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U.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):  
Infinite Power Solutions, Inc.

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

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

2. Name and address of receiving party(ies)  
Name: Dow Corning Enterprises, Inc.  
Internal Address: 2200 W. Salzburg Road  
Street Address: Same  
City: Midland State: MI Zip: 48686

Individual(s) citizenship \_\_\_\_\_  
 Association \_\_\_\_\_  
 General Partnership \_\_\_\_\_  
 Limited Partnership \_\_\_\_\_  
 Corporation-State Delaware Corporation  
 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

3. Nature of conveyance:  
 Assignment                       Merger  
 Security Agreement               Change of Name  
 Other \_\_\_\_\_

Execution Date: 8/15/2003

4. Application number(s) or registration number(s):  
A. Trademark Application No.(s) 76/202047; 76/202046;  
76/202042; 76/202041

Additional number(s) attached  Yes  No

B. Trademark Registration No.(s) \_\_\_\_\_

5. Name and address of party to whom correspondence concerning document should be mailed:  
Name: Robert P. Ducatman, Esq.  
Internal Address: Jones Day  
North Point  
901 Lakeside Avenue  
Street Address: Same  
City: Cleveland State: OH Zip: 44114

6. Total number of applications and registrations involved: 4

7. Total fee (37 CFR 3.41).....\$ 115.00  
 Enclosed  
 Authorized to be charged to deposit account \*  
\*For any overpayment or underpayment

8. Deposit account number:  
501432 (Ref. 267690095008)

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PR/FINANCE

09/03/2003 DBRME 00000072 76202047  
01 FC: 3521 40.00 OP  
02 FC: 3520 Signature. 75.00 OP

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Suzanne Koston  
Name of Person Signing

Signature

August 28, 2003  
Date

Total number of pages including cover sheet, attachments, and document: 17

Mail documents to be recorded with required cover sheet information to:  
Commissioner of Patent & Trademarks, Box Assignments  
Washington, D.C. 20231

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REEL: 002815 FRAME: 0160

## SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this "*Agreement*"), dated as of August 15, 2003, is made by and between Infinite Power Solutions, Inc., an Arizona corporation (together with its successors and assigns, the "*Borrower*"), and Dow Corning Enterprises, Inc., a Delaware corporation (together with its successors and assigns, the "*Secured Party*").

WHEREAS, on the date hereof, the Secured Party has advanced funds to the Borrower in exchange for the issuance of a Senior Secured Promissory Note in the original principal amount of \$500,000 (the "*Note*") evidencing the Borrower's obligation to repay the Secured Party's loan of such advanced funds; and

WHEREAS, to induce the Secured Party to make such loan to the Borrower, the Borrower has agreed to execute and deliver this Agreement and to grant a security interest in the Collateral (as defined herein), as security for the Obligations (as defined below).

NOW THEREFORE, in consideration of the premises and mutual covenants contained herein, the Borrower and the Secured Party hereby agree as follows:

1. **Definitions.** Capitalized terms used but not defined herein are used with the meanings given those terms in the Note. In addition, the following terms are used with the following meanings:

"*Accounts*" means (a) all of the Borrower's accounts, as defined in the Colorado UCC as in effect from time to time; (b)(i) any right to payment now or hereafter owing to the Borrower (including but not limited to any such right to payment by reason of any lease, sale, manufacture, repair, processing or fabrication of personal property formerly, now or hereafter owned or otherwise held by the Borrower, by reason of any services formerly, now or hereafter rendered by or on behalf of the Borrower or by reason of any former, existing or future contract for any such lease, sale, manufacture, repair, processing, fabrication and/or services), whether such right to payment be classified by law as an instrument, chattel paper, contract right, account, document, general intangible or otherwise; (ii) the security, if any, for such right to payment; (iii) the Borrower's right, title and interest (including, without limitation, all of the Borrower's rights as an unpaid vendor, and any applicable right of stoppage in transit) in or to the personal property, if any, that is the subject of such right to payment; and (iv) all books and records pertaining to such right to payment; and (c) all proceeds of any of the foregoing, regardless of the form or kind thereof.

"*Account Debtor*" means any Person obligated to pay all or any part of any Account in any manner and includes (without limitation) any guarantor thereof or other accommodation party therefor.

"*Affiliate*" means, with respect to any Person, any Person that directly or indirectly controls, is controlled by, or is under common control with such Person; provided, however, that for the purposes of this Agreement, Corning Incorporated and The Dow Chemical Company and

their subsidiaries and Affiliates (other than Dow Corning Corporation and its subsidiaries) are not Affiliates of the Secured Party.

**"Cash Security"** means all cash, instruments, Deposit Accounts, and other cash equivalents, whether matured or unmatured, whether collected or in the process of collection, upon which the Borrower presently has or may hereafter have any claim, wherever located, including but not limited to any of the foregoing that are presently or may hereafter be existing or maintained with, issued by, drawn upon, or in the possession of the Secured Party.

**"Collateral"** means all of the Borrower's existing and future (a) personal property; (b) Accounts, Investment Property, letter-of-credit rights, contract rights, instruments, chattel paper, documents, General Intangibles, Inventory and Equipment; (c) Cash Security; and (d) Proceeds, products, profits, and rents of any of (a) through (c) above.

**"Colorado UCC"** means Title 4 of the Colorado Revised Statutes, as amended.

**"Deposit Account"** means (a) a deposit account, as defined in the Colorado UCC as in effect from time to time, (b) any other deposit account, and (c) any demand, time, savings, passbook, or a similar account maintained with a bank, savings and loan association, credit union, or similar organization.

**"Equipment"** means all of the Borrower's (a) equipment, as defined in the Colorado UCC as in effect from time to time, including without limitation, machinery, motor vehicles, trade fixtures, office and other furniture and furnishings; (b) goods that are used or bought for use primarily in the Borrower's business; (c) goods that are not consumer goods, farm products (as defined in the Colorado UCC as in effect from time to time) or Inventory; and (d) substitutes or replacements for, and parts, accessories, additions, attachments, or accessions to (a) through (c) above.

**"Event of Default"** has the meaning set forth in Section 3.1.

**"General Intangibles"** means all of the Borrower's (a) general intangibles, as defined in the Colorado UCC as in effect from time to time; (b) choses in action, causes of action, customer lists, corporate or other business records, inventions, designs, patents, patent applications, service marks, registrations, trade names, trademarks, trademark applications, copyrights, goodwill, computer software, rights to indemnification and tax refunds; and (c) Proceeds of any of the foregoing, regardless of the form or kind thereof.

**"Intercreditor Agreement"** means that certain letter agreement regarding intercreditor issues of even date herewith by and among the Borrower, the Secured Party and Advanced Energy Technologies, Inc.

**"Inventory"** means all of the Borrower's (a) inventory, as defined in the Colorado UCC as in effect from time to time; (b) goods that are raw materials; (c) goods that are work-in-process; (d) goods that are materials used or consumed in the ordinary course of the Borrower's business; (e) goods that are, in the ordinary course of the Borrower's business, held for sale or lease or furnished or to be furnished under contracts of service; and (f) substitutes and replacements for, and parts, accessories, additions, attachments or accessions to (a) through (e) above.

**"Investment Property"** means all of the Borrower's investment property, as defined in the Colorado UCC as in effect from time to time, unless the Uniform Commercial Code as in effect in another jurisdiction would govern the perfection and/or priority of a security interest in investment property, and, in such case, investment property will be defined in accordance with the law of that jurisdiction as in effect from time to time.

**"Loan"** means the loan advance made by the Secured Party to the Borrower evidenced by the Note and any other loan or advance made by the Secured Party to the Borrower as a replacement or supplement thereof.

**"Obligations"** means, collectively, (a) the Loan, (b) all other indebtedness for borrowed money hereafter incurred by the Borrower to the Secured Party (or any Affiliate thereof); (c) all other indebtedness now owing or hereafter incurred by the Borrower to the Secured Party (or any Affiliate thereof) pursuant to the Note; (d) all indebtedness now owing or hereafter incurred by the Borrower evidenced by the Note; (e) any extension, consolidation or refinancing of any of the foregoing, in whole or in part; (f) all interest from time to time accruing on any of the foregoing, and all fees and other amounts payable by the Borrower to the Secured Party (or any Affiliate thereof) pursuant to the Note or this Agreement; and (g) all Related Expenses.

**"Permitted Liens"** means the security interests created by this Agreement and the other security interests permitted by the Intercreditor Agreement.

**"Person"** means any individual, sole proprietorship, partnership, joint venture, unincorporated organization, corporation, limited liability company, institution, trust, estate, government or other agency or political subdivision thereof or any other entity.

**"Pledged Notes"** means any promissory notes payable to the Borrower, whether currently existing, and any additional or future note that may hereafter from time to time be payable to the Borrower.

**"Proceeds"** means (a) any proceeds, and (b) whatever is received upon the sale, exchange, collection or other disposition of Collateral or proceeds, whether cash or non-cash. Cash proceeds includes, without limitation, moneys, checks, and Deposit Accounts. Proceeds includes, without limitation, any Account arising when the right to payment is earned under a contract right, any insurance payable by reason of loss or damage to the Collateral, and any return or unearned premium upon any cancellation of insurance. Except as expressly authorized in this Agreement, the right of the Secured Party to Proceeds specifically set forth herein, or indicated in any financing statement, will never constitute an express or implied authorization on the part of the Secured Party to the Borrower's sale, exchange, collection, or other disposition of any or all of the Collateral.

**"Related Expenses"** means any and all reasonable costs, liabilities and expenses (including, without limitation, losses, damages, penalties, claims, actions, reasonable attorneys' fees, legal expenses, judgments, suits and disbursements) (a) incurred by, imposed upon or asserted against the Secured Party in any attempt by the Secured Party to (i) document, obtain, preserve, perfect or enforce any security interest evidenced by this Agreement or any other Loan Document or any writing relating to any Loan Document; (ii) obtain payment, performance or

observance of any and all of the Obligations; or (iii) maintain, insure, audit, collect, preserve, repossess or dispose of any of the Collateral or any other collateral securing the Obligations, including, without limitation, costs and expenses for appraisals, assessments and audits of the Borrower or any such collateral; or (b) incidental or related to (a) above, including, without limitation, interest thereupon from the date incurred, imposed or asserted until paid at the Default Rate. Notwithstanding the foregoing, the parties agree that Related Expenses will not include reimbursement of any legal fees incurred by the Secured Party in connection with the preparation of the Loan Documents.

Unless otherwise defined in this Section 1, terms that are defined in the Colorado UCC are used herein as so defined.

2. **Grant of Security Interest and Conditional Assignment.** In consideration of and as security for the full, complete and prompt payment and performance of all of the Obligations, the Borrower hereby agrees that the Secured Party will at all times have, and the Borrower hereby grants to the Secured Party a security interest in, a general lien upon and/or a right of set-off to the Secured Party against and conditionally assigns, transfers and conveys to the Secured Party the Collateral, including, without limitation, all of the Borrower's future Collateral, regardless of any lack of knowledge by the Secured Party of the creation or acquisition thereof.

3. **Default and Remedies.**

3.1. The following will constitute an Event of Default under this Agreement: (a) an Event of Default (as defined in the Note) occurs under the Note; (b) the Secured Party gives the Borrower written notice that any representation, warranty or statement made by the Borrower in or pursuant to this Agreement or any other Loan Document or in any other writing received by the Secured Party in connection with the Obligations, is or becomes false or erroneous in any material respect and the Borrower fails to cure within five business days after receipt of such notice; or (c) the Secured Party gives the Borrower written notice that the Borrower has failed or omitted to perform or observe any covenant or agreement made by the Borrower in or pursuant to this Agreement, any other Loan Document or in any other writing received by the Secured Party pursuant hereto and the Borrower fails to cure within five business days after receipt of such notice.

3.2. Upon the occurrence of an Event of Default hereunder, and at all times thereafter, the Secured Party will have the rights and remedies of a secured party under the Colorado UCC, in addition to the rights and remedies of a secured party provided elsewhere within this Agreement or in any other Loan Document or otherwise provided in law or equity. The Secured Party may require the Borrower to assemble the Collateral and make it available to the Secured Party at a reasonably convenient place to be designated by the Secured Party and, if so requested, the Borrower agrees to do the same. The Secured Party may, with or without further notice to or demand upon the Borrower and with or without the aid of legal process, make use of such force as may be necessary to enter any premises where the Collateral, or any part thereof, may be found and to take possession thereof (including anything found in or on the Collateral that is not specifically described in this Agreement, each of which findings will be considered to be an accession to and a part of the Collateral) and for that purpose may pursue the Collateral wherever

the same may be found, without liability for trespass or damage caused thereby to the Borrower or any Affiliate thereof. After any delivery or taking of possession of the Collateral, or any part thereof, pursuant to this Agreement, then, with or without resort to the Borrower or any other Person or property, all of which the Borrower hereby waives, and upon such terms and in such manner as the Secured Party may deem advisable, the Secured Party, in its discretion, may sell, assign, transfer and deliver any of the Collateral at any time or from time to time. No prior notice need be given to the Borrower or to any other Person in the case of any sale of Collateral that the Secured Party determines to be perishable or to be declining speedily in value or that is customarily sold in any recognized market, but in any other case the Secured Party will give the Borrower no fewer than ten days' prior notice of either the time and place of any public sale of the Collateral or of the time after which any private sale or other intended disposition thereof is to be made. The Borrower waives advertisement of any such sale and (except to the extent specifically required by the preceding sentence) waives notice of any kind in respect of any such sale. At any such public sale, the Secured Party may purchase the Collateral, or any part thereof, free from any right of redemption, all of which rights the Borrower hereby waives and releases. After deducting all Related Expenses, and after paying all claims, if any, secured by liens having precedence over this Agreement, the Secured Party may apply the net proceeds of each such sale to or toward the payment of the Obligations, whether or not then due, in such order and by such division as the Secured Party, in its sole discretion, may deem advisable. Any excess, to the extent permitted by law, will be paid to the Borrower, and the obligors on the Obligations will remain liable for any deficiency. In addition, the Secured Party will at all times following an Event of Default have the right to obtain appraisals of the Borrower or the Collateral, the cost of which will be paid by the Borrower.

4. **Representations and Warranties.** The Borrower hereby represents and warrants to the Secured Party that:

4.1. **Jurisdiction of Incorporation.** The Borrower is incorporated in the State of Arizona and its registration number in such State is 0954489-0.

4.2. **Ownership, Encumbrances, etc.** The Borrower is the sole owner of each item of the Collateral listed, having good title thereto, free and clear of any and all liens or encumbrances, claims or rights of others other than Permitted Liens. No amounts payable under or in connection with any of the Accounts are evidenced by promissory notes or other instruments.

4.3. **No Conflicting Security Interests.** Except for Permitted Liens and as listed on Exhibit A, no security agreement, financing statement, equivalent security or lien instrument or continuation statement covering all or any part of the Collateral is on file or of record in any public office, except such as may have been filed by the Borrower in favor of the Secured Party pursuant to this Agreement.

4.4. **Business and Inventory Locations, etc.** The Borrower's principal place of business and the place where its records concerning the Collateral are kept are at the locations listed in Exhibit B hereto. The Equipment and Inventory are kept at the locations set forth in Exhibit C hereto. The Borrower owns all of the Collateral located at the locations identified on Exhibits B and C unless otherwise noted thereon.

4.5. **Account Balances.** The amount represented by the Borrower to the Secured Party from time to time as owing by each Account Debtor or by all Account Debtors in respect of the Accounts will at such time be the correct amount unconditionally owing by such Account Debtors thereunder (except to the extent that such Account Debtors may be entitled to normal trade discounts, adjustments and allowances and except for the allowance for reserves in accordance with generally accepted accounting principles and offsets and similar rights of which the Borrower have no knowledge).

4.6. **Accounts.** With respect to all Accounts:

(a) They are genuine and in all respects what they purport to be.

(b) They represent undisputed, bona fide transactions completed in accordance with the terms and provisions contained in the invoices and purchase orders relating thereto, except for consignment accounts that have been specifically identified to the Secured Party.

(c) The amounts shown on the respective Collateral reports and assignments of Accounts, books and records and all invoices unconditionally owing to the Borrower and are not contingent for any reason known to Borrowers, except for consignment accounts that have been specifically identified to the Secured Party.

(d) No payments have been or will be made thereon outside the ordinary course of business except payments reported by the Borrower to the Secured Party.

(e) No Borrower has received notice of any setoffs, counterclaims or disputes existing or asserted with respect thereto and no Borrower has made an agreement with any Account Debtor thereof for any deduction or discount of the sum payable thereunder except regular discounts allowed by such Borrower in the ordinary course of business for prompt payment.

(f) There is not now and there will not be at any time or times hereafter any fact, event or occurrence not disclosed to the Secured Party that in any material respect impairs the validity or enforcement thereof or reduces the amount payable thereunder from the amount thereof as shown on the Collateral reports and assignments of Accounts, books and records, and the invoices and statements delivered to the Secured Party with respect thereto, unless promptly following such event or occurrence the Borrower will notify the Secured Party of such event or occurrence.

(g) To the Borrower's knowledge, all Account Debtors are solvent.

(h) The goods sold or transferred, the services furnished, or the funds loaned, giving rise thereto are not subject to any lien, claim, encumbrance or security interest created by the Borrower other than Permitted Liens.

(i) No executive officer of Borrower has knowledge of any fact or circumstance that would impair in any material respect the validity or collectability thereof that has not been disclosed to the Secured Party.

(j) Each of them is expected to be paid in full in the ordinary course of business as represented to the Secured Party.

(k) If any property evidenced by an Account should be returned to the Borrower, the Borrower will hold the same in trust for the Secured Party as part of the Collateral hereunder.

(l) If requested by the Secured Party, the Borrower will make proper entries in its books disclosing the assignment of Accounts to the Secured Party to the extent said Accounts have so been assigned.

**4.7. Inventory Generally.** With respect to its Inventory, the Secured Party may rely on all statements or representations made by the Borrower on or with respect to any schedule of inventory furnished to the Secured Party by the Borrower and, unless otherwise indicated in writing by the Borrower, that:

(a) All Inventory is located on premises listed on Exhibit C or is Inventory that is in transit and is so identified on the relevant schedule of inventory.

(b) No Inventory is now, or will at any time or times hereafter be, stored with a bailee, warehouseman or similar party.

(c) No Inventory is under consignment to or from any person.

(d) All Inventory is currently usable or salable in the normal course of the Borrower's business.

**4.8. Deposit Accounts.** The names and addresses of all financial institutions and other entities at which the Company maintains its Deposit Accounts and securities accounts, and the account numbers and account names of such accounts, are set forth on Exhibit D. No control agreement exists with respect to any Collateral other than control agreements in favor of the Secured Party.

**4.9. Trade Names, etc.** The Borrower does not use any trade names, assumed names, fictitious names or other names other than those set forth on Exhibit E.

**4.10. Identification Number.** The Federal Employer Identification Number of Borrower is 86-1005345.

**4.11. Litigation.** There is no action, suit, proceeding or investigation pending or, to the Borrower's knowledge, currently threatened against the Borrower, and neither the Borrower nor any of its assets is subject to any judgment or order.

**4.12. No Event of Default.** Upon the execution and delivery hereof, no Event of Default will exist.

**4.13. Reasonably Equivalent Values; Solvency; No Certain Transactions.** The Borrower has received consideration that is the reasonable equivalent value of the obligations



and liabilities that the Borrower has incurred to the Secured Party. The Borrower is not insolvent, as defined in any applicable state or federal statute, nor will the Borrower be rendered insolvent by the execution and delivery of this Agreement to the Secured Party or any other documents to the Secured Party. The Borrower has not engaged, nor is the Borrower about to engage, in any business or transaction for which the assets retained by it are or will be an unreasonably small amount of capital, taking into consideration the obligations to the Secured Party incurred hereunder. The Borrower does not intend to, nor does it believe that it will, incur debts beyond its ability to pay such debts as they mature.

**5. Covenants.**

**5.1. Insurance.** The Borrower will at all times maintain insurance upon the Inventory, Equipment and other personal and real property in such form, written by such companies, in such amounts, for such period, and against such risks as may be acceptable to the Secured Party, with provisions satisfactory to the Secured Party for payment of all losses thereunder to the Secured Party and the Borrower as their interests may appear (loss payable endorsement in favor of the Secured Party), and, if required by the Secured Party, the Borrower will deposit the policies with the Secured Party. Any such policies of insurance will provide for no fewer than thirty days' prior written notice of cancellation to the Secured Party. Any sums received by the Secured Party in payment of insurance losses, returns or unearned premiums under the policies may, at the option of the Secured Party, be applied to satisfy any Obligations, whether or not the same is then due and payable, or may be delivered to the Borrower for the purpose of replacing, repairing or restoring the insured property. In the event of failure to provide such insurance as herein provided, the Secured Party may, at its option, provide such insurance and the Borrower will pay to the Secured Party, upon demand, the cost thereof. Should the Borrower fail to pay such sum to the Secured Party upon demand, interest will accrue thereon, from the date of demand until paid in full, at the Default Rate. Within ten days of the Secured Party's written request, the Borrower will furnish to the Secured Party such information about the Borrower's insurance as the Secured Party may from time to time reasonably request, which information will be prepared in form and detail satisfactory to the Secured Party and certified by a financial officer of the Borrower.

**5.2. Taxes and Other Borrower Obligations.** The Borrower will pay in full (a) prior in each case to the date when penalties would attach, all taxes, assessments and governmental charges and levies (except only those so long as and to the extent that the same are being contested in good faith by appropriate and timely proceedings and for which adequate reserves have been established in accordance with generally accepted accounting principles) for which the Borrower may be or become liable or to which any or all of the Borrower's properties may be or become subject; (b) all of the Borrower's wage obligations to the Borrower's employees in compliance with the Fair Labor Standards Act (29 U.S.C. § 206-207) or any comparable provisions; and (c) all of the Borrower's obligations calling for the payment of money (except only those so long as and to the extent that the same are being contested in good faith and for which adequate reserves have been established in accordance with generally accepted accounting principles) before such payment becomes over due.

**5.3. Corporate Names and Location of Collateral.** The Borrower will not change its name to a name not listed on Exhibit E, unless the Borrower provides the Secured Party with

at least thirty days' prior written notice thereof. The Borrower will not use trade names, assumed names or fictitious names without giving the Secured Party at least thirty days' prior written notice thereof. The Borrower will also provide the Secured Party with at least thirty days' prior written notification of (a) any change in any location where any of the Inventory or Equipment is maintained, and any new locations where any of the Inventory or Equipment is to be maintained; (b) any change in the location of the office where the records pertaining to the Accounts are kept; (c) the location of any new places of business and the changing or closing of any of its existing places of business; and (d) any change in the Borrower's chief executive office. In the event of any of the foregoing or as a result of any change of applicable law with respect to the taking of security interests, the Borrower will promptly execute and deliver to the Secured Party (and the Borrower agrees that the Secured Party may execute and deliver the same as the Borrower's irrevocable attorney-in-fact) new U.C.C. financing statements describing the Collateral and otherwise in form and substance sufficient for recordation wherever necessary or appropriate, as determined in the Secured Party's sole discretion, to perfect or continue perfected the security interest of the Secured Party in the Collateral, based upon such new places of business or names or such change in applicable law, and the Borrower will pay all filing and recording fees and taxes in connection with the filing or recordation of such financing statements and will immediately reimburse the Secured Party therefor if the Secured Party pays the same. Such amounts are Related Expenses hereunder. The Borrower will not change the jurisdiction of its incorporation.

5.4. **Sale of Collateral.** The Borrower will not, without the prior written consent of the Secured Party, which consent may be withheld at the Secured Party's sole discretion, sell, lease, assign, transfer or otherwise dispose of the Collateral or any part thereof or any interest therein, except in the ordinary course of the Borrower's business.

5.5. **Notice.** The Borrower will give the Secured Party prompt written notice if any Event of Default occurs hereunder or if the Internal Revenue Service alleges the nonpayment or underpayment of any tax by the Borrower or threatens to make any assessment in respect thereof.

5.6. **Financial Records.** The Borrower will (a) maintain at all times true and complete financial records and books of accounts in accordance with generally accepted accounting principles consistently applied and, without limiting the generality of the foregoing, prepare authentic invoices, numbered consecutively in chronological order, for all of the Accounts; (b) render to the Secured Party, forthwith upon each request of the Secured Party, such financial statements of the Borrower's financial condition and operations, including but not limited to the Borrower's tax returns, and such reports of the Accounts, as the Secured Party may from time to time request; (c) give the Secured Party prompt written notice whenever any Account Debtor defaults in any manner or asserts any defense or offset and whenever any other event, omission, condition or thing having a material adverse effect on any Account occurs or arises; and (d) forward to the Secured Party, upon request of the Secured Party, whenever made, (i) invoices, sales journals or other documents satisfactory to the Secured Party that summarize the Accounts, certified by an officer of the Borrower, (ii) within the time specified by the Secured Party, an aging report of the Accounts then outstanding setting forth, in such form and detail and with such representations and warranties as the Secured Party may from time to time require, the unpaid balances of all invoices billed respectively during that period and during each of the three next preceding periods, and certified by an officer of the Borrower, and (iii) with

respect to the Inventory and any other Collateral, such reports and other documents that are satisfactory to the Secured Party.

5.7. **Transfers, Liens and Modifications Regarding Collateral.** Borrower will not, without the Secured Party's prior written consent, (a) sell, assign, transfer or otherwise dispose of, or grant any option with respect to, or create, incur, or permit to exist any pledge, lien, mortgage, hypothecation, security interest, charge, option or any other encumbrance with respect to any of the Collateral, or any interest therein, or any proceeds thereof, other than Permitted Liens; or (b) enter into or assent to any amendment, compromise, extension, release or other modification of any kind of, or substitution for, any of the Accounts.

5.8. **Collateral.** The Borrower will:

(a) at all reasonable times allow the Secured Party by or through any of its officers, agents, employees, attorneys or accountants to (i) examine, inspect and make extracts from the Borrower's books and other records, including, without limitation, the tax returns of the Borrower, (ii) arrange for verification of the Accounts, under reasonable procedures, directly with Account Debtors or by other methods, and (iii) examine and inspect the Inventory and Equipment, wherever located;

(b) promptly furnish to the Secured Party, upon request, (i) additional statements and information with respect to the Collateral, and all writings and information relating to or evidencing any of the Accounts (including, without limitation, computer printouts or typewritten reports listing the mailing addresses of all present Account Debtors), and (ii) any other writings and information as the Secured Party may request;

(c) notify the Secured Party in writing immediately upon the creation of any Accounts with respect to which the Account Debtor is the United States of America or any state, county, city or other governmental authority or any department, agency or instrumentality of any of them, or any foreign government or instrumentality thereof or any business that is located in a foreign country;

(d) mark its books and records of Accounts to indicate the security interest granted to the Secured Party hereunder;

(e) immediately notify the Secured Party in writing of any information that the Borrower has or may receive with respect to the Collateral that might in any manner materially and adversely affect the value thereof or the rights of the Secured Party with respect thereto;

(f) maintain the Equipment in good operating condition and repair, ordinary wear and tear excepted, making all necessary replacements thereof so that the value and operating efficiency thereof will at all times be maintained and preserved, and promptly inform the Secured Party of any additions to or deletions from the Equipment; and

(g) Upon the Secured Party's request, obtain an account control agreement sufficient to perfect the Secured Party's interest in each Deposit Account and the funds deposited thereon.

(h) upon request of the Secured Party, promptly take such action and promptly make, execute, and deliver all such additional and further items, deeds, assurances, instruments and any other writings as the Secured Party may from time to time deem necessary or appropriate, including, without limitation, financing statements and chattel paper, to carry into effect the intention of this Agreement or so as to completely vest in and ensure to the Secured Party its rights hereunder and in or to the Collateral.

If certificates of title or applications for title are issued or outstanding with respect to any of the Inventory or Equipment, the Borrower shall, upon request of the Secured Party, (i) execute and deliver to the Secured Party a short form security agreement, in form and substance satisfactory to the Secured Party, and (ii) deliver such certificate or application to the Secured Party and cause the interest of the Secured Party to be properly noted thereon. The Borrower hereby authorizes the Secured Party or the Secured Party's designated agent (but without obligation by the Secured Party to do so) to incur Related Expenses (whether prior to, upon, or subsequent to any Event of Default hereunder), and the Borrower will promptly repay, reimburse and indemnify the Secured Party for any and all Related Expenses. If the Borrower fails to keep and maintain the Equipment in good operating condition, the Secured Party may (but is not required to) so maintain or repair all or any part of the Equipment and the cost thereof is a Related Expense. All Related Expenses are payable to the Secured Party upon demand therefor.

6. **Collections and Receipt of Proceeds by Secured Party.** From and after the occurrence of any Event of Default, the Secured Party will have the right, but not the duty, to collect and enforce any or all of the Accounts as the Secured Party may deem advisable and, if the Secured Party elects to do so in whole or in part, the Secured Party will not be liable to the Borrower except for willful misconduct, if any. The Borrower hereby constitutes and appoints the Secured Party, or the Secured Party's designated agent, as the Borrower's attorney-in-fact to exercise, from and after the occurrence of any Event of Default, all or any of the following powers that, being coupled with an interest, is irrevocable until the complete and full payment of all of the Obligations:

(a) to receive, retain, acquire, take, endorse, assign, deliver, accept and deposit, in the Secured Party's name or the Borrower's name, any and all of the Borrower's cash, instruments, chattel paper, documents, Proceeds of Accounts, Proceeds of Inventory, collection of Accounts, and any other writings relating to any of the Collateral. The Borrower hereby waives presentment, demand, notice of dishonor, protest, notice of protest and any and all other similar notices with respect thereto, regardless of the form of any endorsement thereof. The Secured Party is not obligated to take any action to preserve any rights therein against prior parties thereto;

(b) to transmit to Account Debtors, on any or all of the Accounts, notice of assignment to the Secured Party thereof and the Secured Party's security interest therein and to request from such Account Debtors at any time, in the Secured Party's name or in

the Borrower's name, information concerning the Accounts and the amounts owing thereon;

(c) to transmit to purchasers of any or all of the Inventory, notice of the Secured Party's security interest therein, and to request from such purchasers at any time, in the Secured Party's name or in the Borrower's name, information concerning the Inventory and the amounts owing thereon by such purchasers;

(d) to notify and require Account Debtors on the Accounts and purchasers of the Inventory to make payment of their indebtedness directly to the Secured Party;

(e) to enter into or assent to such amendment, compromise, extension, release or other modification of any kind of, or substitution for, the Accounts, or any thereof, as the Secured Party, in its sole discretion, may deem to be advisable;

(f) to enforce the Accounts or any portion thereof, or any other Collateral, by suit or otherwise, to maintain any such suit or other proceeding in the Secured Party's own name or in the Borrower's name, and to withdraw any such suit or other proceeding. The Borrower agrees to lend every assistance requested by the Secured Party in respect of the foregoing, all at no cost or expense to the Secured Party and including, without limitation, the furnishing of such witnesses and of such records and other writings as the Secured Party may require in connection with making legal proof of any Account. The Borrower agrees to reimburse the Secured Party in full for all court costs and attorneys' fees and every other cost, expense or liability, if any, incurred or paid by the Secured Party in connection with the foregoing, which obligation of the Borrower will constitute Obligations, will be secured by the Collateral and will bear interest, until paid, at the Default Rate; and

(g) to accept all collections in any form relating to the Collateral, including remittances that may reflect deductions, and to apply them as a payment on the Obligations.

7. **Use of Inventory and Equipment.** Until an Event of Default occurs, the Borrower may (a) retain possession of and use the Inventory and Equipment in any lawful manner not inconsistent with this Agreement or with the terms, conditions, or provisions of any policy of insurance thereon; (b) sell or lease the Inventory in the ordinary course of business, provided, however, that a sale or lease in the ordinary course of business does not include a transfer in partial or total satisfaction of any indebtedness; and (c) use and consume raw materials or supplies, the use of which are necessary in order to carry on the Borrower's business.

8. **Returned or Repossessed Property.** If any merchandise or other property that is the subject of any Account is for any reason returned to or repossessed by the Borrower in any manner, the Secured Party will have a security interest in such property as security for the Obligations. The Borrower will receive the same in trust for the Secured Party, and upon the Secured Party's request whenever made, segregate such property and label the same as being held for the Secured Party and immediately give the Secured Party a detailed written notice of such return or repossession and the reason therefor.

9. **Interpretation.** Each right, power or privilege specified or referred to in this Agreement is cumulative and in addition to and not in limitation of any other rights, powers and privileges that the Secured Party may otherwise have or acquire by operation of law, by contract or otherwise. No course of dealing by the Secured Party in respect of, nor any omission or delay by the Secured Party in the exercise of, any right, power or privilege will operate as a waiver thereof, nor will any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or of any other right, power or privilege, as the Secured Party may exercise each such right, power or privilege either independently or concurrently with others and as often and in such order as the Secured Party may deem expedient. No waiver, consent or other agreement will be deemed to have been made by the Secured Party or be binding upon the Secured Party in any case unless specifically granted by the Secured Party in writing, and each such writing will be strictly construed. If, at any time, one or more provisions of this Agreement is or becomes invalid, illegal or unenforceable in whole or in part, the validity, legality and enforceability of the remaining provisions will not in any way be affected or impaired thereby. The Borrower hereby authorizes the Secured Party to file financing statements with respect to the Collateral. A carbon, photographic, or other reproduction of this Agreement may be used as a financing statement. The captions to sections herein are inserted for convenience only and will be ignored in interpreting the provisions of this Agreement.

10. **Notices.** Unless otherwise provided, any notice required or permitted under this Agreement must be given in writing and will be deemed effectively given (i) at the time of personal delivery, if delivery is in person; (ii) one business day after deposit with an express overnight courier for United States deliveries, or two business days after such deposit for deliveries outside of the United States, with proof of delivery from the courier requested; or (iii) three business days after deposit in the United States mail by certified mail (return receipt requested) for United States deliveries when addressed to the party to be notified at the address indicated for such party on Exhibit F or at such other address as any party or the Borrower may designate by giving ten days' advance written notice to all other parties.

11. **Severability.** If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision(s) will be excluded from this Agreement and the balance of the Agreement will be interpreted as if such provision(s) were so excluded and will be enforceable in accordance with its terms. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction will not invalidate the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction will not invalidate or render unenforceable such provision in any other jurisdiction.

12. **No Waiver; Cumulative Remedies.** The Secured Party will not by any act, delay, omission or otherwise be deemed to have waived any of its rights or remedies hereunder, and no waiver will be valid unless in writing, signed by the Secured Party, and then only to the extent therein set forth. A waiver by the Secured Party of any right or remedy hereunder on any one occasion will not be construed as a bar to any right or remedy that the Secured Party would otherwise have had on any future occasion. No failure to exercise nor any delay in exercising on the part of the Secured Party any right, power or privilege hereunder will operate as a waiver thereof, nor will any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The

rights and remedies hereunder provided are cumulative and may be exercised singly or concurrently, and are not exclusive of any rights and remedies provided by law.

13. **Waivers; Amendments.** None of the terms and provisions of this Agreement may be waived, altered, modified or amended except by an instrument in writing executed by the parties hereto.

14. **Limitations by Law.** All rights, remedies and powers provided by Section 3 hereof may be exercised only to the extent that the exercise thereof does not violate any applicable provisions of law, and all the provisions of Section 3 hereof are intended to be subject to all applicable mandatory provisions of law that may be controlling and to be limited to the extent necessary so that they will not render this Agreement invalid, unenforceable in whole or in part, or not entitled to be recorded, registered or filed under the provision of any applicable law.

15. **Successors and Assigns.** This Agreement will be binding upon and inure to the benefit of the Borrower and the Secured Party and their respective successors and assigns, and nothing in this Agreement or any other Loan Document is intended or will be construed to give any other person any right, remedy or claim under, to or in respect of this Agreement or any other Loan Document.

16. **Termination and Reassignment.** The Secured Party agrees that upon the termination or expiration of the Note and this Agreement and the payment in full of all the Obligations, the Secured Party will upon the request and at the expense of the Borrower execute all such documents as may be reasonably requested by the Borrower to release the security interests created hereby.

17. **Applicable Law.** This Agreement will be governed by, and be construed and interpreted in accordance with, the laws of the State of Colorado without giving effect to principles of conflicts of law.

18. **Jury Trial Waiver.** **THE BORROWER AND THE SECURED PARTY EACH WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, BETWEEN THE SECURED PARTY AND THE BORROWER ARISING OUT OF, IN CONNECTION WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED BETWEEN THEM IN CONNECTION WITH THIS AGREEMENT OR ANY NOTE OR OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith OR THE TRANSACTIONS RELATED THERETO. THIS WAIVER WILL NOT IN ANY WAY AFFECT, WAIVE, LIMIT, AMEND OR MODIFY THE SECURED PARTY'S ABILITY TO PURSUE REMEDIES PURSUANT TO ANY CONFESSION OF JUDGMENT OR COGNOVIT PROVISION CONTAINED IN ANY NOTE OR OTHER INSTRUMENT, DOCUMENT OR AGREEMENT BETWEEN THE SECURED PARTY AND THE BORROWER.**

*(Signature page follows.)*

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their duly authorized officers as of the date first set forth above.

**BORROWER:**

**INFINITE POWER SOLUTIONS, INC.**

By: Stephen T. Alexander  
Name: STEPHEN T. ALEXANDER  
Title: VP, CFO IPS

**SECURED PARTY:**

**DOW CORNING ENTERPRISES, INC.**

By: \_\_\_\_\_  
Name:  
Title:



IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their duly authorized officers as of the date first set forth above.

**BORROWER:**

**INFINITE POWER SOLUTIONS, INC.**

By: \_\_\_\_\_  
Name:  
Title:

**SECURED PARTY:**

**DOW CORNING ENTERPRISES, INC.** *S.M.*

By: \_\_\_\_\_  
Name: *JMG* **JEAN-MARC GILSON**  
Title: **VICE PRESIDENT**