently engaged in by the Company and any business substantially similar or related thereto (or incidental thereto).

(c) Mergers or Acquisitions. Merge or consolidate, or permit any of its subsidiaries to merge or consolidate, with or into any other business organization or entity, or acquire, or permit any of its subsidiaries to acquire, all or substantially all of the capital stock or property of another Person.

(d) Indebtedness. Create, incur, assume or be or remain liable with respect to any indebtedness in excess of $100,000 whether senior, subordinated, secured or unsecured, or permit any subsidiary so to do, except advances and similar expenditures in the ordinary course of business or under the terms of an employee stock or option plan approved by the Board or for trade accounts of the Company or any subsidiary arising in the ordinary course of business.

(e) Encumbrances. Create, incur, assume or suffer to exist any Encumbrance with respect to any of its property, or assign or otherwise convey any right to receive income, or permit any of its subsidiaries so to do, except for Encumbrances existing on the date hereof, including without limitation pursuant to the Revenue Sharing Agreement dated as ___________, 2000 between the Company and the Class A Member, created after the date hereof pursuant to agreements in effect on the date hereof, or created in the ordinary course of business.

(f) Distributions. Pay any Distribution or payment on account of or in redemption, retirement or purchase of any Unit.

(g) Investments. Directly or indirectly acquire or own, or make any Investment (as defined below) in or to any Person, or permit any of its subsidiaries so to do. "Investment" means any beneficial ownership of (including stock, partnership interest or other securities) any Person, or any loan, advance or capital contribution to any Person.

(h) Transactions with Affiliates. Without the approval of the disinterested members of the Board, engage in any loans, leases, contracts or other transactions with any Member, Director, Officer or key employee of the Company, or any member of any such person's immediate family, including the parents, spouse, children and other relatives of any such person, on terms less favorable than the Company would obtain in a transaction with an unrelated party, as determined in good faith by the Board.

SECTION 7.6 Affirmative Covenants. The Company covenants and agrees to do the following:

(a) Prompt Payment of Taxes. The Company will promptly pay and discharge, or cause to be paid and discharged, when due and payable, all lawful taxes, assessments and governmental charges or levies imposed upon the income, profits, property or business of the Company or any subsidiary; provided, however, that any such tax, assessment, charge or levy need not be paid if the validity thereof shall currently be contested in good faith by appropriate proceedings and if the Company shall have set aside on its books adequate reserves with respect thereto, and provided, further, that the Company will pay all such taxes, assessments, charges or levies forthwith upon the commencement of proceedings to foreclose any lien which may have attached as security therefor. The Company will promptly pay or cause to be paid when due, or in conformance with customary trade terms or otherwise in accordance with policies related thereto adopted by the Board, all other indebtedness incident to operations of the Company.

(b) Maintenance of Properties and Leases. The Company will keep its properties and those of its subsidiaries in good repair, working order and condition, reasonable wear and tear excepted, and from time to time make all needful and proper repairs, renewals, replacements, additions and improvements thereto; and the Company and its subsidiaries will at all times comply with each material provision of all leases to which any of them is a party or under which any of them occupies property if the breach of such provision might have a material and adverse effect on the condition, financial or otherwise, or operations of the Company.

(c) Insurance. Except as otherwise decided in accordance with policies adopted by the Board, the Company will keep its assets and those of its subsidiaries which are of an insurable character insured by financially sound and reputable insurers against loss or damage by fire, explosion and other risks customarily insured against by companies in the Company's line of business, and the Company will maintain, with financially sound and reputable insurers, insurance against other hazards and risks and liability to persons and property to the extent and in the manner customary for companies in similar businesses similarly situated.

(d) Accounts and Records. The Company will keep true records and books of account in which full, true and correct entries will be made of all dealings or transactions in

relation to its business and affairs in accordance with generally accepted accounting principles applied on a consistent basis.

(e) Independent Accountants. The Company will retain independent public accountants of recognized national standing who shall certify the Company's financial statements at the end of each fiscal year. In the event the services of the independent public accountants so selected, or any firm of independent public accountants hereafter employed by the Company, are terminated, the Company will promptly thereafter notify the Series A Member and will request the firm of independent public accountants whose services are terminated to deliver to the Series A Member a letter from such firm setting forth the reasons for the termination of their services. In the event of such termination, the Company will promptly thereafter engage another firm of independent public accountants of recognized national standing. In its notice to the Series A Member, the Company shall state whether the change of accountants was recommended or approved by the Board or any committee thereof.

(f) Maintenance of Existence. The Company shall maintain in full force and effect its existence, rights and franchises and all licenses and other rights in or to use patents, processes, licenses, trademarks, trade names or copyrights owned or possessed by it or any subsidiary and deemed by the Company to be necessary to the conduct of their business.

(g) Proprietary Information and Inventions Agreements. The Company will cause each person now or hereafter employed by it or any subsidiary with access to confidential information to enter into a proprietary information and inventions agreement substantially in the form approved by the Board.

(h) Extension of Credit. The Company shall not, without the prior approval of the Board, extend credit by any method or in any form or manner, other than open account credit extended to customers in the ordinary course of business.

(i) Compensation of Employees. The Company shall not, without the prior approval of the Board, compensate any of its employees, including officers, in an annual amount greater than $180,000.

ARTICLE VIII -- ANNUAL MEETINGS; RECORD DATE; VOTING AGREEMENTS

SECTION 8.1 Annual Meetings. A meeting of the Members shall be held annually for selection of the members of the Board and to apprise the Members of the status of the business of the Company. The annual meetings shall be held at such place (within or without the State of Delaware), date, and hour as shall be designated by the President in a written notice stating the place, date, and time of the annual meeting and which shall be delivered no fewer than ten and no more than 60 days before the date of the meeting but in any event within the limits of the DLLCA. The Members may participate in a meeting of Members by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear or otherwise interactively communicate with each other, and such participation shall constitute presence in person at such meeting.

SECTION 8.2 Record Date. For the purpose of determining the Members entitled to either notice of any annual meeting or payment of any Distribution, or of making a determination of the Members for any other purpose, the date five days prior to the date on which notice of the meeting is mailed or the date on which the resolution declaring the Distribution is adopted or the date of determination of Members for any other purpose shall be the record date for making such a determination.

SECTION 8.3 Voting Agreements. An agreement between two or more Members, if in writing and signed by the parties thereto, may provide that in exercising any voting rights, the Voting Interest held by them shall be voted as therein provided, or as they may agree, or as determined in accordance with a procedure agreed upon by them.

ARTICLE IX -- BOOKS AND RECORDS; RIGHT OF INSPECTION; TAX MATTERS

SECTION 9.1 Books and Records. The Company shall keep complete and accurate books and records in accordance with the Company's accounting policies consistently applied relating to transactions with respect to the Company. The Company shall also keep the following books and records at the Company's principal office: (a) a current list of the full name and last known business, residence, or mailing address of each Member; (b) a copy of the Certificate of Formation and of this Agreement (as well as any signed powers of attorney pursuant to which any such document was executed); (c) a copy of the Company's federal, state and local income tax returns and reports, and annual financial statements of the Company, for all Fiscal Years as to which the applicable statute of limitations have not run; and (d) minutes, or minutes of action (or of written consent without a meeting), of every meeting of the Members.

SECTION 9.2 Information. Each Member has the right to obtain from the Company: (i) a current list of the full name and last known business, residence, or mailing address of each Member; (ii) a copy of the Certificate of Formation and of this Agreement; (iii) a copy of the Company's federal, state, and local income tax returns and reports, and annual financial statements of the Company, for all Fiscal Years as to which the applicable statute of limitations have not run; and (iv) minutes (or written consents without a meeting) of every meeting (or action taken by consent) of the Members.

SECTION 9.3 Tax Returns. The Company, at its expense, shall cause the preparation and timely filing (including extensions) of all tax returns required to be filed by the Company pursuant to the Code as well as all other required state and local tax returns in each jurisdiction in which the Company is required to file tax returns. The Company shall provide each Member, within 75 days after the end of each Fiscal Year, or as soon as practicable thereafter, a copy of the Company's informational federal income tax return for such Fiscal Year and such other information as is reasonably necessary to enable the Members to comply with their tax reporting requirements.

SECTION 9.4 Tax Elections. The Company shall make and revoke such tax elections as the Board shall approve from time to time. In addition, if, during the taxable year, any Member transfers all or any portion of its Membership Interest, by sale or exchange, then, upon the timely written request of the transferee, the Board may elect, pursuant to Section 754 of

the Code, to adjust the basis of the Company property as permitted by Sections 734 and 743 of the Code. The election shall be filed with the Company's income tax return for the first Fiscal Year to which the election applies.

SECTION 9.5 Tax Matters Member.

(a) The Class A Member shall be the initial Tax Matters Member under (S) 6231(a)(7) of the Code. Each of the Members hereby consents to such designation and agrees to take any such further action as may be required by the Treasury Regulations or otherwise to effectuate such designation. If the Class A Member is not the Tax Matters Member pursuant to this Section 9.5(a), the Member with the highest Fully-Diluted Percentage Interest shall be the Tax Matters Member. All activities of the Tax Matters Member, acting in his capacity as such, shall be subject to the approval of the Board.

(b) The Tax Matters Member is authorized, subject to approval of the Board, to represent, at the Company's expense, the Company in connection with all examinations of the Company's affairs by any tax authorities, including resulting judicial and administrative proceedings. Each Member agrees, and each holder of a Membership Interest who is not a Member (including any Person who holds an Economic Interest in the Company) shall be deemed by virtue of its ownership of a Membership Interest to agree, that it shall furnish the Tax Matters Member with such information as the Tax Matters Member may reasonably request in order to allow the Tax Matters Member to provide the Internal Revenue Service or other taxing jurisdiction with sufficient information with respect to any such proceedings. The decisions of the Tax Matters Member shall be final and binding as to all Members except to the extent that any Member files a statement not to be bound by a settlement pursuant to Code Section 6224(c)(3). The Tax Matters Member shall furnish to the Members a copy of all notices or other written communications received by the Tax Matters Member from the Internal Revenue Service or any state or local taxing authority (except such notices or communications as are sent directly to the Members) and shall keep all Members fully informed of the progress of any audits, examinations, or other tax proceedings.

SECTION 9.6 No Partnership. The classification of the Company as a partnership shall apply only for federal (and, as appropriate, state and local) income tax purposes, and the Company shall not make an election to be treated as other than a partnership for income tax purposes under (S)301.7701-3(c) of the Treasury Regulations. This characterization, solely for tax purposes, does not create or imply a general partnership among the Members for state law or any other purpose. The Members acknowledge the status of the Company as a limited liability company formed under the DLLCA.

ARTICLE X -- CAPITAL ACCOUNTS AND ALLOCATIONS

SECTION 10.1 Maintenance. Each Member agrees that a single capital account (each a "Capital Account") shall be established and maintained for each Member and shall be credited, charged, and otherwise adjusted as provided in this Article X and as required by the regulations promulgated under (S)704(b) of the Code (the "(S)704(b) Regulations"). The Capital Account of each Member shall be:

(a) credited with (i) each Capital Contribution made by such Member, (ii) such Member's allocable share of Net Profits and other items of income and gain of the Company, including items of income and gain exempt from tax, and (iii) all other items properly credited to the Capital Account of such Member as required by the (S)704(b) Regulations; and

(b) charged with (i) each Distribution made to such Member by the Company, (ii) such Member's allocable share of Net Losses and other items of loss and deduction of the Company, including items of loss and deduction non-deductible for tax purposes, and (iii) all other items properly charged to the Capital Account of such Member as required by the (S)704(b) Regulations.

The provisions of this Section 10.1 relating to maintenance of Capital Accounts have been included in this Agreement to comply with Section 704(b) of the Code and the 704(b) Regulations and shall be interpreted and applied in a manner consistent with those provisions.

SECTION 10.2 Allocation of Net Profits and Net Losses. Except as otherwise provided in this Agreement, items of income, gain, loss and deductions of the Company shall be allocated among the Members in pro rata in accordance with their respective Percentage Interests (and as if the Series A Preferred Units were fully converted).

SECTION 10.3 Special Allocations.

(a) Subject to the exceptions stated in Treasury Regulation Sections 1.704-2(f) and 1.704-2(i)(4), if there is a net decrease in Company Minimum Gain or Member Nonrecourse Debt Minimum Gain during a Fiscal Year, each Member will be specially allocated items of income and gain for Capital Account purposes for such year (and, if necessary, for subsequent years) in an amount equal to such Member's share of such net decrease during such year (which share of such net decrease will be determined under Treasury Regulations Sections 1.704-2(g)(2) and 1.704-2(i)(5)). The Members intend that this Section 10.3(a) comply with the minimum gain chargeback requirements in such Treasury Regulations Sections and will be interpreted consistently therewith.

(b) Any Nonrecourse Deductions will be allocated to the Members in proportion to their Percentage Interest (and as if the Series A Preferred Units were fully converted).

(c) Any Member Nonrecourse Deductions will be allocated to the Members as provided in Treasury Regulation Section 1.704-2(i)(1).

(d) If any Member unexpectedly receives any adjustments, allocations or distributions described in Treasury Regulations Sections 1.704-1(b)(2)(ii)(d)(4),(5) or (6) (modified as appropriate, by Treasury Regulations Section 1.704-2(g)(1) and 1.704-2(i)(5)), items of Company income and gain for Capital Account purposes for such Fiscal Year will be specially allocated to the Member in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations, any deficit balance in the Adjusted Capital Account of the Member as quickly as possible, provided, that an allocation pursuant to this Section 10.3(d) will be made if and only to the extent that the Member would have an Adjusted Capital Account deficit after

all other allocations provided for in this Agreement have been tentatively made as if this Section 10.3(d) were not in the Agreement.

(e) Notwithstanding the foregoing provisions of Section 10.2 and Section 10.3, a Member will not be allocated any item of loss or deduction if such allocation would cause or increase a deficit balance in such Member's Adjusted Capital Account. Instead, such item of loss or deduction will be allocated to the Members entitled to receive such allocation under Treasury Regulation Section 1.704 in proportion to their respective Percentage Interest.

(f) To the extent any adjustment to the adjusted tax basis of any Company asset pursuant to Code Section 734(b) or Code Section 743(b) is required, pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, appropriate adjustments to the Capital Accounts shall be made.

(g) The allocations stated in Sections 10.3(a) through (f) above (the "Regulatory Allocations"), are intended to comply with certain requirements of the Treasury Regulations. Notwithstanding the provisions of Section 10.3, the Regulatory Allocations can be taken into account in allocating other items of income, gain, loss and deduction among the Members so that, to the extent possible, the net amount of such allocations of other items and the Regulatory Allocations to each Member will be equal to the net amount that would have been allocated to each such Member if the Regulatory Allocations had not occurred.

SECTION 10.4 Tax Allocations.

(a) All items of income, gain, loss or deduction for federal, state and local income tax purposes will be allocated in the same manner as the corresponding "book" items are allocated under Sections 10.2, 10.3 or 10.4; provided, however, in the case of any Company asset the Gross Asset Value of which differs from its adjusted tax basis for federal income tax purposes, income, gain, loss and deduction with respect to such asset will, solely for tax purposes, be allocated among the Members so as to take account of any variation between the adjusted basis of such asset for federal income tax purposes and its Gross Asset Value in accordance with the principles of Sections 704(b) and 704(c) of the Code (in any permissible manner determined by the Board).

(b) Any elections or other decisions relating to the foregoing tax allocations will be made by the Board in any manner that reasonably reflects the purpose and intention of this Agreement. Allocations pursuant to this Section 10.4 are solely for tax purposes and will not affect the computation of any Member's Capital Account, except as otherwise required under the Code.

SECTION 10.5 Allocation Between Assignor and Assignee. The portion of the income, gain, losses and deductions of the Company for any Fiscal Year during which an Interest is assigned by a Member (or by an assignee or successor in interest to a Member), that is allocable with respect to such Interest will be apportioned between the assignor and the assignee of the Interest on whatever reasonable, consistently applied basis selected by the Board and permitted by the applicable Treasury Regulations under Section 706 of the Code.

SECTION 10.6 Tax Reporting. The Members are aware of the income tax consequences of the allocations made by this Article X and hereby agree to be bound by the provisions of this Article X in reporting their Company income and loss for income tax purposes.

SECTION 10.7 Profit Shares. Solely for purposes of determining a Member's proportionate share of the Company's "excess nonrecourse liabilities," as defined in Treasury Regulation Section 1.752-3(a), the Members' interests in Company profits will be deemed to be in proportion to their relative Capital Contributions.

ARTICLE XI -- DISTRIBUTIONS

SECTION 11.1 Distributions. Distributions, other than during a Liquidation, shall, from time to time until Dissolution be made in such amounts and at such times, if any, as the Board shall determine. Distributions shall be made to the Members pro rata in accordance with their respective Percentage Interests (and including the Series A Member pursuant to Section 5.1).

SECTION 11.2 Withholding.

(a) If required by the Code or by state, local, or foreign law, the Company shall withhold any required amount from Distributions to a Member for payment to the appropriate taxing authority. Any amount so withheld from a Member shall be treated as a Distribution by the Company to such Member. Each Member agrees to timely file any document that is required by any taxing authority in order to avoid or reduce any withholding obligation that would otherwise be imposed on the Company.

(b) To the extent any amount that is required to be withheld with respect to a Member and paid over to an appropriate taxing authority exceeds the amounts distributed or deemed distributed to such Member in respect of such withholding, such excess amounts paid to the taxing authority in respect of such withholding shall be treated as a loan to such Member that is payable on demand.

ARTICLE XII -- INDEMNIFICATION

SECTION 12.1 Indemnification by Company. Any Person who was or is a Member, Director, Officer, employee, or other agent of the Company, or was or is serving at the request of the Company as a director, officer, employee, or other agent of another limited liability company, corporation, partnership, joint venture, trust, or other enterprise (collectively, the "Indemnified Party") shall, in accordance with this Article XII, be indemnified and held harmless by the Company from and against any and all losses, claims, damages, liabilities, expenses (including reasonable legal and other professional fees and disbursements), judgments, fines, settlements, and other amounts incurred (collectively, the "Indemnification Obligations") in connection with any and all claims, demands, actions, suits, or proceedings (civil, criminal, administrative, or investigative), actual or threatened, in which such Indemnified Party may be involved, as a party or otherwise, by reason of such Indemnified Party's service to, or on behalf of, or management of the affairs of, the Company, or rendering of advice or consultation with

respect thereto, whether or not the Indemnified Party continues to be serving in the above-described capacity at the time any such Indemnification Obligation is paid or incurred. Notwithstanding the foregoing, no indemnification shall be provided by the Company with respect to any Indemnification Obligation that resulted from action or inaction of such Indemnified Party that, in each case, constituted gross negligence, willful misconduct, a breach of the Indemnified Party's fiduciary duty or duty of loyalty to the Company, or an act (a) that was not in good faith, (b) that involved a knowing violation of law, or (c) from which the Indemnified Party derived an improper personal benefit. The Company shall also indemnify and hold harmless any Indemnified Party from and against any Indemnification Obligation suffered or sustained by such Indemnified Party by reason of any action or inaction of any employee, broker, or other agent of such Indemnified Party, whether or not the Indemnified Party continues to be serving in the above-described capacity at the time any such Indemnification Obligation is paid or incurred, _provided_, that such employee, broker, or agent was selected, engaged, or retained by such Indemnified Party with reasonable care. The termination of a proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere, or its equivalent, shall not, of itself, create a presumption that such Indemnification Obligation resulted from the gross negligence or willful misconduct of such Indemnified Party. Expenses (including reasonable legal and other professional fees and disbursements) incurred in any proceeding shall be paid by the Company, as incurred, in advance of the final disposition of such proceeding upon receipt of an undertaking by or on behalf of such Indemnified Party to repay such amount if it shall ultimately be determined that such Indemnified Party is not entitled to be indemnified by the Company as authorized hereunder.

SECTION 12.2 _Indemnification Not Exclusive._ The indemnification provided by Section 12.1 shall not be deemed to be exclusive of any other rights to which each Indemnified Party may be entitled under any agreement, or as a matter of law, or otherwise, both as to action in such Indemnified Party's official capacity and to action in another capacity, and shall continue as to such Indemnified Party who has ceased to have an official capacity for acts or omissions during such official capacity or otherwise when acting at the request of the Company, or any Person granted authority thereby, and shall inure to the benefit of the heirs, successors, and administrators of such Indemnified Party.

SECTION 12.3 _Insurance on Behalf of Indemnified Party._ The Company shall have the power but not the obligation to purchase and maintain insurance on behalf of each Indemnified Party, at the expense of the Company, against any liability which may be asserted against or incurred by him in any such capacity, whether or not the Company would have the power to indemnify the Indemnified Parties against such liability under the provisions of this Agreement.

SECTION 12.4 _No Agency._ No Member acting solely in the capacity of a Member is an agent of the Company, nor can any Member acting solely in the capacity of a Member bind the Company or execute any instrument on behalf of the Company. Accordingly, each Member shall indemnify, defend, and hold harmless each other Member and the Company from and against any and all loss, cost, expense, liability, or damage arising from or out of any claim based upon any action by such Member in contravention of the first sentence of this Section 12.4. The foregoing indemnification by a Member shall not be deemed to be exclusive

of any other rights to which the party indemnified thereby may be entitled under any agreement, as a matter of law, or otherwise.

SECTION 12.5 Indemnification Limited by Law. Notwithstanding any of the foregoing to the contrary, the provisions of this Article XII shall not be construed so as to provide for any indemnification for any liability to the extent (but only to the extent) that such indemnification would be in violation of applicable law or that such liability may not be waived, modified, or limited under applicable law, but shall be construed as to effectuate the provisions of this Article XII to the fullest extent permitted by law.

SECTION 12.6 Amendment of Agreement. The indemnification provided for in this Article XII shall apply as written here to acts occurring prior to any amendment of this Agreement, notwithstanding such amendment to this Agreement.

ARTICLE XIII -- DISSOLUTION

SECTION 13.1 Dissolution. Dissolution of the Company shall occur upon the happening of any of the following events:

(a) the affirmative vote of a Majority in Interest of the Members;

(b) the entry of a decree of judicial dissolution under Section 18-802 of the DLLCA; or

(c) pursuant to Section 3.5(a)(iii).

SECTION 13.2 Withdrawal of a Member. No Member shall have the right or power to withdraw from the Company.

ARTICLE XIV -- LIQUIDATION

SECTION 14.1 Liquidation. Upon Dissolution of the Company, the Company shall immediately proceed to wind up its affairs and liquidate. A reasonable time shall be allowed for the orderly Liquidation of the Company and the discharge of liabilities to creditors so as to enable the Company to minimize any losses attendant upon Liquidation. Any gain or loss on disposition of any Company assets in Liquidation shall be allocated among the Members and credited or charged to Capital Accounts in accordance with the provisions of this Agreement. Until the filing of the certificate of dissolution under Section 14.4 and without affecting the liability of Members or imposing liability on the liquidating trustee, the Board may settle and close the Company's business, prosecute and defend suits, dispose of its property, discharge or make provision for its liabilities, and make Distributions in accordance with the priorities set forth in Section 14.2.

SECTION 14.2 Priority of Payment. The assets of the Company shall be distributed in Liquidation in the following order:

(a) To creditors, including Members who are creditors, by the payment or provision for payment of the debts and liabilities of the Company and the expenses of Liquidation;

(b) To the setting up of any reserves that the Board determines is reasonably necessary for any contingent or unforeseen liabilities or obligations of the Company;

(c) After determining that all known debts and liabilities of the Company in the process of winding-up, including, without limitation, debts and liabilities to Members who are creditors of the Company, have been paid or adequately provided for, the remaining assets shall be distributed in accordance with the priorities set forth in Section 5.2;

(d) Liquidating distributions shall be made by the end of the Company's taxable year in which the Company is liquidated, or, if later, within 90 days after the date of such liquidation. It is intended that the distributions set forth in this Section 14.2(c) comply with the intention of Treasury Regulations Section 1.704-1(b)(2)(ii)(b)(2) that liquidating distributions to Members be made in accordance with positive Capital Accounts. However, if the balances in the Capital Accounts do not result in such requirement being satisfied, no change in the amounts of distributions pursuant to said Sections shall be made; rather, items of income, gains, loss, deduction, and credit shall be reallocated among the Members so as to cause the balances in the Capital Accounts to be in the amounts necessary so that, to the extent possible, such result is achieved; and

(e) Notwithstanding anything in this Section 14.2 to the contrary, the Basic Technology (as defined in the Revenue Sharing Agreement dated as of September 4, 2000 between the Company and the Class A Member) is subject to a reversionary interest upon Liquidation or Dissolution of the Company and such Basic Technology shall be assigned, transferred and conveyed to the initial Class A Member upon such events prior to any other distributions made pursuant to Section 14.2(b) or (c) and shall not be deemed to be an asset of the Company for purposes of this Section 14.2.

SECTION 14.3 Liquidating Reports. A report shall be submitted with each liquidating Distribution, showing the collections, disbursements and Distributions during the period which is subsequent to any previous report. A final report, showing cumulative collections, disbursements, and Distributions, shall be submitted upon completion of the liquidation process.

SECTION 14.4 Certificate of Dissolution. Within 90 days following the Dissolution of the Company and the commencement of winding up of its business, or at any other time there are no Members, the Company shall file a certificate of dissolution (to cancel the Certification of Formation) with the Secretary of State of the State of Delaware pursuant to the DLLCA. At such time, the Company shall also file an application for withdrawal of its certificate of authority in any jurisdiction where it is then qualified to do business.

SECTION 14.5 Deficit Capital Account. Upon a liquidation of the Company within the meaning of (S)1.704-1(b)(2)(ii)(g) of the Treasury Regulations, if any Member has a negative Capital Account (after giving effect to all contributions, Distributions, allocations, and

other adjustments for all Fiscal Years, including the Fiscal Year in which such liquidation occurs), the Member shall have no obligation to make any Capital Contribution, except as otherwise expressly required by the DLLCA, and the negative balance of any Capital Account shall not be considered a debt owed by the Member to the Company or to any other person for any purpose.

SECTION 14.6 Nonrecourse to Other Members. If the assets of the Company remaining after the payment or discharge of the debts and liabilities of the Company are insufficient to return any Capital Contribution of any Member, such Member shall have no recourse against any other Member.

ARTICLE XV -- TRANSFER RESTRICTIONS

SECTION 15.1 Member's Obligations. If any Member (the "Transferring Member") proposes to make a Transfer of Units, such Transferring Member shall comply with the terms and conditions of this Article XV at any time prior to a Qualified IPO.

SECTION 15.2 Sale Notice. Prior to making a Transfer of Units, the Transferring Member shall give at least 60 days' prior written notice (the "Sale Notice") to the Company and any non-Transferring Member (the "Non-Transferring Member") (a) identifying (i) the type and amount of Units to be sold (the "Offered Units"), (ii) the price at which the Transferring Member proposes to Transfer the Offered Units (the "Offer Price") and (iii) the proposed closing date for the Transfer (which date shall be not less than 60 days and not more than 90 days after the date of the Sale Notice), (b) describing any other terms and conditions of such proposed Transfer, and (c) identifying each prospective transferee.

SECTION 15.3 Co-Sale/Tag-Along Rights. Any Member may, within 20 days of the receipt of the Sale Notice, give written notice (each, a "Co-Sale Notice") to the Transferring Member that such Non-Transferring Member wishes to participate in such proposed Transfer upon the terms and conditions set forth in the Sale Notice, which Co-Sale Notice shall specify the Offered Units such Non-Transferring Member desires to include in such proposed Transfer.

(a) If the Transferring Member does not receive any timely Co-Sale Notices with respect to the Transfer proposed in the Sale Notice, then the Transferring Member may Transfer such Offered Units on the terms and conditions set forth in the Sale Notice at any time within 30 days after expiration of the 20-day period for giving Co-Sale Notices with respect to such Transfer. Any Offered Units not Transferred by the Transferring Member during such 30-day period will again be subject to the provisions of this Section 15.3 upon subsequent Transfer. Should the Transferring Member receive one or more timely Co-Sale Notices, then the Transferring Member shall use all reasonable efforts to cause the prospective transferee(s) to agree to acquire all such additional Units on the same terms and conditions as applicable to the Offered Units. If the prospective transferee(s) is unwilling or unable to acquire all such additional Units upon such terms, then the Transferring Member may elect either to cancel such proposed Transfer or to allocate the maximum number of Units that the prospective transferee(s) is willing to purchase among the Transferring Member and each Non-Transferring Member that

gave timely Co-Sale Notices in the proportion of the Fully-Diluted Percentage Interests owned by each such Non-Transferring Member bears to the Fully-Diluted Percentage Interests owned by all such Non-Transferring Members (not to exceed, however, with respect to any such Non-Transferring Member, the amount of Offered Units proposed to be transferred in such Non-Transferring Member's Co-Sale Notice, as the case may be) and to consummate such Transfer on those terms.

(b) Notwithstanding the provisions of this Section 15.3, the Class A Member shall be subject to Section 15.3 for the three year period after the Effective Date. After the end of such three year period, one-third of any Units held by the Class A Member at such time shall become cumulatively excluded from the provisions of Section 15.3 per year over the next three years.

SECTION 15.4 Right of First Refusal. After receipt of the Sale Notice, each of the Company and the Non-Transferring Member (each an "ROFR Offeree") may give written notice (a "Notice of Exercise"), within the time periods and in the priority specified below, to the Transferring Member that such ROFR Offeree wishes to exercise the right to purchase at the Offer Price all but not less than all of the Offered Units. The right of the ROFR Offerees pursuant to this Section 15.4 shall terminate if the ROFR Offerees have not delivered one or more Notices of Exercise relating, in the aggregate, to all of the Offered Units within 20 days after the Company's receipt of the Sale Notice.

(a) The Sale Notice shall constitute an offer to sell the Offered Units to the ROFR Offerees in the following priority: (i) the Company shall be given the first right to elect to acquire the Offered Units; and (ii) to the extent the Company fails to elect to acquire all of the Offered Units, any Non-Transferring Member may elect to acquire the Offered Units.

(b) Within 20 days after receipt of the Sale Notice, the Company may elect to purchase, at the price and on the terms specified in the Sale Notice, all of the Offered Units by delivering a written notice of exercise to the Members.

(c) If the Company elects not to purchase the Offered Units, the Company shall provide written notice (the "Company Notice") to the Non-Transferring Members within 20 days following the receipt of the Sale Notice that the Company has not elected to purchase all or any of the Offered Units. Within 20 days following the receipt of the Company Notice, the Non-Transferring Members shall have the right to purchase or obtain, at the price and on the terms specified in the Sale Notice, such remaining Units (the "Remaining Interests"). The Non-Transferring Members shall exercise its right to purchase or obtain the Remaining Interests by giving written notice thereof to the Transferring Member within five Business Days after receipt by the Non-Transferring Members of the Company Notice.

(d) If the Offer Price, or a portion of the Offer Price, involves consideration other than cash, the ROFR Offerees shall have the right to purchase the Offered Units for a cash amount equal to the sum of the portion of such consideration which is cash plus the Cash Value (as defined below) of the non-cash consideration. For purposes of this Section 15.4, "Cash Value" shall mean, in the case of securities which are quoted on any national securities exchange, cash in an amount equal to the average of the last reported sales price on such

exchange for such securities for the five trading days prior to the date of the Sale Notice and, in the case of securities or other property for which there is no such readily available market price, an amount equal to the fair market value of such securities or property as determined in good faith by the Board.

(e) If the ROFR Offerees exercise their rights to purchase a portion of the Offered Units in accordance with Section 15.4, then the Transferring Member must sell such portion of the Offered Units to such party or parties.

(f) At the closing of the purchase of the Offered Units, the Transferring Member shall deliver to the applicable ROFR Offerees certificates evidencing the Offered Units, duly endorsed, or accompanied by written instruments of transfer in form reasonably satisfactory to the applicable ROFR Offerees, duly executed by the Transferring Member, free and clear of any Encumbrances, against payment of the purchase price therefor in cash. The closing date shall be the date specified by the Transferring Member in the Sale Notice or such other date as is mutually agreed upon by the appropriate parties.

(g) The Transferring Member may, during the 180-day period following the expiration of the period in which a notice of exercise may be given, sell or enter into an agreement to sell the Offered Units to any person or persons at a price not less than, and upon terms no more favorable to the offeree than, those specified in the Sales Notice. If the Transferring Member does not enter into an agreement for the sale of the Offered Units within such period, or if such agreement is not consummated within 90 days of the execution thereof, the right provided in this Section 15.4 shall be deemed to be revived and such Offered Units shall not be offered unless first reoffered to the Company and the Non-Transferring Members in accordance with this Article XV.

SECTION 15.5 Securities Act Compliance. No Units may be Transferred by a Member (other than pursuant to an effective registration statement under the Securities Act) unless such Member first delivers to the Company an opinion of counsel, which opinion and counsel shall be reasonably satisfactory to the Company, to the effect that such Transfer is not required to be registered under the Securities Act.

SECTION 15.6 Permitted Transfers. Notwithstanding Sections 15.3 and 15.4, a Member may Transfer or cause to be transferred all or any portion of such Member's Units: (i) to any person with the consent of the Company (including, but not limited to, a sale by public offering); (ii) to any person in the Family Group of the Member; (iii) by will or by the laws of descent and distribution; (iv) by pledge to secure a bona fide loan made by a lending institution; and (v) as part of any combination, exchange, merger, consolidation, redemption, retirement, recapitalization, or reorganization generally affecting the Units (or any class or series of Units) (each of (i) through (v), a "Permitted Transfer").

SECTION 15.7 Transferees Bound by Agreement. Subject to compliance with the other provisions of this Article XV, a Member may Transfer any Units held by such Member in accordance with applicable law; provided, however, that the transferee of such security shall be bound by all the terms and provisions of this Agreement and no Transfer shall be valid or a

permitted transfer unless such transferee consents in writing to be bound by the terms of this Agreement applicable to Members.

SECTION 15.8 Transfers in Violation of Agreement. Any Transfer or attempted Transfer of any Units in violation of any provision of this Agreement shall be void, and the Company shall not record such Transfer on its books nor treat any purported transferee of such Units as the owner of such Units for any purpose.

SECTION 15.9 Series A Member's Drag Along Right. In connection with a sale to a third party by the Series A Member of all Units owned by the Series A Member, at the Series A Member's election and in its sole discretion, the Series A Member shall have the right to cause all other Members to sell their Units in such sale to such third party upon the same terms and conditions as the sale by the Series A Member to such third party; provided, that such other Members receive all cash consideration and are not required to make representations and warranties other than regarding their authority to transfer their Units and the lack of Encumbrances with respect to the Units.

ARTICLE XVI -- REGISTRATION RIGHTS

SECTION 16.1 Request for Registration.

(a) If the Company shall receive at any time after six months after the effective date of the first registration statement for a public offering of securities of the Company (other than a registration statement relating either to the sale of securities to employees of the Company pursuant to a stock option, stock purchase or similar plan or a Rule 145 transaction), a written request from Holders of Registrable Securities of 5% or more of the Registrable Securities then outstanding (provided, that the Class A Member may submit a written request for less than 5% of the Registrable Securities is such amount constitutes all of Registrable Securities of the Class A Member) ("Initiating Holders"), requesting that the Company file a registration statement under the Securities Act covering the registration of a portion of the Registrable Securities then outstanding, then, provided, that, the Registrable Securities held by the Initiating Holders have an anticipated aggregate public offering amount of not less than $7,500,000, the Company shall:

(i) within 15 days of the receipt thereof, give written notice of such request to all Holders of Registrable Securities; and

(ii) effect as soon as practicable, and in any event within 90 days of the receipt of such request, the registration under the Securities Act of all Registrable Securities which the Holders of Registrable Securities request to be registered, subject to the limitations of subsection 16.1.(b), within 15 days of the mailing of such notice by the Company.

(b) If the Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to Section 16.1(a) and the Company shall include such information in the written notice referred to in subsection 16.1(a). The underwriter will be selected by the Company and shall be reasonably acceptable to a majority in interest of the Initiating Holders.

In such event, the right of any Holder of Registrable Securities to include securities in such registration shall be conditioned upon the participation in such underwriting by such Holder of Registrable Securities and the inclusion of the securities of such Holder of Registrable Securities in the underwriting (unless otherwise mutually agreed by a majority in interest of the Initiating Holders and such Holder of Registrable Securities) to the extent provided herein. All Holders of Registrable Securities proposing to distribute their securities through such underwriting shall (together with the Company as provided in subsection 16.2(b)) enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting. Notwithstanding any other provision of this section 16.1(b), if the underwriter advises the Initiating Holders in writing that marketing factors require a limitation of the number of securities to be underwritten, then the Company shall so advise all Holders of Registrable Securities and other holders of securities subject to registration rights which would otherwise be underwritten pursuant hereto, and the number of securities that may be included in the underwriting on behalf of each Holder of Registrable Securities shall be allocated on a pro-rata basis among the selling holders according to the total number of securities held by each such selling holder and entitled to inclusion therein on the basis of a registration rights agreement with the Company; provided, however, that the number of Registrable Securities to be included in such underwriting shall not be reduced unless all other securities are first entirely excluded from the underwriting and registration. For purposes of allocating securities to be included in any offering, for any selling holder which is a partnership or Company, the "affiliates" (as defined in Rule 405 under the Securities Act), partners, retired partners and shareholders of such holder (and in the case of a partnership, any affiliated partnerships), or the estates and family members of any such partners and retired partners and any trusts for the benefit of any of the foregoing persons shall be deemed to be a single "selling holder," and any pro-rata reduction with respect to such "selling holder" shall be based upon the aggregate amount of Units carrying registration rights owned by all entities and individuals included in such "selling holder," as defined in this sentence. To facilitate the allocation of Units in accordance with the above provisions, the Company may round the number of Units allocated to any Holder of Registrable Securities to the nearest 100 Units.

(c) Notwithstanding the foregoing, if the Company shall furnish to Holders of Registrable Securities requesting a registration statement pursuant to this Section 16.1, a certificate signed by the President stating that in the good faith judgment of the Board of the Company, it would be seriously detrimental to the Company and its shareholders for such registration statement to be filed and it is therefore essential to defer the filing of such registration statement, the Company shall have the right to defer taking action with respect to such filing for a period of not more than 90 days after receipt of the request of the Initiating Holders; provided, however, that the Company may not utilize this right more than twice in any twelve-month period.

(d) In addition, the Company shall not be obligated to effect, or to take any action to effect, any registration pursuant to this Section 16.1:

(i) after the Company has effected two registrations pursuant to this Section 16.1 and such registrations have been declared or ordered effective; provided that, a registration shall not count against this limitation in the event the number of Registrable

Securities to be include in the registration has been reduced by more than one-third of the original number of Registrable Securities for which registration was sought;

(ii) during the period starting with the date 60 days prior to the Company's good faith estimate of the date of filing of, and ending on a date 180 days after the effective date of, (x) a previous registration subject to this Section 16.1, (y) the Company's initial registered offering of its securities to the general public (other than a registration statement relating to either the sale of securities to employees of the Company pursuant to an option or similar plan or an Rule 145 transaction) or (z) a previous registration subject to Section 16.2 of this Agreement; provided that, the Company is actively employing in good faith all reasonable efforts to cause such registration statement to become effective;

(iii) In any particular jurisdiction in which the Company would be required to execute a general consent to service of process, unless the Company is already subject to service in such jurisdiction and except as required by the Securities Act; or

(iv) If the Initiating Holders propose to dispose of Registrable Securities that may be immediately registered on Form S-3 pursuant to a request made pursuant to Section 16.3 below.

SECTION 16.2 Company Registration.

(a) If (but without any obligation to do so) the Company proposes to register (including for this purpose a registration effected by the Company for holders other than the Holders of Registrable Securities) any of its securities under the Securities Act in connection with the public offering of such securities solely for cash (other than a registration relating solely to the sale of securities to participants in a Company option plan, a registration pursuant to a Rule 145 transaction, a registration on any form which does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities or a registration in which the only Units being registered is Units issuable upon conversion of debt securities which are also being registered), the Company shall, at such time, promptly give each Holder written notice of such registration. Upon the written request of each Holder given within fifteen (15) days after mailing of such notice by the Company, the Company shall, subject to the provisions of paragraph 16.2(b) below, cause to be registered under the Securities Act all of the Registrable Securities that each such Holder has requested to be registered.

(b) In connection with any offering involving an underwriting of securities, the Company shall not be required under this Section 16.2 to include any of the securities of such Holders of Registrable Securities in such underwriting unless they accept the terms of the underwriting as agreed upon between the Company and the underwriters selected by it (or by other persons entitled to select the underwriters), and then only in such quantity as the underwriters determine in their sole discretion will not jeopardize the success of the offering by the Company. If the total amount of securities, including Registrable Securities, requested by holders to be included in such offering exceeds the amount of securities sold other than by the Company that the underwriters determine in their sole discretion is compatible with the success

of the offering, then the Company shall be required to include in the offering only that number of such securities, including Registrable Securities, which the underwriters determine in their sole discretion will not jeopardize the success of the offering, but in no event shall (i) the amount of securities of the selling Holders of Registrable Securities included in the offering be reduced below twenty-five percent (25%) of the total amount of securities included in such offering, unless such offering is the initial public offering of the Company's securities, in which case the Holders of Registrable Securities may be excluded entirely if the underwriters make the determination described above and no other holder's securities are included or (ii) notwithstanding (i) above, any Units being sold by a holder exercising a demand registration right pursuant to Section 16.1 be excluded from such offering. Allocation of securities to be sold in any such offering shall be made on a pro-rata basis among the selling holders according to the total number of securities held by each such selling holder and entitled to inclusion therein on the basis of a registration rights agreement with the Company; provided, however, that the number of Units of Registrable Securities to be included in such offering shall not be reduced unless all other securities (other than shares to be issued by the Company) are first entirely excluded from the offering. For purposes of allocation of securities to be included in any offering, for any selling holder which is a partnership or Company, the "affiliates" (as defined in Rule 405 under the Securities Act), partners, retired partners and holders of such holder (and in the case of a partnership, any affiliated partnerships), or the estates and family members of any such partners and retired partners and any trusts for the benefit of any of the foregoing persons shall be deemed to be a single "selling holder," and any pro-rata reduction with respect to such "selling holder" shall be based upon the aggregate amount of Units carrying registration rights owned by all entities and individuals included in such "selling holder," as defined in this sentence.

SECTION 16.3 Form S-3 Registration. In case the Company shall receive from any Holder or Holders of Registrable Securities a written request or requests that the Company effect a registration on Form S-3 and any related qualification or compliance with respect to all or a part of the Registrable Securities owned by such Holder or Holders of Registrable Securities, the Company will:

(a) promptly give written notice of the proposed registration, and any related qualification or compliance, to all other Holders of Registrable Securities;

(b) as soon as practicable, effect such registration and all such qualifications and compliances as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of the Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other Holder or Holders of Registrable Securities joining in such request as are specified in a written request given within 15 days after receipt of such written notice from the Company; provided, however, that the Company shall not be obligated to effect any such registration, qualification or compliance, pursuant to this Section 16.3: (1) if the Registrable Securities requested by all Holders of Registrable Securities to be registered pursuant to this Section 16.3 have an anticipated aggregate offering price to the public (before deducting any underwriter discounts, concessions or commissions) of less than $750,000; (2) if Form S-3 is not available for such offering by the Holders of Registrable Securities; (3) if the Company shall furnish to the Holders of Registrable Securities a certificate signed by the President of the Company stating that in the good faith judgment of the Board of

the Company, it would be seriously detrimental to the Company and its holders for such Form S-3 Registration to be effected at such time, in which event the Company shall have the right to defer the filing of the Form S-3 registration statement for a period of not more than 90 days after receipt of the request of the Holder or Holders of Registrable Securities under this Section 16.3; provided, however, that the Company shall not utilize this right more than twice in any twelve month period; (4) if the Company has, within the 12 month period preceding the date of such request, already effected two (2) or more registrations on Form S-3 for the Holders of Registrable Securities pursuant to this Section 16.3; or (5) in any particular jurisdiction in which the Company would be required to qualify to do business or to execute a general consent to service of process in effecting such registration, qualification or compliance; and

(c) Subject to the foregoing, the Company shall file a registration statement covering the Registrable Securities and other securities so requested to be registered as soon as practicable after receipt of the request or requests of the Holders of Registrable Securities. Registrations effected pursuant to this Section 16.3 shall not be counted as demands for registration or registrations effected pursuant to Sections 16.1 or 16.2, respectively.

SECTION 16.4 Obligations of the Company. Whenever required under this Article XVI to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(a) Prepare and file with the Commission a registration statement with respect to such Registrable Securities and use its best efforts to cause such registration statement to become effective, and, upon the request of the Holders of Registrable Securities holding a majority of the Registrable Securities registered thereunder, keep such registration statement effective for a period of up to 90 days or, if longer, until the distribution contemplated in the Registration Statement has been completed; provided, however, that such 90-day period shall be extended for a period of time equal to the period the Holder refrains from selling any securities included in such registration at the request of an underwriter of securities of the Company.

(b) Prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement.

(c) Furnish to the Holders of Registrable Securities such numbers of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them.

(d) Use its best efforts to register and qualify the securities covered by such registration statement under such other securities or blue sky laws of such jurisdictions as shall be reasonably requested by the Holders of Registrable Securities; provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

(e) In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter of such offering. Each Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement.

(f) Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing.

(g) Cause all such Registrable Securities registered pursuant hereunder to be listed on each securities exchange on which similar securities issued by the Company are then listed.

(h) Provide a transfer agent and registrar for all Registrable Securities registered pursuant hereunder and a CUSIP number for all such Registrable Securities, in each case not later than the effective date of such registration.

(i) In the event of any underwritten public offering, cooperate with the selling Holders of Registrable Securities, the underwriters participating in the offering and their counsel in any due diligence investigation reasonably requested by the selling Holders of Registrable Securities or the underwriters in connection therewith, and participate, to the extent reasonably requested by the managing underwriter for the offering or the selling Holder, in efforts to sell the Registrable Securities under the offering (including, without limitation, participating in "roadshow" meetings with prospective investors) that would be customary for underwritten primary offerings of a comparable amount of equity securities by the Company.

SECTION 16.5 Furnish Information.

(a) It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Article XVI with respect to the Registrable Securities of any selling Holder that such Holder shall furnish to the Company such information regarding itself, the Registrable Securities held by it, and the intended method of disposition of such Securities as shall be required to effect the registration of such Holder's Registrable Securities.

(b) The Company shall have no obligation with respect to any registration requested pursuant to Section 16.1 or Section 16.3 if, due to the operation of subsection 16.5(a), the number of Units or the anticipated aggregate offering price of the Registrable Securities to be included in the registration does not equal or exceed the number of Units or the anticipated aggregate offering price required to originally trigger the Company's obligation to initiate such registration as specified in subsection 16.1(a) or subsection 16.3(b), whichever is applicable.

SECTION 16.6 Expenses of Demand, Company or S-3 Registration. All expenses (exclusive of underwriting discounts and commissions and transfer taxes) incurred in connection with registrations, filings or qualifications pursuant to this Article XVI including

(without limitation) all registration, filing and qualification fees, printers' and accounting fees, fees and disbursements of counsel for the Company and the reasonable fees and disbursements of one counsel for all selling Holders of Registrable Securities shall be borne by the Company.

SECTION 16.7 Delay of Registration. No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any such registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Article XVI.

SECTION 16.8 Indemnification. In the event any Registrable Securities are included in a registration statement under this Article XVI:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each Holder, the constituent partners and members, or officers and directors of each Holder, any underwriter (as defined in the Securities Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages, or liabilities (joint or several) to which they may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "Violation"): (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities law; and the Company will pay to each such Holder, underwriter or controlling person any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability, or action, as such expenses are incurred; provided, however, that the indemnity agreement contained in this subsection 16.8(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability, or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable in any such case for any such loss, claim, damage, liability, or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by any such Holder, underwriter or controlling person.

(b) To the extent permitted by law, each selling Holder will indemnify and hold harmless the Company, each of its directors, each of its officers who has signed the registration statement, each person, if any, who controls the Company within the meaning of the Securities Act, any underwriter, any other Holder selling securities in such registration statement and any controlling person of any such underwriter or other Holder, severally but not jointly, against any losses, claims, damages, or liabilities (joint or several) to which any of the foregoing persons may become subject, under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereto) arise out of or

are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder expressly for use in connection with such registration; and each such Holder will pay any legal or other expenses reasonably incurred by any person intended to be indemnified pursuant to this subsection 16.8(b), in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that the indemnity agreement contained in this subsection 16.8(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; provided, that, in no event shall Holder's cumulative, aggregate liability under this subsection 16.8(b), under Section 16.8(d), or under such sections together, exceed the net proceeds received by such Holder from the offering out of which such Violation arises.

(c) Promptly after receipt by an indemnified party under this Section 16.8 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 16.8, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with one counsel mutually satisfactory to the parties; provided, however, that an indemnified party (together with all other indemnified parties which may be represented without conflict by one counsel) shall have the right to retain one separate counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action shall not relieve such indemnifying party of any liability to the indemnified party under this Section 16.8 unless the failure to deliver notice is materially prejudicial to its ability to defend such action. Any omission to so deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 16.8.

(d) If the indemnification provided for in this Section 16.8 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any loss, liability, claim, damage, or expense referred to herein, then the indemnifying party, in lieu of indemnifying such indemnified party hereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such loss, liability, claim, damage, or expense in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand, and of the indemnified party on the other, in connection with the statements or omissions that resulted in such loss, liability, claim, damage, or expense as well as any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent,

knowledge, access to information, and opportunity to correct or prevent such statement or omission.

(e) Notwithstanding the foregoing, to the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into in connection with the underwritten public offering are in conflict with the foregoing provisions, the provisions in the underwriting agreement shall control.

(f) The obligations of the Company and Holders of Registrable Securities under this Section 16.8 shall survive the completion of any offering of Registrable Securities in a registration statement under this Article XVI, and otherwise.

SECTION 16.9 Reports under the Exchange Act. With a view to making available to the Holders of Registrable Securities the benefits of Rule 144 promulgated under the Securities Act and any other rule or regulation of the Commission that may at any time permit a Holder to sell securities of the Company to the public without registration or pursuant to a registration on Form S-3, the Company agrees to:

(a) make and keep public information available, as those terms are understood and defined in Rule 144, at all times after 90 days after the effective date of the first registration statement filed by the Company for the offering of its securities to the general public;

(b) take such action, including the voluntary registration of its securities under Section 12 of the Exchange Act, as is necessary to enable the Holders of Registrable Securities to utilize Form S-3 for the sale of their Registrable Securities, such action to be taken as soon as practicable after the end of the fiscal year in which the first registration statement filed by the Company for the offering of its securities to the general public is declared effective;

(c) file with the Commission in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act; and

(d) furnish to any Holder, so long as the Holder owns any Registrable Securities, forthwith upon request (i) a written statement by the Company that it has complied with the reporting requirements of Rule 144 (at any time after 90 days after the effective date of the first registration statement filed by the Company), the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements), or that it qualifies as a registrant whose securities may be resold pursuant to Form S-3 (at any time after it so qualifies), (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (iii) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the Commission which permits the selling of any such securities without registration or pursuant to such form.

SECTION 16.10 Assignment of Registration Rights. The rights to cause the Company to register Registrable Securities pursuant to this Article XVI may be assigned (but only with all related obligations) by a Holder to, (i) in the case of any Holder that is a partnership, limited liability company or Company, any current and former constituent partners,

members, holders, affiliate funds and affiliates of that Holder, or (ii) in the case of any Holder, (x) a transferee or assignee of such securities who, after such assignment or transfer, holds at least 1% of the Fully Diluted Percentage Interest at the time of the transfer as appropriately adjusted for all splits, dividends, combinations, reclassifications and other like transactions of the Registrable Securities originally held by such transferring Holder, or all of such transferring Holder's Units if a lesser amount is transferred, (y) a transferee or assignee who is a spouse, lineal descendant, father, mother, brother or sister (each, a "Family Member") of Holder or (z) or to a trust, the beneficiaries of which are exclusively the Holder and/or Family Members, provided, in each case, that: (a) the Company is, within a reasonable time after such transfer, furnished with written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned; (b) such transferee or assignee agrees in writing to be bound by and subject to the terms and conditions of this Agreement, including without limitation the provisions of Section 16.11 below; and (c) such assignment shall be effective only if immediately following such transfer the further disposition of such securities by the transferee or assignee is restricted under the Securities Act. For the purposes of determining the number of Units of Registrable Securities held by a transferee or assignee of a holder of Registrable Securities, the holdings of "affiliates" (as defined in Rule 405 under the Securities Act) of such holder, affiliated partnerships, constituent or retired partners of such partnerships (as well as Family Members of such partners or spouses who acquire Registrable Securities by gift, will or intestate succession) shall be aggregated together and with such partnership and its affiliated partnerships and other entities; provided, that, all assignees and transferees who would not qualify individually for assignment of registration rights shall have a single attorney-in-fact for the purpose of exercising any rights, receiving notices or taking any action under this Section 16.10.

SECTION 16.11 "Market Stand-Off" Agreement. Each Holder hereby agrees that, during the period of duration specified by the Company and an underwriter of securities of the Company, following the effective date of the registration statement of the Company filed under the Securities Act relating to its initial public offering, it shall not, to the extent requested by the Company and such underwriter, directly or indirectly sell, offer to sell, contract to sell (including, without limitation, any short sale), grant any option to purchase or otherwise transfer or dispose of (other than to donees who agree to be similarly bound) any securities of the Company held by it at any time during such period except securities included in such registration; provided, however, that:

(a) the Company uses its best efforts to insure that officers and directors of the Company enter into similar agreements;

(b) the Company uses its best efforts to obtain from persons who hold greater than five percent (5%) of the Company's Units, a lock-up agreement similar to that set forth in this Section 16.11; and

(c) such market stand-off time period shall not exceed 180 days.

Each Holder of Registrable Securities agrees to provide to the other underwriters of any public offering such further agreements as such underwriter may reasonably request in connection with

this market stand-off agreement, provided that the terms of such agreements are substantially consistent with the provisions of this Section 16.11. In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to the Registrable Securities of each Holder (and the securities of every other person subject to the foregoing restriction) until the end of such period.

Notwithstanding the foregoing, the obligations described in this Section 16.11 shall not apply to a registration relating solely to employee benefit plans on Form S-1 or Form S-8 or similar forms which may be promulgated in the future, or a registration relating solely to a Rule 145 transaction.

SECTION 16.12 Termination of Registration Rights. The right of any Holder of Registrable Securities to request registration or to include Registrable Securities in any registration pursuant to this Article XVI shall terminate upon the earlier of (i) the date which is five years after the date immediately prior to the closing of a Qualified IPO, or (ii) such date as a public trading market shall exist for the Company's securities and all Registrable Securities beneficially owned and subject to Rule 144 aggregation by such Holder of Registrable Securities may immediately be sold under Rule 144 (without regard to Rule 144(k)) during any 90-day period, provided that such Holder is not then an "affiliate" of the Company within the meaning of Rule 144 and such Holder owns less than 1% of the Units.

SECTION 16.13 Limitations on Subsequent Registration Rights. From and after the date of this Agreement, the Company shall not, without the prior written consent of Amerigon, enter into any agreement with any existing Holder or prospective holder of Securities of the Company granting registration rights with respect to such Securities, unless under the terms of such agreement, such holder or prospective holder may include such securities in any such registration only to the extent that the inclusion of his securities will not reduce the amount of the Registrable Securities of the Holders of Registrable Securities which is included.

ARTICLE XVII -- GENERAL PROVISIONS

SECTION 17.1 Amendment. Any amendment of the Certificate of Formation or this Agreement shall require the approval of a Majority in Interests of all Members; provided, however that (i) any amendment to Article IV shall require the approval of the Class A Member, (ii) any amendment to Article V shall require the approval of the Series A Member, (iii) any amendment to Sections 3.5(a), 6.2, 6.6, 14.2 and 17.1 and Articles X, XV and XVI shall require the approval of the Class A Member and the Series A Member, (iv) any amendment to Section 3.2 and the second sentence of Section 11.1 shall require the approval of all Members and (v) similar voting requirements shall apply to any defined term used in any section or article referenced above to the extent such term is material to the application of such section or article.

SECTION 17.2 Waivers Generally. No delay in the exercise of any right shall operate as a waiver of such right. No single or partial exercise of any right shall preclude its further exercise. A waiver of any right on any one occasion shall not be construed as a bar to, or waiver of, any such right on any other occasion.

SECTION 17.3 Equitable Relief. If any Member proposes to Transfer its Membership Interest in violation of the terms of this Agreement, the Company or any Member may apply to any court of competent jurisdiction for an injunctive order prohibiting such proposed Transfer except upon compliance with the terms of this Agreement, and the Company or any Member may institute and maintain any action or proceeding against the Person proposing to make such Transfer to compel the specific performance of this Agreement. Any attempted Transfer in violation of this Agreement is null and void, and of no force and effect. The Person against whom such action or proceeding is brought waives the claim or defense that an adequate remedy at law exists, and such Person shall not urge in any such action or proceeding the claim or defense that such remedy at law exists.

SECTION 17.4 Remedies for Breach. The rights and remedies of the Members set forth in this Agreement are neither mutually exclusive nor exclusive of any right or remedy provided by law, in equity or otherwise. The Members agree that all legal remedies (such as monetary damages) as well as all equitable remedies (such as specific performance) shall be available for any breach or threatened breach of any provision of this Agreement.

SECTION 17.5 Costs. If the Company or any holder of a Membership Interest retains counsel for the purpose of enforcing or preventing the breach or any threatened breach of any provision of this Agreement or for any other remedy relating to it, then the prevailing party shall be entitled to be reimbursed by the nonprevailing party for all costs and expenses so incurred (including reasonable attorney's fees, costs of bonds, and fees and expenses for expert witnesses).

SECTION 17.6 Counterparts. This Agreement may be signed in multiple counterparts. Each counterpart shall be considered an original, but all of them in the aggregate shall constitute one instrument.

SECTION 17.7 Notices. All notices under this Agreement shall be in writing and shall be delivered or sent to a Member at the address or fax number listed on Schedule [B] hereto, or at such other address or fax number as a Member may give by notice to the Company and all other Members, with such copies to such parties as are indicated on Schedule [B] hereto. Any notices given to any Member in accordance with this Agreement shall be deemed to have been duly given and received (a) on the date of receipt if personally delivered, (b) five days after being sent by mail, postage prepaid, (c) the date of receipt, if sent by registered or certified mail, postage prepaid, (d) when sent by confirmed facsimile or telecopier transmission (provided a confirming copy is sent by another means described herein), or (e) one Business Day after having been sent by a recognized overnight courier service upon confirmation of delivery by such courier service.

SECTION 17.8 Date of Performance. Whenever this Agreement provides for any action to be taken on a day which is not a Business Day, such action shall be taken on the next following Business Day.

SECTION 17.9 Limited Liability. The liability of each Member, holder of a Membership Interest who is not a Member, Officer or agent of the Company shall be limited as

set forth in this Agreement, the DLLCA, and other applicable law. No Member, holder of a Membership Interest who is not a Member, Officer or agent of the Company is liable for any debts, obligations or liabilities of the Company or each other, whether arising in tort, contract or otherwise, solely by reason of being a Member, holder of a Membership Interest, Officer or agent of the Company, or acting (or omitting to act) in such capacities or participating (as an employee, consultant, contractor or otherwise) in the conduct of the business of the Company, except that a Member shall remain personally liable for the payment of such Member's Capital Contribution and as otherwise set forth in this Agreement, the DLLCA, and other applicable law.

SECTION 17.10 Partial Invalidity. Wherever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law. However, if for any reason any one or more of the provisions of this Agreement are held to be invalid, illegal or unenforceable in any respect, such action shall not affect any other provision of this Agreement. In such event this Agreement shall be construed as if such invalid, illegal, or unenforceable provision had never been contained in it.

SECTION 17.11 Entire Agreement. This Agreement contains the entire agreement among the Members with respect to the subject matter of this Agreement and supersedes each course of conduct previously pursued or acquiesced in, and each oral agreement and representation previously made, by the Members with respect thereto, whether or not relied or acted upon. Without limiting the generality of the foregoing, this Agreement amends and restates the Prior Operating Agreement of the Company made as of August 29, 2000, and subsequent and amendments thereto, which is hereby superseded.

SECTION 17.12 Benefit. The contribution obligations of each Member shall inure solely to the benefit of the other Members and the Company, without conferring on any other Person any rights of enforcement or other rights.

SECTION 17.13 Binding Effect. This Agreement is binding upon, and inures to the benefit of, the Members and their permitted transferees, successors and assigns.

SECTION 17.14 Confidentiality.

(a) The Company and the Members acknowledge and agree that each Member and the Company's customers may from time to time make certain of their confidential business information available to the Company. The Company and each Member agree that it shall not disclose to any third party any information concerning the customers, vendors, trade secrets, methods, processes, procedures or any other confidential business information of the Company or any other party to this Agreement which it learns during the course of its performance of this Agreement, without the prior written consent of the Board.

(b) The parties further acknowledge and agree that in the event of a breach or threatened breach of this Section 17.14, the Company may have no adequate remedy in money damages and, accordingly, may be entitled to appropriate injunctive relief against such breach or threatened breach. The obligations contained in this Section 17.14 shall survive the cancellation or other termination of this Agreement.

(c) This Section 17.14 shall not prevent any disclosure of information to the extent required by applicable law or regulation or self-regulating organization. Any party required to make such disclosure, to the extent reasonably practicable, shall (i) afford the Company the opportunity to seek to prevent such disclosure or obtain an appropriate protective order or other relief and (iii) cooperate with the Company's efforts to do so.

SECTION 17.15 Covenants Not to Compete. The Class A Member hereby covenants with the Company and each other Member that on the Transfer of all or substantially all of the Class A Member's Membership Interest, whether voluntary, involuntary, by operation of law, or by reason of any provision of this Agreement, the Class A Member shall not, directly or indirectly, through an Affiliate or otherwise, within 50 miles of any established business office of the Company, or elsewhere where the Company conducts its business, for a period of eighteen months following the date of the Transfer, (a) enter into any agreement or understanding, written or oral, relating to the services of any employee of the Company, (b) solicit the business of, enter into any agreement, written or oral, or otherwise deal with the customers of the Company, who were such at the time of the Transfer and where the Company's contract or relationship with such customer originated while the Class A Member was a Member of the Company, or (c) use or disclose in any manner any confidential information.

SECTION 17.16 Further Assurances. Each Member agrees, without further consideration, to sign and deliver such other documents of further assurance as may reasonably be necessary to effectuate the provisions of this Agreement.

SECTION 17.17 Headings. Article and section titles have been inserted for convenience of reference only. They are not intended to affect the meaning or interpretation of this Agreement.

SECTION 17.18 Terms. Terms used with initial capital letters shall have the meanings specified, applicable to both singular and plural forms, for all purposes of this Agreement. All pronouns (and any variation) shall be deemed to refer to the masculine, feminine or neuter, as the identity of the Person may require. The singular or plural includes the other, as the context requires or permits. The word include (and any variation) is used in an illustrative sense rather than in a limiting sense. The word day means a calendar day, unless otherwise specified.

SECTION 17.19 Governing Law; Consent to Jurisdiction. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware (without giving effect to any conflict of laws provisions). Any conflict or apparent conflict between this Agreement and the DLLCA shall be resolved in favor of this Agreement except as otherwise required by the DLLCA. In any action or proceeding arising out of, related to, or in connection with this Agreement, the parties consent to be subject to the jurisdiction and venue of the federal and state courts in Los Angeles, California. Each of the parties consents to the service of process in any action commenced hereunder by certified or registered mail, return receipt requested, or by any other method or service acceptable under federal law or the laws of the State of California. AS TO ANY ACTION OR PROCEEDING ARISING OUT OF, RELATED TO OR

IN CONNECTION WITH THIS AGREEMENT, THE PARTIES HEREBY AGREE TO WAIVE THEIR RIGHTS TO A TRIAL BY JURY.

SECTION 17.20 No Drafting Presumption. In interpreting the provisions of this Agreement, no presumption shall apply against any Member that otherwise would operate against such Member by reason of such document having been drafted by such Member or at the direction of such Member or an Affiliate of such Member.

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

[SIGNATURE PAGE]

EXHIBIT A

Capital Contributions

Member's Name and Address	Paid In Capital	Percentage	Number of Units
Series A Preferred Members			
Class A Common Members			
Class B Common Members			

EXHIBIT B

Milestones

Below are the broad milestones that, if achieved by January 2003, (1) demonstrate significant advancement in thermoelectric technology and (2) represent an application with revenue potential that is a multiple of the initial $2,000,000 capital investment in BSST.

1. Demonstrate a minimum of 30% improvement in Coefficient of Performance in cooling, when compared to best practice thermoelectric systems from Ferrotec, Marlow and Melcor (each recognized as a leader in thermoelectrics) as of January 2001 ("Base Time").

   A. The improvement shall have a demonstrated theoretical basis and exhibit mechanical differences when compared to Base Time devices that cause the performance change.

   B. The improvement shall be demonstrated with both systems employing thermoelectric materials with the same Z (thermoelectric coefficient of performance) and at the same temperature change, ambient temperature and cooling power output.

2. Construct and demonstrate a breadboard power generator that when used in a co-generation cycle, has 30% greater thermodynamic efficiency than thermoelectric power generators as of Base Time, and has 30% less waste heat flow to the cold side when used as a stand-alone device.

   A. Device shall produce 1000 watts power minimum from a heat source maintained at 475C and a cold side maintained at 50C, so as to approximate the operating conditions of a heat source such as an automobile catalytic converter.

   B. The improvement shall be demonstrated with both systems employing thermoelectric materials with the same Z (thermoelectric coefficient of performance) and at the same temperature change, ambient temperature and electrical power output.

The Board of Directors shall determine if the Milestones have been met, and may use experts in thermodynamics to independently verify the experimental results.

Exhibit 10.6

EXECUTION VERSION

FIRST AMENDMENT TO OPTION AGREEMENT

THIS FIRST AMENDMENT TO OPTION AGREEMENT (this "Amendment") is dated as of January __, 2001 and entered into by and among Amerigon Incorporated, a California corporation (the "Holder"), BSST, LLC, a Delaware limited liability company (the "Company"), and Dr. Lon E. Bell, the sole member of the Company ("Dr. Bell") and is made with reference to that certain Option Agreement, dated as of September 4, 2000 (the "Option Agreement"), by and among the Holder, the Company and Dr. Bell. Capitalized terms used herein without definition shall have the same meanings herein as set forth in the Option Agreement.

RECITALS

WHEREAS, the Holder's Option to purchase 2,000 Series A Preferred Units of the Company expires on January 31, 2001;

WHEREAS, the Holder, the Company and Dr. Bell desire to amend the Option Agreement to permit the Holder to change, once a month for up to four months, the date on which the Option expires; and

WHEREAS, as consideration for each change in the period in which the Option is exercisable, the Holder agrees to deliver cash payments to the Company in accordance with the schedule set forth in this Amendment.

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, the parties hereto agree as follows:

SECTION 1. AMENDMENTS TO THE OPTION AGREEMENT

A. Grant of Option. Section 1 of the Option Agreement is hereby amended by (i) deleting the reference to "Option Exercise Price" contained therein and substituting "Option Exercise Consideration" therefor and (ii) deleting the last sentence thereof in its entirety and substituting the following sentence thereof:

"The Option Fee and any Option Extension Fee shall be fully refundable to the Holder in the event that Dr. Bell is no longer an employee of the Company, but in all other circumstances shall be non-refundable."

B. Exercise of Option. Section 2 of the Option Agreement is hereby amended by deleting it in its entirety and substituting the following therefor:

"2. Exercise of Option.

(a) "Option Expiration Date" shall mean January 31, 2001; provided, however, that the Option Expiration Date shall mean the "Resulting Option Expiration Date" specified in the table below if the Holder pays the applicable Option Extension Fee on or before the Option Expiration Date in effect immediately prior to such payment.

Option Expiration Date Previously in Effect	Option Extension Fee	Resulting Option Expiration Date
January 31, 2001	$ 60,000	February 28, 2001
February 28, 2001	$ 80,000	March 31, 2001
March 31, 2001	$100,000	April 30, 2001
April 30, 2001	$120,000	May 31, 2001

(b) The Option may be exercised by the Holder at any time after the date hereof, but no later than the then- applicable Option Expiration Date (the "Option Exercise Period").

(c) The Holder may exercise the Option by delivering written notice to the Company during the Option Exercise Period of the Holder's intention to exercise the Option. The date, if any, on which the Holder shall be deemed to have exercised the Option shall be the date within the Option Exercise Period on which the Holder's written notice to the Company has been effectively received by the Company pursuant to Section 11(b) (the "Exercise Date"), whereupon such Option exercise shall become irrevocable."

C. Option Exercise Consideration. Section 3 of the Option Agreement is hereby amended by deleting it in its entirety and substituting the following therefor:

"3. Option Exercise Consideration. The consideration $2,000,000 minus (b) the sum of (i) the Option for exercise of the Option Units shall be a Fee and (ii) the aggregate amount of any Option commitment by the Holder ("Option Exercise Extension Fees paid to Company prior to the Consideration") to pay to the Company, in accordance Exercise Date." with the schedule set forth in Section 5, an amount (the "Commitment Amount") equal to (a) $2,000,000 minus (b) the sum of (i) the Option Fee and (ii) the aggregate amount of any Option Extension Fees paid to Company prior to the Exercise Date."

SECTION 2. REPRESENTATIONS AND WARRANTIES

In order to induce the parties to enter into this Amendment, each party hereby represents and warrants to each other party that:

(a) such party has all requisite power and authority to enter into this Amendment and to carry out the transactions contemplated by, and perform its

obligations under, the Option Agreement as amended by this Amendment (the "Amended Agreement");

(b) the execution and delivery of this Amendment and the performance of the Amended Agreement have been duly authorized by all necessary action on the part of such party;

(c) the execution and delivery by each party of this Amendment and the performance by each party of the Amended Agreement do not and will not (i) violate any provision of any law or any governmental rule or regulation applicable to such party, the organizational documents, if any, of such party or any order, judgment or decree of any court or other agency of government binding on such party, (ii) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any contractual obligation of such party, (iii) result in or require the creation or imposition of any lien upon any of the properties or assets of such party, or (iv) require any approval of stockholders or members, other than consents that have been obtained, or any approval or consent of any person under any contractual obligation of such party;

(d) the execution and delivery by each party of this Amendment and the performance by such party of the Amended Agreement do not and will not require any registration with, consent or approval of, or notice to, or other action to, with or by, any federal, state or other governmental authority or regulatory body;

(e) this Amendment and the Amended Agreement have been duly executed and delivered by such party and are the legally valid and binding obligations of such party, enforceable against such party in accordance with their respective terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability.

(f) all representations and warranties of such party contained in the Option Agreement are true, correct and complete in all material respects on and as of the date hereof except to the extent such representations and warranties specifically relate to an earlier date, in which case they were true, correct and complete in all material respects on and as of such earlier date; and

(g) each party has performed all covenants and agreements to be performed on their part prior to the date hereof as set forth in the Option Agreement.

SECTION 3. MISCELLANEOUS

A. Reference to and Effect on the Option Agreement.

(i) Except as specifically amended by this Amendment, the Option Agreement shall remain in full force and effect and is hereby ratified and confirmed.

(ii) The execution, delivery and performance of this Amendment shall not, except as expressly provided herein, constitute a waiver of any provision of, or operate as a waiver of any right, power or remedy under, the Option Agreement.

B. Headings. Section and subsection headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose or be given any substantive effect.

C. Applicable Law. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF CALIFORNIA, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES.

D. Effectiveness. This Amendment shall become effective upon the execution of counterparts hereof by the Holder, the Company and Dr. Bell and receipt by the Holder, the Company and Dr. Bell of written or telephonic notification of such execution and authorization of delivery thereof.

E. Counterparts. This Amendment may be executed in one or more counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

[signature page to follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

AMERIGON INCORPORATED

By: ________________________________
Name:
Title:

BSST, LLC

By: ________________________________
Name:
Title:

DR. LON E. BELL

____

Exhibit 10.7

EXECUTION VERSION

SECOND AMENDMENT
TO OPTION AGREEMENT

THIS SECOND AMENDMENT TO OPTION AGREEMENT (this "Amendment") is dated as of March __, 2001 and entered into by and among Amerigon Incorporated, a California corporation (the "Holder"), BSST, LLC, a Delaware limited liability company (the "Company"), and Dr. Lon E. Bell, the sole member of the Company ("Dr. Bell") and is made with reference to that certain Option Agreement, dated as of September 4, 2000 (as previously amended, the "Option Agreement"), by and among the Holder, the Company and Dr. Bell. Capitalized terms used herein without definition shall have the same meanings herein as set forth in the Option Agreement.

RECITALS

WHEREAS, the Holder, the Company and Dr. Bell desire to amend the Option Agreement to permit the Holder to have five day business days after an Option Expiration Date to pay the applicable Option Extension Fee;

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, the parties hereto agree as follows:

Section 1. AMENDMENT TO THE OPTION AGREEMENT

Paragraph (a) of Section 2 of the Option Agreement is hereby amended by deleting it in its entirety and substituting the following therefor:

(a) "Option Expiration Date" shall mean January 31, 2001; provided, however, that the Option Expiration Date shall mean the "Resulting Option Expiration Date" specified in the table below if the Holder pays the applicable Option Extension Fee on or before the date that is five business days after the Option Expiration Date in effect immediately prior to such payment.

Option Expiration Date Previously in Effect	Option Extension Fee	Resulting Option Expiration Date
January 31, 2001	$ 60,000	February 28, 2001
February 28, 2001	$ 80,000	March 31, 2001
March 31, 2001	$100,000	April 30, 2001
April 30, 2001	$120,000	May 31, 2001

Section 2. REPRESENTATIONS AND WARRANTIES

In order to induce the parties to enter into this Amendment, each party hereby represents and warrants to each other party that:

(a) Such party has all requisite power and authority to enter into this Amendment and to carry out the transactions contemplated by, and perform its obligations under, the Option Agreement as amended by this Amendment (the "Amended Agreement");

(b) the execution and delivery of this Amendment and the performance of the Amended Agreement have been duly authorized by all necessary action on the part of such party;

(c) the execution and delivery by each party of this Amendment and the performance by each party of the Amended Agreement do not and will not (i) violate any provision of any law or any governmental rule or regulation applicable to such party, the organizational documents, if any, of such party or any order, judgment or decree of any court or other agency of government binding on such party, (ii) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any contractual obligation of such party, (iii) result in or require the creation or imposition of any lien upon any of the properties or assets of such party, or (iv) require any approval of stockholders or members, other than consents that have been obtained, or any approval or consent of any person under any contractual obligation of such party;

(d) the execution and delivery by each party of this Amendment and the performance by such party of the Amended Agreement do not and will not require any registration with, consent or approval of, or notice to, or other action to, with or by, any federal, state or other governmental authority or regulatory body;

(e) this Amendment and the Amended Agreement have been duly executed and delivered by such party and are the legally valid and binding obligations of such party, enforceable against such party in accordance with their respective terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability.

(f) all representations and warranties of such party contained in the Option Agreement are true, correct and complete in all material respects on and as of the date hereof except to the extent such representations and warranties specifically relate to an earlier date, in which case they were true, correct and complete in all material respects on and as of such earlier date; and

(g) each party has performed all covenants and agreements to be performed on their part prior to the date hereof as set forth in the Option Agreement.

Section 3. MISCELLANEOUS

A. Reference to and Effect on the Option Agreement.

(i) Except as specifically amended by this Amendment, the Option Agreement shall remain in full force and effect and is hereby ratified and confirmed.

(ii) The execution, delivery and performance of this Amendment shall not, except as expressly provided herein, constitute a waiver of any provision of, or operate as a waiver of any right, power or remedy under, the Option Agreement.

B. Headings. Section and subsection headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose or be given any substantive effect.

C. Applicable Law. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF CALIFORNIA, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES.

D. Effectiveness. This Amendment shall become effective upon the execution of counterparts hereof by the Holder, the Company and Dr. Bell and receipt by the Holder, the Company and Dr. Bell of written or telephonic notification of such execution and authorization of delivery thereof.

E. Counterparts. This Amendment may be executed in one or more counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

[signature page to follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

AMERIGON INCORPORATED

By: ________________________________
Name:
Title:

BSST, LLC

By: ________________________________
Name:
Title:

DR. LON E. BELL

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