





## INTELLECTUAL PROPERTY SECURITY AGREEMENT

This INTELLECTUAL PROPERTY SECURITY AGREEMENT, dated as of October 31, 2008, (the "Agreement") between BRIDGE BANK, NATIONAL ASSOCIATION ("Lender") and Pentadyne Power Corporation, ("Grantor") is made with reference to the Business Financing Agreement, dated as of October 31, 2008 (as amended from time to time, the "Financing Agreement"), between Lender and Grantor. Terms defined in the Financing Agreement have the same meaning when used in this Agreement.

For good and valuable consideration, receipt of which is hereby acknowledged, Grantor hereby covenants and agrees as follows:

To secure the Obligations under the Financing Agreement, Grantor grants to Lender a security interest in all right, title, and interest of Grantor in any of the following, whether now existing or hereafter acquired or created in any and all of the following property (collectively, the "Intellectual Property Collateral"):

(a) 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registrations and like protections in each work or authorship and derivative work thereof, whether published or unpublished and whether or not the same also constitutes a trade secret, now or hereafter existing, created, acquired or held (collectively, the "Copyrights"), including the Copyrights described in Exhibit A;

(b) 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 Borrower connected with and symbolized by such trademarks (collectively, the "Trademarks"), including the Trademarks described in Exhibit B;

(c) patents, patent applications and like protections including without limitation improvements, divisions, continuations, renewals, reissues, extensions and continuations-in-part of the same (collectively, the "Patents"), including the Patents described in Exhibit C;

(d) mask work or similar rights available for the protection of semiconductor chips or other products (collectively, the "Mask Works");

(e) trade secrets, and any and all intellectual property rights in computer software and computer software products;

(f) design rights;

(g) claims for damages by way of past, present and future infringement 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;

(h) 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;

(i) amendments, renewals and extensions of any of the Copyrights, Trademarks, Patents, or Mask Works; and

(j) 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.

The rights and remedies of Lender with respect to the security interests granted hereunder are in addition to those set forth in the Financing Agreement, and those which are now or hereafter available to Lender as a matter of law or equity. Each right, power and remedy of Lender provided for herein or in the Financing Agreement, or now or hereafter existing at law or in equity shall be cumulative and concurrent and shall be in addition to every right, power or remedy provided for herein, and the exercise by Lender of any one or more of such rights, powers or remedies does not preclude the simultaneous or later exercise by Lender of any other rights, powers or remedies.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

**GRANTOR:**

PENTADYNE POWER CORPORATION

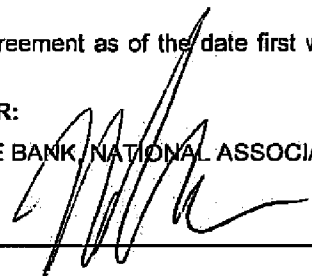
By: 

Name: Mark Campbell

Title: EVP & CFO

**LENDER:**

BRIDGE BANK NATIONAL ASSOCIATION

By: 

Name: Lee A. Shodiss

Senior Vice President & Manager

Title: \_\_\_\_\_

Address for Notices:

Attn: Mark McGough  
20750 Lassen Avenue  
Chatsworth, CA 91311  
Tel: (818) 350-0370  
Fax: (818) 350-0385

Address for Notices:

Attn: Lee Shodiss  
55 Almaden Blvd. Ste. 100  
San Jose, CA 95113  
Tel: (408) 423-8500  
Fax: (408) 423-8510



**EXHIBIT B**  
**U.S. TRADEMARKS**

<b>Mark/Title</b>	<b>US Serial Number</b>	<b>US Registration Number</b>	<b>USPTO Reference Number</b>	<b>Filing Date</b>
PENTADYNE	77116043	3328849		Feb. 26, 2007

## Exhibit C

## Patents

Short Name	Patent Number	Serial Number	Issued or Published	Issue Date
Flywheel With Molecular Pump	US5462402	08/199897	Yes	31 Oct. 95
Mobile Flywheel Support	US5559381	08/148361	Yes	24 Sep. 96
Conical Flywheel Rotor 1	US5586588	08/181038	Yes	22 Oct. 96
Electric Power Train Control	US5568023	08/246230	Yes	22 Oct. 96
Conical Flywheel Rotor 2	US5628232	08/242647	Yes	13 May 97
Flywheel Magnetic Bearing System 1	US6708312	08/752593	Yes	13 Jan. 98
Mobile Flywheel System	US6767585	08/637649	Yes	16 Jun. 98
Wound Rotor Motor-Generator	US6770909	08/764589	Yes	23 Jun. 98
Magnetic Bearing Capacitive Sensor	US6864303	08/683791	Yes	26 Jan. 99
Flywheel Magnetic Bearing System 2	US6998899	08/952451	Yes	07 Dec. 99
Mobile Flywheel Safety System	US6144128	08/905732	Yes	07 Nov. 00
Mobile Flywheel Hub & Cylinder	US6175172	08/905728	Yes	16 Jan. 01

Item Title	Part Number	Serial Number	Inspected	Test Date
Feedforward Controller 1	US7078876	10/887344	Yes	18 Jul. 06
Flywheel With Backup Generator 1	US7109622	10/863868	Yes	19 Sep. 06
Feedforward Controller 2	US7170255	11/290,354	Yes	30 Jan. 07
Flywheel With Backup Generator 2	US7187087	11/251,394	Yes	06 Mar. 07
Flywheel With Backup Generator 3		11/624,206	Yes	
Feedforward Controller 3		11/614,865	Yes	
Synchronous Reluctance Machines		11/616,789	Yes	
Flywheel With Stability Sleeve		12/013,180	Yes	