

**PATENT ASSIGNMENT**

Electronic Version v1.1  
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| <b>SUBMISSION TYPE:</b>  | NEW ASSIGNMENT                    |
| <b>NATURE OF CONVEYANCE:</b>   | ASSIGNMENT                        |
| <b>CONVEYING PARTY DATA</b>  |                                   |
| <b>Name</b>  | <b>Execution Date</b>             |
| Cobalt Energy, LLC   | 04/25/2005                        |
| <b>RECEIVING PARTY DATA</b>  |                                   |
| <b>Name:</b>   | Arete Power, Inc.                 |
| <b>Street Address:</b>   | 1001 S. Meadows Pkwy # 1126       |
| <b>City:</b>   | Reno                              |
| <b>State/Country:</b>  | NEVADA                            |
| <b>Postal Code:</b>  | 89521-3865                        |
| <b>PROPERTY NUMBERS Total: 1</b>   |                                   |
| <b>Property Type</b>   | <b>Number</b>                     |
| <b>Patent Number:</b>  | 6710489                           |
| <b>CORRESPONDENCE DATA</b>   |                                   |
| <b>Fax Number:</b>   | (888)325-9725                     |
| <i>Correspondence will be sent via US Mail when the fax attempt is unsuccessful.</i> |                                   |
| <b>Phone:</b>  | 617-239-0100                      |
| <b>Email:</b>  | bgaff@eapdlaw.com                 |
| <b>Correspondent Name:</b>   | Edwards Angell Palmer & Dodge LLP |
| <b>Address Line 1:</b>   | P.O. Box 55874                    |
| <b>Address Line 4:</b>   | Boston, MASSACHUSETTS 02205       |
| <b>ATTORNEY DOCKET NUMBER:</b>   | 303568/69455                      |
| <b>NAME OF SUBMITTER:</b>  | Brian M. Gaff                     |
| <b>Total Attachments: 4</b>  |                                   |
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| source=Cobalt Energy - Arete Power Sales Agreement#page2.tif                         |                                   |
| source=Cobalt Energy - Arete Power Sales Agreement#page3.tif                         |                                   |
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CH \$40.00 6710489

## SALES AGREEMENT

This agreement, entered into as of April 25<sup>th</sup> 2005 between Cobalt Energy, LLC ("Cobalt") a Delaware Corporation, having a mailing address at 32 El Gavilan, Orinda, CA 94563 and Arete Power, Inc. ("Arete"), a Nevada corporation having a place of business at 1001 S. Meadows Pkwy #1126, Reno, NV 89521.

### WITNESSETH THAT

WHEREAS Cobalt has been engaged in a development-stage business of developing flywheel energy storage systems and related components and subsystems (hereinafter collectively referred to as "FESS"), and in the course of that business has created a body of intellectual property, including inventions, patents, patent applications, know-how, trade secrets, trademarks, trademark applications, and copyrights (hereinafter referred to as Cobalt's "IP Portfolio"), and

WHEREAS Cobalt has ceased all business and development pertaining to FESS and desires to sell all of Cobalt's rights, interests, assets and good will in the business of flywheels, flywheel energy storage systems and related systems, components and subsystems, and all possible uses thereof ("Cobalt's Business and Technology"), along with Cobalt's IP Portfolio and

WHEREAS Arete has an interest in pursuing a business which may include development and sale or licensing of FESS, based in part on Cobalt's IP Portfolio and Cobalt's Business and Technology, and Arete desires to purchase Cobalt's IP Portfolio and Cobalt's Business and Technology for use, sale or licensing in Arete's business; and

WHEREAS Cobalt and Arete agree to this SALES AGREEMENT;

NOW, THEREFORE, in consideration of the premises and mutual covenants hereinafter contained, the Parties hereto agree as follows:

1. **Sale:** Cobalt hereby sells and assigns all parts of Cobalt's IP Portfolio to Arete. Cobalt hereby sells and assigns to Arete all of Cobalt's Business and Technology.
2. **Consideration:** Arete hereby assumes full responsibility to pay Cobalt's debts owed to J. Michael Neary for legal services totaling \_\_\_\_\_ and to debts owed to Tim Rodgers for money loaned to the company and debts for services rendered totaling \_\_\_\_\_. Arete further assumes all obligations of Cobalt, and in particular, including those obligations incurred as part of Cobalt's previous Sales Agreement with Indigo Energy.
3. **Representations and Warranties:**
  - a. Cobalt and Arete represent that they have the power and capacity to enter into the transaction expressed in this Agreement.
  - b. Cobalt makes no representation or warranty as to the value of the IP Portfolio, nor as to whether the IP can be patented or copyrighted or otherwise protected, nor as to the current status of any patent application, nor as to whether the list in Appendix A is correct or complete.

e. Cobalt believes that it owns the patents and patent applications listed in Appendix A, but does not represent that all patents and patent applications listed thereon have been assigned to Cobalt. Some assignments for individual patents or patent applications may not have been completed. Therefore the assignment of the patents and patent applications set forth in Appendix A should be considered to be in the nature of quitclaim deed.

4. Limitations of Liability: Arete and Cobalt release each other from any claims which could be asserted against each other and against current and former officers, directors and the employees and associates of each other based on claims arising out of this transaction. Arete and Cobalt indemnify each other for claims made by its creditors and against assets of the other party. Neither party shall retain any residual claims on the income, assets nor business of the other party after this Sales Agreement is executed.

5. Applicable Law: This Agreement shall be governed in all respects by the law of the State of Nevada, exclusive of any Conflicts of Law rules. Both parties consent to the State and Federal courts in the State of Nevada for resolution of disputes between Parties under this Agreement, and agree that service of process by Registered U.S. Mail shall be a valid substitute for personal service on themselves in Nevada or wherever they can be found.

6. Entire Agreement and Amendments: This Agreement contains and constitutes the entire understanding and agreement between the Parties respecting the subject matter hereof and supercedes and cancels all previous negotiations, agreements, commitments and writings in connection therewith.

IN WITNESS WHEREOF, each of the Parties hereto has caused this Agreement to be executed in duplicate by its duly authorized officers and representatives.

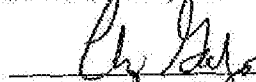
Cobalt Energy, LLC



Tim Rodgers, Member

Date: 4/25/05

Arete Power, Inc.



Chris Gabrys, President

Date: 4/25/05

Attachment A: Assignment of Patents and Patent Applications

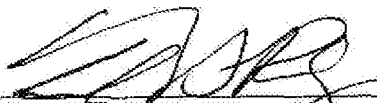
ATTACHMENT A

WHEREAS Cobalt Energy, LLC, a limited liability company duly organized under the laws of the State of Delaware, having a mailing address at 32 El Gavilan, Orinda, CA 94563, (hereinafter referred to as Cobalt), is the owner by mesne assignment of the following Patents and Patent Applications for Inventions listed in Appendix A, and

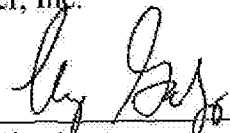
WHEREAS, Arete Power, a Nevada corporation having an office at 1001 S. Meadows Pkwy. #1126, Reno, NV 89521, (hereinafter referred to as Arete), is desirous of acquiring the entire right and title to and interest in said Patents and Patent Applications and Inventions;

NOW, THEREFORE, for sufficient good and valuable consideration, the receipt of which is hereby acknowledged, Cobalt does hereby sell, assign, and transfer unto Arete the entire right and title to and interest in said Patents, Patent Applications and Inventions, including the right to apply for patents thereon in any and all jurisdictions including, but not limited to, the United States, all foreign countries, the Patent Cooperation Treaty, and the European Patent Convention in the name of the inventors or in the name of Arete; said Inventions and all patent Applications and Patents on said Inventions to be held and enjoyed by Arete as entirely as the same would have been held and enjoyed by Cobalt had this sale, assignment and transfer not been made; and Cobalt does hereby further agree and promise to execute all instruments and render all such assistance as Arete may request in order to make and prosecute any and all applications on said inventions, to enforce any and all patents on said inventions, and to confirm in Arete legal title to said Inventions and all Patent Applications and Patents on said Inventions, all without charge to Arete, but at no expense to Cobalt.

Cobalt Energy, LLC

By:   
Name: TIMOTHY S. RODGERS  
Title: MEMBER  
Date: 4/25/05

Arete Power, Inc.

By:   
Name: Chris Gabrys  
Title: President  
Date: 4/25/05

## APPENDIX A

### Issued Patents

|  |              |
|--|--------------|
| 1. Active Magnetic Thrust Bearing  | US 6,703,735 |
| 3. Axially Free Flywheel System  | US 6,710,489 |
| 4. Combination Mechanical and Magnetic Support for a Flywheel Power Supply | US 6,630,761 |
| 5. Device for Prevention of Power Interruptions                            | US 6,720,674 |
| 6. Flywheel Device With Active Magnetic Bearings                           | US 6,564,680 |
| 7. Flywheel Energy Storage System  | US 6,819,012 |
| 8. Flywheel Energy Storage System with Quill Stabilizer                    | US 6,727,616 |
| 9. Flywheel System with Tilt Switch  | US 6,707,187 |
| 10. Flywheel Power Source With Passive Generator Cooling                   | US 6,624,542 |
| 11. Flywheel Uninterruptible Power Source                                  | US 6,486,627 |
| 12. Flywheel With Switched Coupling Regulator                              | US 6,788,029 |
| 16. Inductor Alternator Flywheel System                                    | US 6,794,776 |
| 17. Low Outgas Flywheel Motor/Generator                                    | US 6,798,092 |
| 18. Permanent Magnetic Bearing   | US 6,806,605 |
| 19. Speed Control for a Flywheel Energy Storage System                     | US 6,639,370 |
| 20. Uninterruptible Power Supply using a High Speed Cylinder Flywheel      | US 6,825,588 |
| 21. Vacuum Regeneration Method for a Flywheel System                       | US 6,585,490 |

### Pending Utility Patent Applications

|  |            |
|--|------------|
| 4. Life Counter for Flywheel Energy Storage Systems    | 10/329,105 |
| 5. Long-Life Vacuum System for a Flywheel Power Source | 10/344,442 |
| 7. Online Alternator Flywheel System                   | 10/617,202 |
| 8. Stacked Disc Flywheel                               | 10/148,935 |