

**TCET - Emissions Reducing Grant
Demonstration of New Technology ¥ Project Status and Completion Report**

7. Abstract of work completed during the quarter

Since submitting its application on December 13, 2002, Cleaire has been focused on California Air Resources Board (CARB) verification for the Longview. The company anticipates receiving CARB verification in the near future and is now reactivating its US EPA verification efforts. In the meantime, EPA issued its Final Draft SCR Testing Protocol in February 2003. EPA verification testing for nitrogen oxides (NOx) reduction from the Longview could not proceed until EPA released this protocol.

Cleaire will submit a revised application to EPA and plans to restart discussions with EPA on the specific test procedures and other matters that need to be finalized before EPA authorizes verification testing for the Longview. At this point, Cleaire anticipates testing of the Longview at Southwest Research Institute (SwRI) in San Antonio, Texas during the summer of 2003.

Cleaire also proposed a revised budget to the TCET in February. Cleaire is prepared to bear more of the project costs of verification and will use the TCET grant funds strictly for SwRI testing costs and EPA/RTI charges for processing the verification application. In this way, Cleaire hopes to leverage the TCET grant to perform as much of the EPA required testing as possible with the available funds.

Cleaire continues to expand its manufacturing, distribution and support infrastructure to enable large-scale deployment in California to be followed soon thereafter nationally including Texas. Cleaire has now sold and installed more than 50 emission control systems in California. Cleaire recently sold six Longview systems for installation on transit buses belonging to an East Coast transit agency.

The TCET has generously provided a grant to Cleaire to pay for the EPA testing at Southwest Research Institute. Upon EPA verification, emission reductions provided by Longview systems installed on diesel engines in Texas will be creditable to the Texas state implementation plan. Both on-road and off-road diesel engines are a significant source of emissions. Deployment of the Longview, especially in the Houston-Galveston area, will make a significant contribution to the attainment of Texas clean air goals.

The Cleaire Longview is an integrated device that reduces NOx, PM, HC and CO from diesel engine exhaust. The Longview consists of NOx reducing catalysts (NRC), a catalyzed diesel particulate filter (DPF), a reagent (diesel fuel) delivery system and a control system. The Longview is installed as a muffler replacement. The system is further described on the Cleaire website at www.cleaire.com.

Successful testing and field trials over many hours and miles since October 2001 have given Cleaire confidence to pursue California Air Resources Board (CARB) and US EPA verification for the Longview. The initial focus for deployment will be transit buses to be followed by line-haul trucks, vocational vehicles and off-road equipment.