

02-04-2003

Form PTO-1594
(Rev. 10/02)
OMB No. 0651-0027 (exp. 6/30/2005)
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J.S. DEPARTMENT OF COMMERCE
U.S. Patent and Trademark Office

To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party(ies):

Electric Fuel Corporation

1-30-03

- Individual(s)
- General Partnership
- Corporation-State Delaware
- Other
- Association
- Limited Partnership

Additional name(s) of conveying party(ies) attached? Yes No

3. Nature of conveyance:

- Assignment
- Security Agreement
- Other
- Merger
- Change of Name

Execution Date: December 31, 2002

2. Name and address of receiving party(ies)

Name: ZLP Master Technology Fund, Ltd.

Internal Address: c/o Zimmer Lucas

Street Address: 45 Broadway, 28th Floor

City: New York State: NY Zip: 10006

- Individual(s) citizenship
- Association
- General Partnership
- Limited Partnership
- Corporation-State
- Other Cayman Island Company

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No
(Designations must be a separate document from assignment)
Additional name(s) & address(es) attached? Yes No

4. Application number(s) or registration number(s):

A. Trademark Application No.(s)
See attached schedule.

B. Trademark Registration No.(s)
See attached schedule.

Additional number(s) attached Yes No

5. Name and address of party to whom correspondence concerning document should be mailed:

Name: Todd Braverman, Esq.

Internal Address: Bryan Cave LLP

Street Address: 1290 Avenue of the Americas

City: New York State: NY Zip: 10104

6. Total number of applications and registrations involved:

8

7. Total fee (37 CFR 3.41).....\$ 215.00

- Enclosed
- Authorized to be charged to deposit account

8. Deposit account number:

50-1821

(Attach duplicate copy of this page if paying by deposit account)

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9. Statement and signature.

To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.

Todd Braverman
Name of Person Signing

Todd Braverman
Signature

1/30/03
Date

Total number of pages including cover sheet, attachments, and document:

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02/03/2003 JJALLAH2 00000004 2650382

01 FC:8521
02 FC:8522

40.00 OP
175.00 OP

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REEL: 002663 FRAME: 0492

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To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party(ies):

Electric Fuel Transportation Corp.

- Individual(s)
- Association
- General Partnership
- Limited Partnership
- Corporation-State Delaware
- Other _____

Additional name(s) of conveying party(ies) attached? Yes No

3. Nature of conveyance:

- Assignment
- Merger
- Security Agreement
- Change of Name
- Other _____

Execution Date: _____

2. Name and address of receiving party(ies)

Name: Smithfield Fiduciary LLC

Internal Address: c/o Highbridge Capital Management, LLC

Street Address: 9 West 57th Street, 27th Fl.

City: New York State: NY Zip: 10019

- Individual(s) citizenship _____
- Association _____
- General Partnership _____
- Limited Partnership _____
- Corporation-State _____

Other Cayman Islands limited liability

If assignee is not domiciled in the United States, a domestic company representative designation is attached: Yes No
(Designations must be a separate document from assignment)
Additional name(s) & address(es) attached? Yes No

4. Application number(s) or registration number(s):

A. Trademark Application No.(s)

B. Trademark Registration No.(s)

Additional number(s) attached Yes No

5. Name and address of party to whom correspondence concerning document should be mailed:

Name: _____

Internal Address: _____

Street Address: _____

City: _____ State: _____ Zip: _____

6. Total number of applications and registrations involved: _____

7. Total fee (37 CFR 3.41).....\$ _____

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To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party(ies):

Electric Fuel B.V.

- Individual(s)
- Association
- General Partnership
- Limited Partnership
- Corporation-State Netherlands
- Other _____

Additional name(s) of conveying party(ies) attached? Yes No

3. Nature of conveyance:

- Assignment
- Merger
- Security Agreement
- Change of Name
- Other _____

Execution Date: _____

2. Name and address of receiving party(ies)

Name: Vertical Ventures Investments, LLC

Internal Address: c/o Vertical Ventures, LLC

Street Address: 900 Third Avenue, 26th Fl.

City: New York State: NY Zip: 10022

- Individual(s) citizenship _____
- Association _____
- General Partnership _____
- Limited Partnership _____
- Corporation-State _____

Other Delaware limited liability company
If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No
(Designations must be a separate document from assignment)
Additional name(s) & address(es) attached? Yes No

4. Application number(s) or registration number(s):

A. Trademark Application No.(s)

B. Trademark Registration No.(s)

Additional number(s) attached Yes No

5. Name and address of party to whom correspondence concerning document should be mailed:

Name: _____

Internal Address: _____

Street Address: _____

City: _____ State: _____ Zip: _____

6. Total number of applications and registrations involved:

7. Total fee (37 CFR 3.41).....\$ _____

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To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party(ies):

Instant Power Corporation

- Individual(s) Association
- General Partnership Limited Partnership
- Corporation-State Delaware
- Other _____

Additional name(s) of conveying party(ies) attached? Yes No

3. Nature of conveyance:

- Assignment Merger
- Security Agreement Change of Name
- Other _____

Execution Date: _____

2. Name and address of receiving party(ies)

Name: _____

Internal _____

Address: _____

Street Address: _____

City: _____ State: _____ Zip: _____

Individual(s) citizenship _____

Association _____

General Partnership _____

Limited Partnership _____

Corporation-State _____

Other _____

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No
(Designations must be a separate document from assignment)
Additional name(s) & address(es) attached? Yes No

4. Application number(s) or registration number(s):

A. Trademark Application No.(s)

B. Trademark Registration No.(s)

Additional number(s) attached Yes No

5. Name and address of party to whom correspondence concerning document should be mailed:

Name: _____

Internal Address: _____

Street Address: _____

City: _____ State: _____ Zip: _____

6. Total number of applications and registrations involved: _____

7. Total fee (37 CFR 3.41).....\$ _____

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To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party(ies):

I.E.S. Defense Services, Inc.

- Individual(s) Association
- General Partnership Limited Partnership
- Corporation-State Delaware
- Other _____

Additional name(s) of conveying party(ies) attached? Yes No

3. Nature of conveyance:

- Assignment Merger
- Security Agreement Change of Name
- Other _____

Execution Date: _____

2. Name and address of receiving party(ies)

Name: _____

Internal Address: _____

Address: _____

Street Address: _____

City: _____ State: _____ Zip: _____

Individual(s) citizenship _____

Association _____

General Partnership _____

Limited Partnership _____

Corporation-State _____

Other _____

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No
(Designations must be a separate document from assignment)
Additional name(s) & address(es) attached? Yes No

4. Application number(s) or registration number(s):

A. Trademark Application No.(s)

B. Trademark Registration No.(s)

Additional number(s) attached Yes No

5. Name and address of party to whom correspondence concerning document should be mailed:

Name: _____

Internal Address: _____

Street Address: _____

City: _____ State: _____ Zip: _____

6. Total number of applications and registrations involved: _____

7. Total fee (37 CFR 3.41).....\$ _____

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To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party(ies):

IES Interactive Training, Inc.

- Individual(s) Association
- General Partnership Limited Partnership
- Corporation-State Delaware
- Other _____

Additional name(s) of conveying party(ies) attached? Yes No

3. Nature of conveyance:

- Assignment Merger
- Security Agreement Change of Name
- Other _____

Execution Date: _____

2. Name and address of receiving party(ies)

Name: _____

Internal Address: _____

Street Address: _____

City: _____ State: _____ Zip: _____

- Individual(s) citizenship _____
- Association _____
- General Partnership _____
- Limited Partnership _____
- Corporation-State _____
- Other _____

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No
(Designations must be a separate document from assignment)
Additional name(s) & address(es) attached? Yes No

4. Application number(s) or registration number(s):

A. Trademark Application No.(s)

B. Trademark Registration No.(s)

Additional number(s) attached Yes No

5. Name and address of party to whom correspondence concerning document should be mailed:

Name: _____

Internal Address: _____

Street Address: _____

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To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party(ies):

Electric Fuel GmbH

- Individual(s) Association
- General Partnership Limited Partnership
- Corporation-State German
- Other _____

Additional name(s) of conveying party(ies) attached? Yes No

3. Nature of conveyance:

- Assignment Merger
- Security Agreement Change of Name
- Other _____

Execution Date: _____

2. Name and address of receiving party(ies)

Name: _____
Internal
Address: _____

Street Address: _____

City: _____ State: _____ Zip: _____

- Individual(s) citizenship _____
- Association _____
- General Partnership _____
- Limited Partnership _____
- Corporation-State _____
- Other _____

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No
(Designations must be a separate document from assignment)
Additional name(s) & address(es) attached? Yes No

4. Application number(s) or registration number(s):

A. Trademark Application No.(s)

B. Trademark Registration No.(s)

Additional number(s) attached Yes No

5. Name and address of party to whom correspondence concerning document should be mailed:

Name: _____

Internal Address: _____

Street Address: _____

City: _____ State: _____ Zip: _____

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To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party(ies):

Summit Training International, Inc.

- Individual(s) Association
- General Partnership Limited Partnership
- Corporation-State Delaware
- Other _____

Additional name(s) of conveying party(ies) attached? Yes No

3. Nature of conveyance:

- Assignment Merger
- Security Agreement Change of Name
- Other _____

Execution Date: _____

2. Name and address of receiving party(ies)

Name: _____

Internal _____

Address: _____

Street Address: _____

City: _____ State: _____ Zip: _____

Individual(s) citizenship _____

Association _____

General Partnership _____

Limited Partnership _____

Corporation-State _____

Other _____

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No
(Designations must be a separate document from assignment)
Additional name(s) & address(es) attached? Yes No

4. Application number(s) or registration number(s):

A. Trademark Application No.(s)

B. Trademark Registration No.(s)

Additional number(s) attached Yes No

5. Name and address of party to whom correspondence concerning document should be mailed:

Name: _____

Internal Address: _____

Street Address: _____

City: _____ State: _____ Zip: _____

6. Total number of applications and registrations involved: _____

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To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party(ies):

Electric Fuel UK Ltd.

- Individual(s) Association
- General Partnership Limited Partnership
- Corporation-State United Kingdom
- Other _____

Additional name(s) of conveying party(ies) attached? Yes No

3. Nature of conveyance:

- Assignment Merger
- Security Agreement Change of Name
- Other _____

Execution Date: _____

2. Name and address of receiving party(ies)

Name: _____

Internal Address: _____

Address: _____

Street Address: _____

City: _____ State: _____ Zip: _____

Individual(s) citizenship _____

Association _____

General Partnership _____

Limited Partnership _____

Corporation-State _____

Other _____

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No
(Designations must be a separate document from assignment)
Additional name(s) & address(es) attached? Yes No

4. Application number(s) or registration number(s):

A. Trademark Application No.(s)

B. Trademark Registration No.(s)

Additional number(s) attached Yes No

5. Name and address of party to whom correspondence concerning document should be mailed:

Name: _____

Internal Address: _____

Street Address: _____

City: _____ State: _____ Zip: _____

6. Total number of applications and registrations involved: _____

7. Total fee (37 CFR 3.41).....\$ _____

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Washington, D.C. 20231

TRADEMARK SCHEDULE

No.	Mark	Registration No.	Date
1.	CHARGE WITHOUT ELECTRICITY	2650382	November 12, 2002
2.	INSTANT POWER	2628990	October 1, 2002
3.	ELECTRIC FUEL (stylized)	2581401	June 18, 2002
4.	ZINCAIR (stylized)	2544161	December 11, 2001
5.	ELECTRIC FUEL	1968732	April 16, 1996
6.	RANGE 2000 (stylized)	2288898	October 26, 1999
7.	IES (stylized)	2288900	October 26, 1999
8.	A2Z	2301824	December 21, 1999

INTELLECTUAL PROPERTY SECURITY AGREEMENT

INTELLECTUAL PROPERTY SECURITY AGREEMENT, dated as of December 31, 2002, between Electric Fuel Corporation, a Delaware corporation (the "**Parent**"), Electric Fuel Transportation Corp., a Delaware corporation ("**EFT**"), Electric Fuel B.V., a Netherlands corporation ("**EF-BV**"), Instant Power Corporation, a Delaware corporation ("**IPC**"), I.E.S. Defense Services, Inc., a Delaware corporation ("**IDS**"), IES Interactive Training, Inc. ("**IES**"), Electric Fuel GmbH, a German corporation ("**EF-G**"), Summit Training International, Inc., a Delaware corporation ("**STI**"), Electric Fuel UK Ltd., a British corporation ("**EF-UK**") (each of EFT, EF-BV, IPC, IDS, IES, EF-G, STI and EF-UK, a "**Subsidiary**" and, together with Parent, the "**Debtors**") and the investors signatory hereto (each investor including their respective successors, endorsees, transferees and assigns, a "**Secured Party**", and collectively, the "**Secured Parties**").

W I T N E S S E T H:

WHEREAS, pursuant to the Securities Purchase Agreement, dated the date hereof between the Parent and the Secured Parties (the "**Purchase Agreement**"), the Secured Parties have agreed to extend certain loans to the Parent which shall be evidenced by the issuance to the Secured Parties of Secured Convertible Debentures, due June 30, 2005 (the "**Debentures**"); and

WHEREAS, in order to induce the Secured Parties to enter into the Purchase Agreement, the Debtors have agreed to execute and deliver to the Secured Parties this Agreement for the benefit of the Secured Parties and a separate agreement granting to them a first priority security interest in certain intangible property of the Debtors (the "**Security Agreement**") to secure the prompt payment, performance and discharge in full of all of the Debtors' obligations under this Agreement, the Debentures and the Security Agreement.

NOW, THEREFORE, in consideration of the agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. Certain Definitions. As used in this Agreement, the following terms shall have the meanings set forth in this Section 1. Terms used but not otherwise defined in this Agreement that are defined in Article 9 of the UCC (such as "**general intangibles**" and "**proceeds**") shall have the respective meanings given such terms in Article 9 of the UCC.

(a) "**Agent**" means ZLP Master Technology Fund as agent for each of the Secured Parties pursuant to this Agreement and the Security Agreement, or such other Person as shall have been subsequently appointed as a successor agent pursuant to this Agreement.

(b) "**Collateral**" means all of the Debtors' right, title and interest in and to all of Trademarks, Patents, Copyrights, domain names and other general intangible property of the Debtors, all Debtors' trade secrets, Debtors' intellectual property rights in Debtors' computer software and Debtors' computer software products, design rights which may be available, owned or licensed to the Debtors, all income, royalties, damages and payments now or hereafter due and/or payable under any of the foregoing or with respect to any of the

foregoing Debtors' rights to proceeds arising from any and all claims for damages by way of past, present and future infringement of any Collateral with the right but not the obligation to sue on behalf of and collect such damages for said use or infringement of the Copyrights, Patents or Trademarks, and Debtors' rights with respect to licenses granted by Debtors' to third parties or licensed to Debtors to use any of the Copyrights, domain names, Patents or Trademarks, and all license fees and royalties due to the Debtors arising from such use to the extent permitted by such license or rights, all of which are now or hereafter existing, created, acquired or held. The term "**Collateral**" shall include all of the foregoing items, whether presently owned or existing or hereafter acquired or coming into existence, all of Debtors' additions and accessions thereto, all of Debtors' substitutions and replacements thereof, and all of Debtors' proceeds, products and accounts thereof, including without limitation all proceeds from the licensing or sale or other transfer of Collateral and of insurance covering the same and of any tort claims in connection therewith.

(c) "**Copyrights**" means any and all of Debtors' (i) copyrights in computer software owned by the Company, including any revisions and derivative works, whether registered or not and whether or not the same also constitutes a trade secret, now or hereafter existing, created, acquired or held, including, without limitation, those set forth on Exhibit A attached hereto and (ii) copyrights, copyright applications, copyright registration and like protections in each work of authorship and any derivative work thereof, including computer programs, that is created by the Debtors, whether published or unpublished and whether or not the same also constitutes a trade secret, and all copyright licenses now or hereafter existing, created, acquired or held by the Debtors, including, without limitation, those registrations and applications set forth on Exhibit A attached hereto..

(d) "**Obligations**" means all of the Debtors' obligations under this Agreement, the Debentures and the Security Agreement, in each case, whether now or hereafter existing, voluntary or involuntary, direct or indirect, absolute or contingent, liquidated or unliquidated, whether or not jointly owed with others, and whether or not from time to time decreased or extinguished and later increased, created or incurred, and all or any portion of such obligations or liabilities that are paid, to the extent all or any part of such payment is avoided or recovered directly or indirectly from the Secured Parties as a preference, fraudulent transfer or otherwise as such obligations may be amended, supplemented, converted, extended or modified from time to time.

(e) "**Patents**" means all of the Debtors' patents, patent applications, patent licenses, letters patent and like protections of the United States or any other country, including, without limitation, improvements, divisions, continuations, renewals, reissues, extensions and continuations-in-part of the same, all of which are now or hereafter existing, created, acquired or held and including, without limitation, those registrations and applications set forth on Exhibit B attached hereto and all goodwill associated with or symbolized by any of the foregoing.

(f) "**Trademarks**" means any Debtor trademark or service mark right, whether or not registered, Debtors' applications to register and registrations of the same and like protections, any trademark or service mark licenses and the entire goodwill of the business of the Debtors connected with or symbolized by such trademarks or service marks, including all

renewals thereof all of which are now or hereafter existing, created, acquired or held, including, without limitation, those registrations and applications set forth on Exhibit C attached hereto all goodwill associated with or symbolized by any of the foregoing.

(g) "UCC" means the Uniform Commercial Code and/or any other applicable law of each jurisdiction in which any Debtor is incorporated or organized (including, without limitation the State of Delaware) and any jurisdiction as to any Collateral located therein.

2. Grant of Security Interest. As an inducement for the Secured Parties to enter into the Purchase Agreement and to secure the complete and timely payment, performance and discharge in full, as the case may be, of all of the Obligations, each of the Debtors hereby, unconditionally and irrevocably, pledges, grants and hypothecates to the Secured Parties, a continuing first priority security interest in, a first lien upon and a right of set-off against all of the Debtors' right, title and interest of whatsoever kind and nature in and to the Collateral (the "Security Interest").

3. Representations, Warranties, Covenants and Agreements of the Debtors. The Debtors jointly and severally represent and warrant to, and covenant and agree with, the Secured Parties as follows:

(a) Each Debtor has the requisite corporate power and authority to enter into this Agreement and otherwise to carry out its obligations thereunder. The execution, delivery and performance by each Debtor of this Agreement and the filings contemplated therein have been duly authorized by all necessary action on the part of such Debtor and no further action is required by such Debtor.

(b) Except for the Security Interest and as set forth in Schedule 3(b) hereto, each Debtor is the sole owner of the Collateral (except for non-exclusive licenses granted by the Debtors in the ordinary course of business), free and clear of any liens, security interests or encumbrances, and is fully authorized to grant the Security Interest in and to pledge the Collateral. There is not on file in any governmental or regulatory authority, agency or recording office an effective financing statement, security agreement or transfer or any notice of any of the foregoing (other than those that have been filed in favor of the Secured Parties pursuant to this Agreement) covering or affecting any of the Collateral. So long as this Agreement shall be in effect, the Debtors shall not execute and shall not knowingly permit to be on file in any such office or agency any such financing statement or other document or instrument (except to the extent filed or recorded in favor of the Secured Parties pursuant to the terms of this Agreement).

(c) Exhibit A sets forth a true and complete list of all Debtors' registrations and applications for Copyrights in existence as of the date of this Agreement. Exhibit B sets forth a true and complete list of all Debtors' registrations and applications for Patents that have been filed as of the date of this Agreement. Exhibit C sets forth a true and complete list of all Debtors' registrations and applications for Trademarks filed as of the date of this Agreement. The Debtors shall, within ten (10) days of obtaining knowledge thereof, advise the Secured Parties in writing of any change in the composition of the Collateral, including,

without limitation, any subsequent ownership rights of the Debtors in or to any Copyrights, Patents or Trademarks.

(d) Each of the Patents, Trademarks and Copyrights is valid and enforceable, and no part of the Collateral has been judged invalid or unenforceable. No written claim has been received that any of the Patents, Trademarks or Copyrights or the Debtors' use of any Collateral violates the rights of any third party. There has been no adverse decision to the Debtors' claim of ownership rights in or exclusive rights to use the Collateral in any jurisdiction or to the Debtors' right to keep and maintain such Collateral in full force and effect, and there is no proceeding involving said rights pending or, to the best knowledge of the Debtors, threatened before any court, judicial body, administrative or regulatory agency, arbitrator or other governmental authority.

(e) Each Debtor shall at all times maintain its books of account and records relating to the Collateral at its principal place of business and may not relocate such books of account and records unless it delivers to the Secured Parties at least 30 days prior to such relocation (i) written notice of such relocation and the new location thereof (which must be within the United States) and (ii) evidence that appropriate financing statements and other necessary documents have been filed and recorded and other steps have been taken to perfect the Security Interest to create in favor of the Secured Parties a valid, perfected and continuing first priority liens in the Collateral. The principal place of business of the Debtors is located at the address set forth in Schedule A hereto, and will not be moved without notice to each Secured Party.

(f) This Agreement creates in favor of the Secured Parties a valid security interest in the Collateral, including the Collateral listed on the Exhibits hereto, securing the payment and satisfaction of the Obligations, and, upon making the filings described in the immediately following sentence, a perfected first priority security interest in such Collateral that is senior to all existing and hereinafter created security interests. Except for (x) the filing of this Agreement with the United States Patent and Trademark Office with respect to the Patents and Trademarks and the filing of this Agreement with the United States Copyrights Office with respect to the Copyrights, and (y) the filing of financing statements on Form UCC-1 under the UCC with the jurisdictions indicated in Schedule A, attached hereto, no authorization or approval of or filing with or notice to any governmental authority or regulatory body is required either (i) for the grant by the Debtors of, or the effectiveness of, the Security Interest granted hereby or for the execution, delivery and performance of this Agreement by the Debtors or (ii) for the perfection of or exercise by the Secured Parties of its rights and remedies hereunder. The Debtors acknowledge and agree that a copy of this Agreement (or instruments executed and delivered pursuant hereto) will be filed and recorded with each of the United States Patent and Trademark Office and the United States Copyrights Office with respect to the Patents, Trademarks and Copyrights that are now or hereafter in existence.

(g) The Debtors acknowledge and agree that on the date of execution of this Agreement, the Secured Parties will: (i) file one or more financing statements under the UCC with respect to the Security Interest for filing with the jurisdictions indicated on Schedule A, attached hereto and in such other jurisdictions the Secured Parties may deem necessary and (ii) one or more executed recordation sheets relating to the filing and recording of

this Agreement with each of the United States Patent and Trademark Office and the United States Copyrights Office with respect to the Patents, Trademarks and Copyrights that are now in existence.

(h) The execution, delivery and performance of this Agreement does not conflict with or cause a breach or default, or an event that with or without the passage of time or notice, shall constitute a breach or default, under any agreement to which the Debtors are a party or by which the Debtors are bound. No consent (including, without limitation, from stock holders or creditors of the Debtors) is required for the Debtors to enter into and perform their obligations hereunder.

(i) The Debtors shall at all times maintain the liens and Security Interest provided for hereunder as valid and perfected first priority liens and security interests in the Collateral in favor of each of the Secured Parties to ensure that such liens and Security Interest are and remain senior to all not existing and hereafter created security interests and liens. The Collateral will be kept free of all liens, security interest, claims and encumbrances whatsoever. Each Debtor hereby agrees to defend the same against any and all persons. Each Debtor shall safeguard and protect all Collateral for the account of the Secured Parties. At the request of the Agent and/or Secured Parties, the Debtors will sign and deliver to the Secured Parties at any time or from time to time one or more financing statements pursuant to the UCC in form reasonably satisfactory to the Secured Parties and will pay the cost of filing the same in all public offices wherever filing is, or is deemed by the Secured Parties to be, necessary or desirable to effect the rights and obligations provided for herein. Without limiting the generality of the foregoing, the Debtors shall pay all fees, taxes and other amounts necessary to maintain the Collateral and the Security Interest hereunder, and the Debtors shall obtain and furnish to the Secured Parties from time to time, upon demand, such releases and/or subordinations of claims and liens which may be required to maintain the priority of the Security Interest hereunder.

(j) The Debtors will not allow any Collateral to be abandoned, forfeited or dedicated to the public without the prior written consent of the Secured Parties. The Debtors will not transfer, pledge, hypothecate, encumber, license (except for non-exclusive licenses granted by the Debtors in the ordinary course of business), sell or otherwise dispose of any of the Collateral without the prior written consent of the Secured Parties.

(k) Each Debtor shall, within ten (10) days of obtaining knowledge thereof, advise the Agent, in sufficient detail, of any substantial change in the Collateral, and of the occurrence of any event which would have a material adverse effect on the value of the Collateral or on the Secured Parties' security interest therein.

(l) The Debtors shall permit the Secured Parties and its representatives and agents upon reasonable prior notice to inspect the Collateral at any time during normal business hours, and to make copies of records pertaining to the Collateral as may be requested by the Secured Parties from time to time.

(m) Each Debtor will, at its own expense, take all steps reasonably necessary to diligently pursue and seek to preserve, enforce and collect any rights, claims, causes of action and accounts receivable in respect of the Collateral.

(n) Each Debtor shall promptly notify the Agent in sufficient detail upon becoming aware of any attachment, garnishment, execution or other legal process levied against any Collateral and of any other information received by the Debtors that may materially affect the value of the Collateral, the Security Interest or the rights and remedies of the Secured Parties hereunder.

(o) Each Debtor shall not use or permit any Collateral to be used unlawfully or in violation of any provision of this Agreement or any applicable statute, regulation or ordinance or any policy of insurance covering the Collateral where violation is reasonably likely to have a material adverse effect on the Secured Parties' rights in the Collateral or Secured Parties' ability to foreclose on the Collateral.

(p) The Debtors shall not grant to any person or entity any rights or interests in or to any of the Collateral that are senior to, or pari passu with, the Secured Parties.

(q) Each Debtor shall notify the Agent of any change in such Debtor's name, identity, chief place of business, chief executive office or residence within 5 days of such change.

(r) All information heretofore, herein or hereafter supplied to the Secured Parties by or on behalf of the Debtors with respect to the Collateral is accurate and complete in all material respects as of the date furnished.

4. Defaults. The following events shall be "**Events of Default**":

(a) The occurrence of an Event of Default (as defined in the Debentures) under the Debentures;

(b) Any representation or warranty of the Debtors in this Agreement or in the Security Agreement shall prove to have been incorrect in any material respect when made; and

(c) The failure by a Debtor to observe or perform any of its obligations hereunder or in the Security Agreement for ten (10) days after receipt by the Debtors of notice of such failure from the Secured Parties.

5. Duty To Hold In Trust. Upon the occurrence and during the continuation of any Event of Default, the Debtors shall, upon receipt by it of any revenue, income or other sums subject to the Security Interest, whether payable pursuant to the Debentures or otherwise, or of any check, draft, note, trade acceptance or other instrument evidencing an obligation to pay any such sum, hold the same in trust for the Secured Parties and shall forthwith endorse and transfer any such sums or instruments, or both, to the Secured Parties for application to the satisfaction of the Obligations.

6. Rights and Remedies Upon Default. Upon the occurrence and during the continuation of any Event of Default, the Agent (on behalf of, and for the benefit of itself and each of the Secured Parties) shall have the right to exercise all of the remedies conferred hereunder, under the Debentures and under the Security Agreement, and the Agent and the

Secured Parties shall have all the rights and remedies of a secured party under the UCC. Without limitation, the Secured Parties shall have the following rights and powers:

(a) The Agent shall have the right to take possession of all tangible manifestations or embodiments of the Collateral and, for that purpose, enter, with the aid and assistance of any person, any premises where the Collateral, or any part thereof, is or may be placed and remove the same, and the Debtors shall assemble the Collateral and make it available to the Agent at places which the Agent shall reasonably select, whether at the Debtors' premises or elsewhere.

(b) The Agent shall have the right to operate the business of the Debtors using the Collateral and shall have the right to assign, sell, or otherwise dispose of and deliver all or any part of the Collateral, at public or private sale or otherwise, either with or without special conditions or stipulations, for cash or on credit or for future delivery, in such parcel or parcels and at such time or times and at such place or places, and upon such terms and conditions as the Agent may deem commercially reasonable, all without (except as shall be required by applicable statute and cannot be waived) advertisement or demand upon or notice to the Debtors or right of redemption of the Debtors, which are hereby expressly waived. Upon each such sale, assignment or other transfer of Collateral, the Agent may, unless prohibited by applicable law which cannot be waived, purchase all or any part of the Collateral being sold, free from and discharged of all trusts, claims, right of redemption and equities of the Debtors, which are hereby waived and released.

(c) The Agent may license or, to the same extent the Debtors is permitted by law and contract to do so, sublicense, whether on an exclusive or non-exclusive basis, any of the Collateral throughout the world for such period, on such conditions and in such manner as the Secured Parties shall, in its reasonable discretion, determine.

(d) The Agent may (without assuming any obligations or liabilities thereunder), at any time, enforce (and shall have the exclusive right to enforce) against licensee or sublicensee all rights and remedies of the Debtors in, to and under any license agreement with respect to such Collateral, and take or refrain from taking any action thereunder.

(e) The Agent may, in order to implement the assignment, license, sale or other disposition of any of the Collateral pursuant to this Section, pursuant to the authority provided for in Section 12, execute and deliver on behalf of the Debtors one or more instruments of assignment of the Collateral in form suitable for filing, recording or registration in any jurisdictions as the Secured Parties may determine advisable.

(f) In the event that any Secured Party shall recover from the Debtors or the Collateral more than its pro rata share of the Obligations owed to all Secured Parties hereunder, whether by agreement, understanding or arrangement with the Debtors or any other Person, set off or other means, such Secured Party shall immediately deliver or pay over to the other Secured Parties their pro rata portion of any such recovery in the form received.

(g) Agent may, at any time or times that an Event of Default exists or has occurred and is continuing, (i) notify any or all account debtors that the Accounts have been

assigned to Secured Parties and that Secured Parties have a security interest therein and Agent may direct any or all accounts debtors to make payment of Accounts directly to Secured Parties, (ii) extend the time of payment of, compromise, settle or adjust for cash, credit, return of merchandise or otherwise, and upon any terms or conditions, any and all Accounts or other obligations included in the Collateral and thereby discharge or release the account debtor or any other party or parties in any way liable for payment thereof without affecting any of the Obligations, (iii) demand, collect or enforce payment of any Accounts or such other obligations, but without any duty to do so, and Agent shall not be liable for its failure to collect or enforce the payment thereof nor for the negligence of its agents or attorneys with respect thereto and (iv) take whatever other action Agent may deem necessary or desirable for the protection of its interests. At any time that an Event of Default exists or has occurred and is continuing, at Agent's request, all invoices and statements sent to any account debtor shall state that the Accounts and such other obligations have been assigned to Secured Parties and are payable directly and only to Secured Parties and the Debtors shall deliver to Agent such originals of documents evidencing the sale and delivery of goods or the performance of services giving rise to any Accounts as Agent may require.

7. Applications of Proceeds. The proceeds of any such sale, lease, license or other disposition of the Collateral hereunder shall be applied (i) first, to the expenses of retaking, holding, storing, processing and preparing for sale, selling, and the like (including, without limitation, any taxes, fees and other costs incurred in connection therewith) of the Collateral, (ii) to the reasonable attorneys' fees and expenses incurred by the Agent and/or Secured Parties in enforcing its rights hereunder and in connection with collecting, storing and disposing of the Collateral, (iii) to satisfaction of the Obligations, and (iv) to the payment of any other amounts required by applicable law, after which the Secured Parties shall pay to the Debtors any surplus proceeds. If, upon the sale, license or other disposition of the Collateral, the proceeds thereof are insufficient to pay all amounts to which the Secured Parties are legally entitled, the Debtors will be liable for the deficiency, together with interest thereon, at the rate of 12% per annum or the lesser amount permitted by applicable law (the "**Default Rate**"), and the reasonable fees of any attorneys employed by the Agent and/or Secured Parties to collect such deficiency. To the extent permitted by applicable law, each Debtor waives all claims, damages and demands against the Secured Parties arising out of the repossession, removal, retention or sale of the Collateral, unless due to the gross negligence or willful misconduct of the Agent and/or Secured Parties.

8. Costs and Expenses. The Debtors agree to pay all out-of-pocket fees, costs and expenses incurred in connection with any filing required hereunder, including, without limitation, any financing statements, continuation statements, partial releases and/or termination statements related thereto or any expenses of any searches reasonably required by the Agent. The Debtors shall also pay all other claims and charges which in the reasonable opinion of the Agent and/or Secured Parties might prejudice, imperil or otherwise affect the Collateral or the Security Interest therein. The Debtors will also, upon demand, pay to the Agent and/or Secured Parties the amount of any and all reasonable expenses, including the reasonable fees and expenses of its counsel and of any experts and agents, which the Agent and/or Secured Parties may incur in connection with (i) the enforcement of this Agreement, (ii) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Collateral, or (iii) the exercise or enforcement of any of the rights of the Secured Parties under the Debentures.

Until so paid, any fees payable hereunder shall be added to the principal amount of the Debentures and shall bear interest at the Default Rate.

9. Responsibility for Collateral. Each Debtor assumes all liabilities and responsibility in connection with all Collateral, and the obligations of such Debtor hereunder, under the Debentures or under the Security Agreement shall in no way be affected or diminished by reason of the loss, destruction, damage or theft of any of the Collateral or its unavailability for any reason.

10. Security Interest Absolute. All rights of the Secured Parties and all Obligations of the Debtors hereunder, shall be absolute and unconditional, irrespective of: (a) any lack of validity or enforceability of this Agreement, the Debentures, the Security Agreement or any agreement entered into in connection with the foregoing, or any portion hereof or thereof; (b) any change in the time, manner or place of payment or performance of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from the Debentures, the Security Agreement or any other agreement entered into in connection with the foregoing; (c) any exchange, release or nonperfection of any of the Collateral, or any release or amendment or waiver of or consent to departure from any other collateral for, or any guaranty, or any other security, for all or any of the Obligations; (d) any action by the Secured Parties to obtain, adjust, settle and cancel in its sole discretion any insurance claims or matters made or arising in connection with the Collateral; or (e) any other circumstance which might otherwise constitute any legal or equitable defense available to the Debtors, or a discharge of all or any part of the Security Interest granted hereby. Until the Obligations shall have been paid and performed in full, the rights of the Secured Parties shall continue even if the Obligations are barred for any reason, including, without limitation, the running of the statute of limitations or bankruptcy. Each Debtor expressly waives presentment, protest, notice of protest, demand, notice of nonpayment and demand for performance. In the event that at any time any transfer of any Collateral or any payment received by the Secured Parties hereunder shall be deemed by final order of a court of competent jurisdiction to have been a voidable preference or fraudulent conveyance under the bankruptcy or insolvency laws of the United States, or shall be deemed to be otherwise due to any party other than the Secured Parties, then, in any such event, the Debtors' obligations hereunder shall survive cancellation of this Agreement, and shall not be discharged or satisfied by any prior payment thereof and/or cancellation of this Agreement, but shall remain a valid and binding obligation enforceable in accordance with the terms and provisions hereof. Each Debtor waives all right to require the Secured Parties to proceed against any other person or to apply any Collateral which the Secured Parties may hold at any time, or to marshal assets, or to pursue any other remedy. Each Debtor waives any defense arising by reason of the application of the statute of limitations to any obligation secured hereby.

11. Term of Agreement. This Agreement and the Security Interest shall terminate on the date on which all payments under the Debentures have been made in full or otherwise converted pursuant to the terms thereof and all other Obligations have been paid or discharged. Upon such termination, the Secured Parties, at the request and at the expense of the Debtors, will join in executing any termination statement with respect to any financing statement executed and filed pursuant to this Agreement.

12. Power of Attorney; Further Assurances. (a) Each Debtor authorizes the Secured Parties, and does hereby make, constitute and appoint it, and its respective officers, agents, successors or assigns with full power of substitution, as the Debtors' true and lawful attorney-in-fact, with power, in its own name or in the name of the Debtors, to, after the occurrence and during the continuance of an Event of Default, (i) endorse any notes, checks, drafts, money orders, or other instruments of payment (including payments payable under or in respect of any policy of insurance) in respect of the Collateral that may come into possession of the Secured Parties; (ii) to sign and endorse any UCC financing statement or any invoice, freight or express bill, bill of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications and notices in connection with accounts, and other documents relating to the Collateral; (iii) to pay or discharge taxes, liens, security interests or other encumbrances at any time levied or placed on or threatened against the Collateral; (iv) to demand, collect, receipt for, compromise, settle and sue for monies due in respect of the Collateral; and (v) generally, to do, at the option of the Secured Parties, and at the Debtors' expense, at any time, or from time to time, all acts and things which the Secured Parties deem necessary to protect, preserve and realize upon the Collateral and the Security Interest granted therein in order to effect the intent of this Agreement, the Debentures and the Security Agreement, all as fully and effectually as the Debtors might or could do; and each Debtor hereby ratifies all that said attorney shall lawfully do or cause to be done by virtue hereof. This power of attorney is coupled with an interest and shall be irrevocable for the term of this Agreement and thereafter as long as any of the Obligations shall be outstanding.

(b) On a continuing basis, each Debtor will make, execute, acknowledge, deliver, file and record, as the case may be, with the proper filing and recording places in any jurisdiction, including, without limitation, the jurisdictions indicated on Schedule A, attached hereto, all such instruments, including appropriate financing and continuation statements and collateral agreements and filings with the United States Patent and Trademark Office and the United States Copyrights Office, and take all such action as may reasonably be deemed necessary or advisable, or as reasonably requested by the Secured Parties, to perfect the Security Interest granted hereunder and otherwise to carry out the intent and purposes of this Agreement, or for assuring and confirming to the Secured Parties the grant or perfection of a first priority security interest in all the Collateral.

(c) Each Debtor hereby irrevocably appoints the Secured Parties as such Debtors' attorney-in-fact, with full authority in the place and stead of such Debtor and in the name of such Debtor, from time to time in the Secured Parties' discretion, to take any action and to execute any instrument which the Agent may deem necessary or advisable to accomplish the purposes of this Agreement, including:

(i) To modify, in its sole discretion, this Agreement without first obtaining the Debtors' approval of or signature to such modification by amending Exhibit A, Exhibit B and Exhibit C, hereof, as appropriate, to include reference to any right, title or interest in any Copyrights, Patents or Trademarks acquired by the Debtors after the execution hereof or to delete any reference to any right, title or interest in any Copyrights, Patents or Trademarks in which the Debtors no longer has or claims any right, title or interest; and

(ii) To file, in its sole discretion, one or more financing or continuation statements and amendments thereto, relative to any of the Collateral without the signature of the Debtors where permitted by law.

13. Agent.

(a) Actions The Agent shall at all times act upon and in accordance with written instructions received from a Majority-in-Interest (as defined in Section 16) time to time. The Agent shall be deemed to be authorized on behalf of each Secured Party to act on behalf of such Secured Party under this Agreement and the Security Agreement and, in the absence of written instructions from a Majority-in-Interest (with respect to which the Agent agrees that it will, subject to the last two sentences of this Section, comply, except as otherwise advised by counsel), to exercise such powers hereunder and thereunder as are specifically delegated to or required of the Agent by the terms hereof and thereof, together with such powers as may be reasonably incidental thereto. The Agent shall have no duty to ascertain or inquire as to the performance or observance of any of the terms of this Agreement or Security Agreement by the Debtors. By accepting their Debentures, each Secured Party shall be deemed to have agreed to indemnify the Agent (which agreement shall survive any termination of such Secured Party's percentage), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may at any time be imposed on, incurred by, or asserted against the Agent in any way relating to or arising out of this Agreement, the Debentures and the Security Agreement, including the reimbursement of the Agent for all out-of-pocket expenses (including attorneys' fees) incurred by the Agent hereunder or in connection herewith or in enforcing the Obligations of the Debtors under this Agreement, the Debentures or the Security Agreement, in all cases as to which the Agent is not reimbursed by the Debtors; provided that no Secured Party shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements determined by a court of competent jurisdiction in a final proceeding to have resulted solely from the Agent's gross negligence or willful misconduct. The Agent shall not be required to take any action hereunder, under the Debentures or under Security Agreement, or to prosecute or defend any suit in respect of this Agreement or under the Debentures or under the Security Agreement, unless the Agent is indemnified to its reasonable satisfaction by the Secured Parties against loss, costs, liability and expense. If any indemnity in favor of the Agent shall become impaired, it may call for additional indemnity and cease to do the acts indemnified against until such additional indemnity is given.

(b) Exculpation. Neither the Agent nor any of its directors, officers, partners, members, shareholders, employees or agents shall be liable to any Secured Party for any action taken or omitted to be taken by it under this Agreement, the Debentures or the Security Agreement, or in connection herewith or therewith, except for its own willful misconduct or gross negligence or be responsible for the consequences of any error in judgment. Neither the Agent nor any of its directors, officers, partners, members, shareholders, employees or agents has any fiduciary relationship with any Secured Party by virtue of this Agreement or the Security Agreement. The Agent shall not be responsible to any Secured Party for any recitals, statements, representations or warranties herein or in any certificate or other document delivered in connection herewith or for the authorization, execution, effectiveness, genuineness, validity, enforceability, perfection, collectibility, or sufficiency this Agreement, the Debentures or the

Security Agreement, the financial condition of the Debtors or the condition or value of any of the Collateral, or be required to make any inquiry concerning either the performance or observance of any of the terms, provisions or conditions of this Agreement, the Debentures or the Security Agreement, the financial condition of the Debtors or the existence or possible existence of any default or event of default. The Agent shall be entitled to rely upon advice of counsel concerning legal matters and upon any notice, consent, certificate, statement or writing which it believes to be genuine and to have presented by a proper person.

(c) Obligations Held by the Agent. The Agent shall have the same rights and powers with respect to any Debentures held by it or any of its affiliates, as any Secured Party and may exercise the same as if it were not the Agent. Each of the Debtors and the Secured Parties hereby waives, and each successor to any Secured Party shall be deemed to waive, any right to disqualify any Secured Party from serving as the Agent or any claim against that Secured Party for serving as Agent.

(d) Copies, etc. The Agent shall give prompt notice to each Secured Party of each notice or request required or permitted to be given to the Agent by the Debtors pursuant to the terms of this Agreement. The Agent will distribute to each Secured Party each instrument and other agreement received for its account and copies of all other communications received by the Agent from a Debtor for distribution to the Secured Parties by the Agent in accordance with the terms of this Agreement. Notwithstanding anything herein contained to the contrary, all notices to and communications with the Debtors under this Agreement shall be effected by the Secured Parties through the Agent.

(e) Resignation of Agent. The Agent may resign as such at any time upon at least thirty (30) days' prior notice to the Debtors and all the Secured Parties, such resignation not to be effective until a successor Agent is in place. If the Agent at any time shall resign, a Majority-in-Interest may jointly appoint another Secured Party as a successor Agent which shall thereupon become the Agent hereunder. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall be entitled to receive from the retiring Agent such documents of transfer and assignment as such successor Agent may reasonably request, and shall thereupon succeed to and become vested with all rights, powers, privileges, and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement.

(f) Replacement of Agent. A Majority-in-Interest may at any time and for any reason replace the Agent with a successor Agent jointly selected by them, upon at least ten days written notice to the Debtors and the other Secured Parties. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall be entitled to receive from the terminated Agent such documents of transfer and assignment as such successor Agent may reasonably request, and shall thereupon succeed to and become vested with all rights, powers, privileges, and duties of the retiring Agent, and the terminated Agent shall be discharged from its duties and obligations under this Agreement.

14. Notices. All notices, requests, demands and other communications hereunder shall be in writing, with copies to all the other parties hereto, and shall be deemed to have been duly given when (i) if delivered by hand, upon receipt, (ii) if sent by facsimile, upon receipt of

proof of sending thereof, (iii) if sent by nationally recognized overnight delivery service (receipt requested), the next business day or (iv) if mailed by first-class registered or certified mail, return receipt requested, postage prepaid, four days after posting in the U.S. mails, in each case if delivered to the following addresses:

If to the Debtors: Electric Fuel Corporation
632 Broadway, Suite 301
New York, NY 10012
Facsimile No.: (212) 529-5800
Attn: Chief Financial Officer and General Counsel

With a copy to: Electric Fuel (E.F.L.) Ltd.
Western Industrial Zone
Beit Shemesh 99000, Israel
Facsimile No.: 011-972-2-990-6688
Attn.: Chief Financial Officer and General Counsel

If to Secured Parties: To the address set forth under such Secured Parties' name on the signature pages hereto.

15. Other Security. To the extent that the Obligations are now or hereafter secured by property other than the Collateral or by the guarantee, endorsement or property of any other person, firm, corporation or other entity, then the Secured Parties shall have the right, in its sole discretion, to pursue, relinquish, subordinate, modify or take any other action with respect thereto, without in any way modifying or affecting any of the Secured Parties' rights and remedies hereunder.

16. Actions by Secured Parties. Any action required or permitted hereunder to be taken by or on behalf of the Secured Parties shall, for such action to be valid, require the approval of the Majority-in-Interest prior to the taking of such action. If the consent, approval or disapproval of the Secured Parties is required or permitted pursuant to this Agreement, such consent, approval or disapproval shall only be valid if given by the Majority-in-Interest. "**Majority-in-Interest**" means the Secured Party or Secured Parties (as the case may be) holding in excess of a majority of the outstanding aggregate principal amount under the Debentures, determined on a cumulative basis.

17. Miscellaneous. (a) No course of dealing between the Debtors and the Secured Parties, nor any failure to exercise, nor any delay in exercising, on the part of the Secured Parties, any right, power or privilege hereunder, under the Debentures or under the Security Agreement shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

(b) All of the rights and remedies of the Secured Parties with respect to the Collateral, whether established hereby, by the Debentures, by the Security Agreement or by any

other agreements, instruments or documents or by law shall be cumulative and may be exercised singly or concurrently.

(c) This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and is intended to supersede all prior negotiations, understandings and agreements with respect thereto. Except as specifically set forth in this Agreement, no provision of this Agreement may be modified or amended except by a written agreement signed by the parties.

(d) In the event that any provision of this Agreement is held to be invalid, prohibited or unenforceable in any jurisdiction for any reason, unless such provision is narrowed by judicial construction, this Agreement shall, as to such jurisdiction, be construed as if such invalid, prohibited or unenforceable provision had been more narrowly drawn so as not to be invalid, prohibited or unenforceable. If, notwithstanding the foregoing, any provision of this Agreement is held to be invalid, prohibited or unenforceable in any jurisdiction, such provision, as to such jurisdiction, shall be ineffective to the extent of such invalidity, prohibition or unenforceability without invalidating the remaining portion of such provision or the other provisions of this Agreement and without affecting the validity or enforceability of such provision or the other provisions of this Agreement in any other jurisdiction.

(e) No waiver of any breach or default or any right under this Agreement shall be considered valid unless in writing and signed by the party giving such waiver, and no such waiver shall be deemed a waiver of any subsequent breach or default or right, whether of the same or similar nature or otherwise.

(f) This Agreement shall be binding upon and inure to the benefit of each party hereto and its successors and assigns.

(g) Each party shall take such further action and execute and deliver such further documents as may be necessary or appropriate in order to carry out the provisions and purposes of this Agreement.

(h) This Agreement shall be construed in accordance with the laws of the State of New York, except to the extent the validity, perfection or enforcement of a security interest hereunder in respect of any particular Collateral which are governed by a jurisdiction other than the State of New York in which case such law shall govern. Each of the parties hereto irrevocably submits to the exclusive jurisdiction of any New York State or United States Federal court sitting in New York county over any action or proceeding arising out of or relating to this Agreement, and the parties hereto hereby irrevocably agree that all claims in respect of such action or proceeding may be heard and determined in such New York State or Federal court. The parties hereto agree that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. The parties hereto further waive any objection to venue in the State of New York and any objection to an action or proceeding in the State of New York on the basis of forum non convenient. If either party shall commence an action or a proceeding to enforce any provisions of this Agreement, then the prevailing party in such action or proceeding shall be

reimbursed by the other party for its attorney's fees and other costs and expenses incurred with the investigation, preparation and prosecution of such action or proceeding.

(i) EACH PARTY HERETO HEREBY AGREES TO WAIVE ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL ENCOMPASSING OF ANY DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THIS AGREEMENT, INCLUDING WITHOUT LIMITATION CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. EACH PARTY HERETO ACKNOWLEDGES THAT THIS WAIVER IS A MATERIAL INDUCEMENT FOR EACH PARTY TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH PARTY HAS ALREADY RELIED ON THIS WAIVER IN ENTERING INTO THIS AGREEMENT AND THAT EACH PARTY WILL CONTINUE TO RELY ON THIS WAIVER IN THEIR RELATED FUTURE DEALINGS. EACH PARTY FURTHER WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL, AND THAT SUCH PARTY KNOWINGLY AND VOLUNTARILY WAIVES ITS RIGHTS TO A JURY TRIAL FOLLOWING SUCH CONSULTATION. THIS WAIVER IS IRREVOCABLE, MEANING THAT, NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS AND SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT. IN THE EVENT OF A LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

(j) This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and, all of which taken together shall constitute one and the same Agreement. In the event that any signature is delivered by facsimile transmission, such signature shall create a valid binding obligation of the party executing (or on whose behalf such signature is executed) the same with the same force and effect as if such facsimile signature were the original thereof.

* * * * *

IN WITNESS WHEREOF, the parties hereto have caused this Intellectual Property Security Agreement to be duly executed on the day and year first above written.

ELECTRIC FUEL CORPORATION

By: _____
Name: _____
Title: _____

ELECTRIC FUEL TRANSPORTATION CORP.

By: _____
Name: _____
Title: _____

I.E.S. DEFENSE SERVICES, INC.

By: _____
Name: _____
Title: _____

IES INTERACTIVE TRAINING, INC.

By: _____
Name: _____
Title: _____

ELECTRIC FUEL GMBH

By: _____
Name: _____
Title: _____

SUMMIT TRAINING INTERNATIONAL, INC.

By: _____
Name: _____
Title: _____

ELECTRIC FUEL UK LTD.

By: _____
Name: _____
Title: _____

ELECTRIC FUEL B.V.


By: _____
Name: _____
Title: _____

INSTANT POWER CORPORATION

By: _____
Name: _____
Title: _____

IN WITNESS WHEREOF, the parties hereto have caused this Intellectual Property Security Agreement to be duly executed on the day and year first above written.

SMITHFIELD FIDUCIARY LLC

By: 
Name: Adam J. Chill
Title: Authorized Signatory

Address for Notice:

c/o Highbridge Capital Management, LLC
9 West 57th Street, 27th Floor
New York, New York 10019
Attention: Ari J. Storch / Adam J. Chill
Facsimile: 212-751-0755
Telephone: 212-287-4720

With a copy to:

Bryan Cave LLP
1290 Avenue of the Americas
New York, NY 10104
Facsimile No.: (212) 541-4630 and (212) 541-1432
Attn: Eric L. Cohen, Esq.

IN WITNESS WHEREOF, the parties hereto have caused this Intellectual Property Security Agreement to be duly executed on the day and year first above written.

ZLP MASTER TECHNOLOGY FUND, LTD.

By: 

Name: Stuart J. Zimmer

Title: Director

Address for Notice:

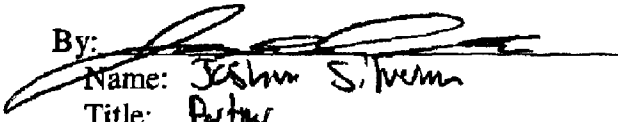
45 Broadway - 28th Floor
New York, NY 10006
Facsimile No.: (212) 440-0750
Attn: Don Herzog

With a copy to:

Bryan Cave LLP
1290 Avenue of the Americas
New York, NY 10104
Facsimile No.: (212) 541-4630 and (212) 541-1432
Attn: Eric L. Cohen, Esq.

IN WITNESS WHEREOF, the parties hereto have caused this Intellectual Property Security Agreement to be duly executed on the day and year first above written.

VERTICAL VENTURES INVESTMENTS, LLC

By: 
Name: Joshua Silverman
Title: Partner

Address for Notice:

c/o Vertical Ventures, LLC
900 Third Avenue, 26th Floor
New York, NY 10022
Facsimile No.: (646) 274-1728
Attn: Joshua Silverman

With a copy to:

Bryan Cave LLP
1290 Avenue of the Americas
New York, NY 10104
Facsimile No.: (212) 541-4630 and (212) 541-1432
Attn: Eric L. Cohen, Esq.

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p. 5

TRADEMARK
REEL: 002663 FRAME: 0521

EXHIBIT A

Copyrights

Description	Registration Number	Registration Date
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EXHIBIT B

Patents

Description	Registration Number	Registration Date
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EXHIBIT C

Trademarks

Description	Registration Number	Registration Date
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SCHEDULE A

Jurisdictions:

SCHEDULES

dated as of December 31, 2002

to the

IP SECURITY AGREEMENT

between

ELECTRIC FUEL CORPORATION, *ET AL.*

and

**ZLP MASTER TECHNOLOGY FUND, LTD.
SMITHFIELD FIDUCIARY LLC
VERTICAL VENTURES INVESTMENTS, LLC**

These Schedules are delivered pursuant to the IP Security Agreement between Electric Fuel Corporation *et al.* (the “Company”) and ZLP Master Technology Fund, Ltd., Smithfield Fiduciary LLC and Vertical Ventures Investments, LLC dated December 31, 2002 (the “IP Security Agreement”). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the IP Security Agreement.

The representations and warranties of the Company in Section 3 of the IP Security Agreement are made and given subject to the disclosures in these Schedules.

The headings of these Schedules are provided for convenience only and will not affect the construction or interpretation of the disclosure required under the IP Security Agreement or the matters disclosed.

Schedule 3(b)

Liens on Assets

1. Certain of the assets of Electric Fuel (E.F.L.) Ltd. are anticipated to serve as security for the payments to Yehuda Harats in connection with the proposed settlement described in Schedule 3.1(j) to the Purchase Agreement.

2. The Office of the Chief Scientist of the Israel Ministry of Trade and Industry (the "OCS") places certain restrictions on the use of technologies developed with OCS grants, including the obligation to obtain the Israeli government's consent to manufacture a product based on such technology outside of Israel or to transfer the technology to a third party.

Exhibit A

Copyrights

Description	Registration Number	Registration Date
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- none -

Exhibit B**Patents**

Description	Registration Number	Registration Date
Israel		
Improved Performance Zinc Anode for Batteries	100903	
Electrically and Mechanically Rechargeable Metal/Air Cell	100625	
Korea		
CELL FOR METAL-AIR BATTERY	KR2000001198	2000-01-15
US		
Corrosion-resistant zinc alloy powder and method of manufacturing	6,436,539	August 20, 2002
Pulse battery having an electrode with at least two electroactive materials	6,387,553	May 14, 2002
Prismatic metal-air cells	6,265,102	July 24, 2001
Cell for a metal-air battery	6,057,052	May 2, 2000
Enhanced performance zinc	6,015,636	January 18, 2000
Air-cooled metal-air battery	5,904,999	May 18, 1999
Apparatus for removing zinc particle deposits from an electrode	5,792,328	August 11, 1998
Air-cooled metal-air battery	5,753,384	May 19, 1998
Performance zinc anode for batteries	5,599,637	February 4, 1997
Scrubber system for removing carbon dioxide from a metal-air or fuel cell battery	5,595,949	January 21, 1997
Electrolyte cooling device for use with a metal-air battery	5,582,929	December 10, 1996
Recharging of zinc batteries	5,569,555	October 29, 1996
Process and scraper for removing deposits from an electrode	5,565,083	October 15, 1996
Mechanically-rechargeable battery	5,554,918	September 10, 1996
Means for storage and transportation of electric fuel	5,516,599	May 14, 1996
Metal-air battery-powered electric vehicle	5,515,939	May 14, 1996

Cooled zinc-oxygen battery	5,487,955	January 30, 1996
Cell for a metal-air battery	5,447,805	September 5, 1995
Zinc-oxygen battery	5,445,901	August 29, 1995
Process for the preparation of gas diffusion electrodes	5,441,823	August 15, 1995
Process for supporting and cleaning a mesh anode bag	5,431,823	July 11, 1995
Water-activated battery	5,424,147	June 13, 1995
Air-cooled, metal-air battery	5,424,143	June 13, 1995
High performance zinc powder and battery anodes containing the same	5,419,987	May 30, 1995
Mechanically rechargeable, electrochemical metal-air battery	5,418,080	May 23, 1995
Transport and storage vessel for electric fuel	5,411,815	May 2, 1995
Refueling system	5,405,713	April 11, 1995
Process for the preparation of an alkaline-zinc slurry for use in batteries	5,378,329	January 3, 1995
Cell for a metal-air battery	5,366,822	November 22, 1994
Mechanically rechargeable electric batteries and anodes for use therein	5,360,680	November 1, 1994
Electrochemical metal-air cell and electrically and mechanically rechargeable anodes for use therein	5,318,861	June 7, 1994
Process for preparing a single pass gas diffusion electrode	5,312,701	May 17, 1994
Gas diffusion electrodes	5,242,765	September 7, 1993
Method for inhibiting corrosion in particulate zinc	5,232,798	August 3, 1993
Regenerating slurries for use in zinc-air batteries	5,228,958	July 20, 1993
Electrical power storage apparatus	5,208,526	May 4, 1993
Slurry for use in rechargeable metal-air batteries	5,206,096	April 27, 1993
Electrical power storage apparatus	5,196,275	March 23, 1993
Electrodes for metal/air batteries and fuel cells and bipolar metal/air batteries incorporating the same	5,190,833	March 2, 1993
Electrodes for metal/air batteries and fuel cells and metal/air batteries incorporating the same	5,185,218	February 9, 1993

Electrodes for metal/air batteries and bipolar metal/air batteries incorporating the same	5,145,752	September 8, 1992
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Electrical energy system	5,121,044	June 9, 1992
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Europe		(publication date)
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Air-cooled metal-air battery	0744784	November 27, 1996
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Anode Bag Cleaning	0697748	February 21, 1996
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Improved Water-Activated Battery	0692834	January 17, 1996
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Mechanically rechargeable battery	0690521	January 3, 1996
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Mechanically rechargeable battery	0671775	September 13, 1995
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Safety System	0657320	June 14, 1995
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Refueling System	0589101	March 30, 1994
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Means for Storing and Transporting Zinc Slurry	0589100	March 30, 1994
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One-pass gas diffusion electrode	0580278	January 26, 1994
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Regenerating Slurries for Use in Zinc-Air Batteries	0564664	October 13, 1993
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Electrical Energy System	0557287	February 18, 1993
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Improved Performance Zinc Anode for Batteries	0555978	August 18, 1993
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Mechanically Rechargeable Electric Batteries and Anodes for Use Therein	0555581	August 18, 1993
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Electrically and Mechanically Rechargeable Metal/Air Cell	0551204	July 14, 1993
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Patent Applications

Published PCT patent applications

Dual orientation connector	WO0243192	pending
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Metal-alkaline battery cells with reduced corrosion rates	WO0243169	pending
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High capacity compact power source and control features	WO0241465	pending
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High capacity compact power source	WO0241464	pending
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Structure for a metal-air battery cell having a brass casing element	WO0239515	pending
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Structure for a prism-shaped battery cell with a stress-generated seal	WO0036693	pending
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Battery pack design for metal-air battery cells	WO0036692	pending
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Battery pack design for metal-air battery cells	WO0036691	pending
Battery pack design for metal-air battery cells	WO0036690	pending
Structure for a prism-shaped metal-air battery cell with features to prevent electrolyte leakage	WO0036689	pending
Packaging for metal-air batteries with hydrogen release valve	WO0036688	pending
Carbon dioxide scrubber in metal-air battery cells	WO0036687	pending
Corrosion resistant high performance electrochemical cell	WO0036686	pending
Corrosion resistant high performance electrochemical cell	WO0036685	pending
An air electrode providing high current density for metal-air batteries	WO0036677	pending
An air electrode providing high current density for metal-air batteries	WO0036676	pending
Dual configuration housing for metal-air batteries that reduce desiccation and control air access	WO0036669	pending
Sealing features in metal-air battery cells for the prevention of electrolyte leakage	WO0036668	pending
Pressurized metal-air battery cells	WO0033411	pending

Published Japanese applications

Air -cooled metal-air battery	10-107709	pending
Battery tray	8-332324	pending
Multiconnector	8-332269	pending
Air-cooled battery	8-313950	pending
Modular cell housing	6-269691	pending
One-pass gas diffusion electrode	6-099880	pending
Improved Performance Zinc Anode for Batteries	5-190285	pending
A Process for the Preparation of an Alkaline Zinc Slurry for use in Batteries	5-178212	pending

ELECTRIC FUEL	1968732	April 16, 1996
RANGE 2000 (stylized)	2288898	October 26, 1999
IES (stylized)	2288900	October 26, 1999
A2Z (stylized)	2301824	December 21, 1999

Exhibit C**Trademarks**

Description	Registration Number	Registration Date
EU		
ELECTRIC FUEL	796342	July 21, 1999
Israel		
ELECTRIC FUEL	82450	February 19, 1999
Japan		
ELECTRIC FUEL	4412332	August 25, 2000
INSTANT POWER	application no. 2001-81237	pending
Korea		
INSTANT POWER	application no. 2001-47563	pending
Switzerland		
ELECTRIC FUEL	454381	September 8, 1998
South Africa		
ELECTRIC FUEL	98/06190	December 3, 2001
Taiwan		
ELECTRIC FUEL	879455	January 16, 2000
INSTANT POWER	application no. 90037833	pending
US		
CHARGE WITHOUT ELECTRICITY (design plus words)	2650382	November 12, 2002
INSTANT POWER	2628990	October 1, 2002
ELECTRIC FUEL (stylized)	2581401	June 18, 2002
ZINCAIR (stylized)	2544161	December 11, 2001

Schedule A

Principal Place of Business of the Debtors:

Name of Company	Principal Place of Business
Electric Fuel Corporation	New York, New York
Electric Fuel (E.F.L.) Ltd.	Beit Shemesh, Israel
M.D.T. Protective Services Ltd.	Lod, Israel
IES Interactive Training Israel Ltd.	Beit Shemesh, Israel
Electric Fuel GmbH	None
Electric Fuel B.V.	None
Electric Fuel UK Ltd.	London, United Kingdom
Electric Fuel Transportation Corp.	None
Instant Power Corporation	None
I.E.S. Defense Services, Inc.	Littleton, Colorado
IES Interactive Training Inc.	Littleton, Colorado
Summit Training International, Inc.	Littleton, Colorado

Locations Where Collateral is Located or Stored:

Name of Company	Location of Collateral
Electric Fuel Corporation	New York, New York and Auburn, Alabama
Electric Fuel (E.F.L.) Ltd.	Beit Shemesh, Israel
M.D.T. Protective Services Ltd.	Lod, Israel
IES Interactive Training Israel Ltd.	Beit Shemesh, Israel
Electric Fuel GmbH	None
Electric Fuel B.V.	None
Electric Fuel UK Ltd.	London, United Kingdom ¹
Electric Fuel Transportation Corp.	None
Instant Power Corporation	None
I.E.S. Defense Services, Inc.	Littleton, Colorado ¹
IES Interactive Training Inc.	Littleton, Colorado ¹
Summit Training International, Inc.	Littleton, Colorado ¹

¹ Certain corporate books and records are maintained in Beit Shemesh, Israel.

Jurisdictions:

Name of Company	Jurisdiction of Organization
Electric Fuel Corporation	Delaware
Electric Fuel (E.F.L.) Ltd.	Israel
M.D.T. Protective Services Ltd.	Israel
IES Interactive Training Israel Ltd.	Israel
Electric Fuel GmbH	Germany
Electric Fuel B.V.	Netherlands
Electric Fuel UK Ltd.	United Kingdom
Electric Fuel Transportation Corp.	Delaware
Instant Power Corporation	Delaware
I.E.S. Defense Services, Inc.	Delaware
IES Interactive Training Inc.	Delaware
Summit Training International, Inc.	Delaware