# PATENT ASSIGNMENT

Electronic Version v1.1  
Stylesheet Version v1.1

## SUBMISSION TYPE:
NEW ASSIGNMENT

## NATURE OF CONVEYANCE:
SECURITY AGREEMENT

## CONVEYING PARTY DATA

<table>
<thead>
<tr>
<th>Name</th>
<th>Execution Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPS ENERGY AND PROPULSION SYSTEMS INC.</td>
<td>06/19/2008</td>
</tr>
</tbody>
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## RECEIVING PARTY DATA

<table>
<thead>
<tr>
<th>Name:</th>
<th>MAGNA AFTERMARKET INC.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Street Address:</td>
<td>337 Magna Drive</td>
</tr>
<tr>
<td>City:</td>
<td>Aurora</td>
</tr>
<tr>
<td>State/Country:</td>
<td>CANADA</td>
</tr>
<tr>
<td>Postal Code:</td>
<td>L4G7K1</td>
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## PROPERTY NUMBERS Total: 4

<table>
<thead>
<tr>
<th>Property Type</th>
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<td>Patent Number:</td>
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## CORRESPONDENCE DATA

Fax Number: (514)904-8101  
*Correspondence will be sent via US Mail when the fax attempt is unsuccessful.*  
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 H3B 4W5

## ATTORNEY DOCKET NUMBER:
1109686(SA/PAT)

## NAME OF SUBMITTER:
Sofia Aguilar

Total Attachments: 35
GENERAL SECURITY AGREEMENT

THIS AGREEMENT is made June 19, 2008.

TO: MAGNA AFTERMARKET INC.
    (the “Lender”)
    337 Magna Drive
    Aurora, Ontario L4G 7K1

GRANTED BY: EPS ENERGY AND PROPULSION SYSTEMS INC.
    (the “Borrower”)
    having its principal office or place of business at:
    73 Chemin Saint-Georges Nord
    Asbestos, Quebec J1T 3M7

RECITALS:

A. The Lender and the Borrower entered into a Credit Agreement on the date hereof pursuant to which a loan in the principal amount of $500,000 was extended by the Lender to the Borrower.

B. As security for the its obligations under the Credit Agreement, the Borrower granted a security interest in all its tangible and intangible assets (including, without limitation, accounts receivable, inventory, equipment and intellectual property), wherever located, now or hereafter owned.

THEREFORE, the parties agree as follows:

ARTICLE 1
DEFINITIONS AND PRINCIPLES OF INTERPRETATION

1.1 Defined Statutory Terms

Unless the context otherwise requires or unless otherwise specified, all the terms used in this Agreement without initial capitals, which are defined in the PPSA or the STA, have the same meanings in this Agreement as in the PPSA or the STA, as applicable.

1.2 Definitions

Wherever used in this Agreement, all capitalized terms used and not defined have the meanings ascribed to them in the Credit Agreement and the following words and terms have the meanings set out below:

“Account Debtor” means any Person who becomes obligated to the Borrower under, with respect to, or on account of, an Account;

“Accounts” means all accounts now or in the future owned by the Borrower, and includes, all accounts receivable, other receivables, book debts, claims and other forms of monetary obligation now or in the future owned, received or acquired by, or belonging or
owing to, the Borrower, whether arising out of goods sold or services rendered by it, or from any other transaction. and “Account” means any one of them;

“Business Day” means any day of the year, other than a Saturday, Sunday or other day on which banks are closed in Montreal, Quebec or Toronto, Ontario;

“Chattel Paper” means all or any part of any present or future interest of the Borrower in chattel paper;

“Contracts” means any contracts, agreements, indentures, licences, commitments, entitlements, engagements or other arrangements, including any investment with or interest in any Person which does not constitute Investment Property, whether written or unwritten, to which the Borrower is now or subsequently a party or has a benefit, right, or in which the Borrower now has or subsequently acquires an interest;

“Control Agreement” means any present or future agreement or agreements entered into by the Borrower, the Lender and the applicable issuer, securities intermediary or futures intermediary, whereby the parties intend for the Lender to obtain control of Investment Property;

“Credit Agreement” means the loan agreement made as of June 19, 2008 between the Lender and the Borrower whereby the Lender has agreed to extend certain credit facilities to the Borrower, as amended, supplemented, restated, extended, renewed or replaced from time to time;

“Documents of Title” means all or any part of any documents of title, whether negotiable or non-negotiable, including all warehouse receipts and bills of lading, in which the Borrower now or subsequently has an interest;

“Equipment” means all goods in which the Borrower now or subsequently has an interest other than Inventory or consumer goods and any part of such Inventory or consumer goods, including all tools, apparatus, fixtures, plant, machinery and furniture;

“Event of Default” means the occurrence of any one of the events described in Section 6.1 herein and in Section 6.1 of the Credit Agreement;

“Futures Account” means all of the present or future futures accounts maintained for the Borrower by a futures intermediary, including all futures contracts carried in such futures accounts and the agreements between the Borrower and the futures intermediary governing such futures accounts;

“Instruments” means all or any part of any letters of credit, advices of credit, bills of exchange, depository notes, depository bills, banker’s acceptances and other instruments in which the Borrower now or subsequently has an interest;

“Intangibles” means all intangibles of whatever kind in which the Borrower now or subsequently has an interest, including all of the Borrower’s rights under Contracts, Intellectual Property Rights, Technical Information, and permits;
“Intellectual Property Rights” means all trade-marks, trade-names, brands, trade dress, business names, uniform resource locators (“URL”), domain names, tag lines, designs, graphics, logos and other commercial symbols and indicia of origin, goodwill, patents and inventions, copyrights, industrial designs, and other intellectual property rights, whether registered or not or the subject of a pending application for registration, owned by or licensed to the Borrower, including all the Intellectual Property Rights set forth in Schedule A;

“Inventory” means all inventory including raw materials, works-in-progress, finished goods and by-products, spare parts, operating supplies, packing, shipping and packaging materials of or relating to the business of the Borrower;

“Investment Property” means all or any part of any present or future interest of the Borrower in present and after acquired investment property, including all securities, Securities Accounts and Futures Accounts, all of the present and future security entitlements of the Borrower as an entitlement holder of such security entitlements, all of the present and future futures contracts of the Borrower as a futures customer in respect of such futures contracts, and all proceeds of any such property;

“Liens” means security interests, mortgages, pledges, liens, hypothecs, charges, security agreements or other encumbrances or other arrangements that in substance secure payment or performance of an obligation, statutory and other non-consensual liens or encumbrances and includes leases, title retention agreements, restrictions, development or similar agreements, rights-of-way, title defect, adverse claims or interests (including any adverse claim), trusts or deemed trusts, options to acquire or the interests of a vendor or lessor under any conditional sale agreement or capital lease, and “Lien” means any one of such Liens;

“Money” means all or any part of any money in which the Borrower now has or subsequently acquires an interest;

“Obligations” has the meaning specified in Section 3.1;

“Permitted Liens” means those Liens specified in Schedule B;

“Person” means any individual, sole proprietorship, partnership, firm, company, entity, unincorporated association (including a limited liability company), unincorporated syndicate, unincorporated organization, trust (including a business trust), body corporate, and where the context requires, any of them when they are acting as trustee, executor, administrator or other legal representative;

“PPSA” means the Personal Property Security Act, R.S.O. 1990, c.P.10;

“Places of Business” means the Borrower’s places of business specified in Section 4.1(o), and “Place of Business” means any one of them;

“Proceeds” means all proceeds and personal property in any form derived directly or indirectly from any dealing with all or any part of the Secured Property and any insurance
or payment that indemnifies or compensates for such property lost, damaged or destroyed, and proceeds of proceeds and any part of any such proceeds;

"Secured Property" means all of the Borrower’s undertaking, property, rights and assets of every nature and kind, now owned or subsequently acquired and at any time and from time to time existing or in which the Borrower has or acquires an interest, wherever situate, including all personal property, insurance policies, annuities, financial assets, Accounts, Chattel Paper, Contracts, Documents of Title, Equipment, Intangibles, Instruments, Inventory, Investment Property, Money and Proceeds, together with all increases, additions and accessions to any of them, and all substitutions or any replacements of any of them;

"Securities Account" means all of the present or future securities accounts maintained for the Borrower by a securities intermediary, including all of the financial assets credited to such securities accounts, all related securities entitlements and the agreements between the Borrower and the securities intermediary governing such securities accounts.

"Security Interest" means the security interest granted under Section 2.1;

"STA" means the Securities Transfer Act, 2006, S.O. 2006, c. 8;

"Technical Information" means all know-how and information owned by or licensed to the Borrower, confidential or otherwise, including any information of a scientific, technical, financial or business nature regardless of its form.

1.3 Certain Rules of Interpretation

In this Agreement:

(a) Governing Law – This Agreement is a contract made under and shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable in the Province of Ontario without prejudice to or limitation of any other rights or remedies available under the laws of any jurisdiction where property or assets of the Borrower may be found.

(b) Headings – Headings of Articles and Sections are inserted for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

(c) Including – Where the word “including” or “includes” is used in this Agreement, it means “including (or includes) without limitation”.

(d) No Strict Construction – The language used in this Agreement is the language chosen by the parties to express their mutual intent, and no rule of strict construction shall be applied against any party.

(e) Number and Gender – Unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing gender include all genders.
Severability – If, in any jurisdiction, any provision of this Agreement or its application to any party or circumstance is restricted, prohibited or unenforceable, such provision shall, as to such jurisdiction, be ineffective only to the extent of such restriction, prohibition or unenforceability without invalidating the remaining provisions of this Agreement and without affecting the validity or enforceability of such provision in any other jurisdiction or without affecting its application to other parties or circumstances.

Statutory references – A reference to a statute includes all regulations made pursuant to such statute and, unless otherwise specified, the provisions of any statute or regulation which amends, revises, restates, supplements or supersedes any such statute or any such regulation.

Time – Time is of the essence in the performance of the parties’ respective obligations.

References to Agreements – The term “this Agreement” refers to this agreement including all schedules, amendments, supplements, extensions, renewals, replacements, novations or restatements from time to time, in each case as permitted, and references to “Articles” or “Sections” means the specified Articles or Sections of this Agreement.

Paramountcy – If there is a conflict, inconsistency, ambiguity or difference between any provision of this Agreement and the Credit Agreement, the provisions of the Credit Agreement shall prevail, and such provision of this Agreement be amended to the extent only to eliminate any such conflict, inconsistency, ambiguity or difference. Any right or remedy in this Agreement which may be in addition to the rights and remedies contained in the Credit Agreement shall not constitute a conflict, inconsistency, ambiguity or difference.

1.4 Entire Agreement

This Agreement and the other Loan Documents and the agreements and other documents required to be delivered pursuant to this Agreement and the other Loan Documents, constitute the entire agreement between the parties and set out all the covenants, promises, warranties, representations, conditions, understandings and agreements between the parties pertaining to the subject matter of this Agreement and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written. There are no covenants, promises, warranties, representations, conditions, understandings or other agreements, oral or written, express, implied or collateral between the parties in connection with the subject matter of this Agreement except as specifically set forth in this Agreement and the other Loan Documents and any document required to be delivered pursuant to this Agreement.
ARTICLE 2
SECURITY INTERESTS

2.1 Security Interest

As continuing security for the repayment and the performance of each of the Obligations, the Borrower grants to the Lender a first continuing, specific and fixed security interest in all of the Secured Property.

2.2 Fixed Nature of Security Interests

The Security Interest is intended to operate as a fixed and specific charge of all of the Secured Property presently existing, and with respect to all future Secured Property, to operate as a fixed and specific charge of such future Secured Property.

2.3 Attachment

The Borrower acknowledges that value has been given. The Security Interest is intended to attach, as to all of the Secured Property, upon the execution by the Borrower of this Agreement.

2.4 Leases

The last day of any term reserved by any real property lease, written or unwritten, or any agreement to lease real property, now held or subsequently acquired by the Borrower is excepted out of the Security Interest. As further security for the payment of the Obligations, the Borrower agrees that it will stand possessed of the reversion of such last day of the term and shall hold it in trust for the Lender for the purpose of this Agreement. The Borrower shall assign and dispose of the same in such manner as the Lender may from time to time direct in writing without cost or expense to the Lender. Upon any sale, assignment, sublease or other disposition of such lease or agreement to lease, the Lender shall, for the purpose of vesting the residue of any such term in any purchaser, sublessee or such other acquirer of the real property lease, agreement to lease or any interest in any of them, be entitled by deed or other written instrument to assign to such other person, the residue of any such term in place of the Borrower and to vest the residue freed and discharged from any obligation whatsoever respecting the same.

2.5 Consent

Nothing in this Agreement shall constitute an assignment or attempted assignment of any contract or agreement to the extent that such contract or agreement is not assignable or requires the consent of a third party to its assignment unless such consent has been obtained, due to (a) its provisions (other than a contract or agreement that is the whole of an account or chattel paper for money due or to become due), or (b) applicable law. In each such case, the Borrower 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 its assignment under this Agreement 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 such consent being obtained or waived, this Agreement shall apply to the applicable contract or agreement without regard to this section and without the necessity of any further assurance to effect such assignment. Unless and until the consent to assignment is obtained as provided above, the Borrower shall, to the extent it may do so at law or
pursuant to the provisions of the contract or interest in question hold all benefit to be derived from such contracts or agreements in trust for the Lender (including, without limitation, the Borrower’s beneficial interest in any contract or agreement which may be held in trust for the Borrower by a third party), as additional security for payment of Obligations and shall deliver up all such benefit to the Lender, promptly upon demand by the Lender.

ARTICLE 3
OBLIGATIONS SECURED

3.1 Obligations
The Secured Property constitutes and will constitute continuing security for the following obligations (the “Obligations”) of the Borrower to the Lender:

(a) **Indebtedness** – The prompt payment, as and when due and payable, of all amounts now or subsequently owing by the Borrower to the Lender, including by way of guarantee or indemnity, matured or unmatured, direct, indirect or contingent, including any amendments, restatements, supplements, extensions, renewals and replacements of any such obligations, including any obligation under the Credit Agreement; and

(b) **Performance of Agreements** – The strict performance and observance by the Borrower of all agreements, warranties, representations, covenants and conditions of the Borrower made pursuant to this Agreement or any other agreement between the Borrower and the Lender, in each case as now in effect or as subsequently entered into, amended, restated, supplemented, renewed, extended or replaced from time to time, including all those made under the Credit Agreement.

ARTICLE 4
BORROWER’S REPRESENTATIONS, WARRANTIES AND COVENANTS

4.1 Representations and Warranties
The Borrower represents and warrants to the Lender the matters set out below:

(a) **Status** – The Borrower is a company, duly constituted, and validly existing under the laws of the Province of Quebec;

(b) **Authority** – The Borrower has all necessary corporate power, authority, and capacity (a) to own its assets, including the Secured Property; (b) to carry on business as presently conducted; and (c) to enter into and carry out its obligations under this Agreement and to grant the Security Interest.

(c) **Registrations and Licenses** – Neither the nature of its business nor the location or character of the assets owned or leased by it relating to its business requires it to be registered, licensed or otherwise qualified as an extra-provincial or foreign corporation in any jurisdiction other than in the Provinces of Ontario where it is duly registered, licensed or otherwise qualified for such purpose.
(d) Ownership of Secured Property Free of Charges – The Borrower is the owner of or has rights in the Secured Property free and clear of all Liens whatsoever other than the Permitted Liens.

(e) Intellectual Property Rights – With respect to all Intellectual Property Rights, whether or not registered, that are owned by the Borrower: (i) there is no violation by any Person of any right of the Borrower in existence with respect to any such Intellectual Property Rights; (ii) the Borrower is the sole owner of the Intellectual Property Rights; (iii) such Intellectual Property Rights are free and clear of any claims, encumbrances or charges save for Permitted Encumbrances and the Borrower has used and enforced, or has not failed to use or enforce, its Intellectual Property Rights in any manner which could result in the abandonment or cancellation thereof; (iv) there has been no infringement or violation of the Borrower’s rights in and to its Intellectual Property.

(f) Non-Conflict – Neither the execution nor the performance of this Agreement requires the approval of any regulatory agency having jurisdiction over the Borrower nor is this Agreement in contravention of or in conflict with the articles, by-laws or resolutions of the directors or shareholders of the Borrower or of the provisions of any agreement to which the Borrower is a party or by which any of its property may be bound or of any statute, regulation, by-law, ordinance or other law, or of any judgment, decree, award, ruling or order to which the Borrower or any of its property may be subject.

(g) Enforceability – This Agreement constitutes a valid and legally binding obligation of the Borrower enforceable against it in accordance with its terms.

(h) No Default – The Borrower is not in breach or default of any agreement to which it is a party.

(i) Financial Information – In all information and financial statements supplied to or for the benefit of the Lender, the Borrower has made no untrue statement of any fact, and has revealed all facts the omission of which would make such information and statements misleading. The Borrower has disclosed all facts which adversely affect or, so far as the Borrower can reasonably foresee, will adversely affect the business, properties, prospects or financial condition of the Borrower or the ability of the Borrower to perform its obligations under this Agreement. All accounting information and financial statements supplied to or for the benefit of the Lender have been prepared in accordance with Generally Accepted Accounting Principles, consistently applied.

(j) Account Debtor – Each of the Accounts, Chattel Paper, Contracts and Instruments constituting Secured Property is genuine and enforceable in accordance with its terms against the applicable Account Debtor or counterparty.

(k) Amounts Due From Account Debtor – The amount represented by the Borrower to the Lender from time to time as owing by each Account Debtor or by all Account Debtors, to the best of the Borrower’s knowledge, is the correct amount actually and unconditionally owing by such Account Debtor or Account
Debtors, save and except for normal cash discounts where applicable and a reasonable reserve for bad debts.

(l) **Accounts with Financial Intermediaries** – Each of the Securities Accounts and Futures Accounts is enforceable in accordance with its terms against the applicable securities intermediary or futures intermediary without any security interest or other Lien held by such securities intermediary or futures intermediary or right of set-off, netting or consolidation other than for normal charges applicable to the maintenance of such accounts and brokerage fees incurred in the ordinary course of business;

(m) **Insurance** – The Secured Property is insured in accordance with the terms of Section 4.2(m).

(n) **No Other Corporate Names or Styles** – The Borrower does not carry on business under or use any name or style other than the name(s) specified in this Agreement including, any names in the French language.

(o) **Place of Business of Borrower** - The following are the Borrower’s Place(s) of Business:

73 Chemin Saint-Georges Nord 375 Magna Drive
Asbestos, Quebec J1T 3M7 Aurora, Ontario L4G 7K1

2995 Boulevard Industriel
Sherbrooke, Quebec J1L 2T9

The Borrower’s chief executive office is located at 375 Magna Drive, Aurora, Ontario L4G 7K1 and its registered office under the laws of Canada or of a Canadian territory or province, if any, is located at 73 Chemin Saint-Georges Nord, Asbestos, Quebec J1T 3M7.

(p) **No Actions or Material Adverse Changes** – There is no action or proceeding pending or to the knowledge of the Borrower threatened against it before any court, administrative agency, tribunal, arbitrator, or other Governmental Authority or any fact known to the Borrower and not disclosed to the Lender which may involve any material adverse change in the properties, business, prospects or/condition of the Borrower, or question the validity of this Agreement or any other material agreement to which the Borrower is a party (or the Borrower’s ability to perform its obligations under this Agreement) and there are no outstanding judgments, writs of execution, work orders, injunctions, directives against the Borrower or its properties, including the Secured Property.

(q) **Reliance and Survival** – All representations and warranties of the Borrower made in this Agreement or in any certificate or other document delivered by or on behalf of the Borrower to or for the benefit of the Lender are material, shall survive and shall not merge upon the execution and delivery of this Agreement and shall continue in full force and effect. The Lender shall be deemed to have
relied upon such representations and warranties notwithstanding any investigation made by or on behalf of the Lender at any time.

4.2 Covenants

Unless compliance with the following covenants is waived by the Lender in writing or unless non-compliance with any such covenants is otherwise consented to by the Lender in writing, the Borrower covenants and agrees that:

(a) **Existence** – It shall: (i) maintain its corporate existence in good standing under the laws of the Province of Quebec; (ii) continue to conduct its business substantially as now conducted; (iii) do, or cause to be done, all things necessary to keep in full force and effect all permits and all properties, rights, franchises, licenses and qualifications to carry on its business in all jurisdictions where such business is currently being carried on.

(b) **Conduct of Business** – It shall keep all of its assets used or useful in the conduct of its business in good repair, working order and condition, ordinary wear and tear excepted, and from time to time shall make, or cause to be made, all needful and proper repairs, renewals and replacements, betterments and improvements to such assets in the conduct of its business as may be properly advantageous to its business at all times.

(c) **Compliance with Agreements and Laws** – It shall: (i) comply with all Applicable Law in the conduct of its business including those relating to, licencing, employment and labour matters, and environmental laws, and obtain all required permits and maintain them and material contracts in good standing; and (ii) comply with all personal information protection laws and its written privacy policy in relation to the collection, use and disclosure of personal information.

(d) **Notification to Lender** – The Borrower shall promptly notify the Lender of:

(i) **Claims and Liens** – any claim or Lien made or asserted against any of the Secured Property; and

(ii) **Proceedings** – any suit, action or proceeding affecting any of the Secured Property or which could affect the Borrower;

(iii) **Loss or Damage** – all loss or damage to or loss of possession of all or any part of the Secured Property other than by disposition in accordance with the terms of this Agreement; and

(iv) **Account Debtor Non-Performance** – any failure of any Account Debtor, any securities intermediary in respect of a Securities Account or any futures intermediary in respect of a Futures Account in payment or performance of obligations due to the Borrower which may affect the Secured Property;
and the Borrower shall, at its own expense, defend the Secured Property against any and all such claims or Liens, and against any and all such suits, actions or proceedings;

(e) **No Accessions or Fixtures** – The Borrower shall prevent the Secured Property from becoming an accession to any property other than the Secured Property or from becoming a fixture unless the Security Interests rank prior to the interests of all other persons in the real property;

(f) **Marking the Secured Property** – The Borrower shall, at the request of the Lender, mark, or otherwise take appropriate steps to identify, the Secured Property to indicate clearly that it is subject to the Security Interests;

(g) **Intellectual Property Rights** – The Borrower shall (i) maintain all necessary registrations and applications for registration for any Intellectual Property Rights in good standing, including paying all fees and making all such filings as may be required from time to time; (ii) notify the Lender if it knows, or has reason to know, of any application or registration relating to any patent or trade mark material to its business that may expire, become abandoned or dedicated to the public domain, or of any material adverse determination or development (including the institution of, or any such determination or development in, any proceeding in the Canadian patent and trade mark offices or any court or tribunal in any country) regarding its ownership of any Intellectual Property Right or its right to register the same or to keep and maintain the same; and (iii) report to the Lender any application for the registration of any trade-mark with the trade mark office in each jurisdiction in which is carried on business and any application for any patent with the patent office in each such jurisdiction, in each case within thirty (30) days after the day on which such application occurs (whether any such application is made by itself or through any agent, employee, licensee or designee);

(h) **Encumbrances** – The Borrower shall not create, incur, assume, permit or suffer to exist any Lien, on or with respect to any of the Secured Property, except for Permitted Liens;

(i) **Payment of Obligations** – It shall pay and discharge or cause to be paid and discharged promptly all rents, charges, taxes, rates, levies, assessments, fees and duties payable by it before any of them shall become past due, including any which relate to any of the Secured Property;

(j) **Maintenance of Secured Property and Books** – The Borrower shall at all times keep accurate and complete records of the Secured Property as well as proper books of account for its business all in accordance with Generally Accepted Accounting Principles, consistently applied, and shall maintain the currency of registration of its Intellectual Property Rights.

(k) **Examination of Books and Records and Secured Property** – The Lender or its agents shall have the right to examine the Securities Accounts, the Futures Accounts, the books of accounts, records and reports of the Borrower wherever
and however such data may be stored and to have temporary custody of, make copies of and take extracts from such books, records and reports. During reasonable business hours, the Lender or its agents shall have the right to examine the Secured Property and review and copy any and all information and data relating to such property, or to any related transactions, wherever and however such information and data may be stored. In the event that the use of a computer system is required for access to which the Lender is entitled, including without limitation, access to any premises, place, Secured Property, books of accounts, records, reports, information or data, the Borrower shall allow the Lender the use of its computer system for such purpose and shall provide assistance in that regard, including, without limitation, making known to the Lender any password, access number or other code required for such access. If for any reason the information and data cannot be accessed and retrieved at the Borrower’s premises the Lender may remove the medium in which such information or data is stored from the Borrower’s premises to any other place for the purpose of giving the Lender the opportunity to retrieve, record or copy such information and data. The Lender shall be entitled to reproduce and retain a copy of any such information and data in any format whatsoever. If any of the above items are in the possession of a third party, the Borrower shall take all reasonable steps to allow the Lender the access and retrieval to which it is entitled;

(l) **Delivery of Documents** – The Borrower shall deliver to the Lender promptly upon request:

(i) **Documents** – any Chattel Paper, Instruments, certificated securities and Documents of Title, and upon such delivery, where applicable, duly endorse the same for transfer in blank or as the Lender may direct;

(ii) **Uncertificated Securities** – any uncertificated securities, including any registration and any further acts and things necessary for delivery of such uncertificated securities to the Lender in accordance with the STA;

(iii) **Records** – all computer software, tapes, discs, drums and cards, all Securities Accounts, Future Accounts, books of account and all records, ledgers, reports, correspondence, schedules, documents, statements, lists and other writings relating to the Secured Property or the Borrower’s business for the purpose of inspecting, auditing or copying the same;

(iv) **Financial Statements** – all financial statements prepared by or for the Borrower regarding the Borrower’s business;

(v) **Policies of Insurance** – all policies and certificates of insurance relating to the Secured Property;

(vi) **Contracts and Agreements** – all Contracts and all other agreements, licenses, permits and consents relating to the Secured Property and the Borrower’s business; and
(vii) **Other Information** – such information concerning the Secured Property, the Borrower and the Borrower’s business and affairs as the Lender may request;

(m) **Risk and Insurance** – The Borrower bears the sole risk of any loss, damage, destruction or confiscation of or to the Secured Property during the Borrower’s possession of the Secured Property or otherwise. The Borrower shall maintain insurance on all of the Secured Property with financially sound and reputable insurers including, without limitation, all-risk property insurance, comprehensive general liability insurance and business interruption insurance and with such coverage and against such loss or damage to the full insurable value of such property with the Lender as a named insured and with loss payable to the Lender as its interest may appear. The Borrower shall also obtain such other insurance coverage as the Lender may reasonably require from time to time. All such policies of insurance shall provide that such insurance coverage shall not be changed or cancelled except on thirty (30) days’ notice to the Lender. If the Borrower fails to so insure, the Lender may insure the Secured Property and the premiums for such insurance shall be added to the balance of the Obligations secured under this Agreement as they exist at the date of the payment of such premium by the Lender;

(n) **Changes and Other Names** – The Borrower shall not (i) change its name as it appears in official filings in the jurisdiction of its organization; (ii) change its registered office, head office, chief executive office, principal place of business, domicile (within the meaning of the *Civil Code of Quebec*), corporate offices or warehouses or locations at which Secured Property is held or stored, or the location of its Books and Records; (iii) change the type of entity that it is; (iv) change its jurisdiction of incorporation or organization;

(o) **No Consolidation/Amalgamation, etc.** – The Borrower shall not enter into any transaction (or series of transactions) whether by way of reconstruction, arrangement, reorganization, consolidation, amalgamation, wind-up, liquidation, dissolution, merger or otherwise, whereby all or substantially all of its undertaking and assets would become the Property of any other Person (such other Person or continuing corporation. “Successor Corporation”), and the Borrower shall not do any act or thing that would materially adversely affect its business, property, prospects or financial condition and shall not permit any corporation of which it is the majority shareholder to do any of the foregoing;

(p) **No Affecting the Security** – It shall not do, permit or suffer to be done anything to adversely affect the ranking, validity or perfection of the Security Interest; and

(q) **No Distribution** – It shall not make any distributions, loans, fee payments, dividends or other payments to any shareholders, employees, directors, officers or any affiliates of any of them.
ARTICLE 5
RIGHT TO DEAL

5.1 Borrower’s Rights before Default

Until the occurrence of an Event of Default and subject to the terms of this Agreement, the Borrower is entitled to deal with the Secured Property in the ordinary course of business, provided that, that no such action shall be taken which would impair the effectiveness of the Security Interests created by this Agreement or the value of the Secured Property or which would be inconsistent with or violate the provisions of this Agreement, any other written agreement between the Lender and the Borrower or any Control Agreement. Upon the occurrence of an Event of Default, the Borrower shall and shall be deemed to hold all Proceeds in trust, separate and apart from other Money, Instruments, Investment Property or property, for the benefit of the Lender until all amounts owing by the Borrower to the Lender have been paid in full.

5.2 Investment Property

Until the occurrence of an Event of Default and subject to the terms of this Agreement, the Borrower is entitled to receive interest and regular cash dividends and other distributions, vote the Investment Property and give entitlement orders, instructions, directions and other consents, waivers and ratifications in respect of the Investment Property, provided that, that no such action shall be taken which would impair the validity, perfection or priority of the Security Interests or the value of the Investment Property or which would be inconsistent with or violate the provisions of this Agreement, any other written agreement between the Lender and the Borrower or any Control Agreement.

5.3 Delivery and Control

The Lender may, at its sole and unfettered discretion, require the Borrower to do all such acts and things that are necessary or desirable for the Lender, the Lender’s agent or a nominee of the Lender to receive delivery of the Investment Property or obtain control of the Investment Property, including any consent of the Borrower as a registered owner of Investment Property, an entitlement holder or a futures customer, as the case may be, necessary or desirable for such control to be obtained by the Lender. Notwithstanding any such transfer, delivery or control, prior to the occurrence of an Event of Default, Sections 5.1 and 5.2 shall continue to apply and upon such transfer the Lender shall provide the Borrower with such proxies and other written authorizations as may reasonably be requested by the Borrower to enable the Borrower to exercise the rights and take the actions described in Sections 5.1 and 5.2.

ARTICLE 6
DEFAULT

6.1 Default

The Borrower shall be in default under this Agreement upon the occurrence of any of the following events (each, an “Event of Default”):
(a) **Performance of Obligations** – The Borrower defaults or fails to observe, in payment or performance of any of the Obligations;

(b) **Covenant Default** – The Borrower commits a breach of, or fails or neglects to observe, perform, or comply with any covenant, representation, warranty or any other provision in favour of the Lender;

(c) **Cease to Carry on Business** – The Borrower ceases or threatens to cease to carry on business;

(d) **Event of Insolvency** – The occurrence or threat of any one of the following events:

(i) **Dissolution** – The Borrower is wound up, dissolved or liquidated under any law or otherwise has its existence terminated or passes any resolution or becomes subject to any order in connection with any of the above, including, without limitation, under to the provisions of the *Winding-Up and Restructuring Act* (Canada) or any similar law of any jurisdiction;

(ii) **Insolvency** – The Borrower makes a general assignment for the benefit of its creditors, acknowledges its insolvency or is declared or becomes bankrupt or insolvent, or ceases to carry on or fails in its business;

(iii) **Act of Bankruptcy** – The Borrower commits an act of bankruptcy under the *Bankruptcy and Insolvency Act* (Canada) or any similar law of any jurisdiction;

(iv) **Bankruptcy Proposal** – Any filing of a proposal or notice of intention to make a proposal is made or a notice of intention to enforce security is issued in respect of the Borrower under the *Bankruptcy and Insolvency Act* (Canada) or any similar law of any jurisdiction;

(v) **Protection from Creditors** – Any filing is made or a proceeding is commenced in respect of the Borrower (whether voluntary or involuntary) seeking any stay of proceedings, protection from creditors, moratorium, reorganization, arrangement, composition, re-adjustment, or any other relief under any present or future law of any jurisdiction relative to bankruptcy, insolvency, reorganization or other relief for debtors or affecting creditors’ rights, including the *Companies’ Creditors Arrangement Act* (Canada);

(vi) **Appointment of Trustee or Receiver** – Any trustee in bankruptcy, interim receiver, receiver, receiver and manager, agent, custodian, sequestrator, administrator, monitor or liquidator or any other Person with similar powers shall be appointed in respect of the Borrower, or all or any part of the Secured Property, or any filing is made or proceeding is commenced in respect of any Obligor seeking the entry of an order for the appointment or relief in respect of any of the above;
(vii) **Enforcement Against Secured Property** – Any holder of any Lien or claim of any kind enforces against, delivers any notices relating to its rights or its intention to enforce against, or becomes entitled to enforce against, or otherwise takes possession, management or control of the Secured Property or the interest of the Borrower in such Secured Property, or any part of such Secured Property or interest; or

(viii) **Seizure** – A distress, execution, warrant, garnishment, attachment, sequestration, levy, writ, or any similar process is issued or enforced upon or against all or any part of the Secured Property, or any third party demand is issued by the Crown, administrative body or any taxation authority in respect of the Borrower or all or any part of the Secured Property, or any other seizure is made in respect of all or any part of the Secured Property.

(e) **Disposition** – The Borrower transfers, assigns, sells, leases or otherwise disposes of all or any part of the Secured Property or any interest in such Secured Property except for:

(i) Inventory in the ordinary course of business on customary trade terms; and

(ii) Equipment which has become worn out, damaged or otherwise unsuitable for its purpose, provided that the Borrower substitutes for such Equipment similar property of equal value, free from all Liens other than Permitted Liens, if any. Such substituted property shall constitute part of the Secured Property as soon as the Borrower acquires any interest in it;

(f) **Destruction** – Any material portion of the Secured Property is damaged, lost or destroyed;

(g) **Priority of Security** – The Security Interest shall cease to be a valid and perfected first priority security interest, and the Borrower shall have failed to remedy such default within 10 days;

(h) **Other Default** – The Borrower defaults under any agreement with respect to any indebtedness or other obligation to any person other than the Lender if such default has resulted in, or may result, with notice or lapse of time or both, in, the acceleration of any such indebtedness or obligation or the right of such person to realize upon all or any part of the Secured Property; or

(i) **Performance Impaired** – The Lender in good faith believes the prospect of payment or performance of the Obligations under this Agreement is impaired.

6.2 **Demand Obligations**

The fact that this Agreement provides for Events of Default and rights of acceleration shall not derogate from the nature of any Obligation which is payable on demand.
ARTICLE 7
REMEDIES

7.1 Lender's Rights and Remedies

If any Event of Default shall occur, all of the Obligations shall, at the Lender's option and without notice to the Borrower, become immediately due and payable and the Lender may, in its discretion, proceed to enforce payment and performance of the Obligations and to exercise any or all of the rights and remedies contained in this Agreement, (including, without limitation, the signification and collection of the Borrower's Accounts), or otherwise afforded by law, in equity or otherwise. The Lender shall have the right to enforce one or more remedies successively or concurrently in accordance with applicable law and the Lender expressly retains all rights and remedies not inconsistent with the provisions in this Agreement including all the rights it may have under the PPSA. Without limitation, the Lender may, upon the occurrence of any Event of Default and to the extent permitted by applicable law:

(a) Appointment of Receiver – Appoint by instrument in writing a receiver (which term shall include a receiver and manager or agent) of the Borrower and of all or any part of the Secured Property and remove or replace such receiver from time to time or may institute proceedings in any court of competent jurisdiction for the appointment of a receiver. Any such receiver appointed by the Lender, with respect to responsibility for its acts, shall, to the extent permitted by applicable law, be deemed the agent of the Borrower and not of the Lender. Where the "Lender" is referred to in this Article the reference includes, where the context permits, any receiver so appointed and the officers, employees, servants or agents of such receiver;

(b) Enter and Repossess – Immediately and without notice enter the Borrower's premises and repossess, disable or remove the Secured Property;

(c) Retain the Collateral – Retain and administer the Secured Property in the Lender's sole and unfettered discretion, which discretion the Borrower acknowledges is commercially reasonable;

(d) Dispose of the Collateral – Dispose of any Secured Property by public auction, private tender or private contract with or without notice, advertising or any other formality, all of which are waived by the Borrower to the extent permitted by law. The Lender may, to the extent permitted by law, at its discretion, establish the terms of such disposition, including, without limitation, terms and conditions as to credit, upset, reserve bid or price. All payments made pursuant to such dispositions shall be credited against the Obligations only as they are actually received. The Lender may, to the extent permitted by law, enter into, rescind or vary any contract for the disposition of any Secured Property and may dispose of any Secured Property again without being answerable for any related loss. Any such disposition may take place whether or not the Lender has taken possession of the Secured Property;

(e) Foreclosure – Foreclose upon the Secured Property;
(f) **Power of Attorney** – Upon the occurrence, and during the continuance of, an Event of Default, the Borrower constitutes and appoints the Lender from time to time, or any receiver appointed of the Borrower as provided for in this Agreement, the true and lawful attorney of the Borrower irrevocably with full power of substitution to do, make and execute all such documents, acts, matters or things with the right to use the name of the Borrower whenever and wherever it may be deemed necessary or expedient in connection with the exercise of its rights and remedies set forth in this Agreement. Without limitation, the Lender or its agent is authorized to sign any financing statements and similar forms which may be necessary or desirable to perfect the Security Interest in any jurisdiction on behalf of the Borrower. The Borrower declares that the irrevocable power of attorney granted in this Agreement, being coupled with an interest, is given for valuable consideration;

(g) **Investment Property** –

(i) **Disposal** – Without limiting the generality of Section 7.1(d), the Borrower acknowledges that when disposing of any Investment Property, the Lender may be unable to effect a public sale of any or all of the Investment Property, or to sell any or all of the securities as a control block sale at more than a stated premium to the “market price” of any shares, stock, instruments, warrants, bonds, debenture stock and other securities forming part of the Investment Property, by reason of certain prohibitions contained in the Securities Act (Ontario) and applicable laws of other jurisdictions, but may be compelled to resort to one or more private sales to a restricted group of purchasers who will be obliged to agree, among other things, to acquire such Investment Property as principal and to comply with other resale restrictions provided for in the Securities Act (Ontario) and other applicable laws. The Borrower acknowledges and agrees that any such private sale may result in prices and other terms less favourable to the seller than if such sale were a public sale or a control block sale and, notwithstanding such circumstances, agrees that any such private sale shall not be deemed to have been made in a commercially unreasonable manner solely by reason of its being a private sale. The Lender shall be under no obligation to delay a sale of any of the Investment Property for the period of time necessary to permit the issuer of such securities to qualify such Investment Property for public sale under the Securities Act (Ontario) or under applicable securities laws of other jurisdictions, even if the issuer would agree to do so, or to permit a prospective purchaser to make a formal offer to all or substantially all holders of any class of securities forming any part of the Investment Property;

(ii) **Exercise of Rights** – Upon the occurrence, and during the continuance of, an Event of Default the Lender may elect by written notice to the Borrower and to an officer of the issuer of the Investment Property or to any securities intermediary or futures intermediary in respect of the Investment Property, as may be applicable, that all or part of the rights of
the Borrower in the Investment Property including, the right to vote, give consents, entitlement orders, instructions, directions, waivers or ratifications and take other actions and receive interest or regular cash dividends, payments or other distributions, shall cease, and upon such election all such rights shall become vested in the Lender or as it may direct;

(iii) **Registration and Control** – Require that the Investment Property be registered in the name of the Lender or as it may direct, that delivery of the Investment Property be made to the Lender or that control of the Investment Property be obtained by the Lender, or as it may direct, in accordance with the provisions of the STA and the Lender may then, without notice, exercise any and all voting rights at any meeting of the issuers thereof and exercise any and all rights, privileges or options pertaining to the Investment Property without the consent of the Borrower as if it were the absolute owner, including the right to exchange at its discretion, any and all of the Investment Property upon the issuer’s amalgamation, merger, consolidation, reorganization, recapitalization, restructuring or other readjustment or upon the issuer’s exercise of any right, privilege or option pertaining to any of the Investment Property and to deposit and deliver any and all of the Secured Property with any committee, depositary, transfer agent, registrar, securities intermediary, futures intermediary, clearing agency or other designated agency upon such terms and conditions as it may determine;

(h) **Collection of Accounts** – Upon the occurrence, and during the continuance of, an Event of Default the Lender on its own account or through a receiver, receiver-manager or agent and whether alone or in conjunction with the exercise of all or any other remedies contemplated by this Agreement, shall have the right, at any time, to notify and direct Account Debtors and any Person obligated to the Borrower under a promissory note or bill of exchange to make all payments whatever to the Lender and the Lender shall have the right, at any time, to hold all amounts acquired from any Account Debtors and any Person obligated to the Borrower under a promissory note or bill of exchange and any Proceeds as part of the Secured Property. Upon the occurrence, and during the continuance of, an Event of Default any payments received by the Borrower shall be held by the Borrower in trust for the Lender in the same medium in which received, shall not be commingled with any assets of the Borrower and shall, at the request of the Lender be turned over to the Lender not later than the next business day following the day of their receipt;

(i) **Carry on Business** – Carry on or concur in the carrying on of all or any part of the business of the Borrower and may, in any event, to the exclusion of all others, including the Borrower, enter upon, occupy and use all premises of or occupied or used by the Borrower and use any of the personal property (which shall include fixtures) of the Borrower for such time and such purposes as the Lender sees fit. The Lender shall not be liable to the Borrower for any neglect in so doing or in respect of any related rent, costs, charges, depreciation or damages;
(j) **Payment of Encumbrances** – Pay any Liens or other claims that may exist or be threatened against the Secured Property, and any amount so paid together with costs, charges and expenses incurred shall be added to the Obligations;

(k) **Payment of Deficiency** – If the proceeds of realization are insufficient to pay all monetary Obligations, the Borrower shall forthwith pay or cause to be paid to the Lender any deficiency and the Lender may sue the Borrower to collect the amount of such deficiency; and

(l) **Dealing with Secured Property** – Subject to applicable law, seize, collect, realize, borrow money on the security of, release to third parties, sell (by way of public or private sale), lease or otherwise deal with the Secured Property in such manner, upon such terms and conditions, at such time or times and place or places and for such consideration as may seem to the Lender advisable and without notice to the Borrower. The Lender may charge on its own behalf and pay to others sums for expenses incurred and for services rendered (expressly including without limitation, legal, consulting, broker, management, receivership and accounting fees) in or in connection with seizing, collecting, realizing, borrowing on the security of, selling or obtaining payment of the Secured Property and may add all such sums to the Obligations.

7.2 **Assemble the Secured Property**

To assist the Lender in the implementation of such rights and remedies, the Borrower will, at its own risk and expense and immediately upon the Lender’s request, assemble and prepare for removal such items of the Secured Property as are selected by the Lender as shall, in the Lender’s sole judgment, have a value sufficient to cover all the Obligations.

7.3 **Allocation of proceeds**

All monies collected or received by the Lender in respect of the Secured Property may be held by the Lender and may be applied on account of such parts of the Obligations at the sole discretion of the Lender.

7.4 **Waivers and Extensions**

The Lender may waive default or any breach by the Borrower of any of the provisions contained in this Agreement. No waiver shall extend to a subsequent breach or default, whether or not the same as or similar to the breach or default waived and no act or omission of the Lender shall extend to or be taken in any manner whatsoever to affect any subsequent breach or default of the Borrower or the rights of the Lender resulting therefrom. Any such waiver must be in writing and signed by the Lender to be effective.

The Lender may also grant extensions of time and other indulgences, take and give up securities, accept compositions, grant releases and discharges, release the Secured Property to third parties and otherwise deal with the Borrower’s guarantors or sureties and others and with the Secured Property and other securities as the Lender may see fit without prejudice to the liability of the Borrower to the Lender, or the Lender’s rights, remedies and powers under this Agreement. No extension of time, forbearance, indulgence or other accommodation now, heretofore or hereafter
given by the Lender to the Borrower shall operate as a waiver, alteration or amendment of the rights of the Lender or otherwise preclude the Lender from enforcing such rights.

7.5 Remedies Cumulative and Waivers

For greater certainty, it is expressly understood and agreed that the rights and remedies of the Lender under this Agreement are cumulative and are in addition to and not in substitution for any rights or remedies provided by law or equity; and any single or partial exercise by the Lender of any right or remedy for a default or breach of any term, covenant, condition or agreement contained in this Agreement shall not be deemed to be a waiver of, or to alter, affect or prejudice, any other right or remedy to which any one or more of the Lender may be lawfully entitled for such default or breach. Any waiver by the Lender of the strict observance, performance or compliance with any term, covenant, condition or other matter contained in this Agreement and any indulgence granted, either expressly or by course of conduct by the Lender shall be effective only in the specific instance and for the purpose for which it was given and shall be deemed not to be a waiver of any right or remedy of the Lender under this Agreement as a result of any other default or breach under this Agreement.

7.6 Effect of Possession or Receiver

As soon as the Lender takes possession of any Secured Property or appoints a receiver, all powers, functions, rights and privileges of the Borrower and the directors and officers of the Borrower with respect to the Secured Property shall cease, unless specifically continued by the written consent of the Lender or the receiver.

7.7 Set-off or Compensation

In addition to and not in limitation of any rights granted now or after the date of this Agreement at law, upon the occurrence and during the continuance of an Event of Default, the Lender may at any time and from time to time without notice to the Borrower (it being expressly waived by the Borrower) set-off and compensate and apply any and all securities accounts, futures accounts, deposits, general or special, term or demand, provisional or final, matured or unmatured, and any other indebtedness at any time owing by the Lender, or to appropriate any other properties or assets at any time held by the Lender, to or for the credit of or the account of the Borrower, against and on account of the Obligations, even if any of them are contingent or unmatured.

7.8 Limitation of Liability

The Lender shall not be liable or accountable:

(a) by reason of any entry into or taking possession of all or any of the Secured Property, to account as mortgagee in possession or for anything except actual receipts, or for any loss on realization or any act or omission for which a secured party in possession might be liable; or

(b) for any failure to exercise its remedies, take possession of, seize, collect, realize, sell, lease or otherwise dispose of or obtain payment for the Secured Property and shall not be bound to institute proceedings for such purposes or for the purpose of
preserving any rights, remedies or powers of the Lender, the Borrower or any other person in respect of same.

The Lender shall not by virtue of these presents be deemed to be a mortgagee in possession of the Secured Property. The Borrower releases and discharges the Lender and the receiver from every claim of every nature, whether sounding in damages or not, which may arise or be caused to the Borrower or any person claiming through or under the Borrower by reason or as a result of anything done by the Lender or any successor or assign claiming through or under the Lender or the receiver under the provisions of this Agreement unless such claim be the result of dishonesty or gross neglect.

ARTICLE 8
GENERAL

8.1 Expenses

The Borrower shall pay all costs and expenses (including the fees and disbursements of legal counsel and other advisors) incurred by the Lender in connection with the negotiation, preparation and execution of this Agreement and the perfection, protection of and enforcement under this Agreement, advice with respect to this Agreement, and those arising in connection with the delivery, control, realization, disposition, retention, protection or collection of any Secured Property and the protection or enforcement of the rights, remedies and powers of the Lender or any receiver and those incurred for perpetual registration of any financing statement registered in connection with the Security Interests. All amounts for which the Borrower is required under this Agreement to reimburse the Lender or any receiver shall, from the date of disbursement until the date the Lender or the receiver receives reimbursement, be deemed advanced to the Borrower by the Lender, shall be deemed to be Obligations secured hereby and shall bear interest at the highest rate per annum charged by the Lender on any of the other Obligations.

In particular, the Borrower agrees to indemnify and save the Lender harmless from all legal fees and disbursements incurred by the Lender in connection with any enforcement of rights and remedies under this Agreement. This indemnity is independent of and in addition to any right which the Lender may have to seek recovery of costs in any litigation which results in respect of this Agreement and is intended to ensure that the Lender is fully reimbursed for one-hundred percent (100%) of the fees and disbursements which may be incurred as by it and its legal counsel.

8.2 Notices

Any notice, consent or approval required or permitted to be given in connection with this Agreement (in this Section referred to as a "Notice") shall be in writing and shall be sufficiently given if delivered (whether in person, by courier service or other personal method of delivery), or if transmitted by facsimile or e-mail:

(a) in the case of a Notice to the Borrower at:
EPS Energy and Propulsion Systems Inc  
73 Chemin Saint-Georges Nord  
Asbestos, Quebec J1T 3M7.

Attention: Jean-Yves Dube  
Fax: (819) 879-0084  
E-mail: j-y.dube@bionx.ca

(b) in the case of a Notice to the Lender at:

Magna Aftermarket Inc.  
375 Magna Drive  
Aurora, Ontario

Attention: Manfred Gingl  
Fax: (905) 726-7164  
E-mail: fred_gingl@magna.on.ca

with a copy to:

Magna Aftermarket Inc.  
375 Magna Drive  
Aurora, Ontario

Attention: Jason Wolkove  
Fax: (905) 726-7126  
E-mail: jason_wolkove@magna.on.ca

Any Notice delivered or transmitted to a party as provided above shall be deemed to have been given and received on the day it is delivered or transmitted, provided that it is delivered or transmitted on a Business Day prior to 5:00 p.m. local time in the place of delivery or receipt. However, if the Notice is delivered or transmitted after 5:00 p.m. local time or if such day is not a Business Day then the Notice shall be deemed to have been given and received on the next Business Day.

Any party may, from time to time, change its address by giving Notice to the other party in accordance with the provisions of this Section.

8.3 Amendment

No amendment, supplement, modification or waiver or termination of this Agreement and, unless otherwise specified, no consent or approval by any party, shall be binding unless executed in writing by the party to be bound.

8.4 Enurement

This Agreement shall be binding on the Borrower, and its successors (including any successor by reason of amalgamation), and permitted assigns and enure to the benefit of the Lender and its successors (including any successor by reason of amalgamation) and assigns.
8.5 Further Assurances

The Borrower shall at all times do all such things and provide all such reasonable assurances as may be required to consummate the transactions contemplated by this Agreement, and shall provide such further documents or instruments required by the Lender as may be reasonably necessary or desirable to effect the purpose of this Agreement and carry out its provisions, and for the better granting, transferring, assigning, charging, setting over, assuring, confirming or perfecting the Security Interest and the priority accorded to them by law or under this Agreement.

8.6 Execution and Delivery

This Agreement may be executed by the parties in counterparts and may be executed and delivered by facsimile or other electronic means and all such counterparts, facsimiles or other electronic means shall together constitute one and the same agreement.

The Borrower acknowledges receiving a copy of this Agreement, and further agrees that a carbon, photographic, photostatic or other reproduction of this Agreement or of a financing statement is sufficient as a financing statement.

8.7 Language

The parties confirm that it is their wish that this Agreement, as well as any other documents relating to this Agreement, including notices, schedules and authorizations, have been and shall be drawn up in the English language only. Les signataires confirment leur volonté que la présente convention, de même que tous les documents s'y rattachant, y compris tout avis, annexe et autorisation, soient rédigés en anglais seulement.

8.8 Security Interests Effective Immediately

Neither the execution of, nor any filing with respect to this Agreement shall obligate the Lender to make any advance or loan or further advance, or bind the Lender to grant or extend any credit to the Borrower, but the Security Interests shall take effect forthwith upon the execution of this Agreement by the Borrower.

8.9 Statutory Waivers

To the fullest extent permitted by law, the Borrower waives all of the rights, benefits and protections given by the provisions of any existing or future statute which imposes limitations upon the powers, rights or remedies of a Lender or upon the methods of realization of security, including any seize or sue or anti-deficiency statute or any similar provisions of any other statute.

8.10 Reasonableness

The Borrower acknowledges that the provisions of this Agreement and, in particular, those respecting rights, remedies and powers of the Lender and any receiver against the Borrower, its business and any Secured Property upon the occurrence of an Event of Default, are commercially reasonable and not manifestly unreasonable.
8.11 Discharge

Upon payment and performance by the Borrower of the Obligations, the Lender shall upon request in writing by the Borrower deliver up this Agreement to the Borrower and shall at the expense of the Borrower cancel and discharge the Security Interests and execute and deliver to the Borrower such documents as shall be requisite to discharge the Security Interests.

[The remainder of page left intentionally blank.]
IN WITNESS OF WHICH the Borrower has duly executed this Agreement.

EPS ENERGY AND PROPULSION SYSTEMS INC.

By:  
Name: Marco Steinigans  
Title: Vice President, Finance

By:  
Name: Jason Wolkove  
Title: Secretary
## SCHEDULE A
### INTELLECTUAL PROPERTY RIGHTS

#### Patents

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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

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<th>Word Mark</th>
<th>Canada</th>
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<td>Jun-20-2005</td>
<td>2,730,220</td>
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## SCHEDULE B
### PERMITTED LIENS

<table>
<thead>
<tr>
<th>REGISTRATION NUMBER AND DATE</th>
<th>TYPE</th>
<th>GRANTOR(S)</th>
<th>SECURED PARTY(IES)</th>
<th>AMOUNT</th>
<th>REGISTRATION EXPIRATION DATE</th>
<th>DESCRIPTION OF PROPERTY</th>
<th>REMARKS</th>
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<tbody>
<tr>
<td>06-0502372-0001</td>
<td>Reservation of ownership (installment sale) and the assignment thereof</td>
<td>Systèmes d'Énergie et Propulsion EPS Inc. (73 St-Georges Road North, Asbestos, QC J1T 3M7) (purchaser)</td>
<td>Satisfaction Chrysler Dodge Jeep Inc. (1475 Jutras Blvd, West, Victoriaville, QC G6T 2A9) (vendor/assignor) Caisse populaire Desjardins des Métaux blancs (535 1st Avenue, Asbestos, QC J1T 3Y3) (assignee)</td>
<td>N/A</td>
<td>2008-08-02</td>
<td>2002 Dodge Grand Caravan VIN: 2B4GP44R52R692448</td>
<td>Agreement executed under private signature at Victoriaville, Quebec on August 3, 2006. The assignment covers all rights.</td>
</tr>
<tr>
<td>05-0229673-0001</td>
<td>Conventional hypothec without delivery</td>
<td>Systèmes d'énergie et propulsion EPS Inc. (73 St-Georges Street North, Asbestos, QC J1T 3M7)</td>
<td>Corporation Financière Brome Inc. (500 Sherbrooke Street West, suite 400, Montreal, QC H3A 3C6)</td>
<td>$360,000 (including an additional hypothec of $60,000) (with interest thereon at the rate of 20% per annum)</td>
<td>2015-04-21</td>
<td>The universality of movable property, present and future, corporeal and incorporeal, wheresoever situated,</td>
<td>Agreement executed under private signature at Montreal, Quebec on April 21, 2005. By a cession of rank registered on May 4, 2005 under number 05-0253135-0002, Caisse Populaire Desjardins des Métaux Blancs, Société d'aide au développement de la</td>
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<tr>
<td>Registration Number and Date</td>
<td>Type</td>
<td>Grantor(s)</td>
<td>Secured Party(ies)</td>
<td>Amount</td>
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<td>Description of Property (summary form – complete description available, upon request)</td>
<td>Remarks (including reference to document creating registered rights)</td>
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<td>collectivité de la région d’Asbestos and Fonds de développement industriel Richmond-Wolfe Inc. (creditors under registration number 01-0165286-0002) subordinated their rank in favour of Corporation Financière Brome Inc., insofar only as the following property is concerned: the accounts receivable derived from the Grantor’s current operations as well as the claims, notes or sums of money derived from the leasing, sale or other alienation of such property. By a cession of rank registered on May 4, 2005 under number 05-0253135-0001, Caisse Populaire Desjardins des Métaux Blancs (creditor under</td>
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<tr>
<td>REGISTRATION NUMBER AND DATE</td>
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<td>01-0165286-0003 May 16, 2001 – 12:46 p.m.</td>
<td>Floating hypothec</td>
<td>Systèmes d'Énergie et Propulsion EPS Inc. (43 Fortin, Asbestos, QC J1T 4E5)</td>
<td>Caisse populaire Desjardins des Métaux blancs (535 1st Avenue, Asbestos, QC J1T 3Y3)</td>
<td>$150,000</td>
<td>2011-04-05</td>
<td>The universality of all of the Grantor's claims, present and future, derived from whatever source.</td>
<td>Agreement executed under private signature at Asbestos, Quebec on April 5, 2001. By a cession of rank registered on May 4, 2005 under number 05-0253135-0001, Caisse Populaire Desjardins des Métaux Blancs</td>
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<tr>
<td>Registration Number and Date</td>
<td>Type</td>
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<td>Amount</td>
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<tr>
<td>01-0165286-0002 May 16, 2001 - 12:46 p.m.</td>
<td>Conventional hypothec without delivery</td>
<td>Systèmes d'Énergie et Propulsion EPS Inc. (43 Fortin, Asbestos, QC J1T 4E5)</td>
<td>Caisse populaire Desjardins des Métaux blancs (535 1st Avenue, Asbestos, QC J1T 3Y3) Société d'Aide au Développement de la Collectivité de la Région d'Asbestos (309 Chassé, Asbestos, QC J1T</td>
<td>$360,000</td>
<td>2011-04-05</td>
<td>Universality of property: The present and future property forming part of the universality or universalities hereinafter described as well as any property acquired in replacement thereof: All present and future property used in the operation of the Grantor’s enterprise. The rights and insurance indemnities covering the property and claims</td>
<td>Agreement executed under private signature at Asbestos, Quebec on May 9, 2001. By a cession of rank registered on May 4, 2005 under number 05-0253135-0002, Caisse Populaire Desjardins des Métaux Blancs, Société d’aide au développement de la</td>
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<td>REGISTRATION NUMBER AND DATE</td>
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<tr>
<td>01-0165286-0001</td>
<td>Conventional hypothec without delivery</td>
<td>Systèmes d'Energie et Propulsion EPS Inc. (43 Fortin, Asbestos, QC J1T 4E5)</td>
<td>2B4) Fonds de Développement Industriel Richmond-Wolfe Inc. (745 Gouin P.O. Box 1862, Richmond, QC J0B 1H0)</td>
<td>$150,000</td>
<td>2011-04-05</td>
<td>hereinafter described or forming part of the hereinafore described universalities. The claims, notes or sums of money resulting from the lease, sale or other alienation of the hypothecated property. Agreement executed under private signature at Asbestos, Quebec on April 5, 2001. By a cession of rank registered on May 4, 2005 under number 05-0229673-0001.</td>
<td>collective de la région d'Asbestos and Fonds de développement industriel Richmond-Wolfe Inc. subordinated their rank in favour of Corporation Financière Brome Inc. (creditor under registration number 05-0229673-0001). insofar only as the following property is concerned: the accounts receivable derived from the Grantor's current operations as well as the claims, notes or sums of money derived from the leasing, sale or other alienation of such property.</td>
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<td>REGISTRATION NUMBER AND DATE</td>
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<tr>
<td>01-0134756-0001 April 26, 2001 – 9:00 a.m.</td>
<td>Conventional hypothec without delivery</td>
<td>Systèmes d'Énergie et Propulsion EPS Inc (43 Fortin, Asbestos, QC J1T 4E5)</td>
<td>Caisse populaire Desjardins des Métaux blancs (535 1st Avenue,</td>
<td>$48,000</td>
<td>2011-04-05</td>
<td>forming part of the universality or universalities hereinafter described as well as any property acquired in replacement thereof. all present and future merchandise and other property destined for sale. lease or in reserve as well as property used for packaging. all present and future finished products or in the process of being manufactured or transformed, raw materials and other accessories used in their manufacturing or transformation, the property used for packaging. The rights and insurance indemnities covering the property and claims hereinafore described or forming part of the hereinafore described universality. The claims, notes or sums of money derived from the hypothecated property.</td>
<td>Agreement executed under private signature at Asbestos, Quebec on April 24,</td>
</tr>
</tbody>
</table>

05-0253135-0001 Caisse Populaire Desjardins des Métaux Blancs subordinated its rank in favour of Corporation Financière Brome Inc. (creditor under registration number 05-0229673-0001). Insofar only as the following property is concerned: the accounts receivable derived from the Grantor’s current operations as well as the claims, notes or sums of money derived from the leasing, sale or other alienation of such property.
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<tr>
<td></td>
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<td>Asbestos, QC J1 T 3Y 3</td>
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<td></td>
<td></td>
<td>described as well as any property acquired in replacement thereof.</td>
<td>2001. By a cession of rank registered on May 4, 2005 under number 05-0253135-0001, Caisse Populaire Desjardins des Métaux Blancs subordinated its rank in favour of Corporation Financière Brome Inc. (creditor under registration number 05-0229673-0001), insofar only as the following property is concerned: the accounts receivable derived from the Grantor’s current operations as well as the claims, notes or sums of money derived from the leasing, sale or other alienation of such property.</td>
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