

TRADEMARK SECURITY AGREEMENT

THIS TRADEMARK SECURITY AGREEMENT is made on the 21st day of September, 2004 by and between **WESTPORT CORPORATION**, a New Jersey corporation, having its principal office at 331 Changebridge Road, Pine Brook, New Jersey 07058 (the "Assignor") and **PNC BANK, NATIONAL ASSOCIATION**, having an office at PNC Bank Center, Two Tower Center, East Brunswick, New Jersey 08816 (the "Assignee").

WITNESSETH:

WHEREAS, Assignor has executed and delivered a certain Amended and Restated Revolving Credit and Security Agreement dated August 10, 2004 and effective as of December 2, 2004 with the Assignee (as may be amended, restated, modified, replaced, increased and/or extended from time to time, the "Loan Agreement") and other loan documents executed in connection therewith (all of which are collectively referred to as the "Loan Documents") to Assignee to secure loans by Assignee to Assignor in the maximum aggregate amount up to \$20,000,000; and

WHEREAS, the Assignor owns the United States trademark applications and trademarks listed in Schedule A hereto, along with the good-will of the Assignor to which such trademark applications and trademarks relate ("Trademarks"); and

WHEREAS, pursuant to the Loan Agreement, the Assignor is required to and has conveyed and granted to Assignee a security interest in, among other things, all right, title and interest of the Assignor in, to and under all of the Assignor's said Trademarks.

NOW, THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the Assignor does hereby absolutely grant to Assignee security interest in all of the Assignor's right, title and interest in, to and under the following, whether presently existing or hereafter arising or acquired:

- (a) Each of the Trademarks, which are presently, or in the future may be owned by the Assignor, in whole or in part, as well as all applications for Trademarks now or hereafter owned by the Assignor, as the same may be updated hereafter from time to time.

Said grant of security interest includes, without limitation, all proceeds thereof, the right to sue for past, present, and future infringements thereof, all rights corresponding thereto throughout the world, and all reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof.

1) Assignor covenants and warrants that:

(a) it is the true and lawful exclusive owner of all the Trademarks listed on Schedule A and that said Trademarks constitute all the United States Trademarks registered in the United States Patent and Trademark Office and applications for Trademarks that the Assignor now owns;

(b) The Assignor agrees on a semi-annual basis to execute such additional agreements with respect to any new Trademark in which the Assignor hereinafter obtains title. The Assignor further warrants that it is not aware of any third party claim that any of the aspects of the Assignor's present or contemplated business operations infringe or will infringe on any Trademark. The Assignor grants to Assignee an absolute power of attorney to sign any document which will be required by the United States Patent and Trademark Office in order to effect the security interest in each Trademark and record of same;

(c) The Trademarks are subsisting and have not been adjudged invalid or unenforceable;

(d) Each of the Trademarks is valid and enforceable;

(e) Assignor is the sole and exclusive owner of the entire and unencumbered right, title and interest in and to each of the Trademarks, free and clear of any liens, charges and encumbrances, including without limitation pledges, assignments, licenses, registered user agreements, and covenants by Assignor not to sue third persons, other than the security interest to Assignee pursuant to this Agreement;

(f) Assignor has the unqualified right to enter into this Agreement and perform its terms;

(g) Assignor has used, and will continue to use for the duration of this Agreement, proper statutory notice in connection with its use of the Trademarks;

(h) Assignor has used, and will continue to use for the duration of this Agreement, consistent standards of quality in its manufacture or use of products sold under the Trademarks;

(i) The Assignor hereby agrees not to divest itself of any right under any Trademark, which divestiture is reasonably likely to have a material adverse effect on Assignor's business, its properties, or its ability to perform its obligations under the Loan Agreement; and

(j) The Assignor agrees to promptly, upon learning thereof, furnish Assignee in writing all pertinent information available to the Assignor with respect to any infringement or other violation of the Assignor's rights in any Trademark, which infringement or violation is reasonably likely to have a material adverse effect on the Assignor, its properties or its ability to perform its obligations under the Loan Agreement and other Loan Documents. The Assignor further agrees to prosecute any Persons infringing upon any Trademark to the extent such infringement could have a material adverse affect on the Assignor, its properties or its ability to perform its obligations under the Loan Agreement or other Loan Documents (the "Obligations").

- 2) Assignor hereby grants to Assignee and its employees and agents the right to visit Assignor's facilities (during normal business hours and upon reasonable notice) which maintain or store products sold under any of the Trademarks, and to inspect the products and quality control records relating thereto. Assignor shall do any and all acts reasonably required by Assignee to ensure Assignor's compliance herewith.
- 3) Assignor agrees that, until all of the Obligations shall have been satisfied in full, it will not enter into any agreement which is materially inconsistent with Assignor's obligations under this Agreement, without Assignee's prior written consent, such consent not to be unreasonably withheld or delayed.
- 4) If, before the Obligations have been satisfied in full, Assignor shall obtain title to any new Trademark, the provisions hereof shall automatically apply thereto and Assignor shall give to Assignee prompt notice thereof in writing.
- 5) Assignor authorizes Assignee to modify this Agreement by amending Schedule A, to include any future Trademarks covered hereby.
- 6) Upon the occurrence of any Event of Default and so long as same continues:
 - a) Assignee shall have, in addition to all other rights and remedies given to it by this Agreement, the Loan Agreement, and other the Loan Documents, those rights and remedies allowed by law and the rights and remedies of a secured party under the Uniform Commercial Code as enacted in any jurisdiction in which the Trademarks may be located; and
 - b) Assignee may, in addition to any other remedies which may be available to Assignee, without being deemed to have made an election of remedies, immediately, without demand of performance and without

other notice (except as may be set forth below) or demand whatsoever to Assignor, all of which are hereby expressly waived, and without advertisement, sell at public or private sale (or, to the extent required by law, otherwise realize upon in a commercially reasonable manner), all or from time to time, any of the Trademarks, or any interest which the Assignor may have therein, and after deducting from the proceeds of sale or other disposition of the Trademarks all reasonable expenses (including all reasonable expenses for broker's fees and legal services), apply the residue of such proceeds to the payment of the Obligations. Any remainder of the proceeds after payment in full of the Obligations shall be paid over to the Assignor. Notice of any sale or other disposition of the Trademarks shall be given to Assignor at least ten (10) days before the time of any intended public or private sale or other disposition of the Trademarks is to be made, which notice Assignor hereby agrees shall be reasonable notice of such sale or other disposition. At any such sale or other disposition, Assignee may, to the extent permissible under applicable law, purchase the whole or any part of the Trademarks sold, free from any right or equity of redemption on the part of Assignor, which right and equity of redemption are hereby waived and released.

- 7) At such time as Assignor shall completely satisfy all of the Obligations, this Agreement shall terminate and Assignee shall execute and deliver to Assignor at Assignor's expense all termination statements, releases and other instruments as may be necessary or proper to re-vest in Assignor full unencumbered title to the Trademarks, subject to any disposition thereof which may have been made by Assignee pursuant hereto and in accordance with the terms hereof.
- 8) Any and all reasonable fees, costs and expenses, of whatever kind or nature, including reasonable attorneys' fees and legal expenses incurred by Assignee in connection with the preparation of this Agreement and all other documents relating hereto and the consummation of this transaction, the filing or recording of any documents (including all taxes in connection therewith) in public offices, the payment or discharge of any taxes, counsel fees, maintenance fees, encumbrances or otherwise protecting, maintaining or preserving the Trademarks, in defending or prosecuting any actions or proceedings arising out of or related to the Trademarks, or in the enforcement by Assignee of any of its rights or remedies under this Agreement, the Loan Agreement or any other Loan Document shall be borne and paid by Assignor on demand by Assignee and until so paid shall be added to the principal amount of the Obligations and shall bear interest at the rate of interest chargeable pursuant to the Loan Agreement upon an Event of Default.
- 9) Assignor shall have the duty, through counsel reasonably acceptable to Assignee, to prosecute diligently any actions for or in connection with Trademarks pending as of the date of this Agreement or thereafter until the Obligations shall have been paid in full, to make federal application on registrable but unregistered Trademarks, to file and prosecute opposition and cancellation proceedings and to do any and all acts which are reasonably necessary or desirable to preserve and maintain all rights in the Trademarks. Any expenses incurred in connection with the Trademarks shall be borne by Assignor. The Assignor shall not abandon any Trademarks without the consent of Assignee, which consent shall not be unreasonably withheld or delayed.
- 10) Assignor shall have the right to bring any opposition proceedings, cancellation proceedings or lawsuit in its own name to enforce or protect the Trademarks, in which event Assignee may, if necessary, be joined as a nominal party to such suit if Assignee shall have been satisfied that it is not incurring any risk of liability because of such joinder. Assignor shall promptly, upon demand, reimburse and indemnify Assignee for all damages, costs and expenses, including reasonable attorneys' fees, incurred by Assignee in the fulfillment of the provisions of this paragraph. The obligations of the Assignor under this paragraph shall survive the termination of this Agreement.
- 11) Following the occurrence and during the continuation of an Event of Default, Assignor hereby authorizes and empowers Assignee to make, constitute and appoint any officer or agent of Assignee as Assignee may select, in its sole discretion, as Assignor's true and lawful attorney-in-fact, with the power to endorse Assignor's name on all applications, documents, papers and instruments necessary for Assignee to use the Trademarks, or to grant or issue any exclusive or nonexclusive license under the Trademarks to anyone else, or necessary for Assignee to assign, pledge, convey or otherwise transfer title in or dispose of the Trademarks to anyone else. Assignor

hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue hereof. This power of attorney shall be irrevocable for the life of this Agreement.

- 12) If Assignor fails to comply with any of its obligations hereunder, Assignee may do so in Assignor's name or in Assignee's name, but at Assignor's expense, and Assignor hereby agrees to reimburse Assignee in full for all expenses, including reasonable attorneys' fees, incurred by Assignee in protecting, defending and maintaining the Trademarks.
- 13) No course of dealing between Assignor and Assignee, nor any failure to exercise, nor any delay in exercising, on the part of Assignee, any right, power or privilege hereunder or under the Loan Agreement, or under any Loan Document shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege.
- 14) All of Assignee's rights and remedies with respect to the Trademarks, whether established hereby or by the Loan Agreement, or by any other agreement(s) or by law, shall be cumulative and may be exercised singly or concurrently.
- 15) The provisions of this Agreement are severable, and if any clause or provision shall be held invalid and unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction, and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision of this Agreement in any jurisdiction.
- 16) This Agreement is subject to modification only by a writing signed by the parties, except as provided elsewhere herein.
- 17) The benefits and burdens of this Agreement shall inure to the benefit of and be binding upon the respective successors and permitted assigns of the parties.
- 18) The validity and interpretation of this Agreement and the rights and obligations of the parties shall be governed by the laws of the State of New Jersey.
- 19) THE PARTIES HERETO AGREE TO THE JURISDICTION OF THE FEDERAL AND STATE COURTS LOCATED IN NEW JERSEY IN CONNECTION WITH ANY MATTER ARISING HEREUNDER, INCLUDING THE COLLECTION AND ENFORCEMENT HEREOF. THE ASSIGNOR AND ASSIGNEE EACH HEREBY IRREVOCABLY WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE ACTIONS OF ASSIGNEE. THIS WAIVER IS MADE KNOWINGLY AND IN CONSIDERATION OF THE ADVANCES MADE UNDER THE LOAN AGREEMENT.
- 20) This Agreement, the Loan Agreement and the other Loan Documents embody the entire agreement and understanding between the Assignor and Assignee and supersedes all prior agreements and understandings relating to the subject matter hereof and thereof.
- 21) All capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Loan Agreement.

WITNESS the execution hereof under seal as of the day and year first above written.

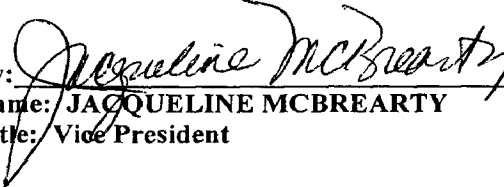
ATTEST:


Name: ANTHONY J. BRAIN
Title: Assistant Secretary

WESTPORT CORPORATION

BY: 
Name: RICHARD FLORIN
Title: Chief Executive Officer

PNC BANK, NATIONAL ASSOCIATION

By: 
Name: JACQUELINE MCBREARTY
Title: Vice President

STATE OF NEW JERSEY)
)
COUNTY OF Morris) : ss.
)

I CERTIFY that on September 22 , 2004, RICHARD FLORIN personally came before me and stated under oath to my satisfaction that:

- (a) this person is the Chief Executive Officer of Westport Corporation, the corporation named in this Instrument;
- (b) this Instrument was signed and delivered by the corporation as its voluntary act duly authorized by a proper resolution of its Board of Directors;
- (c) this person knows the proper seal of the corporation which was affixed to this Instrument;
- (d) this person signed this acknowledgement to attest to the truth of these facts.

Signed and sworn to before me on
September 22 , 2004

(sign) Glenn R. Matejek (notary)
(type name)

GLENN R. MATEJEK
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires June 13, 2005

SCHEDULE A
TRADEMARKS

MARK	FILED	APPLICATION NUMBER	REGISTRATION DATE	REGISTRATION NUMBER	STATUS	CLASS(ES)
BLUSH	11/21/01	78094585	6/22/04	2856709	LIVE	IC 018
ACCESSIBLES	8/7/03	78284301	PENDING	PENDING	LIVE	IC 018
THE FABULOUS WORLD OF EMMA	8/16/04	78467968	PENDING	PENDING	LIVE	IC 016; IC 018
PHOTO FLIPS	10/17/01	78088915	3/2/04	2820413	LIVE	IC 018
AXESSIMO	2/11/04	78366002	PENDING	PENDING	LIVE	IC 016; IC 018
CANVEX	2/26/02	78111124	6/24/03	2730820	LIVE	IC 024
CHATCH KEYS	1/4/02	78100886	6/17/03	2728222	LIVE	IC 018
MUNDEX	11/9/98	75584933	9/28/99	2281771	LIVE	IC 016
STEPHEN MARKS	10/27/98	75577506	6/20/00	2359475	LIVE	IC 018
MUNDI	9/10/98	75551700	12/24/03	2664934	LIVE	IC 009; IC 016; IC 018; IC 034
AXESSORI	11/7/96	75194365	8/25/98	2184829	LIVE	IC 016; IC 018; IC 034
COUNTRY & WESTERN CO.	11/21/95	75022729	6/17/97	2072739	LIVE	IC 018
SPORTSMAN	7/12/95	74700157	9/3/96	1998150	LIVE	IC 016; IC 018
THINNY THIN	11/3/94	74594348	6/11/96	1980246	LIVE	IC 018
DONNA ROSSI	3/19/84	73471142	3/12/85	1324547	LIVE	IC 018
CAESAR	1/18/82	73345956	3/22/83	1231930	LIVE	IC 018