

07-1015

07-01-2005



103032696

RECORDATION FORM COVER SHEET
TRADEMARKS ONLY

Commissioner for Trademarks
P.O. Box 1451
Alexandria, Virginia 22313-1451

RE: Our File: T-TF25.1

1. Name (and address) of conveying party(ies)

2. Name and Address of receiving party(ies)

SANTÉ NATURELLE A.G. LTÉE
1155 René-Lévesque
Boulevard West 40th Floor
Montreal QC H3B 3V2
Canada

HSBC Bank Canada
Toronto Main Branch
2nd Floor, 70 York Street
Toronto, Ontario
M5J 1S9
Canada

- Individual
- Association
- General Partnership
- Limited Partnership
- Corporation-Canada
- Other-

- Individual(s) citizenship
- Association
- General Partnership
- Limited Partnership
- Corporation-Canada
- Other -

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No

3. Nature of conveyance:

- Assignment
- Security Agreement
- Other: Hypothec on Movables
- Merger
- Change of Name
- Change of Address

Execution Date: May 18, 2005

4. Application number(s) or registration number(s):10

A. Trademark Application No.(s) B. Trademark Reg. No.(s)

78432479
78551936
78432481
78432459
78503876
78538520



07-01-2005

U.S. Patent & TM Office/TM Mail Report Dt. 077

76588964

78538530

78352864

76609938

Additional numbers attached () Yes (X) No

5. Name and address of party to whom correspondence concerning document should be mailed:

COLLEN IP
Intellectual Property Law, P.C.
The Holyoke-Manhattan Building
80 South Highland Avenue
Town of Ossining
Westchester County, New York 10562

6. Total number of applications involved: 10

7. Total fee (37 CFR 3.41) \$265.00

() Enclosed
(x) Authorized to be charged to deposit account
() Already submitted

8. Deposit account number:
03-2465

(Attach duplicate copy of this page if paying by deposit account)

DO NOT USE THIS SPACE

9. To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.

Jess M. Collen/Donald J. Ranft *J. Ranft* June 28, 2005
Name of person signing Signature Date

Total number of pages comprising cover sheet, attachments and documents: 23

JMC/MC:de

HYPOTHEC ON MOVABLES

dated as of May 18, 2005

by

SANTÉ NATURELLE A.G. LTÉE

as Grantor

in favour of

HSBC BANK CANADA

as Secured Party

#11480443

HYPOTHEC ON MOVABLES

THIS HYPOTHEC ON MOVABLES dated as of May 18, 2005 is made by **SANTÉ NATURELLE A.G. LTÉE** (the "Grantor"), a corporation incorporated under the *Canadian Business Corporations Act*, in favour of **HSBC BANK CANADA** (the "Secured Party").

WHEREAS pursuant to a facility letter (the "Facility Letter") dated as of May 12, 2005 between the 4273231 Canada Inc., which amalgamated with Santé Naturelle A.G. Ltée ("SNAG Pre-Amalco") on the date hereof to form the Grantor, as borrower, and the Secured Party, as lender, the Secured Party has agreed to establish certain credit facilities in favour of the Grantor, subject to the terms and conditions of the Facility Letter, and

WHEREAS as continuing collateral security for the fulfilment of the Secured Obligations (as defined below), the Grantor has agreed to hypothecate all of its right, title and interest both present and future, in and to the Hypothecated Property;

NOW, THEREFORE, the parties hereby agree as follows:

1. INTERPRETATION

1.1 Definitions

1.1.1 Subject to Section 1.1.2, in this Hypothec, unless there is something in the subject matter or content inconsistent therewith, capitalized terms and expressions shall have the meanings ascribed to them in the Facility Letter.

1.1.2 In this Hypothec, the following words and expressions shall have the following meanings:

- (a) "Accounts" means all accounts maintained by the Grantor with any depository institution, wherever situated;
- (b) "BA Agreement" means the banker's acceptance agreement entered into between the Grantor and the Secured Party on or about the date hereof, as the same may be amended, restated or supplemented from time to time;
- (c) "Claims" means any and all claims, advances, book debts, accounts receivable and any other amounts or property now or hereafter owing to the Grantor by any person, either absolutely or conditionally, including all claims and indemnities payable under insurance policies covering the same and any and all books, papers, invoices, notes and data files evidencing, recording or supporting the same;
- (d) "Equipment" means tangible movable property such as machinery, equipment, rolling stock, furniture and fixtures, and all licences and other rights and records, files, charts, plans, drawings, specifications, manuals, documents and warranties relating thereto;

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- (e) **"Event of Default"** means any event set out in Section 7 hereof;
- (f) **"Facility Letter"** has the meaning set out in the introductory paragraph to this Hypothec, as the same may be amended, supplemented or restated from time to time;
- (g) **"Governmental Authority"** means any federal, provincial, state, municipal, local or other government or other governmental or public department, central bank, parliament, legislature, regulatory authority, agency, commission, board or court or other law, regulation or rule making entity (including a Minister of the Crown) having jurisdiction on behalf of any nation, state, province, municipality or district, or any subdivision thereof or any quasi-governmental, judicial or administrative authority exercising regulatory or taxing authority;
- (h) **"Grantor"** has the meaning set out in the introductory paragraph to this Hypothec and includes its successors and assigns;
- (i) **"Hypothecated Property"** means any and all property, rights and interest, present and future, intended to be charged by the hypothec created under Section 2 hereof, all substitutions and replacements thereof, all increases, additions and accessions thereto, all rights attaching thereto and all proceeds in any form derived directly or indirectly from any dealing with any of the foregoing or the proceeds therefrom;
- (j) **"Intellectual Property"** means the business of the Grantor and all trade names, trade marks, copyrights, designs, processes, know how, goodwill, licences, franchises, permits, quotas, patents and other rights of intellectual and industrial property of any nature and description including, without limitation, the trade names, trade marks, domain names, patents and copyrights listed in Schedule "B" hereof, and all pending applications pertaining thereto that shall be owned by the Grantor following an amalgamation between the Grantor and any other person or the purchase by the Grantor of any of the assets of any other person;
- (k) **"Inventory"** means, regardless of the situs thereof at any particular time, (i) all inventory of raw materials, goods in process, finished products and stock in trade of any nature and description, whether or not the same is held for let or hire, leasing, resale or otherwise, (ii) all goods and materials used in or procured for the packaging thereof, (iii) any such property held by third parties under let or hire, leasing, conditional sale, franchise, licence, consignment or other like contractual arrangements with its lawful owner, (iv) any such property sold by the Grantor and later taken back for any reason, and (v) all amounts and proceeds paid or payable to or for the account of the Grantor as a result of the sale, lease or other dealings with any of the foregoing;
- (l) **"ISDA Master Agreement"** means the ISDA master agreement, as published by the International Swaps and Derivatives Association, Inc., to be entered into between the Grantor and the Secured Party and includes all schedules,

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supplements, tables and confirmations and other agreements, documents and instruments to be executed and/or to be delivered pursuant to or in connection with any of the foregoing and any and all amendments, supplements or restatements thereof;

- (m) **"Lease Agreement"** means the lease agreement entered into between the Grantor, as lessee and Pierrevillage Inc., as lessor on September 10, 1999, as the same may be amended, restated or supplemented from time to time;
- (n) **"Loan Documents"** means the Facility Letter, this Hypothec, the BA Agreement, the ISDA Master Agreement and all other agreements, documents and instruments now or hereafter executed and/or delivered pursuant to or in connection with any of the foregoing and any and all amendments, supplements or restatements thereof;
- (o) **"Secured Obligations"** means all obligations, at any time due, owing or incurred by the Grantor to the Secured Party under the Loan Documents, whether present or future, actual or contingent;
- (p) **"Secured Party"** has the meaning set out in the introductory paragraph of this Hypothec, and includes its successors and assigns;
- (q) **"Securities"** means the universality of all shares and securities now or hereafter acquired or owned by or on behalf of the Grantor or in which the Grantor now or hereafter has an interest, wherever situated, and all present and future substitutions and exchanges thereof, and any document that is: (i) issued in bearer, order or registered form, (ii) of a type commonly dealt in or upon securities exchanges or markets or commonly recognized in any area in which it is issued or dealt in as a medium for investment, (iii) one of a class or series or by its terms is divisible into a class or series of documents, and (iv) evidence of a share, participation or other interest in property or in a corporation, partnership, trust, fund or any enterprise or is evidence of an obligation of the issuer.

1.2 Interpretation

- 1.2.1 The terms "this Hypothec", "hereof", "herein", "hereunder" and similar expressions refer, unless otherwise specified, to this Hypothec taken as a whole and not to any particular Section or subdivision, as the same may be amended, supplemented or restated from time to time.
- 1.2.2 The division of this Hypothec into Sections and other subdivisions, the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation hereof.
- 1.2.3 All references to Sections refer, unless otherwise specified, to sections of this Hypothec.

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- 1.2.4 Words and terms denoting inclusiveness (such as "include" or "includes" or "including"), whether or not so stated, are not limited by and do not imply limitation of, their context or the words or phrases which precede or succeed them.
- 1.2.5 The term "person" includes any individual, firm, partnership, corporation, Governmental Authority or unincorporated body of persons.

2. HYPOTHECS

2.1 Conventional Hypothec

As security for the full and final payment of the Secured Obligations, the Grantor hereby hypothecates to and in favour of the Secured Party to the extent of the sum of fifty-nine million dollars (\$59,000,000) in lawful money of Canada with interest thereon at the rate of 20% per annum the universality of all of its movable property of every nature and description, corporeal and incorporeal, present and future, and wherever situate, including, without limitation:

- (a) all of its Claims, present and future, including without limitation:
 - (i) all cheques, wire transfers, deposits and other items deposited into the Accounts; and
 - (ii) the Accounts and all funds now or hereafter on deposit therein;
- (b) all of its Inventory, present and future;
- (c) all of its Equipment, present and future;
- (d) all of its Intellectual Property, present and future, and any amendment or supplement thereto;
- (e) all of its Securities, present and future;
- (f) all options, warrants or rights issued to or acquired at any time by the Grantor in connection with any of the Securities (whether as an addition to or in substitution or in exchange for any of the Securities or otherwise);
- (g) all dividends, distributions and other income declared or made at any time in respect of any of the Securities including dividends or distributions payable in shares, property or otherwise;
- (h) all rights under contracts of any nature whatsoever including, without limitation, the Lease Agreement; and
- (i) all proceeds arising from the property, assets and undertaking of the Grantor referred to in this Section 2.1, including insurance proceeds or any other payment representing indemnity or compensation for loss of or damage thereto.

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2.2 Additional Hypothec

To guarantee the payment of all sums not secured by the principal hypothec created in Section 2.1, and in particular, interest due for the current and three preceding years, interest on the interest, and all other amounts expended by the Secured Party to protect its hypothecary claim, including, but not limited to costs and other accessories, an additional hypothec is created by the Grantor against the universality of the movable property of every nature and description of the Grantor, corporeal and incorporeal, present and future, and wherever situate. Consequently, the Grantor hypothecates its property described in Section 2.1, in favour of the Secured Party for an additional amount equal to fourteen million seven hundred and fifty thousand dollars (\$14,750,000).

3. SECURITIES

3.1 Certificates

With respect to any Securities in certificated form, the Grantor shall promptly deliver, or cause to be delivered, certificates representing such Securities duly endorsed in blank for transfer or with executed power of attorney in the form attached hereto as Schedule "A", to be held as a pledge in conformity with the terms hereof by the Secured Party in Montréal, Québec, subject to the terms hereof, which shall be part of the Hypothecated Property. The Grantor undertakes and agrees to deliver to the Secured Party concurrently herewith duly endorsed certificates representing the Pledged Shares and promptly all certificates representing future securities held by the Grantor, together with stock transfer forms.

3.2 Exercise of Rights

3.2.1 Until the occurrence of an Event of Default which is continuing, the Grantor shall be entitled to exercise all voting rights attached to the Securities and give consents, waivers and ratifications in respect thereof; provided, however, that no vote shall be cast or consent, waiver or ratification given or action taken which may materially adversely affect the interests of the Secured Party or the value of the Securities or which would impose any restriction on the transferability of any of the Securities. All such rights of the Grantor to vote and give consents, waivers and ratifications hereunder shall cease immediately upon the occurrence of any Event of Default which is continuing.

3.2.2 All dividends, distributions, interest and other income in respect of Hypothecated Property and all proceeds received by the Grantor in respect of Hypothecated Property may be received by the Grantor in the ordinary course and distributed in the ordinary course to the Grantor's shareholders until the occurrence of an Event of Default which is continuing. Upon the occurrence of an Event of Default which is continuing, the Grantor shall not be entitled to retain or distribute to its shareholders any such dividends, distributions, interest or other income or proceeds and if received shall be held as a mandatary for the Secured Party and shall forthwith be paid over to the Secured Party, to be applied against the Secured Obligations or, at the option of the Secured Party, to be held as additional security for the Secured Obligations.

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4. SPECIAL PROVISIONS RELATIVE TO CLAIMS

4.1 Authorization to Collect

The Secured Party authorizes the Grantor to manage and collect the Claims in the ordinary course of its business. Such authorization may nevertheless be withdrawn by the Secured Party at any time after the occurrence of an Event of Default which is continuing, whereupon the Secured Party shall be free to do, in the name of the Grantor, any of the following, without any interference or consent on the part of the Grantor and without being bound (to the fullest extent permitted by law) by the rules respecting the administration of the property of others:

- (a) collect the Claims and apply such proceeds (net of all collection costs and the reasonable remuneration of the Secured Party at the customary rates) against the Secured Obligations in such manner as it shall deem appropriate;
- (b) give valid acquittances for any sums paid by third party debtors at any time after as well as before the creation of this security, and unilaterally cause, with or without consideration, the cancellation or reduction of any charge, hypothec or any other security interest securing the Claims or any part thereof; and
- (c) renegotiate, terminate or novate the Claims in whole or in part upon such terms and conditions as it shall deem reasonable, take and give up security and generally exercise, but without any obligation to do so and at its entire discretion, all rights of the Grantor with respect to the Claims, it being understood that the Secured Party is relieved of any obligation to inform the Grantor of any irregularity in the payment of any Claim and it shall incur no liability for any loss or damage which may result from the exercise of its rights except in the case of its own intentional or gross fault.

4.2 Money Received

Any amount received by the Grantor with respect to the Claims after a withdrawal of authorization as aforesaid shall be deemed so received as mandatory or depository of the Secured Party and shall forthwith be remitted to the Secured Party without demand or notice, the whole without prejudice to the recourses of the Secured Party against the third party debtors.

4.3 Registration of Hypothecary Rights

If any of the Claims are themselves secured by a security interest, hypothec or any other right susceptible of publication under the law, the Secured Party shall have the right to accomplish, at the expense of the Grantor, all the formalities required to register and otherwise protect against the third party debtors the hypothecary rights of the Secured Party upon such Claims and accessories thereof.

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5. REPRESENTATIONS AND WARRANTIES

The Grantor represents and warrants at the date hereof that:

- (a) the Grantor fully owns the Hypothecated Property and the Hypothecated Property is free of all real rights, charges, hypothecs and security interests, save and except for the following:
 - (i) conventional movable hypothec granted by SNAG Pre-Amalco in favour of Royal Bank of Canada ("RBC") on May 5, 2003 and registered with the Register of Personal and Movable Real Rights (the "RPMRR") on May 9, 2003 under number 03-0229027-0012 which shall be discharged on or about May 20, 2005;
 - (ii) conventional movable hypothec granted by SNAG Pre-Amalco in favour of RBC on June 10, 2003 and registered with the RPMRR on June 26, 2003 under number 03-0328139-0030 which shall be discharged on or about May 20, 2005;
 - (iii) security under Section 427 of the Bank Act (Canada) granted by SNAG Pre-Amalco in favour of RBC, including the notice of intention registered at the Bank of Canada on May 12, 2003 under number 01136960 in connection therewith which shall be discharged on or about May 20, 2005; and
 - (iv) registration filed pursuant to the Personal Property Security Act (Ontario) in favour of RBC against SNAG Pre-Amalco and other entities under reference file number 835 261 515 which shall be discharged on or about May 20, 2005.
- (b) there is no tangible Hypothecated Property located outside the Province of Québec;
- (c) the Grantor's registered office is situated in the Province of Québec;
- (d) the Grantor is duly authorized and has the capacity to execute and grant this Hypothec in favour of the Secured Party; and
- (e) the Grantor shall use its commercially best efforts to obtain, within 30 days following the execution of this Hypothec, a consent from Pierrevillage Inc. in order to hypothecate the Grantor's rights under the Lease Agreement in favour of the Secured Party.

6. COVENANTS

The Grantor covenants with the Secured Party as follows:

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- (a) the Grantor shall do any and all things in order to properly protect and maintain the Hypothecated Property and will conduct its business in a way which preserve the value of the Hypothecated Property;
- (b) the Grantor shall notify the Secured Party forthwith of the existence of any Claims which are subject to the *Financial Administration Act (Canada)*;
- (c) the Grantor shall not move the tangible Hypothecated Property outside of the Province of Québec on a permanent basis;
- (d) the Grantor shall refrain from mixing or combining any of the Hypothecated Property with other movable property belonging to third parties, or from transforming the same, except in the normal course of the Grantor's business or unless consented to in writing by the Secured Party;
- (e) the Grantor shall not to sell, dispose, assign, charge, mortgage, set over, pledge, hypothecate or otherwise transfer or encumber all or part of any of the Hypothecated Property other than to the Secured Party nor shall it perform any act or execute any other instrument which might prevent the Secured Party from enforcing all of its rights and recourses under the terms and conditions of this Hypothec or which would limit the Secured Party in any manner;
- (f) the Grantor shall notify the Secured Party as soon as practicable upon becoming aware of any claim or litigation in respect of any of the Hypothecated Property and deliver or cause to be delivered to the Secured Party a copy of any written communication or documentation received by it from any third party in respect of the Securities which may adversely affect the Hypothecated Property;
- (g) the Grantor shall make, execute and deliver such further and other assignments, transfers, deeds, security agreements and other documents as may be required by the Secured Party from time to time to grant to the Secured Party a first ranking hypothec in the Hypothecated Property with the priority intended hereby and generally to accomplish the intention of this Hypothec; and
- (h) the Grantor shall pay all reasonable expenses, including legal fees and disbursements, incurred by the Secured Party or its agents in connection with the preparation, filing, preservation and enforcement of this Hypothec; including all reasonable expenses incurred by the Secured Party or such agents in dealing with other creditors of the Grantor in connection with the establishment and confirmation of the priority of the hypothec created hereby; all of which expenses shall be payable forthwith upon demand and shall form part of the Secured Obligations.

7. EVENTS OF DEFAULT

7.1 Events of Default

The Grantor shall be in default in each and every one of the following events:

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- (a) if the Grantor (or any of its predecessors, being 4273231 Canada Inc. and Santé Naturelle A.G. Ltée) is in default under any Loan Document;
- (b) if any or all of the Obligations Secured or other obligations secured under this Hypothec are not paid or performed when due;
- (c) if any of the representations and warranties made in this Hypothec is untrue in any material respect;
- (d) if the Grantor does not fulfil any of its obligations or covenants hereunder;
- (e) if the Grantor ceases to carry on its business, becomes insolvent or bankrupt; or
- (f) if any or all of the Hypothecated Property is seized or is subject to a taking of possession by a creditor, a receiver or any other person performing similar functions.

8. EXERCISE OF HYPOTHECARY RIGHTS

8.1 Recourses

Upon the occurrence of an Event of Default which is continuing, the Secured Party may request from the Grantor the voluntary surrender of any of the Hypothecated Property and the Grantor hereby undertakes to do so. The Grantor shall also execute any deed or document which may be necessary or useful to evidence such surrender or to give it full effect. In addition, the Secured Party may, upon the occurrence of an Event of Default which is continuing, exercise all hypothecary rights, remedies and actions whatsoever which are available under the *Civil Code of Québec*, without prejudice to any other right or action whatsoever which may be exercised or taken independently or concurrently, to enforce its rights under this Hypothec in accordance with Québec law and the terms of this Hypothec.

8.2 Exercise of Hypothecary Rights

The Secured Party shall not be bound to exercise the same hypothecary rights against all of the Hypothecated Property. Whatever hypothecary rights the Secured Party elects to exercise, the following provisions shall apply:

- (a) the Secured Party shall have the right, at the expense of the Grantor and in order to conserve or realize upon the Hypothecated Property:
 - (i) to continue or terminate the use and operation of the Hypothecated Property including the processing and sale of the Inventory;
 - (ii) to dispose of the Hypothecated Property which may perish or deteriorate rapidly;
 - (iii) to use any information obtained by reason of the exercise of its rights;

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- (iv) to perform any obligation or covenant of the Grantor; and
- (v) to exercise any right with respect to the Hypothecated Property;
- (b) the Secured Party shall not be bound to make an inventory, to take out insurance or to furnish any security;
- (c) the Secured Party may acquire directly or indirectly any of the Hypothecated Property;
- (d) the Secured Party may from time to time in the course of the exercise of its rights, renounce, with or without consideration, any right of the Grantor;
- (e) the Secured Party shall not be bound to make the Hypothecated Property productive or to conserve the same;
- (f) should the Secured Party at any time abandon the exercise of its rights, hypothecary or otherwise, against the Hypothecated Property, the Secured Party may elect, at its option, to return to the Grantor without any representation or warranty, the Hypothecated Property which the Grantor had surrendered to the Secured Party, or the remainder thereof if any, the whole without prejudice to its other rights and recourses;
- (g) the Secured Party shall be deemed to have acted in the best interest of the Grantor and its successors if the Secured Party has acted in accordance with its standard methods of assessing and managing financial risks in the ordinary course of its business.

8.3 Taking in Payment

- 8.3.1 Where the Secured Party exercises a right of taking in payment and the Grantor, inasmuch as it has the right to do so, requires that the Secured Party sells the Hypothecated Property upon which such recourse was exercised, the Grantor acknowledges that the Secured Party shall not be bound to abandon the right of taking in payment unless the Secured Party have obtained, before the end of the period allowed for surrender (i) a satisfactory security guaranteeing that the sale will be made at a sufficiently high price to enable the Secured Party's claim to be paid in full, (ii) the full reimbursement of all costs thus incurred by the Secured Party, and (iii) an advance of the funds needed for the sale of the said properties.
- 8.3.2 If the Secured Party itself sells any of the Hypothecated Property, it shall not be required to obtain any prior appraisal thereof.
- 8.3.3 The sale by the Secured Party of any of the Hypothecated Property may be concluded by the Secured Party without legal warranty or, at its option, without any warranty whatsoever.

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8.4 Exercise of Rights by Secured Party

- 8.4.1 The Secured Party is not bound by any degree of care beyond a reasonable diligence in the exercise of its rights or in the performance of its duties, and it shall not be liable for any loss or damage resulting therefrom except as a result of its own intentional or gross fault.
- 8.4.2 The Secured Party may delegate to any other person the exercise of its rights or the performance of its duties hereunder and may provide such agents or mandataries with any information that the Secured Party may possess with respect to the Grantor or the Hypothecated Property.
- 8.4.3 The property or sums of money received or held by the Secured Party by reason of these presents may be invested by the Secured Party in such manner as it shall deem appropriate without regard to rules governing the administration of the property of others.
- 8.4.4 Should the Secured Party at any time consider that the location or the use of the Hypothecated Property requires the registration of this security, or the creation of similar security, under the laws of another jurisdiction, the Grantor shall forthwith at the request of the Secured Party execute the documents and accomplish the formalities necessary for such purpose.
- 8.4.5 The exercise by the Secured Party of any of its rights shall not preclude the Secured Party from exercising any other right under this Hypothec or the law; the rights and remedies of the Secured Party shall be cumulative and are in addition to and not in substitution for any other rights or remedies. The non-exercise by the Secured Party of any of its rights shall not constitute a waiver of any subsequent exercise of such right.

9. GENERAL

9.1 Continuing Security

- 9.1.1 This Hypothec is a continuing security which will subsist notwithstanding any fluctuation of the amounts hereby secured. The Grantor shall be deemed to obligate itself again as provided in Article 2797 of the *Civil Code of Québec* with respect to any future obligation hereby secured.
- 9.1.2 The Secured Party shall have the right, at the expense of the Grantor, to perform all acts and things and to execute all documents as may be necessary to ensure that this security remains effective and opposable to third parties, including the execution and filing of any forms required for the renewal hereof from time to time.
- 9.1.3 Any amount received by the Secured Party in the exercise of its rights hereunder or under any law may, at its option, be retained by the Secured Party as part of the Hypothecated Property, or may be applied by the Secured Party towards the partial payment of the Secured Obligations, even if not yet exigible, as the Secured Party shall alone determine notwithstanding the rules governing the application of payments.

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9.2 Notices and Election of Domicile

9.2.1 Except as otherwise provided herein, all notices and other communications provided for hereunder shall be in writing and delivered or given by telecopier or other telefacsimile communication to the Secured Party and to the Grantor at the relevant address or addresses set out below at such other address or telecopier number as shall be designated by such party in a notice given to all other parties in accordance with this 9.2.1. All such notices and communications shall be effective when delivered by telefacsimile communication, or manually delivered, addressed as aforesaid. Except as specifically otherwise provided herein, in no event shall any notices or other communications be mailed. The Secured Party will be entitled to rely on any signature appearing on a telefacsimile transmission that purports to be a signature of a representative of the Grantor.

(a) the Grantor at:

SANTÉ NATURELLE A.G. LTÉE
1155 René-Lévesque Boulevard West
40th Floor
Montreal QC H3B 3V2

Attention: _____

Phone: (514) 397-3000
Fax: (514) 397-3222

(b) the Secured Party at:

HSBC BANK CANADA
Toronto Main Branch
2nd Floor, 70 York Street
Toronto, Ontario
M5J 1S9

Attention: Mr. John Borch

Phone: (416) 868-8296
Fax: (416) 868-3804

9.2.2 Should the Secured Party be unable to locate the Grantor then any such notice or demand may, at its option, be served at the Office of the Clerk of the Superior Court for the District of Montréal, at which Office the Grantor elects domicile for the purposes of this Hypothec.

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9.3 Invalidity, Etc.

Any provision hereof which is prohibited or unenforceable in any jurisdiction shall be ineffective only in such jurisdiction and only to the extent of such prohibition or enforceability, without invalidating the remaining provisions hereof.

9.4 Further Assurances

The Grantor shall do all such further acts and things and execute and deliver all such further documents which the Secured Party may require in order to fully perform and carry out the terms of this Hypothec.

9.5 Language

The parties have required that this hypothec and all related document be written in English. *Les parties ont requis que la présente hypothèque ainsi que tout document y afférent soient rédigés en anglais.*

9.6 Governing Law and Jurisdiction


This Hypothec and, unless otherwise specified therein, all other documents or instruments delivered in accordance with this Hypothec shall be governed by and interpreted in accordance with the laws applicable in the Province of Québec and the federal laws of Canada. The Grantor irrevocably submits to the exclusive jurisdiction of the courts of the Province of Québec, judicial district of Montréal. This exclusive jurisdiction is for the benefit of the Secured Party only. As a result, the Secured Party shall not be prevented from taking proceedings in any other courts with jurisdiction.

[SIGNATURE PAGE FOLLOWS]

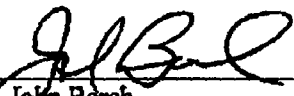
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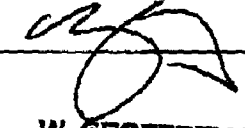
IN WITNESS WHEREOF, the parties have caused this Hypothec to be executed by their duly authorized representatives as of the date first above written.

**SANTÉ NATURELLE A.G.
LTÉE**

By: 
Name: Alan Abel Ying Choi Yu
Title: Secretary

HSBC BANK CANADA

By: 
Name: John Borch
Title: Assistant Vice President
Commercial Financial Services

By: 
Name: **W. GEOFFREY HOY**
Title: **SENIOR VICE PRESIDENT AND MANAGER
TORONTO MAIN AND ONTARIO REGION**

#1148044.3

SCHEDULE "A"

FORM OF POWER OF ATTORNEY

DESCRIPTION OF SHARES:

■ shares (the "Shares") in the capital stock of ■, a company incorporated under the laws of ■ (the "Company") represented by share certificate no(s): ■

FOR VALUE RECEIVED, the undersigned hereby pursuant to the Movable Hypothec dated May ■, 2005, as amended, supplemented, modified, restated or replaced from time to time:

1. sells, assigns and transfers unto _____ the aforementioned Shares standing in the name of the undersigned on the books of the Company; and
2. irrevocably constitutes and appoints _____ the Attorney(s) of the undersigned to complete the foregoing transfer and/or any transfer on the transfer panel of the respective share certificates representing such Shares and to transfer the said Shares on the books of the Company, with full power of substitution in the premises.

DATED effective this _____ day of _____, _____.

■

Authorized Signatory

#1148044.3

SCHEDULE "B"**INTELLECTUAL PROPERTY****Canada**

Name	Status	Application Number	Registration Number
Adrien Gagnon BioScience & dessin	Searched	1195516	
ADRIEN GAGNON SELECT & dessin	Registered	1119737	TMA611575
Animal Health Institute - Institut Santo Animate & dessin	Default Searched	1218857	
Animal Health Nutraceuticals - Nutraceutiques Santé Animate & dessin	Default Searched	1218853	
Animal Health Nutraceuticals - Sante Animale Nutraceutiques &	Formalized	1241928	
Animal Natural Health - Sante Naturelle Animal & dessin	Default Searched	1218855	
ANXIVA	Registered	0893836	TMA537609
ARTHRIFLEX	Registered	1033224	TMA550588
BioAnimal	Searched	1233338	
BIOLEVUR	Registered	0618516	TMA359763
BIONEX	Formalized	1241931	
BIOTONIK	Allowed	1007798	
BRONCALM	Registered	1106369	TMA581773
CALCIPLUS	Registered	0563909	TMA327763
DEPUREX	Advertised	1220816	
ELIMINEX	Registered	0439756	TMA252747
ENERGIK	Registered	0717422	TMA422000
FEMINEX	Registered	0551592	TMA321042
FIBRES PLUS	Registered	0512468	TMA316981
FLEXIFORME	Allowed	1034368	

#1148044.1

Name	Status	Application Number	Registration Number
GLUCOFLEX	Allowed	1008521	
GLUCOSCIENCE	Formalized	1241841	
HEPABYL	Registered	0441970	TMA253001
IMMUNI C	Registered	0829095	TMA500283
MENOPLUS	Registered	0833896	TMA494354
MENOFEM	Registered	0795858	TMA482027
NERVITAL	Expunged	0618517	TMA372029
NUTRIFORME	Registered	1096404	TMA587036
NUTRIFORME	Registered	0660225	TMA403188
OBJECTIF SANTE	Registered	1055077	TMA554899
OMEGAPLEX	Advertised	1222545	
OSTEO PLUS	Allowed	0897174	
PHYTO ELIXIR	Allowed	0838440	
PHYTOCALM	Registered	0722793	TMA508128
PHYTOLAX	Registered	0840668	TMA497431
PHYTOLIGNE	Registered	0813715	TMA490018
PHYTOPLUS	Registered	1028066	TMA555703
PROSTALOM	Registered	0795957	TMA481198
STIMULEX	Registered	1005448	TMA559985
SUPER ENERGEX	Registered	0617464	TMA362253
VAGIFLORE	Allowed	1125169	
VITA PAK	Registered	0765615	TMA455402

United States

Word Mark	Live/Dead	Serial Number	Reg. Number
ANIMAL HEALTH INSTITUTE	Live	78432479	

#1148044.3

Word Mark	Live/Dead	Serial Number	Reg. Number
ANIMAL HEALTH NUTRACEUTICALS	Live	78551936	
ANIMAL HEALTH NUTRACEUTICALS	Live	78432481	
ANIMAL NATURAL HEALTH	Live	78432459	
BIOANIMAL	Live	78503876	
BIONEX	Live	78538520	
BIOSCIENCE NUTRACEUTICALS	Live	76588964	
GLUCOSCIENCE	Live	78538530	
HEALTH EXTENSION	Live	78352864	
NATURAL HEALTH ADRIEN GAGNON	Live	76609938	

Haiti

Name	Application Number	Registration Number
FEMINEX	1200-R	182-reg 108

France

Name	Application Number	Registration Number
PROSTALOM	98/751,392	98/751,392

BUSINESS NAMES

SANTE NATURELLE A.G. LTEE
NATURAL HEALTH A.G. LTD.

DOMAIN NAMES

www.santenaturelle.ca
www.adriengagnon.com
www.nutriforme.com
www.arthrite.org
www.arthrite-gluocosamine.com
www.santenaturelle.com

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Objectif Sante Naturelle Adrien Gagnon

#1148044.3

Enclosures: Copy of Hypothec on Movables

**COLLEN IP
INTELLECTUAL PROPERTY LAW, P.C.**

THE HOLYOKE-MANHATTAN BUILDING
80 SOUTH HIGHLAND AVENUE
TOWN OF OSSINING
WESTCHESTER COUNTY, NEW YORK 10562

SHOULD ANY OTHER FEE BE REQUIRED, THE PATENT AND TRADEMARK OFFICE IS HEREBY REQUESTED TO CHARGE SUCH FEE TO OUR DEPOSIT ACCOUNT 03-2465.

I HEREBY CERTIFY THAT THIS CORRESPONDENCE IS BEING DEPOSITED WITH THE UNITED STATES POSTAL SERVICE AS FIRST CLASS MAIL, POSTAGE PREPAID, IN AN ENVELOPE ADDRESSED TO: COMMISSIONER FOR TRADEMARKS, P.O. BOX 1451, ALEXANDRIA, VA 22313-1451.

COLLEN IP INTELLECTUAL PROPERTY LAW, P.C.

BY: *Mariana Conz*

Date: June 28, 2005