

TRADEMARK ASSIGNMENT

Electronic Version v1.1
 Stylesheet Version v1.1

SUBMISSION TYPE:	NEW ASSIGNMENT
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NATURE OF CONVEYANCE:	SECURITY INTEREST
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CONVEYING PARTY DATA

Name	Formerly	Execution Date	Entity Type
Clean Air Power, Inc.		12/14/2004	CORPORATION: DELAWARE

RECEIVING PARTY DATA

Name:	Royal Bank of Canada
Street Address:	P.O. Box 1
Internal Address:	Royal Bank Plaza
City:	Toronto
State/Country:	ONTARIO
Postal Code:	M5J 2J5
Entity Type:	Canadian Bank: CANADA

PROPERTY NUMBERS Total: 6

Property Type	Number	Word Mark
Registration Number:	2316418	MICROPILOT
Serial Number:	76488028	MICROPILOT
Serial Number:	76488029	MINIPILOT
Serial Number:	76488656	FUELSOLUTION
Serial Number:	76557668	
Serial Number:	76557669	CLEAN AIR POWER

CORRESPONDENCE DATA

Fax Number: (206)903-8820
Correspondence will be sent via US Mail when the fax attempt is unsuccessful.
 Phone: (206) 903-8794
 Email: neal.jaime@dorsey.com
 Correspondent Name: Jaime Neal
 Address Line 1: 1420 Fifth Avenue
 Address Line 2: Suite 3400
 Address Line 4: Seattle, WASHINGTON 98101

CH \$165.00 2316418

ATTORNEY DOCKET NUMBER:

474395-1

NAME OF SUBMITTER:

Jaime Neal

Total Attachments: 13

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PATENT AND TRADEMARK SECURITY AGREEMENT

THIS PATENT AND TRADEMARK SECURITY AGREEMENT (this "*Agreement*"), dated as of December 14, 2004, is made and given by Clean Air Power, Inc., a Delaware corporation (the "*Grantor*"), to Royal Bank of Canada, the Agent, for itself and for the other Secured Parties.

Recitals

A. The Secured Parties have extended credit accommodations to the Grantor evidenced by certain secured convertible promissory notes issued on the date hereof to the Secured Parties in the aggregate principal amount of \$1,000,000.00 (the "*Notes*") in consideration for the grant of the security interest hereunder.

B. The Grantor desires and intends to grant a security interest to the Agent, for the Pro Rata benefit of the Secured Parties, in the Collateral described herein, to secure the Grantor's obligations under the Notes, as hereinafter provided.

C. The Secured Parties have required the Grantor to execute and deliver this Agreement and that certain Security Agreement, dated as of the date hereof (as the same may hereafter be amended, supplemented or restated from time to time, the "*Security Agreement*" and together with this Agreement, the "*Security Agreements*"), in favor of the Agent for the benefit of all of the Secured Parties in order to obtain credit accommodations from the Secured Parties. The Grantor has agreed to do so in order to secure the Notes.

D. The Grantor finds it advantageous, desirable and in its best interests to comply with the requirement that it execute and deliver the Security Agreements to the Agent for the Pro Rata benefit of the Secured Parties.

Agreement

In consideration of the promises contained herein and in order to induce the Secured Parties to extend credit accommodations to the Grantor, the Grantor hereby agrees with the Agent and the Secured Parties for the Agent's and the Secured Parties' benefit as follows:

Section 1. Definitions; Interpretation.

1 (a) Terms Defined in Security Agreement. All capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings assigned to them in the Security Agreement.

1 (b) Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

"Collateral" has the meaning set forth in Section 2.

"Security Agreement" shall have the meaning given to such term in Recital C above.

“PTO” means the United States Patent and Trademark Office.

1 (c) Terms Defined in UCC. Where applicable in the context of this Agreement and except as otherwise defined herein, terms used in this Agreement shall have the meanings assigned to them in the UCC.

1 (d) Construction. In this Agreement, the following rules of construction and interpretation shall be applicable: (i) no reference to “proceeds” in this Agreement authorizes any sale, transfer, or other disposition of any Collateral by Grantor; (ii) “includes” and “including” are not limiting; (iii) “or” is not exclusive; and (iv) “all” includes “any” and “any” includes “all.” To the extent not inconsistent with the foregoing, the rules of construction and interpretation applicable to the Security Agreement shall also be applicable to this Agreement and are incorporated herein by this reference.

Section 2. Security Interest.

2 (a) Grant of Security Interest. As security for the payment and performance of the Obligations, Grantor hereby assigns, transfers and conveys to Agent for the Pro Rata benefit of the Secured Parties, and grants to the Agent for the Pro Rata benefit of the Secured Parties a security interest (the “PT Security Interest”) in and mortgage to, all of Grantor’s right, title and interest in, to and under the following property, in each case whether now or hereafter existing or arising or in which Grantor now has or hereafter owns, acquires or develops an interest and wherever located (collectively, the “Collateral”):

(i) all patents and patent applications, domestic or foreign, all licenses relating to any of the foregoing and all income and royalties with respect to any licenses (including such patents and patent applications as described in Schedule A), all rights to sue for past, present or future infringement thereof, all rights arising therefrom and pertaining thereto and all reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof;

(ii) all state (including common law), federal and foreign trademarks, service marks and trade names, and applications for registration of such trademarks, service marks and trade names (but excluding any application to register any trademark, service mark or other mark prior to the filing under applicable law of a verified statement of use (or the equivalent) for such trademark, service mark or other mark to the extent the creation of a security interest therein or the grant of a mortgage thereon would void or invalidate such trademark, service mark or other mark), all licenses relating to any of the foregoing and all income and royalties with respect to any licenses (including such marks, names and applications as described in Schedule B), whether registered or unregistered and wherever registered, all rights to sue for past, present or future infringement or unconsented use thereof, all rights arising therefrom and pertaining thereto and all reissues, extensions and renewals thereof;

(iii) the entire goodwill of or associated with the businesses now or hereafter conducted by Grantor connected with and symbolized by any of the properties and assets described in Section 2(a)(ii) above;

(iv) all general intangibles and all intangible intellectual or other similar property of Grantor of any kind or nature, associated with or arising out of any of the aforementioned properties and assets and not otherwise described above; and

(v) all proceeds of any and all of the foregoing Collateral (including license royalties, rights to payment, accounts and proceeds of infringement suits) and, to the extent not otherwise included, all payments under insurance (whether or not the Secured Parties are the loss payee thereof) or any indemnity, warranty or guaranty payable by reason of loss or damage to or otherwise with respect to the foregoing Collateral.

Notwithstanding the foregoing provisions of this Section 2(a), the Collateral shall not include the Excluded Collateral.

2 (b) Continuing Security Interest. Grantor agrees that this Agreement shall create a continuing security interest in the Collateral which shall remain in effect until terminated in accordance with Section 11.

Section 3. Supplement to Security Agreement. This Agreement has been entered into in conjunction with the security interests granted to the Agent for the Pro Rata benefit of the Secured Parties under the Security Agreement or other security documents referred to therein. The rights and remedies of the Agent and/or the Secured Parties with respect to the security interests granted herein are without prejudice to, and are in addition to those set forth in the Security Agreement or any other security documents referred to therein, all terms and provisions of which are incorporated herein by reference.

Section 4. Representations, Warranties, Covenants and Agreements. 4 (a) List of Collateral. Grantor represents, warrants and covenants to the Secured Parties that (i) a true and correct list of all of the existing Collateral consisting of U.S. patents and patent applications or registrations owned by Grantor, in whole or in part, is set forth in Schedule A, (ii) a true and correct list of all of the existing Collateral consisting of U.S. trademarks, trademark registrations or applications owned by Grantor, in whole or in part, is set forth in Schedule B, (iii) the Grantor has absolute title to each item of Collateral listed on Schedules A and B, free and clear of all Liens except Permitted Liens, and (iv) and the Grantor (a) will have, at the time the Grantor acquires any rights in any Collateral hereafter arising, title to or an interest in each such item of Collateral free and clear of all Liens except Permitted Liens, and (b) will keep all Collateral free and clear of all Liens except Permitted Liens.

4 (b) No Sale. Except as permitted in the Security Agreement, the Grantor will not assign, transfer, encumber or otherwise dispose of any item of Collateral, or any interest therein, without the Agent's prior written consent.

4 (c) Defense. The Grantor will at its own expense and using commercially reasonable efforts, protect and defend the Collateral against all claims or demands of all Persons other than those holding Permitted Liens.

4 (d) Maintenance. The Grantor will at its own expense maintain the Collateral in a commercially reasonable manner consistent with past practices of the Grantor, including, but not limited to, filing all applications to obtain letters patent or trademark registrations and all affidavits, maintenance fees, annuities, and renewals possible with respect to letters patent, trademark registrations and applications therefor. The Grantor covenants that it will not abandon nor fail to pay any maintenance fee or annuity due and payable on any Collateral, nor fail to file any required affidavit or renewal in support thereof, without first providing the Agent: (i) sufficient written notice, of at least 30 days, to allow the Agent to timely pay any such maintenance fees or annuities which may become due on any Collateral, or to file any affidavit or renewal with respect thereto, and (ii) a separate written power of attorney or other authorization to pay such maintenance fees or annuities, or to file such affidavit or renewal, should such be necessary or desirable.

4 (e) Agent's Right to Take Action. If the Grantor fails to perform or observe any of its covenants or agreements set forth in this Section 4, and if such failure continues for a period of ten (10) calendar days after the Agent gives the Grantor written notice thereof (or, in the case of the agreements contained in Section 4(d), immediately upon the occurrence of such failure, without notice or lapse of time), or if the Grantor notifies the Agent that it intends to abandon any Collateral, the Agent may (but need not) perform or observe such covenant or agreement or take steps to prevent such intended abandonment on behalf and in the name, place and stead of the Grantor (or, at the Agent's option, in the Agent's own name) and may (but need not) take any and all other actions which the Agent may reasonably deem necessary to cure or correct such failure or prevent such intended abandonment.

4 (f) Costs and Expenses. Subject to the terms of Section 25 of the Security Agreement, and except to the extent that the effect of such payment would be to render any loan or forbearance of money usurious or otherwise illegal under any applicable law, the Grantor shall pay the Agent on demand the amount of all moneys expended and all costs and expenses (including reasonable attorneys' fees and disbursements) incurred by the Agent in connection with this Agreement or as a result of the Agent's taking action under Section 4(e) or exercising its rights under Section 6, together with interest thereon from the date expended or incurred by the Agent at the Default Rate (as defined in the Notes).

4 (g) Power of Attorney. Without limiting the rights granted to the Agent pursuant to the Security Agreement, to facilitate the Agent's taking action under this Agreement and exercising its rights under Section 6, the Grantor hereby irrevocably appoints (which appointment is coupled with an interest) the Agent, or its delegate, as the attorney-in-fact of the Grantor with the right (but not the duty) from time to time to create, prepare, complete, execute, deliver, endorse or file, in the name and on behalf of the Grantor, any and all instruments, documents, applications, financing statements, and

other agreements and writings required to be obtained, executed, delivered or endorsed by the Grantor under this Section 4, or, necessary for the Grantor, after an Event of Default, to enforce this Agreement or use the Collateral or to grant or issue any exclusive or non-exclusive license of any of the Collateral to any third party, or to sell, assign, transfer, pledge, encumber or otherwise transfer title in or dispose of any of the Collateral to any third party. The Grantor hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue hereof. The power of attorney granted herein shall terminate upon the termination of the Security Interest as provided in the Security Agreement and the payment and performance of all Obligations.

4 (h) Further Acts. On a continuing basis, Grantor shall make, execute, acknowledge and deliver, and file and record in the proper filing and recording places, all such instruments and documents, and take all such action as may be necessary or advisable or may be requested by the Agent to carry out the intent and purposes of this Agreement, or for assuring, confirming or protecting the grant or perfection of the security interest granted or purported to be granted hereby, to ensure Grantor's compliance with this Agreement or to enable the Agent to exercise and enforce all of its and the Secured Parties' rights and remedies hereunder with respect to the Collateral, including any documents for filing with the PTO or any applicable state office. The Agent may record this Agreement, an abstract thereof, or any other document describing the Agent's and/or the Secured Parties' interest in the Collateral with the PTO, at the expense of Grantor. In addition, Grantor authorizes the Agent to file financing statements describing the Collateral in any UCC filing office deemed appropriate by the Agent. If the Grantor shall at any time hold or acquire a commercial tort claim arising with respect to the Collateral, the Grantor shall immediately notify the Agent in a writing signed by the Grantor of the brief details thereof and grant to the Agent for the Pro Rata benefit of the Secured Parties in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance satisfactory to the Agent.

Section 5. Authorization to Supplement. If Grantor shall (i) obtain rights to any new patentable inventions or become entitled to the benefit of any patent application or patent for any reissue, division, or continuation, of any patent or (ii) obtain rights to any new trademarks, the provisions of this Agreement shall automatically apply thereto. Grantor shall give prompt notice in writing to the Agent with respect to any such new patent or trademark rights or renewal or extension of any trademark registration. Without limiting Grantor's obligations under this Section 5, Grantor authorizes the Agent unilaterally to modify this Agreement by amending Schedule A and/or Schedule B to include any such new patent or trademark rights. Notwithstanding the foregoing, no failure to so modify this Agreement or amend Schedule A and/or Schedule B shall in any way affect, invalidate or detract from the Agent's and/or the Secured Parties' continuing security interest in all Collateral, whether or not listed on Schedule A and/or Schedule B.

Section 6. Remedies. Upon the occurrence and during the continuation of an Event of Default and at any time thereafter, the Agent may, at its option, take any or all of the following actions:

6 (a) The Agent may exercise any or all remedies available under the Security Agreement;

6 (b) The Agent may sell, assign, transfer, pledge, encumber or otherwise dispose of the Collateral; and

6 (c) The Agent may enforce the Collateral and any licenses thereunder, and if the Agent shall commence any suit for such enforcement, the Grantor shall, at the request of the Agent, do any and all lawful acts and execute any and all proper documents required by the Agent in aid of such enforcement.

Section 7. Binding Effect. This Agreement shall be binding upon, inure to the benefit of and be enforceable by Grantor, the Agent and the Secured Parties and their respective successors and assigns; provided, however, that this Agreement may only be enforced by the Agent in accordance with the Security Agreements, except as otherwise expressly set forth in the Notes or the Security Agreements. Grantor may not assign, transfer, hypothecate or otherwise convey its rights, benefits, obligations or duties hereunder except as specifically permitted by the Security Agreement.

Section 8. Governing Law. This Agreement shall be governed by, and construed in accordance with, the law of the State of Delaware, except as required by mandatory provisions of law or to the extent the perfection or priority of the security interests hereunder, or the remedies hereunder, in respect of any Collateral are governed by the law of a jurisdiction other than Delaware.

Section 9. Entire Agreement; Amendment. This Agreement and the Security Agreement, together with the Exhibits and Schedules hereto and thereto, contains the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior drafts and communications relating to such subject matter. Neither this Agreement nor any provision hereof may be modified, amended or waived except by the written agreement of those Secured Parties holding a majority of the then-outstanding principal amount of the Notes, the Agent and the Grantor. Notwithstanding the foregoing, the Agent unilaterally may re-execute this Agreement or modify, amend or supplement the Schedules hereto as provided in Section 5 hereof. To the extent that any provision of this Agreement conflicts with any provision of the Security Agreement, the provision giving the Agent and/or the Secured Parties greater rights or remedies shall govern, it being understood that the purpose of this Agreement is to add to, and not detract from, the rights granted to the Agent and/or the Secured Parties under the Security Agreement.

Section 10. Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement. Delivery of an executed counterpart of this Agreement by facsimile shall be equally as effective as delivery of a manually executed counterpart. Any party hereto delivering a counterpart of this Agreement by facsimile shall also deliver a manually executed counterpart, but the failure to so deliver a manually executed counterpart shall not affect the validity, enforceability, or binding effect hereof.

Section 11. Termination. Upon payment in full of all of the Obligations or if the Notes are automatically converted in their entirety pursuant to the terms thereof and all other outstanding Obligations are paid in full, the security interests created by this Agreement shall terminate and the Agent (at Grantor's expense) shall promptly execute and deliver to Grantor such documents and instruments reasonably requested by Grantor as shall be necessary to evidence termination of all such security interests given by Grantor to the Agent and the Secured Parties hereunder, including cancellation of this Agreement by written notice from the Agent to the PTO.

Section 12. No Inconsistent Requirements. Grantor acknowledges that this Agreement and the other documents, agreements and instruments entered into or executed in connection herewith may contain covenants and other terms and provisions variously stated regarding the same or similar matters, and Grantor agrees that all such covenants, terms and provisions are cumulative and all shall be performed and satisfied in accordance with their respective terms.

Section 13. Severability. If one or more provisions contained in this Agreement shall be invalid, illegal or unenforceable in any respect in any jurisdiction or with respect to any party, such invalidity, illegality or unenforceability in such jurisdiction or with respect to such party shall, to the fullest extent permitted by applicable law, not invalidate or render illegal or unenforceable any such provision in any other jurisdiction or with respect to any other party, or any other provisions of this Agreement.

Section 14. Notices. All notices and other communications hereunder shall be in writing and shall be mailed, sent or delivered in accordance with the Security Agreement.

[SIGNATURES PAGES FOLLOW]

IN WITNESS WHEREOF, each of the Grantor and the Agent (for itself and on behalf of and as the agent and attorney-in-fact for the other Secured Parties) has caused this Security Agreement to be duly executed and delivered by its respective officer thereunto duly authorized as of the date first above written.

GRANTOR:

CLEAN AIR POWER, INC.,
a Delaware corporation

By: Robert E. Duer
Name: Robert E. Duer
Title: Director

Address: _____

Facsimile: _____

AGENT:

ROYAL BANK OF CANADA

By: _____
Name: _____
Title: _____

Address: _____

Facsimile: _____

IN WITNESS WHEREOF, each of the Grantor and the Agent (for itself and on behalf of and as the agent and attorney-in-fact for the other Secured Parties) has caused this Security Agreement to be duly executed and delivered by its respective officer thereunto duly authorized as of the date first above written.

GRANTOR:

CLEAN AIR POWER, INC.,
a Delaware corporation

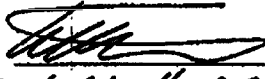
By: _____
Name: _____
Title: _____

Address: _____

Facsimile: _____

AGENT:

ROYAL BANK OF CANADA

By:  _____
Name: Wendy Harrison
Title: Managing Director

Address: _____

Facsimile: _____

SCHEDULE A

to the Patent and Trademark Security Agreement

Grantor: Clean Air Power, Inc.

Issued U.S. Patents of Grantor

<u>Patent No.:</u>	<u>Issue Date:</u>	<u>Title:</u>
US 4,601,168	7/22/86	Noise and Emission Control Apparatus
US 4,628,881 (RE 33,270)	12/16/86	Pressure-Controlled Fuel Injection for Internal Combustion Engines
US 4,831,993	5/23/89	Method of Operating Carbureted Dual-Fuel Engines with Diesel Pilot Oil Ignition
US 4,997,004	3/5/91	High Cycle Solenoid Valve
US 5,016,438	5/21/91	Emission Control Apparatus
US 5,184,464	2/9/93	Noise and Emission Control Apparatus
US 5,241,935	9/7/93	Accumulator Fuel Injection System
US 5,341,783	8/30/94	Accumulator Fuel Injection System
US 5,392,745	2/28/95	Expanding Cloud Fuel Injection System
US 5,403,557	4/4/95	Emission Control Apparatus for Diesel Engine
US 5,438,968	8/8/95	Two-Cycle Utility Internal Combustion Engine
US 5,450,829	9/19/95	Electronically Controlled Pilot Fuel Injection of Compression Ignition Engines
US 5,477,830	12/26/95	Electronic Fuel Injection System for Internal Combustion Engine Having Common Intake Port for

		Each Pair of Cylinders
US 5,537,972	7/23/96	Fuel Injection System Having a Pressure Intensifier Incorporating an Overtravel Safety Feature
US 5,553,575	9/10/96	Lambda Control by Skip Fire of Unthrottled Gas Fueled Engines
US 5,553,781	9/10/96	Conversion of Jerk Type Injector to Accumulator Type Injector
US 5,641,121	6/24/97	Conversion of Non Accumulator Type Hydraulic Electronic Unit Injector to Accumulator Type Hydraulic Electronic Unit Injector
US 5,673,673	10/7/97	Method and Apparatus for the High Mach Injection of a Gaseous Fuel into an Internal Combustion Engine
US 5,685,273	11/11/97	Method and Apparatus for Controlling Fuel Injection in an Internal Combustion Engine
US 5,697,346	12/16/97	Method for Using Sonic Gas-Fueled Internal Combustion Engine Control System
US 5,752,689	5/19/98	Solenoid Valve Assembly with Armature Guide and Fuel Injection System Incorporating Such a Valve
US 5,823,429	10/20/98	Hybrid Hydraulic Electronic Unit Injector
US 5,853,124	12/29/98	Bottom Seated Pintle Nozzle
US 5,921,079	7/13/99	Emission Control Apparatus
US 6,273,076	8/14/01	Optimum Lambda and Compression Temperature Control for Compression Ignition Engines
US 6,354,268	3/12/02	Cylinder Pressure Based Optimization Control For

		Compression Ignition Engines
US 6,474,323(div. of 08/991,413)	11/5/02	Optimized Lambda and Compression Temperature Control for Compression Ignition Engines
US 6,598,584	6/29/03	Gas Fueled, Compression Ignition Engine with Maximized Pilot Ignition Intensity
US 6,694,242	2/17/04	Dual Fuel Engine Having Multiple Dedicated Controllers Connected by a Broadband Communications Link
US 6,742,335	6/1/04	EGR Control System and Method for an Internal Combustion Engine

Pending U.S. Patent Applications of Grantor

<u>Serial No.:</u>	<u>Filing Date:</u>	<u>Title:</u>
US App. 10/105,571	3/26/02	Emission Control Apparatus
US App. 10/292,115	11/12/02	Optimized Combustion Control of an Internal Combustion Engine Equipped with Exhaust Gas Recirculation
US App. 10/628,323	7/28/03	Multi Fuel Compression Ignition Engine

SCHEDULE B

to the Patent and Trademark Security Agreement

Grantor: Clean Air Power, Inc.

U.S. Trademarks of Grantor

<u>Registration No.:</u>	<u>Registration Date:</u>	<u>Registered Owner:</u>	<u>Mark:</u>
US TM Reg. No. 2,316,418	2/8/00	Clean Air Power, Inc.	word mark: MICROPILOT

Pending U.S. Trademark Applications of Grantor

<u>Application No.:</u>	<u>Filing Date:</u>	<u>Applicant:</u>	<u>Mark:</u>
US App. No.76/488,028		Clean Air Power, Inc.	word mark: MICROPILOT
US App. No.76/488,029		Clean Air Power, Inc.	word mark: MINIPILOT
US App. No.76/488,656		Clean Air Power, Inc.	word mark: FUELSOLUTION
US App. No.76/557,668		Clean Air Power, Inc.	design mark: CAP and Logo
US App. No.76/557,669		Clean Air Power, Inc.	design mark: CAP and Logo