

05-05-2004

PATENT  
03634-A0011A GSW

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Conveying Party:	PAICE LLC
Receiving Parties:	See #2 Below
SEE ATTACHED SCHEDULE A	SEE ATTACHED SCHEDULE A
Title of Patents/Application:	SEE ATTACHED SCHEDULE A

Mail Stop Assignment Recordation Services  
Commissioner for Patents  
Post Office Box 1450  
Alexandria, VA 22313-1450

ASSIGNMENT RECORDATION FORM COVER SHEET

Dear Sir:

document 4

Please record the attached original document.

1. Name of conveying party. PAICE LLC, a limited liability company of the State of Delaware, having offices at 6830 Elm Street, McLean, VA 22101.

Certificate: I hereby certify that this correspondence is today being hand carried to Mail Stop Assignment, Commissioner of Patents and Trademarks, Alexandria, VA 22313-1450.

April 28, 2004

Andrew Hirsch  
Andrew Hirsch, Esq.

04/30/2004 6TON11 00000009 10382577

01 FC:8023

120.00 00

RECEIVED

APR 30 2004

FBI/DOJ

2. Name and Address of Receiving Parties. Nathanael Adamson, a US citizen, residing at 1815 Hayward Pine Trall, Kewadin, MI 49648; Thomas Annick, a US citizen, residing at 5737 Stanbrook Lane, Gaithersburg, MD 20882; Henry Bulst, a US citizen, residing at 6808 Tina Lane, McLean, VA 22101; Alessandra & Michael Daigneault, as Joint Tenants with Rights of Survivorship, both US citizens, residing at 1512 Nightshade Court, Vienna, VA 22182; William Godin, a US citizen, residing at 34 Steinway Court, Williamsville, NY 14221; Andrew Hirsch, a US citizen, residing at 908 Ridge Drive, McLean, VA 22101; David Hirsch, a US citizen, residing at 37 West 12<sup>th</sup> Street, Apt. PHC, New York, NY 10011; Ellen Hirsch, a US citizen, residing at 37 West 12<sup>th</sup> Street, Apt. PHC, New York, NY 10011; Suzanne Hirsch & Neil Rosenthal, as Tenants by the Entirety, both US citizens, residing at 1421 Fallswood Drive, Rockville, MD 20854; George R. Kempton Trust by George R. Kempton, Trustee, residing at 3991 Gulf Shore Blvd. N., #101, Naples, FL 34103; William F. Leimkuhler, a US citizen, residing at 43 Salem Straits Road, Darien, CT 06820; Theodore Louckes, a US citizen, residing at 10398 Appomattox Street, Holly, MI 48442; Stephen O'Shea, a US citizen, residing at 2-5-40 Hiroo, Shibuya-ku, Tokyo 150-0012 Japan; Robert S. Oswald, a US citizen, residing at 22957 Shady Knoll Drive, Bonita Springs, FL 34135; Nelson Schaenan, Jr., a US citizen, residing at 56 Midwood Terrace, Madison, NJ 07940; Alex J. Severinsky, a US citizen, residing at 4707 Foxhall Crescent, Washington, DC 20007; James Y. Severinsky, a US citizen, residing at 3045 Ocean Parkway #2G, Brooklyn, NY 11235; Allen Swenson, a US citizen, residing at 24 Curlew Way, Novato, CA 94949; Robert J. Templin, a US citizen, residing at 605 Robin Dale Drive, Austin, TX 78734; and Joseph Tydings, a US citizen, c/o Dickstein, Shapiro, Morin & Oshinsky, LLP, 2101 L Street, NW, Washington, DC 20037.

3. Nature of Conveyances: Security Agreements.

Execution Date: April 28, 2004.

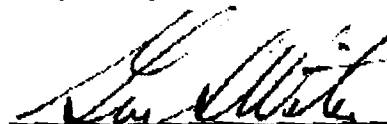
4. Name and Address of Party to Whom Correspondence Concerning Document should be mailed.

Gene S. Winter, Registration No. 28.352  
Attorney for Assignee  
ST.ONGE STEWARD JOHNSTON & REENS LLC  
986 Bedford Street, Stamford, CT 06905-5619  
203 324-6155

5. Patent Application No.: 10/382,577; Patent Nos.: 5,343,970; 6,209,672; 6,338,391; 6,554,088.
6. Total Number of Applications/Patents Involved: 5.
7. Total Fee (37 CFR 3.41): \$200.00

8. Authorization to Charge Deposit Account. The Commissioner is hereby authorized to charge the fees herein and any additional fees due by this paper to Deposit Account No. 19-4516.
9. Statement and Signature. Total number of pages including cover sheet, attachments and document are 103. To the best of my knowledge and belief, the foregoing information is true and correct.

Respectfully submitted,



Gene S. Winter, Registration No. 28,352  
Attorney for Conveying Party  
ST.ONGE STEWARD JOHNSTON & REENS LLC  
986 Bedford Street, Stamford, CT 06905-5619  
Telephone: 203 324-6155

TOTAL P.09

# **AGREEMENT**

(Patent)

**THIS AGREEMENT** (as amended, supplemented, restated or otherwise modified from time to time, this "Agreement"), dated as of this 28 day of April, 2004 between **PAICE LLC**, a Delaware limited liability company (the "Grantor"), and **Nathanael Adamson**, an individual residing at 1815 Hayward Pine Trail, Kewadin, MI 49648 ("Lender").

## **WITNESSETH:**

**WHEREAS**, pursuant to that certain Loan and Security Agreement dated July 19, 2002 (together with all amendments, supplements and other modifications, heretofore and hereafter made thereto, the "Loan Agreement"), among Paice Corporation, a Delaware corporation and sole member of Grantor (the "Corporation"), the Lender, Grantor has granted to the Lender a continuing lien and security interest in certain property and assets of the Corporation, including (without limitation) the Existing Patents (as defined below); and

**WHEREAS**, pursuant to a certain Transfer and Assumption Agreement of even date herewith by and between the Corporation and the Grantor, the Corporation has transferred and assigned to the Grantor all of its property and assets (including, without limitation, the Existing Patents) subject to the existing lien and security interest of the Lender; and

**WHEREAS**, pursuant to the terms of the Loan Agreement of even date herewith by and between the Corporation, the Grantor and the Lender, the Grantor has acknowledged that it has received the Existing Patents subject to the existing lien and security interest of the Lender, and has granted to the Lender a security interest in and to (among other things) the Patent Collateral (as defined below); and

**WHEREAS**, pursuant to the terms of the Loan Agreement of even date herewith, the Grantor is required to execute and deliver this Agreement to further evidence the grant to the Lender of a continuing lien and security interest in all of the Patent Collateral to secure all Obligations (as defined in the Loan Agreement); and

**WHEREAS**, the Grantor has duly authorized the execution, delivery and performance of this Agreement;

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Grantor agrees, for the benefit of the Lender, as follows:

**Section 1. Definitions.** Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement, including its preamble and recitals, have the meanings provided in the Loan Agreement.

**Section 2. Grant of Security Interest.** As security for the payment and performance of all of the Obligations, whether or not any instrument or agreement relating to any Obligation specifically refers to this Agreement or the security interest created hereunder, the Grantor hereby grants to the Lender a lien and continuing security interest in, and pledges and assigns to the Lender, all of the following property (the "Patent Collateral"), whether now owned or hereafter acquired or existing:

- (a) all letters patent and applications for letters patent throughout the world, including all patent applications in preparation for filing anywhere in the

world and including each patent and patent application referred to in Item A of Attachment 1 hereto (the patents and patent applications referred to in Item A of Attachment 1 hereto, collectively, the "Existing Patents");

- (b) all patent licenses, including each patent license referred to in Item B of Attachment 1 hereto;
- (c) all reissues, divisions, continuations, continuations-in-part, extensions, renewals and reexaminations of any of the items described in the foregoing clauses (a) and (b); and
- (d) all proceeds of, and rights associated with, the foregoing (including license royalties and proceeds of infringement suits), the right to sue third parties for past, present or future infringements of any patent or patent application, including any patent or patent application referred to in Item A of Attachment 1 hereto, and for breach or enforcement of any patent license, including any patent license referred to in Item B of Attachment 1 hereto, and all rights corresponding thereto throughout the world.

The Lender's security interest shall continually exist until the date (the "Termination Date") which is later of (a) the date on which all Obligations (other than Obligations with respect to the Warrants, if any) have been paid in full, and (b) the Maturity Date, whether or not all Obligations shall at any time or from time to time be reduced to zero. The Grantor shall make notations, satisfactory to the Lender, on its books and records disclosing the existence of the Lender's security interest in the Patent Collateral. The Lender shall have no liability or duty, either before or after the occurrence of an Event of Default, on account of loss of or damage to, or to collect or enforce any of its rights against, the Patent Collateral, or to preserve any rights against account debtors or other parties with prior interests in the Patent Collateral, the sole duty of the Lender in this regard being to exercise reasonable care with respect to tangible Patent Collateral, if any, in its actual possession.

**Section 3. Security Agreement** This Agreement has been executed and delivered by the Grantor for the purpose of registering the security interest of Lender in the Patent Collateral with the United States Patent and Trademark Office and corresponding offices in other countries of the world. The security interest granted hereby has been granted as further evidence of, and not in limitation of, the security interest granted to the Lender under the Loan Agreement. The Loan Agreement (and all rights and remedies of the Lender thereunder) shall remain in full force and effect in accordance with its terms.

**Section 4. Release of Security Interest** Upon the Termination Date, the Lender shall, at the Grantor's expense, execute and deliver to the Grantor, without any representations, warranties or recourse of any kind whatsoever, all instruments and other documents as may be necessary or proper to release the lien on and security interest in the Patent Collateral which has been granted hereunder.

**Section 5. Acknowledgment** The Grantor does hereby further acknowledge and affirm that the rights and remedies of the Lender with respect to the security interest in the Patent Collateral granted hereby are more fully set forth in the Loan Agreement, the terms and provisions of which (including the remedies provided for therein) are incorporated by reference herein as if fully set forth herein.

**Section 6. Loan Document.** This Agreement is one of the Other Agreements executed pursuant to the Loan Agreement and shall (unless otherwise expressly indicated herein) be construed, administered and applied in accordance with the terms and provisions of the Loan Agreement.

**Section 7. Counterparts.** This Agreement may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]**

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

**PAICE LLC  
as Grantor**

By: Alex J. Severinsky  
Name: Alex J. Severinsky  
Title: Chief Executive Officer  
Address:  
c/o Paice Corporation  
6830 Elm Street  
McLean, Virginia 22101  
Fax Number: (703) 288-9474  
Attention: Alex J. Severinsky

**Nathanael Adamson  
as Lender**

By: Nathanael Adamson  
Nathanael Adamson  
Address:  
1815 Hayward Pine Trail  
Kewadin, MI 49648

**ATTACHMENT 1 TO**  
**AGREEMENT (PATENT)**

**Item A. Patents**

**U.S. Patents Granted:**

U.S. Patent 5,343,970, Hybrid Electric Vehicle, granted September 4, 1994.

U.S. Patent 6,209,672, Hybrid Vehicle, granted April 3, 2001

U.S. Patent 6,338,391, Hybrid Vehicle Incorporating Turbochargers, granted January 15, 2002

U.S. Patent 6,554,088, Hybrid Vehicle, granted April 29, 2003.

**U.S. Patent Applications/Provisional Application(s) Pending:**

U.S. Patent Application, serial No. 10/382577, Hybrid Vehicles, filed March 7, 2003.

**World Intellectual Property Organization (WIPO) Patent Cooperation Treaty (PCT)  
Applications Pending:**

WIPO PCT Application number PCT/US99/18844 filed September 10, 1999, published March 23, 2000 (publication # WO 00/15455)

- Brazil, pending, application number P19913684-8
- Canada, pending, application number 2,343,056
- Europe, published, application number 99969064.7
- Japan, pending, application number 570015/2000
- Japan, pending, application number 350035/2002
- Korea, published, application number 10-2001-7003237
- Mexico, pending, application number PA/A/2001/02685

**Item B. Patent Licenses**

**None**



# AGREEMENT

(Patent)

THIS AGREEMENT (as amended, supplemented, restated or otherwise modified from time to time, this "Agreement"), dated as of this 28 day of April, 2004 between PAICE LLC, a Delaware limited liability company (the "Grantor"), and Thomas Annick, an individual residing at 5737 Stanbrook Lane, Gaithersburg, MD 20882 ("Lender").

## WITNESSETH:

WHEREAS, pursuant to that certain Loan and Security Agreement dated July 19, 2002 (together with all amendments, supplements and other modifications, heretofore and hereafter made thereto, the "Loan Agreement"), among Paice Corporation, a Delaware corporation and sole member of Grantor (the "Corporation"), the Lender, Grantor has granted to the Lender a continuing lien and security interest in certain property and assets of the Corporation, including (without limitation) the Existing Patents (as defined below); and

WHEREAS, pursuant to a certain Transfer and Assumption Agreement of even date herewith by and between the Corporation and the Grantor, the Corporation has transferred and assigned to the Grantor all of its property and assets (including, without limitation, the Existing Patents) subject to the existing lien and security interest of the Lender; and

WHEREAS, pursuant to the terms of the Loan Agreement of even date herewith by and between the Corporation, the Grantor and the Lender, the Grantor has acknowledged that it has received the Existing Patents subject to the existing lien and security interest of the Lender, and has granted to the Lender a security interest in and to (among other things) the Patent Collateral (as defined below); and

WHEREAS, pursuant to the terms of the Loan Agreement of even date herewith, the Grantor is required to execute and deliver this Agreement to further evidence the grant to the Lender of a continuing lien and security interest in all of the Patent Collateral to secure all Obligations (as defined in the Loan Agreement); and

WHEREAS, the Grantor has duly authorized the execution, delivery and performance of this Agreement;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Grantor agrees, for the benefit of the Lender, as follows:

Section 1. Definitions. Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement, including its preamble and recitals, have the meanings provided in the Loan Agreement.

Section 2. Grant of Security Interest. As security for the payment and performance of all of the Obligations, whether or not any instrument or agreement relating to any Obligation specifically refers to this Agreement or the security interest created hereunder, the Grantor hereby grants to the Lender a lien and continuing security interest in, and pledges and assigns to the Lender, all of the following property (the "Patent Collateral"), whether now owned or hereafter acquired or existing:

- (a) all letters patent and applications for letters patent throughout the world, including all patent applications in preparation for filing anywhere in the world and including each patent and patent application referred to in Item A of Attachment 1 hereto (the patents and patent applications referred to in Item A of Attachment 1 hereto, collectively, the "Existing Patents");
- (b) all patent licenses, including each patent license referred to in Item B of Attachment 1 hereto;
- (c) all reissues, divisions, continuations, continuations-in-part, extensions, renewals and reexaminations of any of the items described in the foregoing clauses (a) and (b); and
- (d) all proceeds of, and rights associated with, the foregoing (including license royalties and proceeds of infringement suits), the right to sue third parties for past, present or future infringements of any patent or patent application, including any patent or patent application referred to in Item A of Attachment 1 hereto, and for breach or enforcement of any patent license, including any patent license referred to in Item B of Attachment 1 hereto, and all rights corresponding thereto throughout the world.

The Lender's security interest shall continually exist until the date (the "Termination Date") which is later of (a) the date on which all Obligations (other than Obligations with respect to the Warrants, if any) have been paid in full, and (b) the Maturity Date, whether or not all Obligations shall at any time or from time to time be reduced to zero. The Grantor shall make notations, satisfactory to the Lender, on its books and records disclosing the existence of the Lender's security interest in the Patent Collateral. The Lender shall have no liability or duty, either before or after the occurrence of an Event of Default, on account of loss of or damage to, or to collect or enforce any of its rights against, the Patent Collateral, or to preserve any rights against account debtors or other parties with prior interests in

the Patent Collateral, the sole duty of the Lender in this regard being to exercise reasonable care with respect to tangible Patent Collateral, if any, in its actual possession.

Section 3. Security Agreement. This Agreement has been executed and delivered by the Grantor for the purpose of registering the security interest of Lender in the Patent Collateral with the United States Patent and Trademark Office and corresponding offices in other countries of the world. The security interest granted hereby has been granted as further evidence of, and not in limitation of, the security interest granted to the Lender under the Loan Agreement. The Loan Agreement (and all rights and remedies of the Lender thereunder) shall remain in full force and effect in accordance with its terms.

Section 4. Release of Security Interest. Upon the Termination Date, the Lender shall, at the Grantor's expense, execute and deliver to the Grantor, without any representations, warranties or recourse of any kind whatsoever, all instruments and other documents as may be necessary or proper to release the lien on and security interest in the Patent Collateral which has been granted hereunder.

Section 5. Acknowledgment. The Grantor does hereby further acknowledge and affirm that the rights and remedies of the Lender with respect to the security interest in the Patent Collateral granted hereby are more fully set forth in the Loan Agreement, the terms and provisions of which (including the remedies provided for therein) are incorporated by reference herein as if fully set forth herein.

Section 6. Loan Document. This Agreement is one of the Other Agreements executed pursuant to the Loan Agreement and shall (unless otherwise expressly indicated herein) be construed, administered and applied in accordance with the terms and provisions of the Loan Agreement.

Section 7. Counterparts. This Agreement may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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

PAICE LLC  
as Grantor

By: Alex J. Severinsky  
Name: Alex J. Severinsky  
Title: Chief Executive Officer  
Address:  
c/o Paice Corporation  
6830 Elm Street  
McLean, Virginia 22101  
Fax Number: (703) 288-9474  
Attention: Alex J. Severinsky

Thomas Annick  
as Lender

By: Thomas Annick  
Thomas Annick  
Address:  
5737 Stanbrook Lane  
Gaithersburg, MD 20882

ATTACHMENT 1 TO  
AGREEMENT (PATENT)

Item A. Patents

U.S. Patents Granted:

U.S. Patent 5,343,970, Hybrid Electric Vehicle, granted September 4, 1994.

U.S. Patent 6,209,672, Hybrid Vehicle, granted April 3, 2001

U.S. Patent 6,338,391, Hybrid Vehicle Incorporating Turbochargers, granted January 15, 2002

U.S. Patent 6,554,088, Hybrid Vehicle, granted April 29, 2003.

U.S. Patent Applications/Provisional Application(s) Pending:

U.S. Patent Application, serial No. 10/382577, Hybrid Vehicles, filed March 7, 2003.

World Intellectual Property Organization (WIPO) Patent Cooperation Treaty (PCT)  
Applications Pending:

WIPO PCT Application number PCT/US99/18844 filed September 10, 1999,  
published March 23, 2000 (publication # WO 00/15455)

- Brazil, pending, application number P19913684-8
- Canada, pending, application number 2,343,056
- Europe, published, application number 99969064.7
- Japan, pending, application number 570015/2000
- Japan, pending, application number 350035/2002
- Korea, published, application number 10-2001-7003237
- Mexico, pending, application number PA/A/2001/02685

Item B. Patent Licenses

None

# **AGREEMENT**

(Patent)

**THIS AGREEMENT** (as amended, supplemented, restated or otherwise modified from time to time, this "Agreement"), dated as of this 28 day of April, 2004 between **PAICE LLC**, a Delaware limited liability company (the "Grantor"), and **Henry Buist**, an individual residing at 6608 Tina Lane, McLean, VA 22101 ("Lender").

## **WITNESSETH:**

**WHEREAS**, pursuant to that certain Loan, Warrant, Purchase & Security Agreement dated July 22, 2003 (together with all amendments, supplements and other modifications, heretofore and hereafter made thereto) and the Loan & Security Agreement dated March 31, 2004 (together with all amendments, supplements and other modifications, heretofore and hereafter made thereto, collectively the "Loan Agreements"), among Paice Corporation, a Delaware corporation and sole member of Grantor (the "Corporation"), the Lender, Grantor has granted to the Lender a continuing lien and security interest in certain property and assets of the Corporation, including (without limitation) the Existing Patents (as defined below); and

**WHEREAS**, pursuant to a certain Transfer and Assumption Agreement of even date herewith by and between the Corporation and the Grantor, the Corporation has transferred and assigned to the Grantor all of its property and assets (including, without limitation, the Existing Patents) subject to the existing lien and security interest of the Lender; and

**WHEREAS**, pursuant to the terms of the Loan Agreement of even date herewith by and between the Corporation, the Grantor and the Lender, the Grantor has acknowledged that it has received the Existing Patents subject to the existing lien and security interest of the Lender, and has granted to the Lender a security interest in and to (among other things) the Patent Collateral (as defined below); and

**WHEREAS**, pursuant to the terms of the Loan Agreement of even date herewith, the Grantor is required to execute and deliver this Agreement to further evidence the grant to the Lender of a continuing lien and security interest in all of the Patent Collateral to secure all Obligations (as defined in the Loan Agreement); and

**WHEREAS**, the Grantor has duly authorized the execution, delivery and performance of this Agreement;

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Grantor agrees, for the benefit of the Lender, as follows:

**Section 1. Definitions.** Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement, including its preamble and recitals, have the meanings provided in the Loan Agreement.

**Section 2. Grant of Security Interest.** As security for the payment and performance of all of the Obligations, whether or not any instrument or agreement relating to any Obligation specifically refers to this Agreement or the security interest created hereunder, the Grantor hereby grants to the Lender a lien and continuing security interest in, and pledges and assigns to the Lender, all of the following property (the "Patent Collateral"), whether now owned or hereafter acquired or existing:

- (a) all letters patent and applications for letters patent throughout the world, including all patent applications in preparation for filing anywhere in the world and including each patent and patent application referred to in Item A of Attachment 1 hereto (the patents and patent applications referred to in Item A of Attachment 1 hereto, collectively, the "Existing Patents");
- (b) all patent licenses, including each patent license referred to in Item B of Attachment 1 hereto;
- (c) all reissues, divisions, continuations, continuations-in-part, extensions, renewals and reexaminations of any of the items described in the foregoing clauses (a) and (b); and
- (d) all proceeds of, and rights associated with, the foregoing (including license royalties and proceeds of infringement suits), the right to sue third parties for past, present or future infringements of any patent or patent application, including any patent or patent application referred to in Item A of Attachment 1 hereto, and for breach or enforcement of any patent license, including any patent license referred to in Item B of Attachment 1 hereto, and all rights corresponding thereto throughout the world.

The Lender's security interest shall continually exist until the date (the "Termination Date") which is later of (a) the date on which all Obligations (other than Obligations with respect to the Warrants, if any) have been paid in full, and (b) the Maturity Date, whether or not all Obligations shall at any time or from time to time be reduced to zero. The Grantor shall make notations, satisfactory to the Lender, on its books and records disclosing the existence of the Lender's security interest in the Patent Collateral. The Lender shall have no liability or duty, either before or after the occurrence of an Event of Default, on account of loss of or damage to, or to collect or enforce any of its rights against, the Patent Collateral, or to preserve any rights against account debtors or other parties with prior interests in

the Patent Collateral, the sole duty of the Lender in this regard being to exercise reasonable care with respect to tangible Patent Collateral, if any, in its actual possession.

**Section 3. Security Agreement.** This Agreement has been executed and delivered by the Grantor for the purpose of registering the security interest of Lender in the Patent Collateral with the United States Patent and Trademark Office and corresponding offices in other countries of the world. The security interest granted hereby has been granted as further evidence of, and not in limitation of, the security interest granted to the Lender under the Loan Agreement. The Loan Agreement (and all rights and remedies of the Lender thereunder) shall remain in full force and effect in accordance with its terms.

**Section 4. Release of Security Interest.** Upon the Termination Date, the Lender shall, at the Grantor's expense, execute and deliver to the Grantor, without any representations, warranties or recourse of any kind whatsoever, all instruments and other documents as may be necessary or proper to release the lien on and security interest in the Patent Collateral which has been granted hereunder.

**Section 5. Acknowledgment.** The Grantor does hereby further acknowledge and affirm that the rights and remedies of the Lender with respect to the security interest in the Patent Collateral granted hereby are more fully set forth in the Loan Agreement, the terms and provisions of which (including the remedies provided for therein) are incorporated by reference herein as if fully set forth herein.

**Section 6. Loan Document.** This Agreement is one of the Other Agreements executed pursuant to the Loan Agreement and shall (unless otherwise expressly indicated herein) be construed, administered and applied in accordance with the terms and provisions of the Loan Agreement.

**Section 7. Counterparts.** This Agreement may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]**



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

**PAICE LLC**  
**as Grantor**

By: Alex J. Severinsky  
Name: Alex J. Severinsky  
Title: Chief Executive Officer  
Address:  
c/o Paice Corporation  
6830 Elm Street  
McLean, Virginia 22101  
Fax Number: (703) 288-9474  
Attention: Alex J. Severinsky

**Henry Buist**  
**as Lender**

By: Henry Buist Henry Buist  
Address:  
6608 Tina Lane  
McLean, VA 22101

**Item A. Patents**

**U.S. Patents Granted:**

U.S. Patent 5,343,970, Hybrid Electric Vehicle, granted September 4, 1994.

U.S. Patent 6,209,672, Hybrid Vehicle, granted April 3, 2001

U.S. Patent 6,338,391, Hybrid Vehicle Incorporating Turbochargers, granted January 15, 2002

U.S. Patent 6,554,088, Hybrid Vehicle, granted April 29, 2003.

**U.S. Patent Applications/Provisional Application(s) Pending:**

U.S. Patent Application, serial No. 10/382577, Hybrid Vehicles, filed March 7, 2003.

**World Intellectual Property Organization (WIPO) Patent Cooperation Treaty (PCT) Applications Pending:**

WIPO PCT Application number PCT/US99/18844 filed September 10, 1999,  
published March 23, 2000 (publication # WO 00/15455)

- Brazil, pending, application number P19913684-8
- Canada, pending, application number 2,343,056
- Europe, published, application number 99969064.7
- Japan, pending, application number 570015/2000
- Japan, pending, application number 350035/2002
- Korea, published, application number 10-2001-7003237
- Mexico, pending, application number PA/A/2001/02685

**Item B. Patent Licenses**

None

# AGREEMENT

(Patent)

THIS AGREEMENT (as amended, supplemented, restated or otherwise modified from time to time, this "Agreement"), dated as of this 28 day of April, 2004 between PAICE LLC, a Delaware limited liability company (the "Grantor"), and Alessandra & Michael Daigneault, as Joint Tenants with Rights of Survivorship, residing at 1512 Nightshade Court, Vienna, VA 22182 ("Lender").

## WITNESSETH:

WHEREAS, pursuant to that certain Loan, Warrant, Purchase and Security Agreement dated July 22, 2003 (together with all amendments, supplements and other modifications, heretofore and hereafter made thereto, the "Loan Agreement"), among Paice Corporation, a Delaware corporation and sole member of Grantor (the "Corporation"), the Lender, Grantor has granted to the Lender a continuing lien and security interest in certain property and assets of the Corporation, including (without limitation) the Existing Patents (as defined below); and

WHEREAS, pursuant to a certain Transfer and Assumption Agreement of even date herewith by and between the Corporation and the Grantor, the Corporation has transferred and assigned to the Grantor all of its property and assets (including, without limitation, the Existing Patents) subject to the existing lien and security interest of the Lender; and

WHEREAS, pursuant to the terms of the Loan Agreement of even date herewith by and between the Corporation, the Grantor and the Lender, the Grantor has acknowledged that it has received the Existing Patents subject to the existing lien and security interest of the Lender, and has granted to the Lender a security interest in and to (among other things) the Patent Collateral (as defined below); and

WHEREAS, pursuant to the terms of the Loan Agreement of even date herewith, the Grantor is required to execute and deliver this Agreement to further evidence the grant to the Lender of a continuing lien and security interest in all of the Patent Collateral to secure all Obligations (as defined in the Loan Agreement); and

WHEREAS, the Grantor has duly authorized the execution, delivery and performance of this Agreement;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Grantor agrees, for the benefit of the Lender, as follows:

Section 1. Definitions. Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement, including its preamble and recitals, have the meanings provided in the Loan Agreement.

Section 2. Grant of Security Interest. As security for the payment and performance of all of the Obligations, whether or not any instrument or agreement relating to any Obligation specifically refers to this Agreement or the security interest created hereunder, the Grantor hereby grants to the Lender a lien and continuing security interest in, and pledges and assigns to the Lender, all of the following property (the "Patent Collateral"), whether now owned or hereafter acquired or existing:

- (a) all letters patent and applications for letters patent throughout the world, including all patent applications in preparation for filing anywhere in the world and including each patent and patent application referred to in Item A of Attachment 1 hereto (the patents and patent applications referred to in Item A of Attachment 1 hereto, collectively, the "Existing Patents");
- (b) all patent licenses, including each patent license referred to in Item B of Attachment 1 hereto;
- (c) all reissues, divisions, continuations, continuations in part, extensions, renewals and reexaminations of any of the items described in the foregoing clauses (a) and (b); and
- (d) all proceeds of, and rights associated with, the foregoing (including license royalties and proceeds of infringement suits), the right to sue third parties for past, present or future infringements of any patent or patent application, including any patent or patent application referred to in Item A of Attachment 1 hereto, and for breach or enforcement of any patent license, including any patent license referred to in Item B of Attachment 1 hereto, and all rights corresponding thereto throughout the world.

The Lender's security interest shall continually exist until the date (the "Termination Date") which is later of (a) the date on which all Obligations (other than Obligations with respect to the Warrants, if any) have been paid in full, and (b) the Maturity Date, whether or not all Obligations shall at any time or from time to time be reduced to zero. The Grantor shall make notations, satisfactory to the Lender, on its books and records disclosing the existence of the Lender's security interest in the Patent Collateral. The Lender shall have no liability or duty, either before or after the occurrence of an Event of Default, on account of loss of or damage to, or to collect or enforce any of its rights against, the Patent Collateral, or to preserve any rights against account debtors or other parties with prior interests in

the Patent Collateral, the sole duty of the Lender in this regard being to exercise reasonable care with respect to tangible Patent Collateral, if any, in its actual possession.

Section 3. Security Agreement. This Agreement has been executed and delivered by the Grantor for the purpose of registering the security interest of Lender in the Patent Collateral with the United States Patent and Trademark Office and corresponding offices in other countries of the world. The security interest granted hereby has been granted as further evidence of, and not in limitation of, the security interest granted to the Lender under the Loan Agreement. The Loan Agreement (and all rights and remedies of the Lender thereunder) shall remain in full force and effect in accordance with its terms.

Section 4. Release of Security Interest. Upon the Termination Date, the Lender shall, at the Grantor's expense, execute and deliver to the Grantor, without any representations, warranties or recourse of any kind whatsoever, all instruments and other documents as may be necessary or proper to release the lien on and security interest in the Patent Collateral which has been granted hereunder.

Section 5. Acknowledgment. The Grantor does hereby further acknowledge and affirm that the rights and remedies of the Lender with respect to the security interest in the Patent Collateral granted hereby are more fully set forth in the Loan Agreement, the terms and provisions of which (including the remedies provided for therein) are incorporated by reference herein as if fully set forth herein.

Section 6. Loan Document. This Agreement is one of the Other Agreements executed pursuant to the Loan Agreement and shall (unless otherwise expressly indicated herein) be construed, administered and applied in accordance with the terms and provisions of the Loan Agreement.

Section 7. Counterparts. This Agreement may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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

PAICE LLC  
as Grantor

By: Alex J. Severinsky  
Name: Alex J. Severinsky  
Title: Chief Executive Officer  
Address:  
c/o Paice Corporation  
6830 Elm Street  
McLean, Virginia 22101  
Fax Number: (703) 288-9474  
Attention: Alex J. Severinsky

Alessandra Daigneault  
as Lender

By: Alessandra Daigneault  
Alessandra Daigneault  
Address:  
1512 Nightshade Court  
Vienna, VA 22182

Michael Daigneault  
as Lender

By: Michael Daigneault  
Michael Daigneault  
Address:  
1512 Nightshade Court  
Vienna, VA 22182

as Joint Tenants with Rights of  
Survivorship

ATTACHMENT 1 TO  
AGREEMENT (PATENT)

Item A. Patents

U.S. Patents Granted:

U.S. Patent 5,343,970, Hybrid Electric Vehicle, granted September 4, 1994.

U.S. Patent 6,209,672, Hybrid Vehicle, granted April 3, 2001

U.S. Patent 6,338,391, Hybrid Vehicle Incorporating Turbochargers, granted January 15, 2002

U.S. Patent 6,554,088, Hybrid Vehicle, granted April 29, 2003.

U.S. Patent Applications/Provisional Application(s) Pending:

U.S. Patent Application, serial No. 10/382577, Hybrid Vehicles, filed March 7, 2003.

World Intellectual Property Organization (WIPO) Patent Cooperation Treaty (PCT)  
Applications Pending:

WIPO PCT Application number PCT/US99/18844 filed September 10, 1999,  
published March 23, 2000 (publication # WO 00/15455)

- Brazil, pending, application number P19913684-8
- Canada, pending, application number 2,343,056
- Europe, published, application number 99969064.7
- Japan, pending, application number 570015/2000
- Japan, pending, application number 350035/2002
- Korea, published, application number 10-2001-7003237
- Mexico, pending, application number PA/A/2001/02685

Item B. Patent Licenses

None

# **AGREEMENT**

(Patent)

**THIS AGREEMENT** (as amended, supplemented, restated or otherwise modified from time to time, this "Agreement"), dated as of this 28 day of April, 2004 between **PAICE LLC**, a Delaware limited liability company (the "Grantor"), and **William Godin**, an individual residing at 34 Steinway Court, Williamsville, NY 14221 ("Lender").

## **WITNESSETH:**

**WHEREAS**, pursuant to that the Loan, Warrant, Purchase & Security Agreement dated July 22, 2003 (together with all amendments, supplements and other modifications, heretofore and hereafter made thereto) and the Loan & Security Agreement dated March 31, 2004 (together with all amendments, supplements and other modifications, heretofore and hereafter made thereto, collectively the "Loan Agreements"), among Paice Corporation, a Delaware corporation and sole member of Grantor (the "Corporation"), the Lender, Grantor has granted to the Lender a continuing lien and security interest in certain property and assets of the Corporation, including (without limitation) the Existing Patents (as defined below); and

**WHEREAS**, pursuant to a certain Transfer and Assumption Agreement of even date herewith by and between the Corporation and the Grantor, the Corporation has transferred and assigned to the Grantor all of its property and assets (including, without limitation, the Existing Patents) subject to the existing lien and security interest of the Lender; and

**WHEREAS**, pursuant to the terms of the Loan Agreement of even date herewith by and between the Corporation, the Grantor and the Lender, the Grantor has acknowledged that it has received the Existing Patents subject to the existing lien and security interest of the Lender, and has granted to the Lender a security interest in and to (among other things) the Patent Collateral (as defined below); and

**WHEREAS**, pursuant to the terms of the Loan Agreement of even date herewith, the Grantor is required to execute and deliver this Agreement to further evidence the grant to the Lender of a continuing lien and security interest in all of the Patent Collateral to secure all Obligations (as defined in the Loan Agreement); and

**WHEREAS**, the Grantor has duly authorized the execution, delivery and performance of this Agreement;

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Grantor agrees, for the benefit of the Lender, as follows:



**Section 1. Definitions.** Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement, including its preamble and recitals, have the meanings provided in the Loan Agreement.

**Section 2. Grant of Security Interest.** As security for the payment and performance of all of the Obligations, whether or not any instrument or agreement relating to any Obligation specifically refers to this Agreement or the security interest created hereunder, the Grantor hereby grants to the Lender a lien and continuing security interest in, and pledges and assigns to the Lender, all of the following property (the "Patent Collateral"), whether now owned or hereafter acquired or existing:

- (a) all letters patent and applications for letters patent throughout the world, including all patent applications in preparation for filing anywhere in the world and including each patent and patent application referred to in Item A of Attachment 1 hereto (the patents and patent applications referred to in Item A of Attachment 1 hereto, collectively, the "Existing Patents");
- (b) all patent licenses, including each patent license referred to in Item B of Attachment 1 hereto;
- (c) all reissues, divisions, continuations, continuations-in-part, extensions, renewals and reexaminations of any of the items described in the foregoing clauses (a) and (b); and
- (d) all proceeds of, and rights associated with, the foregoing (including license royalties and proceeds of infringement suits), the right to sue third parties for past, present or future infringements of any patent or patent application, including any patent or patent application referred to in Item A of Attachment 1 hereto, and for breach or enforcement of any patent license, including any patent license referred to in Item B of Attachment 1 hereto, and all rights corresponding thereto throughout the world.

The Lender's security interest shall continually exist until the date (the "Termination Date") which is later of (a) the date on which all Obligations (other than Obligations with respect to the Warrants, if any) have been paid in full, and (b) the Maturity Date, whether or not all Obligations shall at any time or from time to time be reduced to zero. The Grantor shall make notations, satisfactory to the Lender, on its books and records disclosing the existence of the Lender's security interest in the Patent Collateral. The Lender shall have no liability or duty, either before or after the occurrence of an Event of Default, on account of loss of or damage to, or to collect or enforce any of its rights against, the Patent Collateral, or to preserve any rights against account debtors or other parties with prior interests in

the Patent Collateral, the sole duty of the Lender in this regard being to exercise reasonable care with respect to tangible Patent Collateral, if any, in its actual possession.

**Section 3. Security Agreement.** This Agreement has been executed and delivered by the Grantor for the purpose of registering the security interest of Lender in the Patent Collateral with the United States Patent and Trademark Office and corresponding offices in other countries of the world. The security interest granted hereby has been granted as further evidence of, and not in limitation of, the security interest granted to the Lender under the Loan Agreement. The Loan Agreement (and all rights and remedies of the Lender thereunder) shall remain in full force and effect in accordance with its terms.

**Section 4. Release of Security Interest.** Upon the Termination Date, the Lender shall, at the Grantor's expense, execute and deliver to the Grantor, without any representations, warranties or recourse of any kind whatsoever, all instruments and other documents as may be necessary or proper to release the lien on and security interest in the Patent Collateral which has been granted hereunder.

**Section 5. Acknowledgment.** The Grantor does hereby further acknowledge and affirm that the rights and remedies of the Lender with respect to the security interest in the Patent Collateral granted hereby are more fully set forth in the Loan Agreement, the terms and provisions of which (including the remedies provided for therein) are incorporated by reference herein as if fully set forth herein.

**Section 6. Loan Document.** This Agreement is one of the Other Agreements executed pursuant to the Loan Agreement and shall (unless otherwise expressly indicated herein) be construed, administered and applied in accordance with the terms and provisions of the Loan Agreement.

**Section 7. Counterparts.** This Agreement may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement.

**IREMAINDER OF PAGE INTENTIONALLY LEFT BLANK**

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

**PAICE LLC**  
**as Grantor**

By: Alex J. Severinsky

Name: Alex J. Severinsky  
Title: Chief Executive Officer  
Address:  
c/o Paice Corporation  
6830 Elm Street  
McLean, Virginia 22101  
Fax Number: (703) 288-9474  
Attention: Alex J. Severinsky

**William Godin**  
**as Lender**

By: William Godin

William Godin  
Address:  
34 Steinway Court  
Williamsville, NY 14221

**Item A. Patents**

**U.S. Patents Granted:**

U.S. Patent 5,343,970, Hybrid Electric Vehicle, granted September 4, 1994.

U.S. Patent 6,209,672, Hybrid Vehicle, granted April 3, 2001

U.S. Patent 6,338,391, Hybrid Vehicle Incorporating Turbochargers, granted January 15, 2002

U.S. Patent 6,554,088, Hybrid Vehicle, granted April 29, 2003.

**U.S. Patent Applications/Provisional Application(s) Pending:**

U.S. Patent Application, serial No. 10/382577, Hybrid Vehicles, filed March 7, 2003.

**World Intellectual Property Organization (WIPO) Patent Cooperation Treaty (PCT) Applications Pending:**

WIPO PCT Application number PCT/US99/18844 filed September 10, 1999,  
published March 23, 2000 (publication # WO 00/15455)

- Brazil, pending, application number P19913684-8
- Canada, pending, application number 2,343,056
- Europe, published, application number 99969064.7
- Japan, pending, application number 570015/2000
- Japan, pending, application number 350035/2002
- Korea, published, application number 10-2001-7003237
- Mexico, pending, application number PA/A/2001/02685

**Item B. Patent Licenses**

None

## **AGREEMENT**

(Patent)

**THIS AGREEMENT** (as amended, supplemented, restated or otherwise modified from time to time, this "Agreement"), dated as of this 28 day of April, 2004 between **PAICE LLC**, a Delaware limited liability company (the "Grantor"), and **Andrew Hirsch**, an individual residing at 906 Ridge Drive, McLean, VA 22101 ("Lender").

### **WITNESSETH:**

**WHEREAS**, pursuant to that certain Loan and Security Agreement dated July 19, 2002 (together with all amendments, supplements and other modifications, heretofore and hereafter made thereto, the "Loan Agreement"), among Paice Corporation, a Delaware corporation and sole member of Grantor (the "Corporation"), the Lender, Grantor has granted to the Lender a continuing lien and security interest in certain property and assets of the Corporation, including (without limitation) the Existing Patents (as defined below); and

**WHEREAS**, pursuant to a certain Transfer and Assumption Agreement of even date herewith by and between the Corporation and the Grantor, the Corporation has transferred and assigned to the Grantor all of its property and assets (including, without limitation, the Existing Patents) subject to the existing lien and security interest of the Lender; and

**WHEREAS**, pursuant to the terms of the Loan Agreement of even date herewith by and between the Corporation, the Grantor and the Lender, the Grantor has acknowledged that it has received the Existing Patents subject to the existing lien and security interest of the Lender, and has granted to the Lender a security interest in and to (among other things) the Patent Collateral (as defined below); and

**WHEREAS**, pursuant to the terms of the Loan Agreement of even date herewith, the Grantor is required to execute and deliver this Agreement to further evidence the grant to the Lender of a continuing lien and security interest in all of the Patent Collateral to secure all Obligations (as defined in the Loan Agreement); and

**WHEREAS**, the Grantor has duly authorized the execution, delivery and performance of this Agreement;

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Grantor agrees, for the benefit of the Lender, as follows:

**Section 1. Definitions.** Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement, including its preamble and recitals, have the meanings provided in the Loan Agreement.

**Section 2. Grant of Security Interest.** As security for the payment and performance of all of the Obligations, whether or not any instrument or agreement relating to any Obligation specifically refers to this Agreement or the security interest created hereunder, the Grantor hereby grants to the Lender a lien and continuing security interest in, and pledges and assigns to the Lender, all of the following property (the "Patent Collateral"), whether now owned or hereafter acquired or existing:

- (a) all letters patent and applications for letters patent throughout the world, including all patent applications in preparation for filing anywhere in the world and including each patent and patent application referred to in Item A of Attachment 1 hereto (the patents and patent applications referred to in Item A of Attachment 1 hereto, collectively, the "Existing Patents");
- (b) all patent licenses, including each patent license referred to in Item B of Attachment 1 hereto;
- (c) all reissues, divisions, continuations, continuations-in-part, extensions, renewals and reexaminations of any of the items described in the foregoing clauses (a) and (b); and
- (d) all proceeds of, and rights associated with, the foregoing (including license royalties and proceeds of infringement suits), the right to sue third parties for past, present or future infringements of any patent or patent application, including any patent or patent application referred to in Item A of Attachment 1 hereto, and for breach or enforcement of any patent license, including any patent license referred to in Item B of Attachment 1 hereto, and all rights corresponding thereto throughout the world.

The Lender's security interest shall continually exist until the date (the "Termination Date") which is later of (a) the date on which all Obligations (other than Obligations with respect to the Warrants, if any) have been paid in full, and (b) the Maturity Date, whether or not all Obligations shall at any time or from time to time be reduced to zero. The Grantor shall make notations, satisfactory to the Lender, on its books and records disclosing the existence of the Lender's security interest in the Patent Collateral. The Lender shall have no liability or duty, either before or after the occurrence of an Event of Default, on account of loss of or damage to, or to collect or enforce any of its rights against, the Patent Collateral, or to preserve any rights against account debtors or other parties with prior interests in

the Patent Collateral, the sole duty of the Lender in this regard being to exercise reasonable care with respect to tangible Patent Collateral, if any, in its actual possession.

**Section 3. Security Agreement.** This Agreement has been executed and delivered by the Grantor for the purpose of registering the security interest of Lender in the Patent Collateral with the United States Patent and Trademark Office and corresponding offices in other countries of the world. The security interest granted hereby has been granted as further evidence of, and not in limitation of, the security interest granted to the Lender under the Loan Agreement. The Loan Agreement (and all rights and remedies of the Lender thereunder) shall remain in full force and effect in accordance with its terms.

**Section 4. Release of Security Interest.** Upon the Termination Date, the Lender shall, at the Grantor's expense, execute and deliver to the Grantor, without any representations, warranties or recourse of any kind whatsoever, all instruments and other documents as may be necessary or proper to release the lien on and security interest in the Patent Collateral which has been granted hereunder.

**Section 5. Acknowledgment.** The Grantor does hereby further acknowledge and affirm that the rights and remedies of the Lender with respect to the security interest in the Patent Collateral granted hereby are more fully set forth in the Loan Agreement, the terms and provisions of which (including the remedies provided for therein) are incorporated by reference herein as if fully set forth herein.

**Section 6. Loan Document.** This Agreement is one of the Other Agreements executed pursuant to the Loan Agreement and shall (unless otherwise expressly indicated herein) be construed, administered and applied in accordance with the terms and provisions of the Loan Agreement.

**Section 7. Counterparts.** This Agreement may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]**

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

**PAICE LLC**  
**as Grantor**

By: Alex J. Severinsky

Name: Alex J. Severinsky  
Title: Chief Executive Officer  
Address:  
c/o Paice Corporation  
6830 Elm Street  
McLean, Virginia 22101  
Fax Number: (703) 288-9474  
Attention: Alex J. Severinsky

**Andrew Hirsch**  
**as Lender**

By: Andrew S. Hirsch

Andrew Hirsch  
Address:  
906 Ridge Drive,  
McLean, VA 22101



**ATTACHMENT 1 TO**  
**AGREEMENT (PATENT)**

**Item A. Patents**

**U.S. Patents Granted:**

U.S. Patent 5,343,970, Hybrid Electric Vehicle, granted September 4, 1994.

U.S. Patent 6,209,672, Hybrid Vehicle, granted April 3, 2001

U.S. Patent 6,338,391, Hybrid Vehicle Incorporating Turbochargers, granted January 15, 2002

U.S. Patent 6,554,088, Hybrid Vehicle, granted April 29, 2003.

**U.S. Patent Applications/Provisional Application(s) Pending:**

U.S. Patent Application, serial No. 10/382577, Hybrid Vehicles, filed March 7, 2003.

**World Intellectual Property Organization (WIPO) Patent Cooperation Treaty (PCT) Applications Pending:**

WIPO PCT Application number PCT/US99/18844 filed September 10, 1999,  
published March 23, 2000 (publication # WO 00/15455)

- Brazil, pending, application number P19913684-8
- Canada, pending, application number 2,343,056
- Europe, published, application number 99969064.7
- Japan, pending, application number 570015/2000
- Japan, pending, application number 350035/2002
- Korea, published, application number 10-2001-7003237
- Mexico, pending, application number PA/A/2001/02685

**Item B. Patent Licenses**

**None**

# **AGREEMENT**

(Patent)

**THIS AGREEMENT** (as amended, supplemented, restated or otherwise modified from time to time, this "Agreement"), dated as of this 28 day of April, 2004 between **PAICE LLC**, a Delaware limited liability company (the "Grantor"), and **David Hirsch**, an individual residing at 37 West 12<sup>th</sup> Street, Apt. PHC, New York, NY 10011 ("Lender").

## **WITNESSETH:**

**WHEREAS**, pursuant to that certain the Loan and Security Agreement dated March 31, 2004 (together with all amendments, supplements and other modifications, heretofore and hereafter made thereto, the "Loan Agreement"), among Paice Corporation, a Delaware corporation and sole member of Grantor (the "Corporation"), the Lender, Grantor has granted to the Lender a continuing lien and security interest in certain property and assets of the Corporation, including (without limitation) the Existing Patents (as defined below); and

**WHEREAS**, pursuant to a certain Transfer and Assumption Agreement of even date herewith by and between the Corporation and the Grantor, the Corporation has transferred and assigned to the Grantor all of its property and assets (including, without limitation, the Existing Patents) subject to the existing lien and security interest of the Lender; and

**WHEREAS**, pursuant to the terms of the Loan Agreement of even date herewith by and between the Corporation, the Grantor and the Lender, the Grantor has acknowledged that it has received the Existing Patents subject to the existing lien and security interest of the Lender, and has granted to the Lender a security interest in and to (among other things) the Patent Collateral (as defined below); and

**WHEREAS**, pursuant to the terms of the Loan Agreement of even date herewith, the Grantor is required to execute and deliver this Agreement to further evidence the grant to the Lender of a continuing lien and security interest in all of the Patent Collateral to secure all Obligations (as defined in the Loan Agreement); and

**WHEREAS**, the Grantor has duly authorized the execution, delivery and performance of this Agreement;

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Grantor agrees, for the benefit of the Lender, as follows:

**Section 1. Definitions.** Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement, including its preamble and recitals, have the meanings provided in the Loan Agreement.

**Section 2. Grant of Security Interest.** As security for the payment and performance of all of the Obligations, whether or not any instrument or agreement relating to any Obligation specifically refers to this Agreement or the security interest created hereunder, the Grantor hereby grants to the Lender a lien and continuing security interest in, and pledges and assigns to the Lender, all of the following property (the "Patent Collateral"), whether now owned or hereafter acquired or existing:

- (a) all letters patent and applications for letters patent throughout the world, including all patent applications in preparation for filing anywhere in the world and including each patent and patent application referred to in Item A of Attachment 1 hereto (the patents and patent applications referred to in Item A of Attachment 1 hereto, collectively, the "Existing Patents");
- (b) all patent licenses, including each patent license referred to in Item B of Attachment 1 hereto;
- (c) all reissues, divisions, continuations, continuations-in-part, extensions, renewals and reexaminations of any of the items described in the foregoing clauses (a) and (b); and
- (d) all proceeds of, and rights associated with, the foregoing (including license royalties and proceeds of infringement suits), the right to sue third parties for past, present or future infringements of any patent or patent application, including any patent or patent application referred to in Item A of Attachment 1 hereto, and for breach or enforcement of any patent license, including any patent license referred to in Item B of Attachment 1 hereto, and all rights corresponding thereto throughout the world.

The Lender's security interest shall continually exist until the date (the "Termination Date") which is later of (a) the date on which all Obligations (other than Obligations with respect to the Warrants, if any) have been paid in full, and (b) the Maturity Date, whether or not all Obligations shall at any time or from time to time be reduced to zero. The Grantor shall make notations, satisfactory to the Lender, on its books and records disclosing the existence of the Lender's security interest in the Patent Collateral. The Lender shall have no liability or duty, either before or after the occurrence of an Event of Default, on account of loss of or damage to, or to collect or enforce any of its rights against, the Patent Collateral, or to preserve any rights against account debtors or other parties with prior interests in

the Patent Collateral, the sole duty of the Lender in this regard being to exercise reasonable care with respect to tangible Patent Collateral, if any, in its actual possession.

**Section 3. Security Agreement.** This Agreement has been executed and delivered by the Grantor for the purpose of registering the security interest of Lender in the Patent Collateral with the United States Patent and Trademark Office and corresponding offices in other countries of the world. The security interest granted hereby has been granted as further evidence of, and not in limitation of, the security interest granted to the Lender under the Loan Agreement. The Loan Agreement (and all rights and remedies of the Lender thereunder) shall remain in full force and effect in accordance with its terms.

**Section 4. Release of Security Interest.** Upon the Termination Date, the Lender shall, at the Grantor's expense, execute and deliver to the Grantor, without any representations, warranties or recourse of any kind whatsoever, all instruments and other documents as may be necessary or proper to release the lien on and security interest in the Patent Collateral which has been granted hereunder.

**Section 5. Acknowledgment.** The Grantor does hereby further acknowledge and affirm that the rights and remedies of the Lender with respect to the security interest in the Patent Collateral granted hereby are more fully set forth in the Loan Agreement, the terms and provisions of which (including the remedies provided for therein) are incorporated by reference herein as if fully set forth herein.

**Section 6. Loan Document.** This Agreement is one of the Other Agreements executed pursuant to the Loan Agreement and shall (unless otherwise expressly indicated herein) be construed, administered and applied in accordance with the terms and provisions of the Loan Agreement.

**Section 7. Counterparts.** This Agreement may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]**

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

**PAICE LLC**  
**as Grantor**

By: Alex J. Severinsky

Name: Alex J. Severinsky

Title: Chief Executive Officer

Address:

c/o Paice Corporation

6830 Elm Street

McLean, Virginia 22101

Fax Number: (703) 288-9474

Attention: Alex J. Severinsky

**David Hirsch**  
**as Lender**

By: David S. Hirsch

David Hirsch

Address:

37 West 12<sup>th</sup> Street, Apt. PHC

New York, NY 10011

**ATTACHMENT 1 TO**  
**AGREEMENT (PATENT)**

**Item A. Patents**

**U.S. Patents Granted:**

U.S. Patent 5,343,970, Hybrid Electric Vehicle, granted September 4, 1994.

U.S. Patent 6,209,672, Hybrid Vehicle, granted April 3, 2001

U.S. Patent 6,338,391, Hybrid Vehicle Incorporating Turbochargers, granted January 15, 2002

U.S. Patent 6,554,088, Hybrid Vehicle, granted April 29, 2003.

**U.S. Patent Applications/Provisional Application(s) Pending:**

U.S. Patent Application, serial No. 10/382577, Hybrid Vehicles, filed March 7, 2003.

**World Intellectual Property Organization (WIPO) Patent Cooperation Treaty (PCT) Applications Pending:**

WIPO PCT Application number PCT/US99/18844 filed September 10, 1999,  
published March 23, 2000 (publication # WO 00/15455)

- Brazil, pending, application number P19913684-8
- Canada, pending, application number 2,343,056
- Europe, published, application number 99969064.7
- Japan, pending, application number 570015/2000
- Japan, pending, application number 350035/2002
- Korea, published, application number 10-2001-7003237
- Mexico, pending, application number PA/A/2001/02685

**Item B. Patent Licenses**

None

# **AGREEMENT**

(Patent)

**THIS AGREEMENT** (as amended, supplemented, restated or otherwise modified from time to time, this "Agreement"), dated as of this 28 day of April, 2004 between **PAICE LLC**, a Delaware limited liability company (the "Grantor"), and **Ellen Hirsch**, an individual residing at 37 West 12<sup>th</sup> Street, Apt. PHC, New York, NY 10011 ("Lender").

## **WITNESSETH:**

**WHEREAS**, pursuant to that certain the Loan, Warrant, Purchase & Security Agreement dated July 22, 2003 (together with all amendments, supplements and other modifications, heretofore and hereafter made thereto) and the Loan & Security Agreement dated March 31, 2004 (together with all amendments, supplements and other modifications, heretofore and hereafter made thereto, collectively the "Loan Agreements"), among Paice Corporation, a Delaware corporation and sole member of Grantor (the "Corporation"), the Lender, Grantor has granted to the Lender a continuing lien and security interest in certain property and assets of the Corporation, including (without limitation) the Existing Patents (as defined below); and

**WHEREAS**, pursuant to a certain Transfer and Assumption Agreement of even date herewith by and between the Corporation and the Grantor, the Corporation has transferred and assigned to the Grantor all of its property and assets (including, without limitation, the Existing Patents) subject to the existing lien and security interest of the Lender; and

**WHEREAS**, pursuant to the terms of the Loan Agreement of even date herewith by and between the Corporation, the Grantor and the Lender, the Grantor has acknowledged that it has received the Existing Patents subject to the existing lien and security interest of the Lender, and has granted to the Lender a security interest in and to (among other things) the Patent Collateral (as defined below); and

**WHEREAS**, pursuant to the terms of the Loan Agreement of even date herewith, the Grantor is required to execute and deliver this Agreement to further evidence the grant to the Lender of a continuing lien and security interest in all of the Patent Collateral to secure all Obligations (as defined in the Loan Agreement); and

**WHEREAS**, the Grantor has duly authorized the execution, delivery and performance of this Agreement;

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Grantor agrees, for the benefit of the Lender, as follows:

**Section 1. Definitions.** Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement, including its preamble and recitals, have the meanings provided in the Loan Agreement.

**Section 2. Grant of Security Interest.** As security for the payment and performance of all of the Obligations, whether or not any instrument or agreement relating to any Obligation specifically refers to this Agreement or the security interest created hereunder, the Grantor hereby grants to the Lender a lien and continuing security interest in, and pledges and assigns to the Lender, all of the following property (the "Patent Collateral"), whether now owned or hereafter acquired or existing:

- (a) all letters patent and applications for letters patent throughout the world, including all patent applications in preparation for filing anywhere in the world and including each patent and patent application referred to in Item A of Attachment 1 hereto (the patents and patent applications referred to in Item A of Attachment 1 hereto, collectively, the "Existing Patents");
- (b) all patent licenses, including each patent license referred to in Item B of Attachment 1 hereto;
- (c) all reissues, divisions, continuations, continuations-in-part, extensions, renewals and reexaminations of any of the items described in the foregoing clauses (a) and (b); and
- (d) all proceeds of, and rights associated with, the foregoing (including license royalties and proceeds of infringement suits), the right to sue third parties for past, present or future infringements of any patent or patent application, including any patent or patent application referred to in Item A of Attachment 1 hereto, and for breach or enforcement of any patent license, including any patent license referred to in Item B of Attachment 1 hereto, and all rights corresponding thereto throughout the world.

The Lender's security interest shall continually exist until the date (the "Termination Date") which is later of (a) the date on which all Obligations (other than Obligations with respect to the Warrants, if any) have been paid in full, and (b) the Maturity Date, whether or not all Obligations shall at any time or from time to time be reduced to zero. The Grantor shall make notations, satisfactory to the Lender, on its books and records disclosing the existence of the Lender's security interest in the Patent Collateral. The Lender shall have no liability or duty, either before or after the occurrence of an Event of Default, on account of loss of or damage to, or to collect or enforce any of its rights against, the Patent Collateral, or to preserve any rights against account debtors or other parties with prior interests in



the Patent Collateral, the sole duty of the Lender in this regard being to exercise reasonable care with respect to tangible Patent Collateral, if any, in its actual possession.

**Section 3. Security Agreement.** This Agreement has been executed and delivered by the Grantor for the purpose of registering the security interest of Lender in the Patent Collateral with the United States Patent and Trademark Office and corresponding offices in other countries of the world. The security interest granted hereby has been granted as further evidence of, and not in limitation of, the security interest granted to the Lender under the Loan Agreement. The Loan Agreement (and all rights and remedies of the Lender thereunder) shall remain in full force and effect in accordance with its terms.

**Section 4. Release of Security Interest.** Upon the Termination Date, the Lender shall, at the Grantor's expense, execute and deliver to the Grantor, without any representations, warranties or recourse of any kind whatsoever, all instruments and other documents as may be necessary or proper to release the lien on and security interest in the Patent Collateral which has been granted hereunder.

**Section 5. Acknowledgment.** The Grantor does hereby further acknowledge and affirm that the rights and remedies of the Lender with respect to the security interest in the Patent Collateral granted hereby are more fully set forth in the Loan Agreement, the terms and provisions of which (including the remedies provided for therein) are incorporated by reference herein as if fully set forth herein.


**Section 6. Loan Document.** This Agreement is one of the Other Agreements executed pursuant to the Loan Agreement and shall (unless otherwise expressly indicated herein) be construed, administered and applied in accordance with the terms and provisions of the Loan Agreement.

**Section 7. Counterparts.** This Agreement may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]**

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

**PAICE LLC  
as Grantor**

By: 

Name: Alex J. Severinsky  
Title: Chief Executive Officer  
Address:  
c/o Paice Corporation  
6830 Elm Street  
McLean, Virginia 22101  
Fax Number: (703) 288-9474  
Attention: Alex J. Severinsky

**Ellen Hirsch  
as Lender**

By: 

Ellen Hirsch  
Address:  
37 West 12<sup>th</sup> Street, Apt. PHC  
New York, NY 10011

**ATTACHMENT 1 TO**

**AGREEMENT (PATENT)**

**Item A. Patents**

**U.S. Patents Granted:**

U.S. Patent 5,343,970, Hybrid Electric Vehicle, granted September 4, 1994.

U.S. Patent 6,209,672, Hybrid Vehicle, granted April 3, 2001

U.S. Patent 6,338,391, Hybrid Vehicle Incorporating Turbochargers, granted January 15, 2002

U.S. Patent 6,554,088, Hybrid Vehicle, granted April 29, 2003.

**U.S. Patent Applications/Provisional Application(s) Pending:**

U.S. Patent Application, serial No. 10/382577, Hybrid Vehicles, filed March 7, 2003.

**World Intellectual Property Organization (WIPO) Patent Cooperation Treaty (PCT) Applications Pending:**

WIPO PCT Application number PCT/US99/18844 filed September 10, 1999,  
published March 23, 2000 (publication # WO 00/15455)

- Brazil, pending, application number P19913684-8
- Canada, pending, application number 2,343,056
- Europe, published, application number 99969064.7
- Japan, pending, application number 570015/2000
- Japan, pending, application number 350035/2002
- Korea, published, application number 10-2001-7003237
- Mexico, pending, application number PA/A/2001/02685

**Item B. Patent Licenses**

None

## **AGREEMENT**

(Patent)

**THIS AGREEMENT** (as amended, supplemented, restated or otherwise modified from time to time, this "Agreement"), dated as of this 28 day of April, 2004 between **PAICE LLC**, a Delaware limited liability company (the "Grantor"), and **Suzanne Hirsch and Neil Rosenthal**, as Tenants by the Entirety, residing at 1421 Fallswood Drive, Rockville, MD 20854 ("Lender").

### **WITNESSETH:**

**WHEREAS**, pursuant to that certain the Loan, Warrant, Purchase and Security Agreement dated July 22, 2003 (together with all amendments, supplements and other modifications, heretofore and hereafter made thereto, the "Loan Agreement"), among Paice Corporation, a Delaware corporation and sole member of Grantor (the "Corporation"), the Lender, Grantor has granted to the Lender a continuing lien and security interest in certain property and assets of the Corporation, including (without limitation) the Existing Patents (as defined below); and

**WHEREAS**, pursuant to a certain Transfer and Assumption Agreement of even date herewith by and between the Corporation and the Grantor, the Corporation has transferred and assigned to the Grantor all of its property and assets (including, without limitation, the Existing Patents) subject to the existing lien and security interest of the Lender; and

**WHEREAS**, pursuant to the terms of the Loan Agreement of even date herewith by and between the Corporation, the Grantor and the Lender, the Grantor has acknowledged that it has received the Existing Patents subject to the existing lien and security interest of the Lender, and has granted to the Lender a security interest in and to (among other things) the Patent Collateral (as defined below); and

**WHEREAS**, pursuant to the terms of the Loan Agreement of even date herewith, the Grantor is required to execute and deliver this Agreement to further evidence the grant to the Lender of a continuing lien and security interest in all of the Patent Collateral to secure all Obligations (as defined in the Loan Agreement); and

**WHEREAS**, the Grantor has duly authorized the execution, delivery and performance of this Agreement;

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Grantor agrees, for the benefit of the Lender, as follows:

**Section 1. Definitions.** Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement, including its preamble and recitals, have the meanings provided in the Loan Agreement.

**Section 2. Grant of Security Interest.** As security for the payment and performance of all of the Obligations, whether or not any instrument or agreement relating to any Obligation specifically refers to this Agreement or the security interest created hereunder, the Grantor hereby grants to the Lender a lien and continuing security interest in, and pledges and assigns to the Lender, all of the following property (the "Patent Collateral"), whether now owned or hereafter acquired or existing:

- (a) all letters patent and applications for letters patent throughout the world, including all patent applications in preparation for filing anywhere in the world and including each patent and patent application referred to in Item A of Attachment 1 hereto (the patents and patent applications referred to in Item A of Attachment 1 hereto, collectively, the "Existing Patents");
- (b) all patent licenses, including each patent license referred to in Item B of Attachment 1 hereto;
- (c) all reissues, divisions, continuations, continuations-in-part, extensions, renewals and reexaminations of any of the items described in the foregoing clauses (a) and (b); and
- (d) all proceeds of, and rights associated with, the foregoing (including license royalties and proceeds of infringement suits), the right to sue third parties for past, present or future infringements of any patent or patent application, including any patent or patent application referred to in Item A of Attachment 1 hereto, and for breach or enforcement of any patent license, including any patent license referred to in Item B of Attachment 1 hereto, and all rights corresponding thereto throughout the world.

The Lender's security interest shall continually exist until the date (the "Termination Date") which is later of (a) the date on which all Obligations (other than Obligations with respect to the Warrants, if any) have been paid in full, and (b) the Maturity Date, whether or not all Obligations shall at any time or from time to time be reduced to zero. The Grantor shall make notations, satisfactory to the Lender, on its books and records disclosing the existence of the Lender's security interest in the Patent Collateral. The Lender shall have no liability or duty, either before or after the occurrence of an Event of Default, on account of loss of or damage to, or to collect or enforce any of its rights against, the Patent Collateral, or to preserve any rights against account debtors or other parties with prior interests in

the Patent Collateral, the sole duty of the Lender in this regard being to exercise reasonable care with respect to tangible Patent Collateral, if any, in its actual possession.

**Section 3. Security Agreement.** This Agreement has been executed and delivered by the Grantor for the purpose of registering the security interest of Lender in the Patent Collateral with the United States Patent and Trademark Office and corresponding offices in other countries of the world. The security interest granted hereby has been granted as further evidence of, and not in limitation of, the security interest granted to the Lender under the Loan Agreement. The Loan Agreement (and all rights and remedies of the Lender thereunder) shall remain in full force and effect in accordance with its terms.

**Section 4. Release of Security Interest.** Upon the Termination Date, the Lender shall, at the Grantor's expense, execute and deliver to the Grantor, without any representations, warranties or recourse of any kind whatsoever, all instruments and other documents as may be necessary or proper to release the lien on and security interest in the Patent Collateral which has been granted hereunder.

**Section 5. Acknowledgment.** The Grantor does hereby further acknowledge and affirm that the rights and remedies of the Lender with respect to the security interest in the Patent Collateral granted hereby are more fully set forth in the Loan Agreement, the terms and provisions of which (including the remedies provided for therein) are incorporated by reference herein as if fully set forth herein.

**Section 6. Loan Document.** This Agreement is one of the Other Agreements executed pursuant to the Loan Agreement and shall (unless otherwise expressly indicated herein) be construed, administered and applied in accordance with the terms and provisions of the Loan Agreement.

**Section 7. Counterparts.** This Agreement may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement.

**REMAINDER OF PAGE INTENTIONALLY LEFT BLANK**

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

**PAICE LLC**  
**as Grantor**

By: Alex T. Severinsky  
Name: Alex J. Severinsky  
Title: Chief Executive Officer  
Address:  
c/o Paice Corporation  
6830 Elm Street  
McLean, Virginia 22101  
Fax Number: (703) 288-9474  
Attention: Alex J. Severinsky

**Suzanne Hirsch**  
**as Lender**

By: Suzanne Hirsch  
Suzanne Hirsch  
Address:  
1421 Fallswood Drive  
Rockville, MD 20854

**Neil Rosenthal**  
**as Lender**

By: Neil Rosenthal  
Neil Rosenthal  
Address:  
1421 Fallswood Drive  
Rockville, MD 20854

as Tenants by the Entirety

**ATTACHMENT 1 TO**  
**AGREEMENT (PATENT)**

**Item A. Patents**

**U.S. Patents Granted:**

U.S. Patent 5,343,970, Hybrid Electric Vehicle, granted September 4, 1994.

U.S. Patent 6,209,672, Hybrid Vehicle, granted April 3, 2001

U.S. Patent 6,338,391, Hybrid Vehicle Incorporating Turbochargers, granted January 15, 2002

U.S. Patent 6,554,088, Hybrid Vehicle, granted April 29, 2003.

**U.S. Patent Applications/Provisional Application(s) Pending:**

U.S. Patent Application, serial No. 10/382577, Hybrid Vehicles, filed March 7, 2003.

**World Intellectual Property Organization (WIPO) Patent Cooperation Treaty (PCT) Applications Pending:**

WIPO PCT Application number PCT/US99/18844 filed September 10, 1999,  
published March 23, 2000 (publication # WO 00/15455)

- Brazil, pending, application number P19913684-8
- Canada, pending, application number 2,343,056
- Europe, published, application number 99969064.7
- Japan, pending, application number 570015/2000
- Japan, pending, application number 350035/2002
- Korea, published, application number 10-2001-7003237
- Mexico, pending, application number PA/A/2001/02685

**Item B. Patent Licenses**

None



## **AGREEMENT**

(Patent)

**THIS AGREEMENT** (as amended, supplemented, restated or otherwise modified from time to time, this "Agreement"), dated as of this 28 day of April, 2004 between **PAICE LLC**, a Delaware limited liability company (the "Grantor"), and **George R. Kempton Trust by George R. Kempton, Trustee**, residing at 3991 Gulf Shore Blvd. N. #101, Naples, FL 34103 ("Lender").

### **WITNESSETH:**

**WHEREAS**, pursuant to that Loan and Security Agreement dated July 19, 2002 (together with all amendments, supplements and other modifications, heretofore and hereafter made thereto) and the Loan & Security Agreement dated March 31, 2004 (together with all amendments, supplements and other modifications, heretofore and hereafter made thereto, collectively the "Loan Agreements"), among Paice Corporation, a Delaware corporation and sole member of Grantor (the "Corporation"), the Lender, Grantor has granted to the Lender a continuing lien and security interest in certain property and assets of the Corporation, including (without limitation) the Existing Patents (as defined below); and

**WHEREAS**, pursuant to a certain Transfer and Assumption Agreement of even date herewith by and between the Corporation and the Grantor, the Corporation has transferred and assigned to the Grantor all of its property and assets (including, without limitation, the Existing Patents) subject to the existing lien and security interest of the Lender; and

**WHEREAS**, pursuant to the terms of the Loan Agreement of even date herewith by and between the Corporation, the Grantor and the Lender, the Grantor has acknowledged that it has received the Existing Patents subject to the existing lien and security interest of the Lender, and has granted to the Lender a security interest in and to (among other things) the Patent Collateral (as defined below); and

**WHEREAS**, pursuant to the terms of the Loan Agreement of even date herewith, the Grantor is required to execute and deliver this Agreement to further evidence the grant to the Lender of a continuing lien and security interest in all of the Patent Collateral to secure all Obligations (as defined in the Loan Agreement); and

**WHEREAS**, the Grantor has duly authorized the execution, delivery and performance of this Agreement;

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Grantor agrees, for the benefit of the Lender, as follows:

**Section 1. Definitions.** Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement, including its preamble and recitals, have the meanings provided in the Loan Agreement.

**Section 2. Grant of Security Interest.** As security for the payment and performance of all of the Obligations, whether or not any instrument or agreement relating to any Obligation specifically refers to this Agreement or the security interest created hereunder, the Grantor hereby grants to the Lender a lien and continuing security interest in, and pledges and assigns to the Lender, all of the following property (the "Patent Collateral"), whether now owned or hereafter acquired or existing:

- (a) all letters patent and applications for letters patent throughout the world, including all patent applications in preparation for filing anywhere in the world and including each patent and patent application referred to in Item A of Attachment 1 hereto (the patents and patent applications referred to in Item A of Attachment 1 hereto, collectively, the "Existing Patents");
- (b) all patent licenses, including each patent license referred to in Item B of Attachment 1 hereto;
- (c) all reissues, divisions, continuations, continuations-in-part, extensions, renewals and reexaminations of any of the items described in the foregoing clauses (a) and (b); and
- (d) all proceeds of, and rights associated with, the foregoing (including license royalties and proceeds of infringement suits), the right to sue third parties for past, present or future infringements of any patent or patent application, including any patent or patent application referred to in Item A of Attachment 1 hereto, and for breach or enforcement of any patent license, including any patent license referred to in Item B of Attachment 1 hereto, and all rights corresponding thereto throughout the world.

The Lender's security interest shall continually exist until the date (the "Termination Date") which is later of (a) the date on which all Obligations (other than Obligations with respect to the Warrants, if any) have been paid in full, and (b) the Maturity Date, whether or not all Obligations shall at any time or

from time to time be reduced to zero. The Grantor shall make notations, satisfactory to the Lender, on its books and records disclosing the existence of the Lender's security interest in the Patent Collateral. The Lender shall have no liability or duty, either before or after the occurrence of an Event of Default, on account of loss of or damage to, or to collect or enforce any of its rights against, the Patent Collateral, or to preserve any rights against account debtors or other parties with prior interests in the Patent Collateral, the sole duty of the Lender in this regard being to exercise reasonable care with respect to tangible Patent Collateral, if any, in its actual possession.

**Section 3. Security Agreement.** This Agreement has been executed and delivered by the Grantor for the purpose of registering the security interest of Lender in the Patent Collateral with the United States Patent and Trademark Office and corresponding offices in other countries of the world. The security interest granted hereby has been granted as further evidence of, and not in limitation of, the security interest granted to the Lender under the Loan Agreement. The Loan Agreement (and all rights and remedies of the Lender thereunder) shall remain in full force and effect in accordance with its terms.

**Section 4. Release of Security Interest.** Upon the Termination Date, the Lender shall, at the Grantor's expense, execute and deliver to the Grantor, without any representations, warranties or recourse of any kind whatsoever, all instruments and other documents as may be necessary or proper to release the lien on and security interest in the Patent Collateral which has been granted hereunder.

**Section 5. Acknowledgment.** The Grantor does hereby further acknowledge and affirm that the rights and remedies of the Lender with respect to the security interest in the Patent Collateral granted hereby are more fully set forth in the Loan Agreement, the terms and provisions of which (including the remedies provided for therein) are incorporated by reference herein as if fully set forth herein.

**Section 6. Loan Document.** This Agreement is one of the Other Agreements executed pursuant to the Loan Agreement and shall (unless otherwise expressly indicated herein) be construed, administered and applied in accordance with the terms and provisions of the Loan Agreement.

**Section 7. Counterparts.** This Agreement may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]**

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

**PAICE LLC**  
**as Grantor**

By: Alex J. Severinsky

Name: Alex J. Severinsky  
Title: Chief Executive Officer  
Address:  
c/o Paice Corporation  
6830 Elm Street  
McLean, Virginia 22101  
Fax Number: (703) 288-9474  
Attention: Alex J. Severinsky

**George R. Kempton Trust**  
**as Lender**

By: George R. Kempton

George R. Kempton, Trustee  
Address:  
3991 Gulf Shore Blvd. N. #101  
Naples, FL 34103

**ATTACHMENT 1 TO**  
**AGREEMENT (PATENT)**

**Item A. Patents**

**U.S. Patents Granted:**

U.S. Patent 5,343,970, Hybrid Electric Vehicle, granted September 4, 1994.

U.S. Patent 6,209,672, Hybrid Vehicle, granted April 3, 2001

U.S. Patent 6,338,391, Hybrid Vehicle Incorporating Turbochargers, granted January 15, 2002

U.S. Patent 6,554,088, Hybrid Vehicle, granted April 29, 2003.

**U.S. Patent Applications/Provisional Application(s) Pending:**

U.S. Patent Application, serial No. 10/382577, Hybrid Vehicles, filed March 7, 2003.

**World Intellectual Property Organization (WIPO) Patent Cooperation Treaty (PCT) Applications Pending:**

WIPO PCT Application number PCT/US99/18844 filed September 10, 1999, published March 23, 2000 (publication # WO 00/15455)

- Brazil, pending, application number P19913684-8
- Canada, pending, application number 2,343,056
- Europe, published, application number 99969064.7
- Japan, pending, application number 570015/2000
- Japan, pending, application number 350035/2002
- Korea, published, application number 10-2001-7003237
- Mexico, pending, application number PA/A/2001/02685

**Item B. Patent Licenses**

**None**

## **AGREEMENT**

(Patent)

**THIS AGREEMENT** (as amended, supplemented, restated or otherwise modified from time to time, this "Agreement"), dated as of this \_\_\_\_ day of April, 2004 between **PAICE LLC**, a Delaware limited liability company (the "Grantor"), and **William F. Leimkuhler**, an individual residing at 43 Salem Straits Road, Darien, CT 06820 ("Lender").

### **WITNESSETH:**

**WHEREAS**, pursuant to that certain Loan and Security Agreement dated July 19, 2002 (together with all amendments, supplements and other modifications, heretofore and hereafter made thereto, the "Loan Agreement"), among Paice Corporation, a Delaware corporation and sole member of Grantor (the "Corporation"), the Lender, Grantor has granted to the Lender a continuing lien and security interest in certain property and assets of the Corporation, including (without limitation) the Existing Patents (as defined below); and

**WHEREAS**, pursuant to a certain Transfer and Assumption Agreement of even date herewith by and between the Corporation and the Grantor, the Corporation has transferred and assigned to the Grantor all of its property and assets (including, without limitation, the Existing Patents) subject to the existing lien and security interest of the Lender; and

**WHEREAS**, pursuant to the terms of the Loan Agreement of even date herewith by and between the Corporation, the Grantor and the Lender, the Grantor has acknowledged that it has received the Existing Patents subject to the existing lien and security interest of the Lender, and has granted to the Lender a security interest in and to (among other things) the Patent Collateral (as defined below); and

**WHEREAS**, pursuant to the terms of the Loan Agreement of even date herewith, the Grantor is required to execute and deliver this Agreement to further evidence the grant to the Lender of a continuing lien and security interest in all of the Patent Collateral to secure all Obligations (as defined in the Loan Agreement); and

**WHEREAS**, the Grantor has duly authorized the execution, delivery and performance of this Agreement;

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Grantor agrees, for the benefit of the Lender, as follows:

**Section 1. Definitions.** Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement, including its preamble and recitals, have the meanings provided in the Loan Agreement.

**Section 2. Grant of Security Interest.** As security for the payment and performance of all of the Obligations, whether or not any instrument or agreement relating to any Obligation specifically refers to this Agreement or the security interest created hereunder, the Grantor hereby grants to the Lender a lien and continuing security interest in, and pledges and assigns to the Lender, all of the following property (the "Patent Collateral"), whether now owned or hereafter acquired or existing:

- (a) all letters patent and applications for letters patent throughout the world, including all patent applications in preparation for filing anywhere in the world and including each patent and patent application referred to in Item A of Attachment 1 hereto (the patents and patent applications referred to in Item A of Attachment 1 hereto, collectively, the "Existing Patents");
- (b) all patent licenses, including each patent license referred to in Item B of Attachment 1 hereto;
- (c) all reissues, divisions, continuations, continuations-in-part, extensions, renewals and reexaminations of any of the items described in the foregoing clauses (a) and (b); and
- (d) all proceeds of, and rights associated with, the foregoing (including license royalties and proceeds of infringement suits), the right to sue third parties for past, present or future infringements of any patent or patent application, including any patent or patent application referred to in Item A of Attachment 1 hereto, and for breach or enforcement of any patent license, including any patent license referred to in Item B of Attachment 1 hereto, and all rights corresponding thereto throughout the world.

The Lender's security interest shall continually exist until the date (the "Termination Date") which is later of (a) the date on which all Obligations (other than Obligations with respect to the Warrants, if any) have been paid in full, and (b) the Maturity Date, whether or not all Obligations shall at any time or from time to time be reduced to zero. The Grantor shall make notations, satisfactory to the Lender, on its books and records disclosing the existence of the Lender's security interest in the Patent Collateral. The Lender shall have no liability or duty, either before or after the occurrence of an Event of Default, on account of loss of or damage to, or to collect or enforce any of its rights against, the Patent Collateral, or to preserve any rights against account debtors or other parties with prior interests in



the Patent Collateral, the sole duty of the Lender in this regard being to exercise reasonable care with respect to tangible Patent Collateral, if any, in its actual possession.

**Section 3. Security Agreement.** This Agreement has been executed and delivered by the Grantor for the purpose of registering the security interest of Lender in the Patent Collateral with the United States Patent and Trademark Office and corresponding offices in other countries of the world. The security interest granted hereby has been granted as further evidence of, and not in limitation of, the security interest granted to the Lender under the Loan Agreement. The Loan Agreement (and all rights and remedies of the Lender thereunder) shall remain in full force and effect in accordance with its terms.

**Section 4. Release of Security Interest.** Upon the Termination Date, the Lender shall, at the Grantor's expense, execute and deliver to the Grantor, without any representations, warranties or recourse of any kind whatsoever, all instruments and other documents as may be necessary or proper to release the lien on and security interest in the Patent Collateral which has been granted hereunder.

**Section 5. Acknowledgment.** The Grantor does hereby further acknowledge and affirm that the rights and remedies of the Lender with respect to the security interest in the Patent Collateral granted hereby are more fully set forth in the Loan Agreement, the terms and provisions of which (including the remedies provided for therein) are incorporated by reference herein as if fully set forth herein.

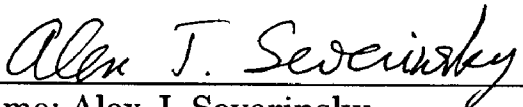
**Section 6. Loan Document.** This Agreement is one of the Other Agreements executed pursuant to the Loan Agreement and shall (unless otherwise expressly indicated herein) be construed, administered and applied in accordance with the terms and provisions of the Loan Agreement.

**Section 7. Counterparts.** This Agreement may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement.

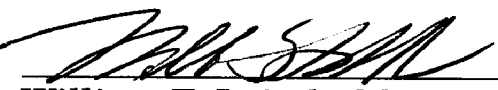
**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]**

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

**PAICE LLC**  
**as Grantor**

By:   
Name: Alex J. Severinsky  
Title: Chief Executive Officer  
Address:  
c/o Paice Corporation  
6830 Elm Street  
McLean, Virginia 22101  
Fax Number: (703) 288-9474  
Attention: Alex J. Severinsky

**William F. Leimkuhler,**  
**as Lender**

By:   
William F. Leimkuhler  
Address:  
43 Salem Straits Road  
Darien, CT 06820

**ATTACHMENT 1 TO**  
**AGREEMENT (PATENT)**

**Item A. Patents**

**U.S. Patents Granted:**

U.S. Patent 5,343,970, Hybrid Electric Vehicle, granted September 4, 1994.

U.S. Patent 6,209,672, Hybrid Vehicle, granted April 3, 2001

U.S. Patent 6,338,391, Hybrid Vehicle Incorporating Turbochargers, granted January 15, 2002

U.S. Patent 6,554,088, Hybrid Vehicle, granted April 29, 2003.

**U.S. Patent Applications/Provisional Application(s) Pending:**

U.S. Patent Application, serial No. 10/382577, Hybrid Vehicles, filed March 7, 2003.

**World Intellectual Property Organization (WIPO) Patent Cooperation Treaty (PCT) Applications Pending:**

WIPO PCT Application number PCT/US99/18844 filed September 10, 1999,  
published March 23, 2000 (publication # WO 00/15455)

- Brazil, pending, application number P19913684-8
- Canada, pending, application number 2,343,056
- Europe, published, application number 99969064.7
- Japan, pending, application number 570015/2000
- Japan, pending, application number 350035/2002
- Korea, published, application number 10-2001-7003237
- Mexico, pending, application number PA/A/2001/02685

**Item B. Patent Licenses**

None

**AGREEMENT**

(Patent)

**THIS AGREEMENT** (as amended, supplemented, restated or otherwise modified from time to time, this "Agreement"), dated as of this \_\_\_\_ day of April, 2004 between **PAICE LLC**, a Delaware limited liability company (the "Grantor"), and **Theodore Louckes**, an individual residing at 10398 Appomattox Street, Holly, MI 48442 ("Lender").

**WITNESSETH:**

**WHEREAS**, pursuant to that Loan and Security Agreement dated July 19, 2002 (together with all amendments, supplements and other modifications, heretofore and hereafter made thereto, the "Loan Agreement"), among Paice Corporation, a Delaware corporation and sole member of Grantor (the "Corporation"), the Lender, Grantor has granted to the Lender a continuing lien and security interest in certain property and assets of the Corporation, including (without limitation) the Existing Patents (as defined below); and

**WHEREAS**, pursuant to a certain Transfer and Assumption Agreement of even date herewith by and between the Corporation and the Grantor, the Corporation has transferred and assigned to the Grantor all of its property and assets (including, without limitation, the Existing Patents) subject to the existing lien and security interest of the Lender; and

**WHEREAS**, pursuant to the terms of the Loan Agreement of even date herewith by and between the Corporation, the Grantor and the Lender, the Grantor has acknowledged that it has received the Existing Patents subject to the existing lien and security interest of the Lender, and has granted to the Lender a security interest in and to (among other things) the Patent Collateral (as defined below); and

**WHEREAS**, pursuant to the terms of the Loan Agreement of even date herewith, the Grantor is required to execute and deliver this Agreement to further evidence the grant to the Lender of a continuing lien and security interest in all of the Patent Collateral to secure all Obligations (as defined in the Loan Agreement); and

**WHEREAS**, the Grantor has duly authorized the execution, delivery and performance of this Agreement;

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Grantor agrees, for the benefit of the Lender, as follows:

**Section 1. Definitions.** Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement, including its preamble and recitals, have the meanings provided in the Loan Agreement.

**Section 2. Grant of Security Interest.** As security for the payment and performance of all of the Obligations, whether or not any instrument or agreement relating to any Obligation specifically refers to this Agreement or the security interest created hereunder, the Grantor hereby grants to the Lender a lien and continuing security interest in, and pledges and assigns to the Lender, all of the following property (the "Patent Collateral"), whether now owned or hereafter acquired or existing:

- (a) all letters patent and applications for letters patent throughout the world, including all patent applications in preparation for filing anywhere in the world and including each patent and patent application referred to in Item A of Attachment 1 hereto (the patents and patent applications referred to in Item A of Attachment 1 hereto, collectively, the "Existing Patents");
- (b) all patent licenses, including each patent license referred to in Item B of Attachment 1 hereto;
- (c) all reissues, divisions, continuations, continuations-in-part, extensions, renewals and reexaminations of any of the items described in the foregoing clauses (a) and (b); and
- (d) all proceeds of, and rights associated with, the foregoing (including license royalties and proceeds of infringement suits), the right to sue third parties for past, present or future infringements of any patent or patent application, including any patent or patent application referred to in Item A of Attachment 1 hereto, and for breach or enforcement of any patent license, including any patent license referred to in Item B of Attachment 1 hereto, and all rights corresponding thereto throughout the world.

The Lender's security interest shall continually exist until the date (the "Termination Date") which is later of (a) the date on which all Obligations (other than Obligations with respect to the Warrants, if any) have been paid in full, and (b) the Maturity Date, whether or not all Obligations shall at any time or from time to time be reduced to zero. The Grantor shall make notations, satisfactory to the Lender, on its books and records disclosing the existence of the Lender's security interest in the Patent Collateral. The Lender shall have no liability or duty, either before or after the occurrence of an Event of Default, on account of loss of or damage to, or to collect or enforce any of its rights

against, the Patent Collateral, or to preserve any rights against account debtors or other parties with prior interests in the Patent Collateral, the sole duty of the Lender in this regard being to exercise reasonable care with respect to tangible Patent Collateral, if any, in its actual possession.

**Section 3. Security Agreement.** This Agreement has been executed and delivered by the Grantor for the purpose of registering the security interest of Lender in the Patent Collateral with the United States Patent and Trademark Office and corresponding offices in other countries of the world. The security interest granted hereby has been granted as further evidence of, and not in limitation of, the security interest granted to the Lender under the Loan Agreement. The Loan Agreement (and all rights and remedies of the Lender thereunder) shall remain in full force and effect in accordance with its terms.

**Section 4. Release of Security Interest.** Upon the Termination Date, the Lender shall, at the Grantor's expense, execute and deliver to the Grantor, without any representations, warranties or recourse of any kind whatsoever, all instruments and other documents as may be necessary or proper to release the lien on and security interest in the Patent Collateral which has been granted hereunder.

**Section 5. Acknowledgment.** The Grantor does hereby further acknowledge and affirm that the rights and remedies of the Lender with respect to the security interest in the Patent Collateral granted hereby are more fully set forth in the Loan Agreement, the terms and provisions of which (including the remedies provided for therein) are incorporated by reference herein as if fully set forth herein.

**Section 6. Loan Document.** This Agreement is one of the Other Agreements executed pursuant to the Loan Agreement and shall (unless otherwise expressly indicated herein) be construed, administered and applied in accordance with the terms and provisions of the Loan Agreement.

**Section 7. Counterparts.** This Agreement may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement.

**REMAINDER OF PAGE INTENTIONALLY LEFT BLANK**

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

**PAICE LLC**  
**as Grantor**

By: Alex T. Severinsky

Name: Alex J. Severinsky  
Title: Chief Executive Officer  
Address:  
c/o Paice Corporation  
6830 Elm Street  
McLean, Virginia 22101  
Fax Number: (703) 288-9474  
Attention: Alex J. Severinsky

**Theodore Louckes**  
**as Lender**

By: Theodore Louckes

Theodore Louckes  
Address:  
10398 Appomattox Street  
Holly, MI 48442

**ATTACHMENT 1 TO**  
**AGREEMENT (PATENT)**

**Item A. Patents**

**U.S. Patents Granted:**

U.S. Patent 5,343,970, Hybrid Electric Vehicle, granted September 4, 1994.

U.S. Patent 6,209,672, Hybrid Vehicle, granted April 3, 2001

U.S. Patent 6,338,391, Hybrid Vehicle Incorporating Turbochargers, granted January 15, 2002

U.S. Patent 6,554,088, Hybrid Vehicle, granted April 29, 2003.

**U.S. Patent Applications/Provisional Application(s) Pending:**

U.S. Patent Application, serial No. 10/382577, Hybrid Vehicles, filed March 7, 2003.

**World Intellectual Property Organization (WIPO) Patent Cooperation Treaty (PCT) Applications Pending:**

WIPO PCT Application number PCT/US99/18844 filed September 10, 1999, published March 23, 2000 (publication # WO 00/15455)

- Brazil, pending, application number P19913684-8
- Canada, pending, application number 2,343,056
- Europe, published, application number 99969064.7
- Japan, pending, application number 570015/2000
- Japan, pending, application number 350035/2002
- Korea, published, application number 10-2001-7003237
- Mexico, pending, application number PA/A/2001/02685

**Item B. Patent Licenses**

**None**



## **AGREEMENT**

(Patent)

**THIS AGREEMENT** (as amended, supplemented, restated or otherwise modified from time to time, this "Agreement"), dated as of this 28 day of April, 2004 between **PAICE LLC**, a Delaware limited liability company (the "Grantor"), and **Stephen O'Shea**, an individual residing at 2-5-40 Hiroo, Shibuya-ku, Tokyo 150-0012 Japan (the "Lender").

### **WITNESSETH:**

**WHEREAS**, pursuant to the Loan, Warrant, Purchase & Security Agreement dated July 22, 2003 (together with all amendments, supplements and other modifications, heretofore and hereafter made thereto) and the Loan & Security Agreement dated March 31, 2004 (together with all amendments, supplements and other modifications, heretofore and hereafter made thereto) (hereinafter collectively referred to as "Loan Agreements"), among Paice Corporation, a Delaware corporation and sole member of Grantor (the "Corporation"), the Lender, Grantor has granted to the Lender a continuing lien and security interest in certain property and assets of the Corporation, including (without limitation) the Existing Patents (as defined below); and

**WHEREAS**, pursuant to a certain Transfer and Assumption Agreement of even date herewith by and between the Corporation and the Grantor, the Corporation has transferred and assigned to the Grantor all of its property and assets (including, without limitation, the Existing Patents) subject to the existing lien and security interest of the Lender; and

**WHEREAS**, pursuant to the terms of the Loan Agreement of even date herewith by and between the Corporation, the Grantor and the Lender, the Grantor has acknowledged that it has received the Existing Patents subject to the existing lien and security interest of the Lender, and has granted to the Lender a security interest in and to (among other things) the Patent Collateral (as defined below); and

**WHEREAS**, pursuant to the terms of the Loan Agreement of even date herewith, the Grantor is required to execute and deliver this Agreement to further evidence the grant to the Lender of a continuing lien and security interest in all of the Patent Collateral to secure all Obligations (as defined in the Loan Agreement); and

**WHEREAS**, the Grantor has duly authorized the execution, delivery and performance of this Agreement;

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Grantor agrees, for the benefit of the Lender, as follows:

**Section 1. Definitions.** Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement, including its preamble and recitals, have the meanings provided in the Loan Agreement.

**Section 2. Grant of Security Interest.** As security for the payment and performance of all of the Obligations, whether or not any instrument or agreement relating to any Obligation specifically refers to this Agreement or the security interest created hereunder, the Grantor hereby grants to the Lender a lien and continuing security interest in, and pledges and assigns to the Lender, all of the following property (the "Patent Collateral"), whether now owned or hereafter acquired or existing:

- (a) all letters patent and applications for letters patent throughout the world, including all patent applications in preparation for filing anywhere in the world and including each patent and patent application referred to in Item A of Attachment 1 hereto (the patents and patent applications referred to in Item A of Attachment 1 hereto, collectively, the "Existing Patents");
- (b) all patent licenses, including each patent license referred to in Item B of Attachment 1 hereto;
- (c) all reissues, divisions, continuations, continuations-in-part, extensions, renewals and reexaminations of any of the items described in the foregoing clauses (a) and (b); and
- (d) all proceeds of, and rights associated with, the foregoing (including license royalties and proceeds of infringement suits), the right to sue third parties for past, present or future infringements of any patent or patent application, including any patent or patent application referred to in Item A of Attachment 1 hereto, and for breach or enforcement of any patent license, including any patent license referred to in Item B of Attachment 1 hereto, and all rights corresponding thereto throughout the world.

The Lender's security interest shall continually exist until the date (the "Termination Date") which is later of (a) the date on which all Obligations (other than Obligations with respect to the Warrants, if any) have been paid in full, and (b) the Maturity Date, whether or not all Obligations shall at any time or from time to time be reduced to zero. The Grantor shall make notations, satisfactory to

the Lender, on its books and records disclosing the existence of the Lender's security interest in the Patent Collateral. The Lender shall have no liability or duty, either before or after the occurrence of an Event of Default, on account of loss of or damage to, or to collect or enforce any of its rights against, the Patent Collateral, or to preserve any rights against account debtors or other parties with prior interests in the Patent Collateral, the sole duty of the Lender in this regard being to exercise reasonable care with respect to tangible Patent Collateral, if any, in its actual possession.

**Section 3. Security Agreement.** This Agreement has been executed and delivered by the Grantor for the purpose of registering the security interest of Lender in the Patent Collateral with the United States Patent and Trademark Office and corresponding offices in other countries of the world. The security interest granted hereby has been granted as further evidence of, and not in limitation of, the security interest granted to the Lender under the Loan Agreement. The Loan Agreement (and all rights and remedies of the Lender thereunder) shall remain in full force and effect in accordance with its terms.

**Section 4. Release of Security Interest.** Upon the Termination Date, the Lender shall, at the Grantor's expense, execute and deliver to the Grantor, without any representations, warranties or recourse of any kind whatsoever, all instruments and other documents as may be necessary or proper to release the lien on and security interest in the Patent Collateral which has been granted hereunder.

**Section 5. Acknowledgment.** The Grantor does hereby further acknowledge and affirm that the rights and remedies of the Lender with respect to the security interest in the Patent Collateral granted hereby are more fully set forth in the Loan Agreement, the terms and provisions of which (including the remedies provided for therein) are incorporated by reference herein as if fully set forth herein.

**Section 6. Loan Document.** This Agreement is one of the Other Agreements executed pursuant to the Loan Agreement and shall (unless otherwise expressly indicated herein) be construed, administered and applied in accordance with the terms and provisions of the Loan Agreement.

**Section 7. Counterparts.** This Agreement may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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

**PAICE LLC**  
**as Grantor**

By: Alex J. Severinsky

Name: Alex J. Severinsky

Title: Chief Executive Officer

Address:

c/o Paice Corporation

6830 Elm Street

McLean, Virginia 22101

Fax Number: (703) 288-9474

Attention: Alex J. Severinsky

**Stephen O'Shea**  
**as Lender**

By: Stephen O'Shea

Stephen O'Shea

Address:

2-5-40 Hiroo

Shibuya-ku, Tokyo 150-0012

Japan

**ATTACHMENT 1 TO**  
**AGREEMENT (PATENT)**

**Item A. Patents**

**U.S. Patents Granted:**

U.S. Patent 5,343,970, Hybrid Electric Vehicle, granted September 4, 1994.

U.S. Patent 6,209,672, Hybrid Vehicle, granted April 3, 2001

U.S. Patent 6,338,391, Hybrid Vehicle Incorporating Turbochargers, granted January 15, 2002

U.S. Patent 6,554,088, Hybrid Vehicle, granted April 29, 2003.

**U.S. Patent Applications/Provisional Application(s) Pending:**

U.S. Patent Application, serial No. 10/382577, Hybrid Vehicles, filed March 7, 2003.

**World Intellectual Property Organization (WIPO) Patent Cooperation Treaty (PCT) Applications Pending:**

WIPO PCT Application number PCT/US99/18844 filed September 10, 1999,  
published March 23, 2000 (publication # WO 00/15455)

- Brazil, pending, application number P19913684-8
- Canada, pending, application number 2,343,056
- Europe, published, application number 99969064.7
- Japan, pending, application number 570015/2000
- Japan, pending, application number 350035/2002
- Korea, published, application number 10-2001-7003237
- Mexico, pending, application number PA/A/2001/02685

**Item B. Patent Licenses**

None

**AGREEMENT**

(Patent)

**THIS AGREEMENT** (as amended, supplemented, restated or otherwise modified from time to time, this "Agreement"), dated as of this 28 day of April, 2004 between **PAICE LLC**, a Delaware limited liability company (the "Grantor"), and **Robert S. Oswald**, an individual residing at 22957 Shady Knoll Drive, Bonita Springs, FL 34135 ("Lender").

**WITNESSETH:**

**WHEREAS**, pursuant to that certain the Loan & Security Agreement dated July 19, 2002 (together with all amendments, supplements and other modifications, heretofore and hereafter made thereto) and the Loan & Security Agreement dated March 31, 2004 (together with all amendments, supplements and other modifications, heretofore and hereafter made thereto, collectively the "Loan Agreements"), among Paice Corporation, a Delaware corporation and sole member of Grantor (the "Corporation"), the Lender, Grantor has granted to the Lender a continuing lien and security interest in certain property and assets of the Corporation, including (without limitation) the Existing Patents (as defined below); and

**WHEREAS**, pursuant to a certain Transfer and Assumption Agreement of even date herewith by and between the Corporation and the Grantor, the Corporation has transferred and assigned to the Grantor all of its property and assets (including, without limitation, the Existing Patents) subject to the existing lien and security interest of the Lender; and

**WHEREAS**, pursuant to the terms of the Loan Agreement of even date herewith by and between the Corporation, the Grantor and the Lender, the Grantor has acknowledged that it has received the Existing Patents subject to the existing lien and security interest of the Lender, and has granted to the Lender a security interest in and to (among other things) the Patent Collateral (as defined below); and

**WHEREAS**, pursuant to the terms of the Loan Agreement of even date herewith, the Grantor is required to execute and deliver this Agreement to further evidence the grant to the Lender of a continuing lien and security interest in all of the Patent Collateral to secure all Obligations (as defined in the Loan Agreement); and

**WHEREAS**, the Grantor has duly authorized the execution, delivery and performance of this Agreement;

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Grantor agrees, for the benefit of the Lender, as follows:

**Section 1. Definitions.** Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement, including its preamble and recitals, have the meanings provided in the Loan Agreement.

**Section 2. Grant of Security Interest.** As security for the payment and performance of all of the Obligations, whether or not any instrument or agreement relating to any Obligation specifically refers to this Agreement or the security interest created hereunder, the Grantor hereby grants to the Lender a lien and continuing security interest in, and pledges and assigns to the Lender, all of the following property (the "Patent Collateral"), whether now owned or hereafter acquired or existing:

- (a) all letters patent and applications for letters patent throughout the world, including all patent applications in preparation for filing anywhere in the world and including each patent and patent application referred to in Item A of Attachment 1 hereto (the patents and patent applications referred to in Item A of Attachment 1 hereto, collectively, the "Existing Patents");
- (b) all patent licenses, including each patent license referred to in Item B of Attachment 1 hereto;
- (c) all reissues, divisions, continuations, continuations-in-part, extensions, renewals and reexaminations of any of the items described in the foregoing clauses (a) and (b); and
- (d) all proceeds of, and rights associated with, the foregoing (including license royalties and proceeds of infringement suits), the right to sue third parties for past, present or future infringements of any patent or patent application, including any patent or patent application referred to in Item A of Attachment 1 hereto, and for breach or enforcement of any patent license, including any patent license referred to in Item B of Attachment 1 hereto, and all rights corresponding thereto throughout the world.

The Lender's security interest shall continually exist until the date (the "Termination Date") which is later of (a) the date on which all Obligations (other than Obligations with respect to the Warrants, if any) have been paid in full, and (b) the Maturity Date, whether or not all Obligations shall at any time or from time to time be reduced to zero. The Grantor shall make notations, satisfactory to the Lender, on its books and records disclosing the existence of the Lender's security interest in the Patent Collateral. The Lender shall have no liability or duty, either before or after the occurrence of an Event of Default, on account of loss of or damage to, or to collect or enforce any of its rights against, the Patent Collateral, or to preserve any rights against account debtors or other parties with prior interests in

the Patent Collateral, the sole duty of the Lender in this regard being to exercise reasonable care with respect to tangible Patent Collateral, if any, in its actual possession.

**Section 3. Security Agreement.** This Agreement has been executed and delivered by the Grantor for the purpose of registering the security interest of Lender in the Patent Collateral with the United States Patent and Trademark Office and corresponding offices in other countries of the world. The security interest granted hereby has been granted as further evidence of, and not in limitation of, the security interest granted to the Lender under the Loan Agreement. The Loan Agreement (and all rights and remedies of the Lender thereunder) shall remain in full force and effect in accordance with its terms.

**Section 4. Release of Security Interest.** Upon the Termination Date, the Lender shall, at the Grantor's expense, execute and deliver to the Grantor, without any representations, warranties or recourse of any kind whatsoever, all instruments and other documents as may be necessary or proper to release the lien on and security interest in the Patent Collateral which has been granted hereunder.

**Section 5. Acknowledgment.** The Grantor does hereby further acknowledge and affirm that the rights and remedies of the Lender with respect to the security interest in the Patent Collateral granted hereby are more fully set forth in the Loan Agreement, the terms and provisions of which (including the remedies provided for therein) are incorporated by reference herein as if fully set forth herein.

**Section 6. Loan Document.** This Agreement is one of the Other Agreements executed pursuant to the Loan Agreement and shall (unless otherwise expressly indicated herein) be construed, administered and applied in accordance with the terms and provisions of the Loan Agreement.

**Section 7. Counterparts.** This Agreement may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement.

**REMAINDER OF PAGE INTENTIONALLY LEFT BLANK**



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

**PAICE LLC**  
**as Grantor**

By: Alex J. Severinsky

Name: Alex J. Severinsky  
Title: Chief Executive Officer  
Address:  
c/o Paice Corporation  
6830 Elm Street  
McLean, Virginia 22101  
Fax Number: (703) 288-9474  
Attention: Alex J. Severinsky

**Robert S. Oswald**  
**as Lender**

By: Robert S. Oswald  
Robert S. Oswald  
Address:  
22957 Shady Knoll Drive  
Bonita Springs, FL 34135

**ATTACHMENT 1 TO**  
**AGREEMENT (PATENT)**

**Item A. Patents**

**U.S. Patents Granted:**

U.S. Patent 5,343,970, Hybrid Electric Vehicle, granted September 4, 1994.

U.S. Patent 6,209,672, Hybrid Vehicle, granted April 3, 2001

U.S. Patent 6,338,391, Hybrid Vehicle Incorporating Turbochargers, granted January 15, 2002

U.S. Patent 6,554,088, Hybrid Vehicle, granted April 29, 2003.

**U.S. Patent Applications/Provisional Application(s) Pending:**

U.S. Patent Application, serial No. 10/382577, Hybrid Vehicles, filed March 7, 2003.

**World Intellectual Property Organization (WIPO) Patent Cooperation Treaty (PCT) Applications Pending:**

WIPO PCT Application number PCT/US99/18844 filed September 10, 1999,  
published March 23, 2000 (publication # WO 00/15455)

- Brazil, pending, application number P19913684-8
- Canada, pending, application number 2,343,056
- Europe, published, application number 99969064.7
- Japan, pending, application number 570015/2000
- Japan, pending, application number 350035/2002
- Korea, published, application number 10-2001-7003237
- Mexico, pending, application number PA/A/2001/02685

**Item B. Patent Licenses**

None

## **AGREEMENT**

(Patent)

**THIS AGREEMENT** (as amended, supplemented, restated or otherwise modified from time to time, this "Agreement"), dated as of this 28 day of April, 2004 between **PAICE LLC**, a Delaware limited liability company (the "Grantor"), and **Nelson Schaenen, Jr.**, an individual residing at 56 Midwood Terrace, Madison, NJ 07940 ("Lender").

### **WITNESSETH:**

**WHEREAS**, pursuant to that certain Loan, Warrant, Purchase & Security Agreement dated July 22, 2003 (together with all amendments, supplements and other modifications, heretofore and hereafter made thereto) and the Loan & Security Agreement dated March 31, 2004 (together with all amendments, supplements and other modifications, heretofore and hereafter made thereto, collectively the "Loan Agreements"), among Paice Corporation, a Delaware corporation and sole member of Grantor (the "Corporation"), the Lender, Grantor has granted to the Lender a continuing lien and security interest in certain property and assets of the Corporation, including (without limitation) the Existing Patents (as defined below); and

**WHEREAS**, pursuant to a certain Transfer and Assumption Agreement of even date herewith by and between the Corporation and the Grantor, the Corporation has transferred and assigned to the Grantor all of its property and assets (including, without limitation, the Existing Patents) subject to the existing lien and security interest of the Lender; and

**WHEREAS**, pursuant to the terms of the Loan Agreement of even date herewith by and between the Corporation, the Grantor and the Lender, the Grantor has acknowledged that it has received the Existing Patents subject to the existing lien and security interest of the Lender, and has granted to the Lender a security interest in and to (among other things) the Patent Collateral (as defined below); and

**WHEREAS**, pursuant to the terms of the Loan Agreement of even date herewith, the Grantor is required to execute and deliver this Agreement to further evidence the grant to the Lender of a continuing lien and security interest in all of the Patent Collateral to secure all Obligations (as defined in the Loan Agreement); and

**WHEREAS**, the Grantor has duly authorized the execution, delivery and performance of this Agreement;

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Grantor agrees, for the benefit of the Lender, as follows:

**Section 1. Definitions.** Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement, including its preamble and recitals, have the meanings provided in the Loan Agreement.

**Section 2. Grant of Security Interest.** As security for the payment and performance of all of the Obligations, whether or not any instrument or agreement relating to any Obligation specifically refers to this Agreement or the security interest created hereunder, the Grantor hereby grants to the Lender a lien and continuing security interest in, and pledges and assigns to the Lender, all of the following property (the "Patent Collateral"), whether now owned or hereafter acquired or existing:

- (a) all letters patent and applications for letters patent throughout the world, including all patent applications in preparation for filing anywhere in the world and including each patent and patent application referred to in Item A of Attachment 1 hereto (the patents and patent applications referred to in Item A of Attachment 1 hereto, collectively, the "Existing Patents");
- (b) all patent licenses, including each patent license referred to in Item B of Attachment 1 hereto;
- (c) all reissues, divisions, continuations, continuations-in-part, extensions, renewals and reexaminations of any of the items described in the foregoing clauses (a) and (b); and
- (d) all proceeds of, and rights associated with, the foregoing (including license royalties and proceeds of infringement suits), the right to sue third parties for past, present or future infringements of any patent or patent application, including any patent or patent application referred to in Item A of Attachment 1 hereto, and for breach or enforcement of any patent license, including any patent license referred to in Item B of Attachment 1 hereto, and all rights corresponding thereto throughout the world.

The Lender's security interest shall continually exist until the date (the "Termination Date") which is later of (a) the date on which all Obligations (other than Obligations with respect to the Warrants, if any) have been paid in full, and (b) the Maturity Date, whether or not all Obligations shall at any time or

from time to time be reduced to zero. The Grantor shall make notations, satisfactory to the Lender, on its books and records disclosing the existence of the Lender's security interest in the Patent Collateral. The Lender shall have no liability or duty, either before or after the occurrence of an Event of Default, on account of loss of or damage to, or to collect or enforce any of its rights against, the Patent Collateral, or to preserve any rights against account debtors or other parties with prior interests in the Patent Collateral, the sole duty of the Lender in this regard being to exercise reasonable care with respect to tangible Patent Collateral, if any, in its actual possession.

**Section 3. Security Agreement.** This Agreement has been executed and delivered by the Grantor for the purpose of registering the security interest of Lender in the Patent Collateral with the United States Patent and Trademark Office and corresponding offices in other countries of the world. The security interest granted hereby has been granted as further evidence of, and not in limitation of, the security interest granted to the Lender under the Loan Agreement. The Loan Agreement (and all rights and remedies of the Lender thereunder) shall remain in full force and effect in accordance with its terms.

**Section 4. Release of Security Interest.** Upon the Termination Date, the Lender shall, at the Grantor's expense, execute and deliver to the Grantor, without any representations, warranties or recourse of any kind whatsoever, all instruments and other documents as may be necessary or proper to release the lien on and security interest in the Patent Collateral which has been granted hereunder.

**Section 5. Acknowledgment.** The Grantor does hereby further acknowledge and affirm that the rights and remedies of the Lender with respect to the security interest in the Patent Collateral granted hereby are more fully set forth in the Loan Agreement, the terms and provisions of which (including the remedies provided for therein) are incorporated by reference herein as if fully set forth herein.

**Section 6. Loan Document.** This Agreement is one of the Other Agreements executed pursuant to the Loan Agreement and shall (unless otherwise expressly indicated herein) be construed, administered and applied in accordance with the terms and provisions of the Loan Agreement.

**Section 7. Counterparts.** This Agreement may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement.

**REMAINDER OF PAGE INTENTIONALLY LEFT BLANK**

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

**PAICE LLC**  
as Grantor

By: Alex T. Scovinsky

**Name: Alex J. Severinsky**  
**Title: Chief Executive Officer**  
**Address:**  
**c/o Paice Corporation**  
**6830 Elm Street**  
**McLean, Virginia 22101**  
**Fax Number: (703) 288-9474**  
**Attention: Alex J. Severinsky**

**Nelson Schaenen, Jr.  
as Lender**

By: Nelson Schaenen Jr.  
Nelson Schaenen, Jr.

**Address:**  
**56 Midwood Terrace**  
**Madison, NJ 07940**

**ATTACHMENT 1 TO**  
**AGREEMENT (PATENT)**

**Item A. Patents**

**U.S. Patents Granted:**

U.S. Patent 5,343,970, Hybrid Electric Vehicle, granted September 4, 1994.

U.S. Patent 6,209,672, Hybrid Vehicle, granted April 3, 2001

U.S. Patent 6,338,391, Hybrid Vehicle Incorporating Turbochargers, granted January 15, 2002

U.S. Patent 6,554,088, Hybrid Vehicle, granted April 29, 2003.

**U.S. Patent Applications/Provisional Application(s) Pending:**

U.S. Patent Application, serial No. 10/382577, Hybrid Vehicles, filed March 7, 2003.

**World Intellectual Property Organization (WIPO) Patent Cooperation Treaty (PCT) Applications Pending:**

WIPO PCT Application number PCT/US99/18844 filed September 10, 1999, published March 23, 2000 (publication # WO 00/15455)

- Brazil, pending, application number P19913684-8
- Canada, pending, application number 2,343,056
- Europe, published, application number 99969064.7
- Japan, pending, application number 570015/2000
- Japan, pending, application number 350035/2002
- Korea, published, application number 10-2001-7003237
- Mexico, pending, application number PA/A/2001/02685

**Item B. Patent Licenses**

**None**



## **AGREEMENT**

(Patent)

**THIS AGREEMENT** (as amended, supplemented, restated or otherwise modified from time to time, this "Agreement"), dated as of this 28 day of April, 2004 between **PAICE LLC**, a Delaware limited liability company (the "Grantor"), and **Alex J. Severinsky**, an individual residing at 4707 Foxhall Cresent, Washington, DC 20007 ("Lender").

### **WITNESSETH:**

**WHEREAS**, pursuant to that certain Loan and Security Agreement dated July 19, 2002 (together with all amendments, supplements and other modifications, heretofore and hereafter made thereto, the "Loan Agreement"), among Paice Corporation, a Delaware corporation and sole member of Grantor (the "Corporation"), the Lender, Grantor has granted to the Lender a continuing lien and security interest in certain property and assets of the Corporation, including (without limitation) the Existing Patents (as defined below); and

**WHEREAS**, pursuant to a certain Transfer and Assumption Agreement of even date herewith by and between the Corporation and the Grantor, the Corporation has transferred and assigned to the Grantor all of its property and assets (including, without limitation, the Existing Patents) subject to the existing lien and security interest of the Lender; and

**WHEREAS**, pursuant to the terms of the Loan Agreement of even date herewith by and between the Corporation, the Grantor and the Lender, the Grantor has acknowledged that it has received the Existing Patents subject to the existing lien and security interest of the Lender, and has granted to the Lender a security interest in and to (among other things) the Patent Collateral (as defined below); and

**WHEREAS**, pursuant to the terms of the Loan Agreement of even date herewith, the Grantor is required to execute and deliver this Agreement to further evidence the grant to the Lender of a continuing lien and security interest in all of the Patent Collateral to secure all Obligations (as defined in the Loan Agreement); and

**WHEREAS**, the Grantor has duly authorized the execution, delivery and performance of this Agreement;

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Grantor agrees, for the benefit of the Lender, as follows:

**Section 1. Definitions.** Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement, including its preamble and recitals, have the meanings provided in the Loan Agreement.

**Section 2. Grant of Security Interest.** As security for the payment and performance of all of the Obligations, whether or not any instrument or agreement relating to any Obligation specifically refers to this Agreement or the security interest created hereunder, the Grantor hereby grants to the Lender a lien and continuing security interest in, and pledges and assigns to the Lender, all of the following property (the "Patent Collateral"), whether now owned or hereafter acquired or existing:

- (a) all letters patent and applications for letters patent throughout the world, including all patent applications in preparation for filing anywhere in the world and including each patent and patent application referred to in Item A of Attachment 1 hereto (the patents and patent applications referred to in Item A of Attachment 1 hereto, collectively, the "Existing Patents");
- (b) all patent licenses, including each patent license referred to in Item B of Attachment 1 hereto;
- (c) all reissues, divisions, continuations, continuations-in-part, extensions, renewals and reexaminations of any of the items described in the foregoing clauses (a) and (b); and
- (d) all proceeds of, and rights associated with, the foregoing (including license royalties and proceeds of infringement suits), the right to sue third parties for past, present or future infringements of any patent or patent application, including any patent or patent application referred to in Item A of Attachment 1 hereto, and for breach or enforcement of any patent license, including any patent license referred to in Item B of Attachment 1 hereto, and all rights corresponding thereto throughout the world.

The Lender's security interest shall continually exist until the date (the "Termination Date") which is later of (a) the date on which all Obligations (other than Obligations with respect to the Warrants, if any) have been paid in full, and (b) the Maturity Date, whether or not all Obligations shall at any time or from time to time be reduced to zero. The Grantor shall make notations, satisfactory to the Lender, on its books and records disclosing the existence of the Lender's security interest in the Patent Collateral. The Lender shall have no liability or duty, either before or after the occurrence of an Event of Default, on

account of loss of or damage to, or to collect or enforce any of its rights against, the Patent Collateral, or to preserve any rights against account debtors or other parties with prior interests in the Patent Collateral, the sole duty of the Lender in this regard being to exercise reasonable care with respect to tangible Patent Collateral, if any, in its actual possession.

**Section 3. Security Agreement.** This Agreement has been executed and delivered by the Grantor for the purpose of registering the security interest of Lender in the Patent Collateral with the United States Patent and Trademark Office and corresponding offices in other countries of the world. The security interest granted hereby has been granted as further evidence of, and not in limitation of, the security interest granted to the Lender under the Loan Agreement. The Loan Agreement (and all rights and remedies of the Lender thereunder) shall remain in full force and effect in accordance with its terms.

**Section 4. Release of Security Interest.** Upon the Termination Date, the Lender shall, at the Grantor's expense, execute and deliver to the Grantor, without any representations, warranties or recourse of any kind whatsoever, all instruments and other documents as may be necessary or proper to release the lien on and security interest in the Patent Collateral which has been granted hereunder.

**Section 5. Acknowledgment.** The Grantor does hereby further acknowledge and affirm that the rights and remedies of the Lender with respect to the security interest in the Patent Collateral granted hereby are more fully set forth in the Loan Agreement, the terms and provisions of which (including the remedies provided for therein) are incorporated by reference herein as if fully set forth herein.

**Section 6. Loan Document.** This Agreement is one of the Other Agreements executed pursuant to the Loan Agreement and shall (unless otherwise expressly indicated herein) be construed, administered and applied in accordance with the terms and provisions of the Loan Agreement.

**Section 7. Counterparts.** This Agreement may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]**

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

**PAICE LLC**  
**as Grantor**

By: Alex J. Severinsky  
Name: Alex J. Severinsky  
Title: Chief Executive Officer  
Address:  
c/o Paice Corporation  
6830 Elm Street  
McLean, Virginia 22101  
Fax Number: (703) 288-9474  
Attention: Alex J. Severinsky

**Alex J. Severinsky**  
**as Lender**

By: Alex J. Severinsky  
Alex J. Severinsky  
Address:  
4707 Foxhall Cresent  
Washington, DC 20007

**ATTACHMENT 1 TO**  
**AGREEMENT (PATENT)**

**Item A. Patents**

**U.S. Patents Granted:**

U.S. Patent 5,343,970, Hybrid Electric Vehicle, granted September 4, 1994.

U.S. Patent 6,209,672, Hybrid Vehicle, granted April 3, 2001

U.S. Patent 6,338,391, Hybrid Vehicle Incorporating Turbochargers, granted January 15, 2002

U.S. Patent 6,554,088, Hybrid Vehicle, granted April 29, 2003.

**U.S. Patent Applications/Provisional Application(s) Pending:**

U.S. Patent Application, serial No. 10/382577, Hybrid Vehicles, filed March 7, 2003.

**World Intellectual Property Organization (WIPO) Patent Cooperation Treaty (PCT) Applications Pending:**

WIPO PCT Application number PCT/US99/18844 filed September 10, 1999, published March 23, 2000 (publication # WO 00/15455)

- Brazil, pending, application number P19913684-8
- Canada, pending, application number 2,343,056
- Europe, published, application number 99969064.7
- Japan, pending, application number 570015/2000
- Japan, pending, application number 350035/2002
- Korea, published, application number 10-2001-7003237
- Mexico, pending, application number PA/A/2001/02685

**Item B. Patent Licenses**

**None**

**AGREEMENT****(Patent)**

**THIS AGREEMENT** (as amended, supplemented, restated or otherwise modified from time to time, this "Agreement"), dated as of this 28 day of April, 2004 between PAICE LLC, a Delaware limited liability company (the "Grantor"), and James Y. Severinsky, an individual residing at 3045 Ocean Parkway #2G, Brooklyn, NY 11235 ("Lender").

**WITNESSETH:**

**WHEREAS**, pursuant to that certain Loan and Security Agreement dated July 19, 2002 (together with all amendments, supplements and other modifications, heretofore and hereafter made thereto, the "Loan Agreement"), among Paice Corporation, a Delaware corporation and sole member of Grantor (the "Corporation"), the Lender, Grantor has granted to the Lender a continuing lien and security interest in certain property and assets of the Corporation, including (without limitation) the Existing Patents (as defined below); and

**WHEREAS**, pursuant to a certain Transfer and Assumption Agreement of even date herewith by and between the Corporation and the Grantor, the Corporation has transferred and assigned to the Grantor all of its property and assets (including, without limitation, the Existing Patents) subject to the existing lien and security interest of the Lender; and

**WHEREAS**, pursuant to the terms of the Loan Agreement of even date herewith by and between the Corporation, the Grantor and the Lender, the Grantor has acknowledged that it has received the Existing Patents subject to the existing lien and security interest of the Lender, and has granted to the Lender a security interest in and to (among other things) the Patent Collateral (as defined below); and

**WHEREAS**, pursuant to the terms of the Loan Agreement of even date herewith, the Grantor is required to execute and deliver this Agreement to further evidence the grant to the Lender of a continuing lien and security interest in all of the Patent Collateral to secure all Obligations (as defined in the Loan Agreement); and

**WHEREAS**, the Grantor has duly authorized the execution, delivery and performance of this Agreement;

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Grantor agrees, for the benefit of the Lender, as follows:

**Section 1. Definitions.** Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement, including its preamble and recitals, have the meanings provided in the Loan Agreement.

**Section 2. Grant of Security Interest.** As security for the payment and performance of all of the Obligations, whether or not any instrument or agreement relating to any Obligation specifically refers to this Agreement or the security interest created hereunder, the Grantor hereby grants to the Lender a lien and continuing security interest in, and pledges and assigns to the Lender, all of the following property (the "Patent Collateral"), whether now owned or hereafter acquired or existing:

- (a) all letters patent and applications for letters patent throughout the world, including all patent applications in preparation for filing anywhere in the world and including each patent and patent application referred to in Item A of Attachment 1 hereto (the patents and patent applications referred to in Item A of Attachment 1 hereto, collectively, the "Existing Patents");
- (b) all patent licenses, including each patent license referred to in Item B of Attachment 1 hereto;
- (c) all reissues, divisions, continuations, continuations-in-part, extensions, renewals and reexaminations of any of the items described in the foregoing clauses (a) and (b); and
- (d) all proceeds of, and rights associated with, the foregoing (including license royalties and proceeds of infringement suits), the right to sue third parties for past, present or future infringements of any patent or patent application, including any patent or patent application referred to in Item A of Attachment 1 hereto, and for breach or enforcement of any patent license, including any patent license referred to in Item B of Attachment 1 hereto, and all rights corresponding thereto throughout the world.

The Lender's security interest shall continually exist until the date (the "Termination Date") which is later of (a) the date on which all Obligations (other than Obligations with respect to the Warrants, if any) have been paid in full, and (b) the Maturity Date, whether or not all Obligations shall at any time or from time to time be reduced to zero. The Grantor shall make notations satisfactory to the Lender on its books and records disclosing the existence of the Lender's security interest in the Patent Collateral. The Lender shall have no liability or duty, either before or after the termination of its Term of Default, as a result of loss of or damage to, or to collect or enforce any of its rights against, the Patent Collateral or in connection with any rights against or claims against or claims against the Patent Collateral.

the Patent Collateral, the sole duty of the Lender in this regard being to exercise reasonable care with respect to tangible Patent Collateral, if any, in its actual possession.

**Section 5. Security Instruments.** This agreement has been executed and delivered by the Grantor for the purpose of registering the security interest of Lender in the Patent Collateral with the United States Patent and Trademark Office and corresponding offices in other countries of the world. The security interest created hereby has been created as further evidence of, and not in limitation of, the security interest granted to the Lender under the Loan Agreement. The Loan Agreement and all rights and obligations hereunder shall survive the termination of this agreement.

**Section 6. Release of Security Interest.** Upon the Termination Date, the Lender shall, at the Grantor's expense, execute and deliver to the Grantor, without any representations, warranties or covenants of any kind whatsoever, all instruments and other documents as may be necessary or proper to release the lien on and security interest in the Patent Collateral created by this security instrument.

**Section 7. Assignment of Security Interest.** The security interest in the Patent Collateral created hereby shall survive the assignment of the Loan Agreement, the rights and obligations hereunder (including the remedies provided for therein) shall be enforceable by assignee or assigns of the Lender.

**Section 8. Loan Documents.** This Agreement is one of the Other Agreements executed pursuant to the Loan Agreement and shall (unless otherwise expressly indicated herein) be construed, administered and applied in accordance with the terms and provisions of the Loan Agreement.

**Section 9. Counterparts.** This Agreement may be executed in several counterparts, each of which shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement.

**WITNESSES:**



THESE DOCUMENTS, THE PATENT MUST HAVE BEEN  
IN THE PUBLIC DOMAIN AND DERIVED BY EACH RESPECTIVE PARTY  
duly authorized as of the day and year first above written.

**PATENT**

as Grantor

By: Alex J. Severinsky

Name: Alex J. Severinsky  
Title: Chief Executive Officer  
Address:  
c/o Patco Corporation  
6666 Elm Street  
M.I. 480, W. 4800 0000  
Fax Number: (703) 000 0474  
Attention: Alex J. Severinsky

**James Y. Severinsky**  
as Lender

By: [Signature]

James Y. Severinsky  
Address:  
8045 Ocean Parkway #2G  
Brooklyn, NY 11235

**ATTACHMENT 1 TO**  
**AGREEMENT (PATENT)**

**Item A. Patents**

**U.S. Patents Granted:**

- U.S. Patent 5,343,970, Hybrid Electric Vehicle, granted September 4, 1994.
- U.S. Patent 6,209,672, Hybrid Vehicle, granted April 3, 2001
- U.S. Patent 6,338,391, Hybrid Vehicle Incorporating Turbochargers, granted January 15, 2002
- U.S. Patent 6,554,088, Hybrid Vehicle, granted April 29, 2003.

**U.S. Patent Applications/Provisional Application(s) Pending:**

- U.S. Patent Application, serial No. 10/382577, Hybrid Vehicles, filed March 7, 2003.

**World Intellectual Property Organization (WIPO) Patent Cooperation Treaty (PCT) Applications Pending:**

WIPO PCT Application number PCT/US99/18844 filed September 10, 1999,  
published March 23, 2000 (publication # WO 00/15455)

- Brazil, pending, application number P19913684-8
- Canada, pending, application number 2,343,056
- Europe, published, application number 99969064.7
- Japan, pending, application number 570015/2000
- Japan, pending, application number 350035/2002
- Korea, published, application number 10-2001-7003237
- Mexico, pending, application number PA/A/2001/02685

**Item B. Patent Licenses**

None

# **AGREEMENT**

(Patent)

**THIS AGREEMENT** (as amended, supplemented, restated or otherwise modified from time to time, this "Agreement"), dated as of this 28 day of April, 2004 between **PAICE LLC**, a Delaware limited liability company (the "Grantor"), and **Allen Swenson**, an individual residing at 24 Curlew Way, Novato, CA 94949 ("Lender").

## **WITNESSETH:**

**WHEREAS**, pursuant to that certain Loan and Security Agreement dated July 19, 2002 (together with all amendments, supplements and other modifications, heretofore and hereafter made thereto, the "Loan Agreement"), among Paice Corporation, a Delaware corporation and sole member of Grantor (the "Corporation"), the Lender, Grantor has granted to the Lender a continuing lien and security interest in certain property and assets of the Corporation, including (without limitation) the Existing Patents (as defined below); and

**WHEREAS**, pursuant to a certain Transfer and Assumption Agreement of even date herewith by and between the Corporation and the Grantor, the Corporation has transferred and assigned to the Grantor all of its property and assets (including, without limitation, the Existing Patents) subject to the existing lien and security interest of the Lender; and

**WHEREAS**, pursuant to the terms of the Loan Agreement of even date herewith by and between the Corporation, the Grantor and the Lender, the Grantor has acknowledged that it has received the Existing Patents subject to the existing lien and security interest of the Lender, and has granted to the Lender a security interest in and to (among other things) the Patent Collateral (as defined below); and

**WHEREAS**, pursuant to the terms of the Loan Agreement of even date herewith, the Grantor is required to execute and deliver this Agreement to further evidence the grant to the Lender of a continuing lien and security interest in all of the Patent Collateral to secure all Obligations (as defined in the Loan Agreement); and

**WHEREAS**, the Grantor has duly authorized the execution, delivery and performance of this Agreement;

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Grantor agrees, for the benefit of the Lender, as follows:

**Section 1. Definitions.** Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement, including its preamble and recitals, have the meanings provided in the Loan Agreement.

**Section 2. Grant of Security Interest.** As security for the payment and performance of all of the Obligations, whether or not any instrument or agreement relating to any Obligation specifically refers to this Agreement or the security interest created hereunder, the Grantor hereby grants to the Lender a lien and continuing security interest in, and pledges and assigns to the Lender, all of the following property (the "Patent Collateral"), whether now owned or hereafter acquired or existing:

- (a) all letters patent and applications for letters patent throughout the world, including all patent applications in preparation for filing anywhere in the world and including each patent and patent application referred to in Item A of Attachment 1 hereto (the patents and patent applications referred to in Item A of Attachment 1 hereto, collectively, the "Existing Patents");
- (b) all patent licenses, including each patent license referred to in Item B of Attachment 1 hereto;
- (c) all reissues, divisions, continuations, continuations-in-part, extensions, renewals and reexaminations of any of the items described in the foregoing clauses (a) and (b); and
- (d) all proceeds of, and rights associated with, the foregoing (including license royalties and proceeds of infringement suits), the right to sue third parties for past, present or future infringements of any patent or patent application, including any patent or patent application referred to in Item A of Attachment 1 hereto, and for breach or enforcement of any patent license, including any patent license referred to in Item B of Attachment 1 hereto, and all rights corresponding thereto throughout the world.

The Lender's security interest shall continually exist until the date (the "Termination Date") which is later of (a) the date on which all Obligations (other than Obligations with respect to the Warrants, if any) have been paid in full, and (b) the Maturity Date, whether or not all Obligations shall at any time or from time to time be reduced to zero. The Grantor shall make notations, satisfactory to the Lender, on its books and records disclosing the existence of the Lender's security interest in the Patent Collateral. The Lender shall have no liability or duty, either before or after the occurrence of an Event of Default, on

account of loss of or damage to, or to collect or enforce any of its rights against, the Patent Collateral, or to preserve any rights against account debtors or other parties with prior interests in the Patent Collateral, the sole duty of the Lender in this regard being to exercise reasonable care with respect to tangible Patent Collateral, if any, in its actual possession.

**Section 3. Security Agreement.** This Agreement has been executed and delivered by the Grantor for the purpose of registering the security interest of Lender in the Patent Collateral with the United States Patent and Trademark Office and corresponding offices in other countries of the world. The security interest granted hereby has been granted as further evidence of, and not in limitation of, the security interest granted to the Lender under the Loan Agreement. The Loan Agreement (and all rights and remedies of the Lender thereunder) shall remain in full force and effect in accordance with its terms.

**Section 4. Release of Security Interest.** Upon the Termination Date, the Lender shall, at the Grantor's expense, execute and deliver to the Grantor, without any representations, warranties or recourse of any kind whatsoever, all instruments and other documents as may be necessary or proper to release the lien on and security interest in the Patent Collateral which has been granted hereunder.

**Section 5. Acknowledgment.** The Grantor does hereby further acknowledge and affirm that the rights and remedies of the Lender with respect to the security interest in the Patent Collateral granted hereby are more fully set forth in the Loan Agreement, the terms and provisions of which (including the remedies provided for therein) are incorporated by reference herein as if fully set forth herein.

**Section 6. Loan Document.** This Agreement is one of the Other Agreements executed pursuant to the Loan Agreement and shall (unless otherwise expressly indicated herein) be construed, administered and applied in accordance with the terms and provisions of the Loan Agreement.

**Section 7. Counterparts.** This Agreement may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]**

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

**PAICE LLC**  
as Grantor

By: Alex J. Severinsky

Name: Alex J. Severinsky  
Title: Chief Executive Officer  
Address:  
c/o Paice Corporation  
6830 Elm Street  
McLean, Virginia 22101  
Fax Number: (703) 288-9474  
Attention: Alex J. Severinsky

**James Y. Severinsky**  
as Lender

By: James Y. Severinsky

James Y. Severinsky  
Address:  
3045 Ocean Parkway #2G  
Brooklyn, NY 11235

Allen Swanson

AS Lender

By: Allen Swanson

Allen Swanson  
24 Curlew Way  
Novato, CA 94949

**ATTACHMENT 1 TO**  
**AGREEMENT (PATENT)**

**Item A. Patents**

**U.S. Patents Granted:**

U.S. Patent 5,343,970, Hybrid Electric Vehicle, granted September 4, 1994.

U.S. Patent 6,209,672, Hybrid Vehicle, granted April 3, 2001

U.S. Patent 6,338,391, Hybrid Vehicle Incorporating Turbochargers, granted January 15, 2002

U.S. Patent 6,554,088, Hybrid Vehicle, granted April 29, 2003.

**U.S. Patent Applications/Provisional Application(s) Pending:**

U.S. Patent Application, serial No. 10/382577, Hybrid Vehicles, filed March 7, 2003.

**World Intellectual Property Organization (WIPO) Patent Cooperation Treaty (PCT) Applications Pending:**

WIPO PCT Application number PCT/US99/18844 filed September 10, 1999, published March 23, 2000 (publication # WO 00/15455)

- Brazil, pending, application number P19913684-8
- Canada, pending, application number 2,343,056
- Europe, published, application number 99969064.7
- Japan, pending, application number 570015/2000
- Japan, pending, application number 350035/2002
- Korea, published, application number 10-2001-7003237
- Mexico, pending, application number PA/A/2001/02685

**Item B. Patent Licenses**

**None**

## **AGREEMENT**

(Patent)

**THIS AGREEMENT** (as amended, supplemented, restated or otherwise modified from time to time, this "Agreement"), dated as of this 28 day of April, 2004 between **PAICE LLC**, a Delaware limited liability company (the "Grantor"), and **Robert J. Templin**, an individual residing at 605 Robin Dale Drive, Austin, TX 78734 ("Lender").

### **WITNESSETH:**

**WHEREAS**, pursuant to that certain the Loan & Security Agreement dated July 19, 2002 (together with all amendments, supplements and other modifications, heretofore and hereafter made thereto) and the Loan & Security Agreement dated March 31, 2004 (together with all amendments, supplements and other modifications, heretofore and hereafter made thereto, collectively the "Loan Agreements"), among Paice Corporation, a Delaware corporation and sole member of Grantor (the "Corporation"), the Lender, Grantor has granted to the Lender a continuing lien and security interest in certain property and assets of the Corporation, including (without limitation) the Existing Patents (as defined below); and

**WHEREAS**, pursuant to a certain Transfer and Assumption Agreement of even date herewith by and between the Corporation and the Grantor, the Corporation has transferred and assigned to the Grantor all of its property and assets (including, without limitation, the Existing Patents) subject to the existing lien and security interest of the Lender; and

**WHEREAS**, pursuant to the terms of the Loan Agreement of even date herewith by and between the Corporation, the Grantor and the Lender, the Grantor has acknowledged that it has received the Existing Patents subject to the existing lien and security interest of the Lender, and has granted to the Lender a security interest in and to (among other things) the Patent Collateral (as defined below); and

**WHEREAS**, pursuant to the terms of the Loan Agreement of even date herewith, the Grantor is required to execute and deliver this Agreement to further evidence the grant to the Lender of a continuing lien and security interest in all of the Patent Collateral to secure all Obligations (as defined in the Loan Agreement); and

**WHEREAS**, the Grantor has duly authorized the execution, delivery and performance of this Agreement;



**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Grantor agrees, for the benefit of the Lender, as follows:

**Section 1. Definitions.** Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement, including its preamble and recitals, have the meanings provided in the Loan Agreement.

**Section 2. Grant of Security Interest.** As security for the payment and performance of all of the Obligations, whether or not any instrument or agreement relating to any Obligation specifically refers to this Agreement or the security interest created hereunder, the Grantor hereby grants to the Lender a lien and continuing security interest in, and pledges and assigns to the Lender, all of the following property (the "Patent Collateral"), whether now owned or hereafter acquired or existing:

- (a) all letters patent and applications for letters patent throughout the world, including all patent applications in preparation for filing anywhere in the world and including each patent and patent application referred to in Item A of Attachment 1 hereto (the patents and patent applications referred to in Item A of Attachment 1 hereto, collectively, the "Existing Patents");
- (b) all patent licenses, including each patent license referred to in Item B of Attachment 1 hereto;
- (c) all reissues, divisions, continuations, continuations-in-part, extensions, renewals and reexaminations of any of the items described in the foregoing clauses (a) and (b); and
- (d) all proceeds of, and rights associated with, the foregoing (including license royalties and proceeds of infringement suits), the right to sue third parties for past, present or future infringements of any patent or patent application, including any patent or patent application referred to in Item A of Attachment 1 hereto, and for breach or enforcement of any patent license, including any patent license referred to in Item B of Attachment 1 hereto, and all rights corresponding thereto throughout the world.

The Lender's security interest shall continually exist until the date (the "Termination Date") which is later of (a) the date on which all Obligations (other than Obligations with respect to the Warrants, if any) have been paid in full, and (b) the Maturity Date, whether or not all Obligations shall at any time or

from time to time be reduced to zero. The Grantor shall make notations, satisfactory to the Lender, on its books and records disclosing the existence of the Lender's security interest in the Patent Collateral. The Lender shall have no liability or duty, either before or after the occurrence of an Event of Default, on account of loss of or damage to, or to collect or enforce any of its rights against, the Patent Collateral, or to preserve any rights against account debtors or other parties with prior interests in the Patent Collateral, the sole duty of the Lender in this regard being to exercise reasonable care with respect to tangible Patent Collateral, if any, in its actual possession.

**Section 3. Security Agreement.** This Agreement has been executed and delivered by the Grantor for the purpose of registering the security interest of Lender in the Patent Collateral with the United States Patent and Trademark Office and corresponding offices in other countries of the world. The security interest granted hereby has been granted as further evidence of, and not in limitation of, the security interest granted to the Lender under the Loan Agreement. The Loan Agreement (and all rights and remedies of the Lender thereunder) shall remain in full force and effect in accordance with its terms.

**Section 4. Release of Security Interest.** Upon the Termination Date, the Lender shall, at the Grantor's expense, execute and deliver to the Grantor, without any representations, warranties or recourse of any kind whatsoever, all instruments and other documents as may be necessary or proper to release the lien on and security interest in the Patent Collateral which has been granted hereunder.

**Section 5. Acknowledgment.** The Grantor does hereby further acknowledge and affirm that the rights and remedies of the Lender with respect to the security interest in the Patent Collateral granted hereby are more fully set forth in the Loan Agreement, the terms and provisions of which (including the remedies provided for therein) are incorporated by reference herein as if fully set forth herein.

**Section 6. Loan Document.** This Agreement is one of the Other Agreements executed pursuant to the Loan Agreement and shall (unless otherwise expressly indicated herein) be construed, administered and applied in accordance with the terms and provisions of the Loan Agreement.

**Section 7. Counterparts.** This Agreement may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]**

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

**PAICE LLC  
as Grantor**

By: Alex J. Severinsky

Name: Alex J. Severinsky

Title: Chief Executive Officer

Address:

c/o Paice Corporation

6830 Elm Street

McLean, Virginia 22101

Fax Number: (703) 288-9474

Attention: Alex J. Severinsky

**Robert J. Templin  
as Lender**

By: Robert J. Templin

Robert J. Templin

Address:

605 Robin Dale Drive

Austin, TX 78734

**ATTACHMENT 1 TO**  
**AGREEMENT (PATENT)**

**Item A. Patents**

**U.S. Patents Granted:**

U.S. Patent 5,343,970, Hybrid Electric Vehicle, granted September 4, 1994.

U.S. Patent 6,209,672, Hybrid Vehicle, granted April 3, 2001

U.S. Patent 6,338,391, Hybrid Vehicle Incorporating Turbochargers, granted January 15, 2002

U.S. Patent 6,554,088, Hybrid Vehicle, granted April 29, 2003.

**U.S. Patent Applications/Provisional Application(s) Pending:**

U.S. Patent Application, serial No. 10/382577, Hybrid Vehicles, filed March 7, 2003.

**World Intellectual Property Organization (WIPO) Patent Cooperation Treaty (PCT) Applications Pending:**

WIPO PCT Application number PCT/US99/18844 filed September 10, 1999, published March 23, 2000 (publication # WO 00/15455)

- Brazil, pending, application number P19913684-8
- Canada, pending, application number 2,343,056
- Europe, published, application number 99969064.7
- Japan, pending, application number 570015/2000
- Japan, pending, application number 350035/2002
- Korea, published, application number 10-2001-7003237
- Mexico, pending, application number PA/A/2001/02685

**Item B. Patent Licenses**

**None**

## **AGREEMENT**

(Patent)

**THIS AGREEMENT** (as amended, supplemented, restated or otherwise modified from time to time, this "Agreement"), dated as of this 28 day of April, 2004 between **PAICE LLC**, a Delaware limited liability company (the "Grantor"), and **Joseph D. Tydings**, an individual, c/o Dickstein, Shapiro, Morin & Oshinsky, LLP, 2101 L Street NW, Washington, DC 20037 ("Lender").

### **WITNESSETH:**

**WHEREAS**, pursuant to that Loan and Security Agreement dated March 31, 2004 (together with all amendments, supplements and other modifications, heretofore and hereafter made thereto, the "Loan Agreement"), among Paice Corporation, a Delaware corporation and sole member of Grantor (the "Corporation"), the Lender, Grantor has granted to the Lender a continuing lien and security interest in certain property and assets of the Corporation, including (without limitation) the Existing Patents (as defined below); and

**WHEREAS**, pursuant to a certain Transfer and Assumption Agreement of even date herewith by and between the Corporation and the Grantor, the Corporation has transferred and assigned to the Grantor all of its property and assets (including, without limitation, the Existing Patents) subject to the existing lien and security interest of the Lender; and

**WHEREAS**, pursuant to the terms of the Loan Agreement of even date herewith by and between the Corporation, the Grantor and the Lender, the Grantor has acknowledged that it has received the Existing Patents subject to the existing lien and security interest of the Lender, and has granted to the Lender a security interest in and to (among other things) the Patent Collateral (as defined below); and

**WHEREAS**, pursuant to the terms of the Loan Agreement of even date herewith, the Grantor is required to execute and deliver this Agreement to further evidence the grant to the Lender of a continuing lien and security interest in all of the Patent Collateral to secure all Obligations (as defined in the Loan Agreement); and

**WHEREAS**, the Grantor has duly authorized the execution, delivery and performance of this Agreement;

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Grantor agrees, for the benefit of the Lender, as follows:

**Section 1. Definitions.** Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement, including its preamble and recitals, have the meanings provided in the Loan Agreement.

**Section 2. Grant of Security Interest.** As security for the payment and performance of all of the Obligations, whether or not any instrument or agreement relating to any Obligation specifically refers to this Agreement or the security interest created hereunder, the Grantor hereby grants to the Lender a lien and continuing security interest in, and pledges and assigns to the Lender, all of the following property (the "Patent Collateral"), whether now owned or hereafter acquired or existing:

- (a) all letters patent and applications for letters patent throughout the world, including all patent applications in preparation for filing anywhere in the world and including each patent and patent application referred to in Item A of Attachment 1 hereto (the patents and patent applications referred to in Item A of Attachment 1 hereto, collectively, the "Existing Patents");
- (b) all patent licenses, including each patent license referred to in Item B of Attachment 1 hereto;
- (c) all reissues, divisions, continuations, continuations-in-part, extensions, renewals and reexaminations of any of the items described in the foregoing clauses (a) and (b); and
- (d) all proceeds of, and rights associated with, the foregoing (including license royalties and proceeds of infringement suits), the right to sue third parties for past, present or future infringements of any patent or patent application, including any patent or patent application referred to in Item A of Attachment 1 hereto, and for breach or enforcement of any patent license, including any patent license referred to in Item B of Attachment 1 hereto, and all rights corresponding thereto throughout the world.

The Lender's security interest shall continually exist until the date (the "Termination Date") which is later of (a) the date on which all Obligations (other than Obligations with respect to the Warrants, if any) have been paid in full, and (b) the Maturity Date, whether or not all Obligations shall at any time or from time to time be reduced to zero. The Grantor shall make notations, satisfactory to the Lender, on its books and records disclosing the existence of the Lender's security interest in the Patent Collateral. The Lender shall have no liability or duty, either before or after the occurrence of an Event of Default, on

account of loss of or damage to, or to collect or enforce any of its rights against, the Patent Collateral, or to preserve any rights against account debtors or other parties with prior interests in the Patent Collateral, the sole duty of the Lender in this regard being to exercise reasonable care with respect to tangible Patent Collateral, if any, in its actual possession.

**Section 3. Security Agreement.** This Agreement has been executed and delivered by the Grantor for the purpose of registering the security interest of Lender in the Patent Collateral with the United States Patent and Trademark Office and corresponding offices in other countries of the world. The security interest granted hereby has been granted as further evidence of, and not in limitation of, the security interest granted to the Lender under the Loan Agreement. The Loan Agreement (and all rights and remedies of the Lender thereunder) shall remain in full force and effect in accordance with its terms.

**Section 4. Release of Security Interest.** Upon the Termination Date, the Lender shall, at the Grantor's expense, execute and deliver to the Grantor, without any representations, warranties or recourse of any kind whatsoever, all instruments and other documents as may be necessary or proper to release the lien on and security interest in the Patent Collateral which has been granted hereunder.

**Section 5. Acknowledgment.** The Grantor does hereby further acknowledge and affirm that the rights and remedies of the Lender with respect to the security interest in the Patent Collateral granted hereby are more fully set forth in the Loan Agreement, the terms and provisions of which (including the remedies provided for therein) are incorporated by reference herein as if fully set forth herein.

**Section 6. Loan Document.** This Agreement is one of the Other Agreements executed pursuant to the Loan Agreement and shall (unless otherwise expressly indicated herein) be construed, administered and applied in accordance with the terms and provisions of the Loan Agreement.


**Section 7. Counterparts.** This Agreement may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]**



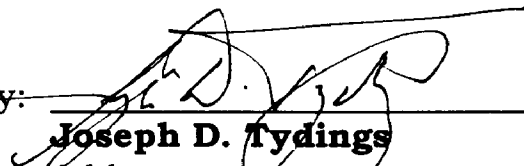
**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the day and year first above written.

**PAICE LLC  
as Grantor**

By: 

Name: Alex J. Severinsky  
Title: Chief Executive Officer  
Address:  
c/o Paice Corporation  
6830 Elm Street  
McLean, Virginia 22101  
Fax Number: (703) 288-9474  
Attention: Alex J. Severinsky

**Joseph D. Tydings  
as Lender**

By: 

**Joseph D. Tydings**  
Address:  
c/o Dickstein, Shapiro, Morin &  
Oshinsky, LLP  
2101 L Street NW  
Washington, DC 20037

**ATTACHMENT 1 TO**  
**AGREEMENT (PATENT)**

**Item A. Patents**

**U.S. Patents Granted:**

U.S. Patent 5,343,970, Hybrid Electric Vehicle, granted September 4, 1994.

U.S. Patent 6,209,672, Hybrid Vehicle, granted April 3, 2001

U.S. Patent 6,338,391, Hybrid Vehicle Incorporating Turbochargers, granted January 15, 2002

U.S. Patent 6,554,088, Hybrid Vehicle, granted April 29, 2003.

**U.S. Patent Applications/Provisional Application(s) Pending:**

U.S. Patent Application, serial No. 10/382577, Hybrid Vehicles, filed March 7, 2003.

**World Intellectual Property Organization (WIPO) Patent Cooperation Treaty (PCT) Applications Pending:**

WIPO PCT Application number PCT/US99/18844 filed September 10, 1999, published March 23, 2000 (publication # WO 00/15455)

- Brazil, pending, application number P19913684-8
- Canada, pending, application number 2,343,056
- Europe, published, application number 99969064.7
- Japan, pending, application number 570015/2000
- Japan, pending, application number 350035/2002
- Korea, published, application number 10-2001-7003237
- Mexico, pending, application number PA/A/2001/02685

**Item B. Patent Licenses**

**None**