

INTELLECTUAL PROPERTY SECURITY AGREEMENT

THIS INTELLECTUAL PROPERTY SECURITY AGREEMENT (“**Security Agreement**”) is entered into on the ___ day of _____ 20__ (“Effective Date”), between West Coast Bank, Inc. (“**Bank**”) and Cold Fusion Industries, Inc. (“**Grantor**”).

WHEREAS, Bank has agreed to make certain advances of money and to extend certain financial accommodation to Grantor (“**Loans**”) pursuant to a certain Loan and Security Agreement (“**Term Loan**”) by and between Bank and Grantor dated the Effective Date, as amended from time to time (as amended, collectively, “**Loan Agreement**”). Capitalized terms used below are used as defined in the Loan Agreement.¹

WHEREAS, Bank is willing to make the Loans to Grantor, but only upon the condition, among others, that Grantor shall grant to Bank a security interest in certain Copyrights, Trademarks, Patents, and Mask Works (as each term is defined below) to secure the obligations of Grantor under the Loan Agreement.

WHEREAS, Pursuant to the terms of the Loan Agreement, Grantor has granted to Bank a security interest in all of Grantor’s right, title, and interest, whether presently existing or hereafter acquired in, to, and under its intellectual property.

NOW, THEREFORE, for good and valuable consideration, receipt of which is hereby acknowledged, and intending to be legally bound, as collateral security for the prompt and complete payment when due of its obligations under the Loan Agreement, Grantor represents, warrants, covenants, and agrees as follows:

THE AGREEMENT

1. GRANT OF SECURITY INTEREST.

To secure its obligations under the Loan Agreement, Grantor grants and pledges to Bank a security interest in all of Grantor’s right, title, and interest in, to, and under its intellectual property (collectively, “**Intellectual Property Collateral**”), including, without limitation, the following:

1.1 Any and all copyright rights, copyright applications, copyright registrations, and like protections in each work or authorship and derivative work thereof, whether published or unpublished and whether or not the same also constitutes a trade secret, now or hereafter existing, created, acquired, or held, including without limitation those set forth on Exhibit A attached to this document (collectively, “**Copyrights**”);

1.2 Any and all trade secrets, and any and all intellectual property rights in computer software and computer software products now or hereafter existing, created, acquired, or held;

1.3 Any and all design rights that may be available to Grantor now or hereafter existing, created, acquired, or held;

1.4 All patents, patent applications, and like protections including, without limitation, improvements, divisions, continuations, renewals, reissues, extensions, and continuations-in-part of the same, including without limitation the patents and patent applications set forth on Exhibit B attached to this document and any patents and patent applications claiming the priority benefit of the patents and patent applications set forth on Exhibit B attached hereto (collectively, "**Patents**");

1.5 Any trademark and servicemark rights, whether registered or not, applications to register, and registrations of the same and like protections, and the entire goodwill of the business of Grantor connected with and symbolized by such trademarks, including without limitation those set forth on Exhibit C attached hereto (collectively, "**Trademarks**");

1.6 All mask works or similar rights available for the protection of semiconductor chips, now owned or hereafter acquired, including, without limitation, those set forth on Exhibit D attached hereto (collectively, "**Mask Works**")²;

1.7 Any and all claims for damages by way of past, present, and future infringements of any of the rights included above, with the right, but not the obligation, to sue for and collect such damages for said use or infringement of the intellectual property rights identified above;

1.8 All licenses or other rights to use any of the Copyrights, Patents, Trademarks, or Mask Works and all license fees and royalties arising from such use to the extent permitted by such license or rights;

1.9 All amendments, extensions, renewals, and extensions of any of the Copyrights, Trademarks, Patents, or Mask Works; and

1.10 All proceeds and products of the foregoing, including without limitation all payments under insurance or any indemnity or warranty payable in respect of any of the foregoing.

2. RECORD & REGISTER.

Grantor authorizes the Commissioner for Patents, the Commissioner for Trademarks, the Register of Copyrights, and any other government officials to record and register this Security Agreement upon request by Bank.

3. AUTHORIZATION.

Grantor hereby authorizes Bank to:

3.1 Modify this Security Agreement unilaterally by amending the exhibits to this Security Agreement to include any Intellectual Property Collateral which Grantor obtains subsequent to the Effective Date, and

3.2 File a duplicate original of this Security Agreement containing amended exhibits reflecting such new Intellectual Property Collateral.

4. LOAN AGREEMENT; LOAN DOCUMENTS.

This Security Agreement has been entered into pursuant to and in conjunction with the Loan Agreement, which is hereby incorporated by reference. The provisions of the Loan Agreement shall supersede and control over any conflicting or inconsistent provision herein. The rights and remedies of Bank with respect to the Intellectual Property Collateral are as provided by the Loan Agreement and related documents, and nothing in this Security Agreement shall be deemed to limit such rights and remedies.

5. COUNTERPARTS.

This Security Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page to this Security Agreement by facsimile or in electronic shall be effective as delivery of a manually executed counterpart of this Security Agreement.

6. SUCCESSORS; ASSIGNS.

This Security Agreement will be binding on and shall operate to the benefit of the parties hereto and their respective successors and assigns.

7. GOVERNING LAW.

This Security Agreement and any claim, controversy, dispute, or cause of action based upon, arising out of, or relating to this Security Agreement and the transactions contemplated hereby and thereby shall be governed by, and construed in accordance with, the laws of the United States and the State of California, without giving effect to any choice or conflict of law provision or rule (whether of the State of California or any other jurisdiction).

***/REMAINDER INTENTIONALLY LEFT BLANK;
SIGNATURE PAGE TO FOLLOW/***

IN WITNESS WHEREOF, the parties have caused this Security Agreement to be duly executed as of the Effective Date.

BANK: West Coast Bank, Inc.

/s/ _____

Name: _____

Capacity: _____

Date: _____

GRANTOR: Cold Fusion Industries, Inc.

/s/ _____

Name: _____

Capacity: _____

Date: _____

***/REMAINDER INTENTIONALLY LEFT BLANK;
EXHIBITS TO FOLLOW/***

EXHIBIT A
COPYRIGHTS

<u>Number</u>	<u>Description</u>	<u>Registration No.</u>	<u>Application No.</u>
1)	N/A	N/A	N/A

EXHIBIT B

PATENTS

<u>Number</u>	<u>Description</u>	<u>Application No.</u>	<u>Registration No.</u>
2)	N/A	N/A	N/A

EXHIBIT C
TRADEMARKS

<u>Number</u>	<u>Description</u>	<u>Serial No.</u>	<u>Registration No.</u>
3)	N/A	N/A	N/A

EXHIBIT D

MASK WORKS

<u>Number</u>	<u>Description</u>	<u>Registration</u>	<u>Application</u>
4)	N/A	N/A	N/A

NOTES

1. Such a Security Agreement secures a loan and grants the bank a lien on the grantor's IP, including its patents, licenses, trademarks and other intellectual property, which property the grantor pledges as collateral.
2. Under the Semiconductor Chip Protection Act of 1987, 17 U.S.C. § 901(a)(2) defines "mask work" as a series of related images that represent patterns embodied in a semiconductor chip product. *See also Altera Corp. v. Clear Logic, Inc.*, 424 F.3d 1079, 1084 (9th Cir. 2005) (upheld a Californian district court's review of mask work IP infringement under the Semiconductor Chip Protection Act). A "semiconductor chip product" is the final or intermediate form of any product "having two or more layers of metallic, insulating, or semiconductor material, deposited or otherwise placed on, or etched away or otherwise removed from, a piece of semiconductor material in accordance with a predetermined pattern and is intended to perform electronic circuitry functions." *See* 17 U.S.C. § 901(a)(1).