

**PATENT ASSIGNMENT**

Electronic Version v1.1  
 Stylesheet Version v1.1

SUBMISSION TYPE:	NEW ASSIGNMENT
NATURE OF CONVEYANCE:	Movable Hypothec Agreement
CONVEYING PARTY DATA	
Name	Execution Date
EPS ENERGY AND PROPULSION SYSTEMS INC.	06/19/2008
RECEIVING PARTY DATA	
Name:	MAGNA AFTERMARKET INC.
Street Address:	337 Magna Drive
City:	Aurora
State/Country:	CANADA
Postal Code:	L4G 7K1
PROPERTY NUMBERS Total: 4	
Property Type	Number
Patent Number:	6630764
Patent Number:	6888280
Patent Number:	6836036
Patent Number:	6866111
CORRESPONDENCE DATA	
Fax Number:	(514)904-8101
<i>Correspondence will be sent via US Mail when the fax attempt is unsuccessful.</i>	
Email:	ipmtl@osler.com
Correspondent Name:	Sofia Aguilar
Address Line 1:	1000 de la Gauchetiere St. West
Address Line 2:	Suite 2100
Address Line 4:	Montreal, CANADA H3B4W5
ATTORNEY DOCKET NUMBER:	1109686(HYP/PAT)
NAME OF SUBMITTER:	Sofia Aguilar
Total Attachments: 20	

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## MOVABLE HYPOTHEC AGREEMENT

**BETWEEN:**                    **MAGNA AFTERMARKET INC.**, a corporation, having a place of business at 337 Magna Drive, Aurora, Ontario, Canada, L4G 7K1 herein acting and represented by its undersigned representatives, duly authorized as they so declare;

(hereinafter called the "**Lender**");

**AND:**                         **EPS ENERGY AND PROPULSION SYSTEMS INC.**, a company duly constituted under the Part IA of the *Companies Act* (Quebec), having its registered office at 73 chemin Saint-Georges Nord, Asbestos, Quebec, J1T 3M7, herein acting and represented by their representatives, duly authorized for the purposes hereof by virtue of a resolution of the board of directors;

(hereinafter called the "**Grantor**").

**WHEREAS** as continuing collateral security for the performance of the Indebtedness (as defined below), the Grantor has agreed to grant a hypothec without delivery in favour of the Lender on all of its movable property, assets and rights as more fully described herein.

**NOW, THEREFORE, THE PARTIES HERETO HAVE AGREED AS FOLLOWS:**

### **1. DEFINITIONS**

In this Agreement, unless there is something in the subject matter or context inconsistent therewith, the following words and expressions shall have the following meanings:

**1.1**     "**Agent**" means any agent, receiver, manager or any other Person appointed by the Lender or by a court of competent jurisdiction to possess and administer all or any of the Collateral following the occurrence of an Event of Default;

**1.2**     "**Agreement**" means this Movable Hypothec Agreement, all of the Schedules hereto, and every agreement or other instrument amending, supplementing or implementing the same; "this Agreement", "hereto", "these presents", "hereof", "herein", "hereby", "hereunder" and all similar expressions refer to this Agreement and not to any particular article, section or other portion hereof;

**1.3**     "**Business Day**" means any day of the week, other than a Saturday or Sunday, or any statutory holiday in Montreal, Quebec;

**1.4**     "**Claims**" means the universality consisting of all the right, title and interest of the Grantor from time to time in and to all present and future claims directly or indirectly held or enjoyed by the Grantor including, without limitation:

- (a)     all accounts receivable, book accounts, book debts, loan receivables including principal, interest and accessories, debts, claims, customer accounts, all sums of money, all certificates of deposit, claims arising from

or related to deposits made into any savings or other accounts maintained with any bank or other financial institution together with all interest paid or payable thereon, rentals, revenues, income, receivables, sale proceeds, judgements, bills of exchange, bonds, shares, stocks, warrants, debentures, notes, negotiable instruments, certificates of deposit, letters of credit or guarantee, promissory notes, rebates, refunds, amounts owing by or claimable from the Crown or any departments, agents or agencies thereof (but only to the extent that same may be hypothecated pursuant to applicable law), warehouse receipts, bills of lading and any other amounts or demands of every nature and kind howsoever arising, whether or not secured, which are now or become hereafter due or owing to the Grantor;

- (b) all movable and immovable security present or future including all legal or conventional hypothecs and other security held from time to time by the Grantor under or in connection with the foregoing;
- (c) the benefit of all representations, warranties, guarantees and indemnities to which the Grantor is or may become entitled;
- (d) all indemnities and insurance proceeds other than those paid under insurance contracts covering rents produced by an immovable property, which may be received or to which the Grantor is or may become entitled;
- (e) the benefit of all contractors', manufacturers' and suppliers' warranties;

**1.5** "**Collateral**" means collectively the Claims, the Contracts, the Equipment, the Inventory, the Intellectual Property Rights, the Leases, the Proceeds, the Records, the Securities and all other movable property, assets or rights, present and future, corporeal and incorporeal, of the Grantor;

**1.6** "**Contracts**" means the universality consisting of all the right, title and interest of the Grantor from time to time in and to all present and future agreements, contracts, undertakings, options, licenses, permits or other documents and instruments to which the Grantor is or may become a party or to the benefit of which the Grantor is or may become entitled and the benefit of all covenants, obligations, agreements, representations, warranties and undertakings in favour of the Grantor relating to any part of the Collateral and all extensions, amendments, renewals or substitutions thereof or therefor which may hereafter be effected or entered into and all benefits of the Grantor to be derived therefrom;

**1.7** "**Credit Agreement**" means that certain loan agreement dated June 19, 2008 between the Lender and the Grantor, as same may be revised, altered, modified, amended, extended, renewed, restated, replaced or substituted from time to time;

**1.8** "**Equipment**" means the universality consisting of all the right, title and interest of the Grantor from time to time in and to all present and future equipment now owned or hereafter acquired by the Grantor including, without limitation, all machinery, tools, equipment, computer equipment, building materials, construction materials, fittings, appliances, apparatus, telecommunications

equipment, interior improvements, software, furniture, fixtures, furnishings and rolling stock and all additions to, substitutions for, replacements of or accessions to any of the above and all attachments, components, parts and accessories;

- 1.9 "Event of Default" has the meaning ascribed to it in the Credit Agreement;
- 1.10 "Grantor" means EPS Energy and Propulsion Systems Inc. and includes its successors and permitted assigns;
- 1.11 "Indebtedness" means all the Obligations of the Grantor to the Lender, including, without limitation, the Obligations under or in respect of the Credit Agreement but specifically excluding the Obligations of the Grantor to the Lender under the Promissory Notes;
- 1.12 "Intellectual Property Rights" means the universality consisting of all the right, title and interest of the Grantor from time to time in and to all present and future names, trademarks, patents, licences and other intellectual property rights used primarily in connection with any part of the Collateral including, without limitation, the Technical Information and the Intellectual Property Rights set forth in Schedule A;
- 1.13 "Inventory" means the universality consisting of all the right, title and interest of the Grantor from time to time in and to all present and future goods in stock, inventory, merchandise, materials, raw materials, work in progress, finished goods, advertising, packaging and shipping materials and supplies owned by the Grantor or held on its behalf, including movable property held for the purpose of being sold, rented or altered by means of transformation or manufacturing process of a good destined for sale or for rent or with respect to services offered, or goods held by third parties with respect to a rental agreement, leasing contract, franchise contract or licence or other agreement executed with the Grantor, regarding raw materials, manufactured or semi-manufactured or treated materials or products, or goods used or consumed in the business of the Grantor and all warehouse receipts and other documents or instruments now or hereafter issued with respect to the foregoing; goods that were part of any goods in stock which, pursuant to an alienation contract executed with respect thereto for the benefit of a third party, shall remain the property of the Grantor pursuant to a reservation of ownership in its favour shall be deemed to be goods in stock as long as the ownership thereof is not transferred to such third parties; are also deemed to be goods in stock, goods which, after having been alienated, have again become the property of the Grantor as a result of a resolution, termination or repossession;
- 1.14 "Lender" means Magna Aftermarket Inc. and includes its successors and assigns;
- 1.15 "Leases" means the universality consisting of all the right, title and interest of the Grantor from time to time in and to all present and future leases, subleases, offers to lease or sublease and other occupancy or tenancy agreements whereby the Grantor or any other Person is given the right to use or occupy the whole or any part or parts of any immovable property, in each case for the time being in effect and shall include all revisions, alterations, modifications, amendments,

extensions, renewals, replacements or substitutions thereof or therefor which may hereafter be effected or entered into;

- 1.16 "**Obligations**" means all obligations, indebtedness and liabilities incurred from time to time, whether present or future, direct or indirect, absolute or contingent, liquidated or unliquidated, as principal or as surety, alone or with others, of whatsoever nature or kind;
- 1.17 "**Person**" means any individual, corporation, partnership, unlimited liability company, trust, joint venture, estate, unincorporated association, any federal, provincial, state, county or municipal government or any bureau, department or agency thereof and any trustee in such capacity on behalf of any of the foregoing;
- 1.18 "**Proceeds**" means identifiable or traceable movable property in any form derived directly or indirectly from any dealing with the Collateral or the proceeds therefrom, including any payment or right to a payment or insurance representing an indemnity or compensation for loss of or damage to the Collateral or any part thereof or proceeds therefrom;
- 1.19 "**Promissory Notes**" means that any and all demand promissory notes, if any, that may be issued by the Grantor, from time to time, to evidence the Indebtedness of the Grantor to the Lender under the Credit Agreement;
- 1.20 "**Records**" means the universality consisting of all present and future deeds, documents, books, manuals, papers, letters, invoices, writings and data (electronic or otherwise), recordings, evidencing or relating to the Collateral or any part thereof including all copies and representations of the Intellectual Property Rights in any form now known or in the future developed or discovered including, without limitation, those on paper, magnetic and optical media, and all working papers, notes, charges, drawings, materials and diagrams created in the process of developing the Intellectual Property Rights.
- 1.21 "**Securities**" means the universality consisting of all the right, title and interest of the Grantor from time to time in and to all shares, limited partnership units, trust units, stock, warrants, bonds, debentures, debenture stock and other security in which the Grantor now or hereafter has an interest, and any part thereof; and
- 1.22 "**Technical Information**" means the universality consisting of all the right, title and interest of the Grantor from time to time in and to all know-how and information owned by or licensed to the Grantor, confidential or otherwise, including, without limitation, any information of a scientific, technical, financial or business nature regardless of its form.

## 2. HYPOTHEC

- 2.1 As continuing collateral security for the due and punctual payment and performance of the Indebtedness, the Grantor hereby grants a hypothec without delivery on and over the Collateral, in favour of the Lender, with effect as and from this date, for the principal sum of five million dollars (\$5,000,000), in lawful

money of Canada, together with interest thereon from the date hereof at the rate of twenty-five percent (25%) per annum, calculated semi-annually and not in advance.

- 2.2 The hypothec created herein shall have effect from this date to secure the Indebtedness.
- 2.3 The full amount of the foregoing hypothec shall be and remain continuing collateral security in favour of the Lender for the full payment and performance of the Indebtedness, and such hypothec shall be and remain in full force and effect notwithstanding the repayment, prepayment, payment, reduction or readvance at any time and from time to time of the Indebtedness or any part thereof, or the fact that at any time and from time to time, there may be no Indebtedness outstanding, the whole until the entire Indebtedness shall have been entirely repaid and satisfied to the satisfaction of the Lender and such hypothec shall not be reduced unless and until a release, discharge or other written instrument executed by the Lender is delivered in which it shall be expressly stated that the amounts therein referred to are in reduction of the hypothec hereby created.
- 2.4 For the full term of the Indebtedness, its renewal and any modifications thereto, the hypothec created hereunder shall subsist and secure the Indebtedness together with any such renewal, modification and undertaking, until full and final cancellation by the Lender of the hypothec and other rights granted hereunder.
- 2.5 The hypothec created pursuant to this Agreement is not and shall not be construed as a floating hypothec within the meaning of Articles 2715 and following of the *Civil Code of Quebec*.
- 2.6 Notwithstanding any provision of this Agreement, if any contract or agreement, by the provisions thereof or by law, is not assignable or cannot be hypothecated or requires the consent of a third party to its assignment or hypothecation, the hypothec created hereby on any such contract or agreement shall be under the suspensive condition of such consent being obtained. In each such case, the Grantor shall, unless the Lender otherwise agrees in writing, promptly, upon written request by the Lender, attempt to obtain the consent of any necessary third party to the hypothecation provided for herein and to its further assignment by the Lender to any third party as a result of the exercise by the Lender of remedies after demand. Upon consent being obtained or waived, the hypothec created above shall apply to the applicable contract or agreement without regard to this section and without necessity of any further agreement or other assurance to effect the hypothecation thereof.

### 3. **ADDITIONAL PROVISIONS WITH RESPECT TO THE HYPOTHEC ON CLAIMS AND SECURITIES**

- 3.1 The Lender hereby authorizes the Grantor to collect all Claims as and when they become due.

- 3.2 At any time following the occurrence of an Event of Default, the Lender may, at its discretion, withdraw the authorization granted above, by giving notice as prescribed by law, whereupon the Lender shall immediately be entitled to collect all Claims referred to in such notice. The debtors under such Claims shall comply with the notice received from the Lender and thereafter shall pay all Claims to the Lender without inquiry into the state of accounts between the Lender and the Grantor.
- 3.3 Should the Lender serve a notice withdrawing the authorization granted to the Grantor to collect the Claims as provided for above, the Grantor hereby agrees that all accounts and records maintained by the Lender with respect to any such Claims received and their application by the Lender shall be *prima facie* conclusive and binding unless proven to be wrong or incorrect.
- 3.4 Without limiting or otherwise restricting the Lender's rights as set forth herein or at law, upon the occurrence of an Event of Default, the Lender is irrevocably authorized in connection with the collection of Claims, as the Grantor's agent and mandatary, to:
- 3.4.1 grant delays, take or abandon securities;
  - 3.4.2 grant releases and discharges, whole and partial, with or without consideration;
  - 3.4.3 endorse all cheques, drafts, notes and other negotiable instruments issued to the order of the Grantor in payment of Claims;
  - 3.4.4 take conservatory measures and appropriate proceedings to obtain payment of Claims;
  - 3.4.5 negotiate and settle out of Court with the debtors of Claims, their trustee if there is a bankruptcy or insolvency, or any other legal representative, the whole as it deems appropriate; and
  - 3.4.6 deal with any other matter relating to the Claims, in its discretion, without the intervention or the consent of the Grantor;
- the Lender shall not however be liable for any damages or prejudice which may result from its fault, other than its intentional fault or gross negligence.
- 3.5 If, despite the withdrawal of authorization by the Lender in accordance with the terms hereof, any Claims are paid to the Grantor, the Grantor shall be deemed to have received such amounts for the account and on behalf of the Lender and shall pay all such amounts to the Lender forthwith upon receipt.
- 3.6 If, as and when requested by the Lender, the Grantor shall remit to the Lender all documents which are useful or necessary for the purposes set forth in this Article 3, shall sign any useful or necessary documents without delay, and, as the case may be, shall collaborate in the collection by the Lender of the Claims.



- 3.7 The Grantor hereby waives any obligation the Lender may have to inform the Grantor of any irregularity in the payment of any Claims.
- 3.8 The Lender shall not be liable or accountable for any failure to collect, realize, dispose of, enforce or otherwise deal with the Claims or any part thereof and shall not be bound to institute proceedings for any such purposes or for the purpose of preserving any rights of the Lender, the Grantor or any other Person in respect of the Claims and shall not be liable or responsible for any loss or damage whatsoever which may accrue in consequence of any such failure whether resulting from the negligence of the Lender or any of its officers, servants, solicitors, attorneys, receivers or otherwise other than by way of their gross negligence or intentional fault.
- 3.9 Until the occurrence of an Event of Default and subject to the terms of this Agreement and the Credit Agreement, the Grantor is entitled to receive dividends or other distributions, vote the Securities and give consents, waivers and ratifications in respect thereof, provided however, that no such action shall be taken which would impair the effectiveness of the hypothec created hereby or the value of the Securities or which would be inconsistent with or violate the provisions of this Agreement or any other written agreement between the Lender and the Grantor.
- 3.10 Upon the occurrence of an Event of Default the Lender may elect by written notice to the Grantor and to an officer of the issuer of the Securities, that all or part of the rights of the Grantor in the Securities including, without limitation, the right to vote, give consents, waivers or ratifications and take other actions and receive dividends or other distributions, shall cease, and upon such election all such rights shall become vested in the Lender or as it may direct.

#### 4. COVENANTS OF THE GRANTOR

- 4.1 If, at any time, the Collateral or any part thereof is not destined to remain in the Province of Quebec, the Grantor must immediately inform the Lender of this fact and provide it with all information it may request with respect thereto. Upon request by the Lender, the Grantor shall sign any security or additional document reasonably required in order to allow the Lender to preserve the security constituted hereby on such property or to grant to the Lender security in the jurisdiction where the property shall be located equivalent to that in virtue of the hypothec constituted by this Agreement, the whole at the Grantor's expense.
- 4.2 The Grantor shall do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered all such further acts, deeds, hypothecs, security agreements and assurances in law as the Lender may reasonably require for the better assuring, hypothecating, securing, charging and confirming unto the Lender and for perfecting the hypothec hereby created in the Collateral or intended so to be or which the Grantor may hereafter become bound to hypothecate in favour of the Lender and for the better accomplishing and effectuating of this Agreement.

## 5. REPRESENTATIONS AND WARRANTIES

5.1 The Grantor hereby represents and warrants to the Lender that:

5.1.1 the Grantor is duly constituted and organized pursuant to the laws of the Province of Quebec, is validly existing and in good standing pursuant to the laws of its jurisdiction of incorporation and the laws of the Province of Quebec, and has the power and capacity to carry on its business and to own its property;

5.1.2 the Grantor is duly authorized and empowered to execute, deliver and perform its obligations pursuant to this Agreement and the entering into and the performance by the Grantor of its obligations pursuant to this Agreement have been duly authorized by all necessary corporate action; and

5.1.3 the registered office of the Grantor is situated in the Province of Quebec.

## 6. DEFAULTS

6.1 Upon the occurrence of an Event of Default, the security created under this Agreement shall become enforceable, and the Lender shall, in addition to any other rights, recourses or remedies it has pursuant to the Credit Agreement or at law, forthwith be entitled to exercise any and all hypothecary rights prescribed by the *Civil Code of Quebec*. In exercising any of the rights, recourses or remedies available hereunder, under the Credit Agreement or at law, the Lender may at its discretion, in respect of all or any part of the Collateral, exercise such rights, recourses and remedies as are available hereunder, under the Credit Agreement or at law, as it elects to exercise, without prejudicing the other rights, recourses and remedies available to the Lender in respect of all or part of the Collateral. The Lender may exercise any of such rights, recourses and remedies in respect of all or any part of the Collateral, simultaneously or successively.

6.2 The acceptance by the Lender or an Agent following the occurrence of an Event of Default of any sum owing to the Lender under the Indebtedness or the exercise by the Lender or an Agent of any right or recourse hereunder, under the Credit Agreement or otherwise, shall not preclude the Lender from exercising any other right or recourse, all rights and recourses of the Lender being cumulative and not alternative.

6.3 The Lender shall be entitled, in its discretion, to perform on behalf of the Grantor, any of the Grantor's obligations hereunder upon the occurrence of an Event of Default. In addition and upon such occurrence, the Lender shall be entitled to do such things and undertake such expenditures as it considers appropriate to protect, preserve and enforce the rights, remedies and recourses of the Lender hereunder, under the Credit Agreement or at law.

6.4 Any action taken by or on behalf of the Lender to remedy any Event of Default shall not constitute a waiver of such Event of Default, nor be deemed to have

released the Grantor therefrom. The failure by the Lender to insist upon the strict performance of any of the covenants provided in this Agreement or the Credit Agreement or to exercise any option or right hereunder shall not be construed as a waiver or relinquishment for the future of any such covenant, right or option.

- 6.5 If a prior notice of the Lender's intention to exercise a hypothecary right is given to the Grantor, the Grantor shall, and shall cause any other Person in possession of the Collateral subject to such prior notice and then belonging to the Grantor, to immediately surrender same to the Lender and shall execute, and cause to be executed all Agreements and documents required to evidence such surrender to the Lender.

## 7. ADDITIONAL RIGHTS OF THE LENDER

The Grantor agrees that upon the occurrence of an Event of Default, the following provisions shall apply to supplement the provisions of any applicable laws and without limiting any other provisions of this Agreement or the Credit Agreement dealing with the same subject matter:

- 7.1 The Lender shall be the irrevocable mandatary and agent of the Grantor, with power of substitution, in respect of all matters relating to the enforcement of all rights, recourses and remedies of the Lender. The Lender shall, as regards all of the powers, authorities and discretions vested in it hereunder, have the absolute and unfettered discretion as to the exercise thereof whether in relation to the manner or as to the mode or time for their exercise.

- 7.2 Without limiting the generality of Section 7.1, the Grantor agrees that the Lender may, but is not obliged to, at the expense of the Grantor, for the purposes of protecting or realizing upon the value of the Collateral or its rights:

7.2.1 cease or proceed with, in any way the Lender sees fit, any enterprise of the Grantor, and the operation, administration and maintenance of the Collateral, including, without limitation, the generality of the foregoing:

7.2.1.1 sign any loan agreement, security document, lease, service contract, construction contract, management contract, development contract, maintenance contract or any other agreement, contract, deed or other document in the name of and on behalf of the Grantor in connection with the Collateral or any enterprise of the Grantor operated thereon and renew, cancel or amend from time to time any such agreement, contract, deed or other document;

7.2.1.2 maintain, repair, renovate, operate, alter, complete, preserve or extend any part of the Collateral in the name of the Grantor;

7.2.1.3 reimburse for and on behalf of the Grantor any third person having a claim against any part of the Collateral;

- 7.2.1.4 borrow money or lend its own funds for any purposes related to the Collateral; and
  - 7.2.1.5 receive the revenues, rents, fruits, products and profits from the Collateral and endorse any cheque, securities or other instrument;
  - 7.2.2 dispose of any part of the Collateral likely to rapidly depreciate or decrease in value;
  - 7.2.3 use the information it has concerning the Grantor or any information obtained during the exercise of its rights except as may be otherwise provided in the Credit Agreement or any confidentiality agreement;
  - 7.2.4 use, administer and exercise any other right pertaining to the Collateral;
  - 7.2.5 use the Intellectual Property Rights of the Grantor relating to the Collateral; and
  - 7.2.6 do all such other things and sign all documents in the name of the Grantor as the Lender may deem necessary or useful for the purposes of exercising its rights, recourses and remedies hereunder, under the Credit Agreement or at law.
- 7.3 In the event of the exercise by the Lender of any right, recourse or remedy following the occurrence of an Event of Default:
- 7.3.1 the Lender shall only be accountable to the Grantor to the extent of its commercial practice and within the delays normally observed by the Lender and the Lender shall not be obliged to, with respect to the Collateral or any enterprise operated by or on behalf of the Grantor;
    - 7.3.1.1 make inventory, take out insurance or furnish any security;
    - 7.3.1.2 advance any sums of money in order to pay any expenses, not even those expenses that may be necessary or useful; or
    - 7.3.1.3 maintain the use for which the Collateral or the enterprise of the Grantor is normally intended, make it productive or continue its use;
- and shall not be held liable for any loss whatsoever other than as a result of its gross negligence or intentional fault;
- 7.3.2 any and all sums of money remitted to or held by the Lender may be invested at its discretion, without the Lender being bound by any legislative provisions relating to the investment or administration of the property of others; the Lender is not obliged to invest or pay interest on amounts collected even where such amounts exceed the amounts due by the Grantor;

- 7.3.3 the Lender may itself, directly or indirectly, become the owner of the whole or any part of the Collateral to the extent not prohibited by law;
  - 7.3.4 the Lender may, at the time it exercises its rights, renounce to a right belonging to the Grantor, make settlements and grant discharges and mainlevées, upon any consideration deemed appropriate by the Lender, acting in its entire discretion;
  - 7.3.5 in the event the Lender exercises its hypothecary right of taking in payment and the Grantor requires the Lender to sell the whole or any part of the Collateral, the Grantor acknowledges that the Lender shall not be required to renounce to its hypothecary right of taking in payment unless, prior to the expiration of the time limit to surrender, the Lender (i) shall have received security, which the Lender deems satisfactory, to the effect that the sale will be made at a price sufficient to enable the Lender to be paid its claim in full, (ii) shall have been reimbursed the costs it shall have incurred, and (iii) shall have been advanced all amounts necessary for the sale of the Collateral;
  - 7.3.6 in the event that the Lender sells the whole or any part of the Collateral, it will not be required to obtain any prior appraisal from a third party; and
  - 7.3.7 the sale of the Collateral may be made with legal warranty on the part of the Grantor or, at the option of the Lender, with total or partial exclusion of warranty.
- 7.4 The Lender shall only be bound to exercise reasonable prudence and diligence in the execution of its rights and performance of its obligations under the terms of this Agreement or at law and the Lender shall not be responsible for prejudice that may result from its fault or that of its agents or representatives, with the exception of its gross negligence or intentional fault.
- 7.5 The Lender shall not be responsible in respect of any obligations undertaken in the exercise of its powers under the terms of this Agreement or at law, even in any case where the Lender may have exceeded its powers, or by reason of any delay, omission or any other act made in good faith by the Lender or its representatives with the exception of obligations undertaken or acts made further to gross negligence or intentional fault.

## 8. APPOINTMENT OF AGENTS

The Lender may appoint any one or more Agents who shall be entitled to perform the powers vested in the Lender pursuant to this Agreement and at law in which case the following provisions shall apply:

- 8.1 each Agent appointed by the Lender shall be the irrevocable mandatary and agent of the Grantor in respect of the exercise of the rights, recourses and remedies available to the Lender and which are performed by such Agent;

- 8.2 the Agent, in carrying out the duties delegated to it by the Lender, shall be entitled to exercise all of the same rights, powers and discretions available to the Lender hereunder or at law in respect of such matters;
- 8.3 each Agent shall be entitled to deduct reasonable remuneration out of the receipts from any part of the Claims or other Collateral;
- 8.4 each Agent appointed for such purpose shall, as concerns the responsibility for his acts or omissions, be deemed the agent and mandatary of, or employed or engaged by the Grantor and in no event an agent, mandatary or employee of the Lender; and
- 8.5 the engagement or appointment of every such Agent by the Lender shall not create any liability on the part of the Lender to such Agent in any respect and such engagement, appointment or delegation or anything which may be done by any such Agent or the removal of any Agent or the termination of any such appointment or engagement shall not have the effect of creating any liability of any nature whatsoever of any such Agent towards the Grantor.

**9. OTHER SECURITY**

In the event that the Lender holds any further or additional security in respect of the Indebtedness, or any thereof, other than the security hereby constituted, no single or partial exercise by the Lender, of any of its rights, recourses or remedies under this Agreement or under any such additional security shall preclude any other and further exercise of any other right, power or remedy pursuant to this Agreement or pursuant to any of such additional security. The Lender shall at all times have the right to proceed against all or any portion of the Collateral or such additional security in such order and in such manner as it shall in its discretion deem fit without waiving any right which the Lender may have with respect to any and all of such security, and the exercise of any such powers or remedies from time to time shall in no way affect any other powers or remedies which the Lender may have pursuant to this Agreement, any such additional security, or in law or in equity (in jurisdictions, where applicable) or otherwise. Without limiting the generality of the foregoing, the Grantor hereby acknowledges and agrees that this Agreement is given in addition to and not in substitution for any other security in connection with the Indebtedness.

**10. PAYMENT TO THIRD PARTIES**

If the Lender is at any time or from time to time required to make a payment in connection with the security constituted by this Agreement, such payment and all reasonable costs of the Lender (including legal fees and other expenses) shall be immediately payable by the Grantor to the Lender and shall bear interest in accordance with the provisions of the Credit Agreement.

**11. APPLICATION OF MONIES**

All amounts collected by the Lender or an Agent enforcing the rights of the Lender hereunder, under the Credit Agreement or at law and all sums received by the Lender or

the Agent in connection with the possession and administration of or from the sale or other realization of the whole or any part of the Collateral shall be applied by the Lender, to the extent allowed by applicable law, against any portion of the Indebtedness which it, in its sole discretion, determine and may from time to time, vary such determination. Notwithstanding any law, agreement, usage or custom to the contrary, the receipt by the Lender or the Agent of any Claims or any other sums shall not operate as payment of any Indebtedness unless the Lender expressly applies the amounts so received in reduction of the Indebtedness in accordance with this Agreement and to the extent only of such express application.

## **12. ACQUITTANCES**

**12.1** After the Indebtedness has been paid in full, the Lender shall, at the written request and expense of the Grantor and within a reasonable delay, cancel and discharge the hypothec created pursuant to this Agreement and execute and deliver to the Grantor such deeds or other instruments as shall be required in order to effect the cancellation of its publication at the appropriate registry offices.

**12.2** All such deeds and other instruments to which the Lender may become a party must be approved by the legal counsel of the Lender and shall be signed before counsel approved by the Lender, the whole at the Grantor's expense and the Grantor shall furnish at its expense originals or certified copies of such documents to the Lender.

## **13. NO WAIVER**

Any waiver or omission by the Lender to invoke a breach of any provision, obligation or condition hereunder shall not be construed as a waiver of such provision, obligation or condition, nor a waiver of any subsequent breach of any other provision, obligation or condition provided for herein. The acceptance by the Lender or an Agent, following the occurrence of an Event of Default, of any amounts owing hereunder to the Lender or the payment of such sums by the Grantor shall not be construed as a waiver to invoke any prior breach by the Grantor of any provision, obligation or condition hereunder, even if the Lender was aware of a prior breach at the time of acceptance or payment of said sums. The Lender shall not be deemed to have waived any provision, obligation or condition hereunder unless such waiver has been made in writing.

## **14. SOLIDARY LIABILITY**

In the event that several persons are liable for the fulfilment of the obligations of the Grantor or assume in the future the obligations of the Grantor, each of such persons shall be solidarily liable for the Grantor's obligations set out herein.

## **15. INDIVISIBILITY**

Every divisible obligation in favour of the Lender arising out of this Agreement must be performed in its entirety by each heir or legal representative of any person who is liable to the same extent as if it were indivisible.

## 16. COMMUNICATIONS AND ELECTION OF DOMICILE

16.1 Unless otherwise provided in this Agreement, any demand, notice or communication given or required to be given to a party under this Agreement shall be in writing and shall be personally delivered (including delivery by a recognized overnight courier service) addressed to the respective parties at its address set forth below or to such other address as such party may designate by notice in writing to the other party hereto:

16.1.1 the Grantor at:

EPS Energy and Propulsion Systems Inc.  
73 Chemin St-Georges Nord  
Asbestos, Quebec  
J1T 3M7

Attention: Jean-Yves Dube and Pascal Larose

16.1.2 the Lender at:

Magna Aftermarket Inc.  
375 Magna Drive  
Aurora, Ontario  
L4G 7L6

Attention: Manfred Gingl

with a copy to:

Magna Aftermarket Inc.  
375 Magna Drive  
Aurora, Ontario  
L4G 7L6

Attention: Jason Wolkove

Any demand, notice or communication made by or given by personal delivery shall be conclusively deemed to have been made or given on the day of actual delivery thereof.

## 17. GENERAL

17.1 The recitals contained in the preamble hereto form an integral part hereof.

17.2 In the event that a provision of this Agreement or a part thereof or the application thereof to a particular Person or circumstance is declared or rendered invalid, inapplicable or illegal, or if it is declared incompatible with the creation of a valid hypothec then, such provision or such part thereof or particular application thereof, as the case may be, shall be considered distinct and severable from the remainder of this Agreement and this Agreement shall continue to remain in force



and executory and bind the parties hereto as if such provision or part thereof or the particular application thereof was never included.

- 17.3 The Grantor shall perform all acts and sign all documents reasonably required so that the hypothec created hereunder have full force and effect and is opposable at all times towards third parties.
- 17.4 In any place where the context requires it in this Agreement, the singular number herein set forth shall be interpreted as plural and the masculine gender as either feminine or neuter and vice versa.
- 17.5 The headings included in this Agreement have been included for reference purposes only and shall not have the effect of restricting or broadening the scope or meaning of this Agreement and its provisions.
- 17.6 The present Agreement will be governed by and interpreted in accordance with the laws in force in the Province of Quebec and the Grantor and the Lender hereby irrevocably submit to the non-exclusive jurisdiction of the Superior Court, District of Montreal.
- 17.7 Time is and shall be of the essence of this Agreement. The occurrence of an Event of Default shall be sufficient to constitute the Grantor in default without any further notification, demand or delay being required.
- 17.8 This Agreement shall enure to the benefit of and be binding upon the Grantor and its successors and permitted assigns as well as on the Lender and its successors and assigns.
- 17.9 In the event of a conflict between any provision of this Agreement and any provision of the Credit Agreement, the provision of the Credit Agreement, as the case may be, shall prevail and this Agreement shall be deemed to be amended to the extent necessary to eliminate such conflict or inconsistency, save and except in respect of the provisions of this Agreement which relate to the creation and enforcement of the hypothec hereby constituted, which provisions shall govern and prevail over the provisions of the Credit Agreement.

**18. COUNTERPARTS**

This Agreement and all documents contemplated by or delivered under or in connection with this Agreement may be executed and delivered in any number of counterparts or facsimile counterparts with the same effect as if all parties had signed and delivered the same document and all counterparts when executed and delivered (by facsimile or otherwise) will be construed together to be an original and will constitute one and the same agreement.

**19. SPECIAL DECLARATION RESPECTING LANGUAGE**

The parties hereto have requested that this Agreement be drawn up in the English language. *Les parties aux présentes ont exigé que ce document soit rédigé en langue anglaise.*

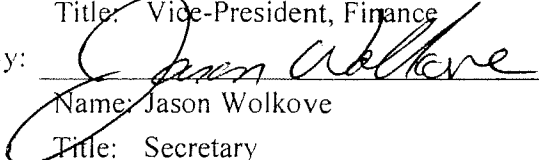
*[Remainder of page intentionally left blank]*

This Movable Hypothec Agreement made as of this 19th day of June, 2008.

**MAGNA AFTERMARKET INC.**

By:   
Name: Marco Steinigans

Title: Vice-President, Finance

By:   
Name: Jason Wolkove

Title: Secretary

This Movable Hypothec Agreement made as of this 19th day of June, 2008.

**EPS ENERGY AND PROPULSION  
SYSTEMS INC.**

By: 

Name: Manfred Gingl

Title: Chief Executive Officer

By: 

Name: Anthony E. Dobranowski

Title: Director


**SCHEDULE A  
INTELLECTUAL PROPERTY RIGHTS**

**Patents**

<b>Jurisdiction</b>		<b>Patent Number</b>
Canada	application	2,370,809
	application	2,453,730
	application	2,426,109
	application	2,579,917
United States		6,630,764
		6,888,280
		6,836,036
		6,866,111
Germany	application	199 83 946
PCT		application WO 2006/029514 A1
EP	application	1,799,538

For clarity, as used in the Agreement, the term Intellectual Property Rights shall include all intellectual property (whether registered, applied for or unregistered), including any inventions, inventor's, rights, discoveries, improvements, Patents, copyrights, copyright applications, moral rights, industrial designs, industrial design applications, mask works, utility models, trademarks, trademark applications, know-how, show-how and trade secrets related to energy management systems, proportional assist systems with strain gages, high performance brushless DC motors, and motors with a modular stator ring. As used herein, "Patents" means: (i) any issued patent or patent application (and any patents which may issue hereafter pursuant to any patent application), (ii) all continuations and continuations-in-part applications to the issued patent or patent application, (iii) all divisions, patents of addition, derivatives, substitutions, re-examinations, reissues, renewals and extensions of any of the patent, patent application, continuations and continuations-in-part applications, and (iv) all foreign counterparts of any of the foregoing.

**Trademarks**

Word Mark	Canada		United States		International (Madrid)	
	Trademark No.	Registration Date	Trademark No.	Registration Date	Trademark No.	Registration Date
<b>Bion</b> BionX	n/a (not filed)	n/a	3,298,488	Sep-25-2007	920 825 (Europe)	Jan-8-2007
 EPS	617,981	Aug-30-2004	2,743,890	Jul-29-2003	n/a	n/a
Smart-E	584,093	Jun-20-2003	2,730,230	Jun-24-2003	n/a	n/a