

TRADEMARK ASSIGNMENT

Electronic Version v1.1
 Stylesheet Version v1.1

SUBMISSION TYPE:	NEW ASSIGNMENT		
NATURE OF CONVEYANCE:	SECURITY INTEREST		
CONVEYING PARTY DATA			
Name	Formerly	Execution Date	Entity Type
PharmEng Technology Inc.		12/21/2007	CORPORATION: CANADA
RECEIVING PARTY DATA			
Name:	BHC INTERIM FUNDING II, L.P.		
Street Address:	444 Madison Avenue, 25th Floor		
City:	New York		
State/Country:	NEW YORK		
Postal Code:	10022		
Entity Type:	LIMITED PARTNERSHIP: DELAWARE		
PROPERTY NUMBERS Total: 1			
Property Type	Number	Word Mark	
Serial Number:	78967029	PHARMENG	
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Signature:	/Kiriakoula Hatzikiriakos/		
Date:	01/16/2008		

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Total Attachments: 28
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GENERAL SECURITY AGREEMENT

Made as of December 21, 2007

Between

PHARMENG INTERNATIONAL INC.

PHARMENG TECHNOLOGY INC.

KEATA PHARMA INC.

PHARMENG LEARNING INSTITUTE INC.

PHARMENG INTERNATIONAL (CHINA) INC.

PHARMENG USA, INC.

and

BHC INTERIM FUNDING II, L.P.

THIS CANADIAN COLLATERAL AGREEMENT IS SUBJECT TO THE PROVISIONS OF THE INTERCREDITOR AGREEMENT DATED AS OF DECEMBER 21, 2007 MADE AMONG LANDSBANKI ISLANDS hf., CAPE BRETON GROWTH FUND CORPORATION, ENTERPRISE CAPE BRETON CORPORATION, BHC INTERIM FUNDING II, L.P., PHARMENG INTERNATIONAL INC., KEATA PHARMA INC., PHARMENG INTERNATIONAL (CHINA) INC., PHARMENG TECHNOLOGY INC., PHARMENG USA, INC., AND PHARMENG LEARNING INSTITUTE INC.

McMILLAN BINCH MENDELSON LLP

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GENERAL SECURITY AGREEMENT

This general security agreement (as amended, restated, replaced, supplemented or otherwise modified from time to time, this "Security Agreement") is made as of December 21, 2007 between,

PHARMENG INTERNATIONAL INC.

and

PHARMENG TECHNOLOGY INC.

and

KEATA PHARMA INC.

and

PHARMENG LEARNING INSTITUTE INC.

and

PHARMENG INTERNATIONAL (CHINA) INC.

and

PHARMENG USA, INC.

(each of the foregoing, hereinafter individually referred to as, the "Debtor")

and

BHC INTERIM FUNDING II, L.P.

(together with its successors and assigns, the "Secured Party")

RECITALS

A. Pursuant to the Loan and Security Agreement dated as of December 21, 2007 between PharmEng USA, Inc., as Borrower, and BHC Interim Funding II, L.P., as Lender (as amended, restated, supplemented or otherwise modified from time to time, "Loan Agreement"), the Secured Party has agreed to make the Term Loan and other financial accommodations available to PharmEng USA, Inc.

B. As a condition precedent to any advance to PharmEng USA, Inc. under the Loan Agreement, the Secured Party requires, *inter alia*, that each Debtor shall have executed and delivered to and in favour of the Secured Party this Security Agreement as security for all of the Obligations.

FOR VALUE RECEIVED, the sufficiency of which is acknowledged by the parties hereto, the parties hereto agree as follows:

SECTION 1 – INTERPRETATION

1.1 Terms Defined in PPSA and STA

In this Security Agreement, “PPSA” shall mean the *Personal Property Security Act* as in effect from time to time in the Province of Ontario; provided that, if validity, perfection or the effect of perfection or non-perfection or the priority of the security interest granted hereby in any Collateral (as defined below) and the rights and remedies of the Secured Party are governed by the PPSA or other similar legislation as in effect in a jurisdiction other than Ontario, then “PPSA” shall mean the *Personal Property Security Act* or other similar legislation as in effect from time to time in such other jurisdiction for purposes of the provisions hereof relating to such validity, perfection, effect of perfection or non-perfection or priority and to such rights and remedies.

The capitalized terms “Chattel Paper”, “Document of Title”, “Goods”, “Equipment”, “Consumer Goods”, “Instrument”, “Intangible”, “Inventory”, “Investment Property”, “Proceeds”, “Accession”, “Money”, “Account”, “financing statement” and “financing change statement” whenever used herein shall be interpreted in accordance with their respective meanings used in the PPSA; provided always that the term “Goods” when used herein shall not include any Consumer Goods of any Debtor. Any reference herein to “Collateral” shall, unless the context otherwise requires, be deemed a reference to “Collateral or any part thereof”. The term “Proceeds”, whenever used herein and interpreted as above, shall, by way of example, include trade-ins, Equipment, Money, bank accounts, notes, Chattel Paper, Goods, contracts rights, Accounts and any other personal property or obligation received when such Collateral or Proceeds are sold, exchanged, collected or otherwise disposed of or dealt with.

The terms “Certificated Security”, “Entitlement Holder”, “Entitlement Order”, “Financial Asset”, “Security”, “Security Certificate”, “Securities Account”, “Security Entitlement”, “Securities Intermediary”, and “Uncertificated Security” have the meanings given to them in the *Securities Transfer Act, 2006* (Ontario) (as in effect from time to time, including any amendments or substitutions thereto and including all regulations from time to time made under such legislation, the “STA”).

1.2 Other Defined Terms

Unless otherwise defined, capitalized terms used herein shall have the meanings given to them in the Loan Agreement and:

- (1) **Collateral** has the meaning given to it in Section 2.1 of this Security Agreement.
- (2) **Control** means, with respect to a specified form of Investment Property, “control” as defined in sections 23 through 26 of the STA as applicable to such form of Investment Property.
- (3) **Control Agreement** means:
 - (a) with respect to any Uncertificated Securities included in the Collateral, an agreement between the issuer of such Uncertificated Securities and another Person that has or asserts a security interest in such Uncertificated Securities whereby such issuer agrees to comply with instructions that are originated by such Person in respect of such Uncertificated Securities, without the further consent of any Debtor; and
 - (b) with respect to any Securities Accounts or Security Entitlements included in the Collateral, an agreement between the Securities Intermediary and another Person that has or asserts a security interest in such Securities Accounts or Security Entitlements whereby the Securities Intermediary agrees to comply with any Entitlement Orders with respect to such Securities Accounts or Security Entitlements that are originated by such Person, without the further consent of any Debtor.
- (4) **Debts** has the meaning given to in Section 2.1 of this Security Agreement.
- (5) **Event of Default** has the meaning assigned to such term in the Loan Agreement.
- (6) **Intellectual Property** means all intellectual and similar property of each Debtor of every kind and nature now owned or hereafter acquired by such Debtor, including inventions, designs, patents, copyrights, licenses, trademarks, industrial designs, trade secrets, confidential or proprietary technical and business information, know how or other data or information, software and data bases and all embodiments or fixations thereof and related documentation, registrations and franchises and all additions, improvements and accessions to and books and records describing or used in connection with, any of the foregoing.
- (7) **Obligations** has the meaning assigned to such term in the Loan Agreement.
- (8) **Pledged Collateral** means all Instruments and all Securities and other Investment Property of each Debtor and held by such Debtor or credited to a Securities Account maintained by or for the benefit of such Debtor or the Secured Party, whether or not delivered to or subject to the Control of the Secured Party pursuant to this Security Agreement.
- (9) **Receiver** has the meaning given to it in Section 7.4 of this Security Agreement.
- (10) **Securities** means:

- (a) “securities” as defined in the STA, or if no STA is in force in the applicable jurisdiction, the PPSA of such jurisdiction; and
 - (b) any Security Entitlements to any Securities.
- (11) *Security Interest* has the meaning given to it in the PPSA.
- (12) *Special Equity Interest* means an interest in a partnership or a limited liability company.

1.3 Rules of Interpretation

- (1) All uses of the words “hereto”, “herein”, “hereof”, “hereby” and “hereunder” and similar expressions refer to this Security Agreement and not to any particular section or portion of it;
- (2) words importing the singular include the plural and vice versa and words importing gender include the masculine, feminine and neutral genders; and
- (3) the division of this Security Agreement into sections and the insertion of headings are for reference only and are not to affect the construction or interpretation of this Security Agreement.

1.4 Paramountcy

Each Debtor and Secured Party acknowledge and agree that the terms, conditions and provisions of this Security Agreement, the Loan Agreement and any other Loan Documents (including any other documents (and/or terms and provisions thereof) pursuant to which any liens, mortgages, security interests or pledge are created and/or granted) are intended to be complementary to one another and mutually expansive of the rights of Secured Party, and that therefore, to the extent possible, the terms, conditions and provisions of this Security Agreement, the Loan Agreement and all other such Loan Documents shall be interpreted and construed in such a manner as to give effect to all of such terms, conditions and provisions, provided that, to the extent of any irreconcilable conflict between the terms, conditions and provisions of this Security Agreement, the Loan Agreement and/or any other Loan Documents, the terms of the Loan Agreement shall prevail (unless the application of such rule of construction shall result in any liens, mortgages, security interests or pledges or other rights in favour of Secured Party created under this Security Agreement or any Loan Document other than the Loan Agreement becoming unperfected, invalid or unenforceable against any Debtor or any third parties under the law of the jurisdiction whose law governs this Security Agreement or any such other Loan Document, in which case the terms, conditions and provisions of such additional security document shall prevail to the limited extent necessary to prevent such result).

SECTION 2 – GRANT OF SECURITY

2.1 Grant of Security

As general and continuing collateral security for the due payment and performance by each Debtor of all of the Obligations, each Debtor hereby assigns, conveys, mortgages, pledges,

hypothecates, transfers and grants a Security Interest to Secured Party in all of its right, title and interest in, to and under all of such Debtor's present and after acquired personal property, including, without limitation, in all Goods (including all parts, accessories, attachments, special tools, additions and Accessions thereto), Chattel Paper, Documents of Title (whether negotiable or not), Instruments, Money, Securities, Financial Assets, Investment Property, Securities Accounts and Security Entitlements now owned or hereafter owned or acquired by or on behalf of such Debtor (including such as may be returned to or repossessed by such Debtor) and in all Proceeds and renewals thereof, accretions thereto and substitutions therefor and, further including, without limitation, all of the following now owned or hereafter owned or acquired by or on behalf of such Debtor:

- (1) all Account and book debts and generally all debts, dues, claims, choses in action and demands of every nature and kind howsoever arising or secured including letters of credit and advances of credit, which are now due, owing or accruing or growing due to or owned by or which may hereafter become due, owing or accruing or growing due to or owned by such Debtor (collectively, "Debts");
- (2) all deeds, documents, writings, papers, books of account and other books relating to or being records of Debts, Chattel Paper or Documents of Title or by which such are or may hereafter be secured, evidenced, acknowledged or made payable;
- (3) all Inventory of whatever kind and wherever situate, including, for greater certainty, all raw materials, work in process or materials used or consumed or to be used or consumed in the processing, production, packaging, promotion, delivery or shipping of the same, including other supplies;
- (4) all Equipment (other than Inventory) of whatever kind and wherever situate, including, without limitation, all machinery, tools, apparatus, plant, furniture, fixtures, motor vehicles and other vehicles of whatsoever nature or kind;
- (5) all Intangibles;
- (6) all present and future contracts, contract rights and insurance claims;
- (7) all Intellectual Property, including, without limitation, the Intellectual Property set out in Schedule A hereto;
- (8) all present and future Instruments; and
- (9) all Money; and
- (10) all of each Debtor's right, title and interest in and to any Investment Property, including all Securities, Securities Accounts and all Security Entitlements carried in any Securities Account.

The foregoing personal property is collectively referred to as the “**Collateral**”. In addition, to secure the prompt and complete payment, performance and observation of the Obligations, each Debtor hereby grants to Secured Party a right of set-off against any and all of the Collateral now or hereafter in the possession or custody of or in transit to the Secured Party for any purpose, including safekeeping, collection or pledge, for the account of such Debtor, or as to which such Debtor may have any right or power.

2.2 Leases and Agreements

The last day of the term of any lease, oral or written, or any agreement therefor, now held or hereafter acquired by any Debtor, shall be excepted from the Security Interest hereby granted and shall not form part of the Collateral, but any Debtor shall stand possessed of such one day remaining, upon trust to assign and dispose of the same as Secured Party or any assignee of such lease or agreement shall direct. If any such lease or agreement therefor contains a provision which provides in effect that such lease or agreement may not be assigned, sub-leased, charged or encumbered without the leave, license, consent or approval of the lessor, the application of the Security Interest created hereby to any such lease or agreement shall be conditional upon such leave, license, consent or approval having been obtained. The Security Interest created hereby does not extend to any lease, agreement or other contractual right or any license or permit to the extent that the grant of the security therein would contravene the terms thereof and permit any Person to terminate same; provided that any Debtor shall hold all of such rights and interest in trust for Secured Party and may not, without Secured Party’s written permission, which may be unreasonably denied, assign, transfer or otherwise dispose of any such rights or interests.

2.3 Debtor Remains Liable

Notwithstanding anything herein to the contrary:

- (1) Each Debtor shall remain liable under the contracts and agreements included in the Collateral to the extent set forth therein to perform all its duties and obligations thereunder to the same extent as if this Security Agreement had not been executed;
- (2) the exercise by Secured Party of any of the rights or remedies hereunder shall not release any Debtor from any of its duties or obligations under the contracts and agreements included in the Collateral; and
- (3) Secured Party shall not have any obligation or liability under the contracts and agreements included in the Collateral by reason of this Security Agreement, nor shall Secured Party be obligated to perform any of the obligations or duties of any Debtor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

2.4 Liability for Deficiency

If the Collateral is realized upon the occurrence of and during the continuance of an Event of Default and the Security Interest in the Collateral is not sufficient to satisfy all Obligations, each Debtor acknowledges and agrees that, subject to the provisions of the PPSA,

each Debtor shall continue to be liable for any Obligations remaining outstanding and Secured Party shall be entitled to pursue full payment thereof.

SECTION 3 – REPRESENTATIONS AND WARRANTIES

Each Debtor represents and warrants to Secured Party that the representations and warranties of such Debtor contained in the Loan Agreement are true and correct, each of which representation and warranty shall survive the execution and delivery of this Security Agreement.

In addition, each Debtor represents and warrants to the Secured Party as follows:

- (1) such Debtor does not hold any Securities Accounts;
- (2) such Debtor does not hold any Special Equity Interests; and
- (3) such Debtor does not hold any Uncertificated Securities.

If any Debtor should acquire any Securities Accounts, Special Equity Interests and/or Uncertificated Securities, as the case may be, the applicable Debtor shall represent and warrant, as is applicable, the following:

(1) ***Securities Intermediary's Jurisdiction*** Each agreement between such Debtor and a Securities Intermediary that governs any Securities Account included in the Collateral or to which any Collateral that is Investment Property has been credited either:

- (a) specifies that the Province of Ontario is the Securities Intermediary's jurisdiction for the purposes of the STA of Ontario; or
- (b) is expressed to be governed by the laws of the Province of Ontario.

(2) ***Pledged Collateral***

- (a) Schedule B sets forth a complete and accurate list of all of the Pledged Collateral. Such Debtor is the direct, sole beneficial owner and the sole holder of record or Entitlement Holder of the Pledged Collateral listed on Schedule B as being owned by it, free and clear of any Liens, except for the security interest granted to the Secured Party for the benefit of the Secured Parties hereunder.
- (b) All Pledged Collateral credited to a Securities Account maintained with a Securities Intermediary of such Debtor is subject to a Control Agreement between the Securities Intermediary and the Secured Party.
- (c) Except as disclosed in Schedule B, all Pledged Collateral that constitutes a Special Equity Interest:
 - (i) is dealt in or traded on any securities exchange or in any securities market;

- (ii) expressly provides by its terms that it is a “security” for the purposes of the applicable STA; or
- (iii) is held through a Securities Account.
- (d) Such Debtor has not consented to any Person other than the Secured Party entering into, nor has become a party to, an Issuer Control Agreement with any issuer of any Uncertificated Securities included in the Collateral, and no such Issuer Control Agreement is outstanding and in force.
- (e) Such Debtor has not consented to any Person other than the Secured Party entering into, nor has become a party to, an Account Control Agreement with any Securities Intermediary in respect of any Security Entitlements or Securities Accounts included in the Collateral, and no such Account Control Agreement is outstanding and in force.

SECTION 4 – COVENANTS OF DEBTOR

Each Debtor covenants and agrees with Secured Party to abide by the covenants applicable to such Debtor contained in the Loan Agreement.

In addition, each Debtor covenants and agrees with the Secured Party to abide by the following, wherever applicable to such Debtor:

4.1 Delivery of Tangible Pledged Collateral

- (1) The Debtor shall
 - (a) deliver to the Secured Party immediately upon execution of this Security Agreement the originals of all Chattel Paper, all security certificates evidencing Certificated Securities, all Instruments and all certificates evidencing any Special Equity Interests, whether or not such Special Equity Interests constitute “Securities” , in each case constituting Collateral, and
 - (b) hold in trust for the Secured Party upon receipt and immediately thereafter deliver to the Secured Party any Chattel Paper, Securities, security certificates evidencing Certificated Securities, Instruments and certificates evidencing any Special Equity Interests, in each case constituting Collateral that are hereafter acquired by the Debtor.
- (2) For greater certainty, any security certificates evidencing Certificated Securities or any certificates evidencing Special Equity Interests delivered to the Secured Party pursuant to 4.1(1)(a), shall be duly endorsed to the Secured Party or its nominee or in blank by an effective endorsement within the meaning of the STA. For greater certainty, such endorsement may be in the form of a duly executed undated instrument of transfer or stock power of attorney in favour of the Secured Party or its nominee or in blank.

4.2 Pledged Collateral: Directly Held Uncertificated Securities

- (1) In respect of any Uncertificated Securities included in the Pledged Collateral,
 - (a) on request by the Secured Party, the Debtor shall cause and hereby authorizes and constitutes the Secured Party as its attorney-in-fact from time to time to cause each issuer of such Uncertificated Securities to register the Secured Party or its nominee as the registered owner of such Uncertificated Securities; and
 - (b) the Debtor hereby consents to the Secured Party entering into a Control Agreement with the issuer of any such Uncertificated Securities with respect thereto; and the Debtor shall communicate such consent to the Issuer in writing on request by the Secured Party.
- (2) The Debtor shall not consent to the entering into by any issuer of any Uncertificated Securities included in or relating to the Pledged Collateral of a Control Agreement in respect of such Uncertificated Securities with any Person other than the Secured Party or its nominee.

4.3 Pledged Collateral: Special Equity Interests

With respect to any Special Equity Interest which as of the date hereof does not satisfy one of the requirements listed in Section 3(2)(c), if at any time hereafter any such requirement is satisfied:

- (a) the Debtor shall immediately give notice to such effect to the Secured Party; and
- (b) the Debtor shall comply with the requirements of 4.1 or 4.2 in respect of such Special Equity Interest to the extent that it has not already done so.

4.4 Pledged Collateral: Security Entitlements

- (1) In respect of any Securities Accounts included in the Pledged Collateral or any Security Entitlements carried therein:
 - (a) on request by the Secured Party, the Debtor shall direct the Securities Intermediary in respect of such Security Entitlements to transfer the Financial Assets to which such Security Entitlements relate to a Securities Account designated by the Secured Party; and
 - (b) the Debtor hereby consents to the Securities Intermediary in respect of any such Security Accounts or Security Entitlements entering into a Control Agreement with the Secured Party with respect thereto; and on request by the Secured Party, the Debtor shall communicate such consent to such Securities Intermediary.
- (2) The Debtor shall not consent to the entering into by any Securities Intermediary for any Security Entitlements included in or relating to the Pledged Collateral of a Control Agreement in

respect of such Security Entitlements with any Person other than the Secured Party or its nominee.

(3) The Debtor shall not enter into any agreement with any Securities Intermediary that governs any Securities Account included in or relating to any Pledged Collateral that specifies any such Securities Intermediary's jurisdiction to be a jurisdiction other than the Province of Ontario for the purposes of the STA or that is expressed to be governed by the laws of a jurisdiction other than the Province of Ontario or consent to any amendment to any such agreement that would change such Securities Intermediary's jurisdiction to a jurisdiction other than the Province of Ontario for the purposes of the STA or its governing law to a jurisdiction other than the Province of Ontario.

SECTION 5— COLLECTION OF PROCEEDS

5.1 Payments to Secured Party

Each Debtor shall:

- (1) collect and enforce payment of all Accounts in accordance with its customary business practices (except as provided for in Section 5.2) and shall dispose of and receive payment for all Inventory which is ordinarily disposed of in such Debtor's business;
- (2) upon the occurrence and during the continuance of an Event of Default, receive and hold in trust for Secured Party, all payments on or instruments received in respect of the Collateral, all rights by way of suretyship or guarantee which such Debtor now has or may hereafter acquire to enforce payment of any of the Collateral and all rights in the nature of a Security Interest whereby such Debtor may satisfy any Collateral out of personal property, and all non-cash proceeds of any such collection, disposition or realization of any of the Collateral shall be subject to the Security Interest hereby created;
- (3) upon the occurrence and during the continuance of an Event of Default, endorse to Secured Party and forthwith deliver to it all such payments and instruments in the form received by such Debtor; and
- (4) upon the occurrence and during the continuance of an Event of Default, forthwith deliver to Secured Party all personal property in such Debtor's possession or hereafter coming into its possession through enforcement of any such rights.

5.2 Account Debtor

Secured Party may, at any time and from time to time upon the occurrence and during the continuance of an Event of Default, notify an account debtor or obligors under any Account of the assignment of the Account to Secured Party and require such Person to make payment to Secured Party in respect of any of the Accounts and Secured Party may hold all amounts acquired or received from any such account debtors or obligors, together with income on such amounts, as part of the Collateral and as security for the Obligations and, for greater certainty,

the provisions of Section 9.3 shall apply in respect of any acts or deeds necessary or advisable to effect such payment to Secured Party including, without limitation, the sending of notices.

SECTION 6 – DEFAULT

6.1 Events of Default

The security hereby constituted shall become enforceable without the need for any action or notice on the part of Secured Party upon the occurrence and during the continuance of an Event of Default.

SECTION 7 – REMEDIES ON DEFAULT

If the security hereby constituted becomes enforceable upon the occurrence and during the continuance of an Event of Default, Secured Party shall have, to the extent permitted by applicable law, in addition to any other rights, remedies and powers which it may have at law, or under the PPSA, or be able to seek in equity, the following rights, remedies and powers:

7.1 Power of Entry

Each Debtor shall forthwith upon demand from the Secured Party, assemble and deliver to Secured Party possession of all of the Collateral at such place as may be specified by Secured Party. Secured Party may take such steps as it considers necessary or desirable to obtain possession of all or any part of the Collateral and, to that end, each Debtor agrees that Secured Party, its servants or agents or Receiver may, at any time, during the day or night, enter upon lands and premises where the Collateral may be found for the purpose of taking possession of and/or removing the Collateral or any part thereof. In the event of Secured Party taking possession of the Collateral, or any part thereof, Secured Party shall have the right to maintain the same upon the premises on which the Collateral may then be situate. Secured Party may, in a reasonable manner, take such action or do such things as to render any Equipment unusable.

7.2 Power of Sale

Secured Party may sell, lease, transfer, convey or otherwise dispose of all or any part of the Collateral, as a whole or in separate parcels, by public auction, private tender or by private contract, with or without notice, except as otherwise required by applicable law (and if a reasonable notice is required by law, each Debtor agrees that fifteen (15) days' notice is commercially reasonable unless a shorter period of notice is reasonable in the circumstances), with or without advertising and without any other formality, all of which are hereby waived by such Debtor. Such sale, lease or disposition shall be on such terms and conditions as to credit and otherwise and as to upset or reserve bid or price as to Secured Party, in its sole discretion, may seem advantageous. If such sale, lease, transfer, conveyance or disposition is made on credit or part cash and part credit, Secured Party need only credit against the Obligations the actual cash received at the time of the sale. Any payments made pursuant to any credit granted at the time of the sale shall be credited against the Obligations as they are received. Secured

Party may buy in or rescind or vary any contract for sale of all or any of the Collateral and may resell without being answerable for any loss occasioned thereby. Any such sale, lease or disposition may take place whether or not Secured Party has taken possession of the Collateral. Secured Party may, before any such sale, lease, transfer, conveyance or disposition, perform any commercially reasonable repair, processing or preparation for disposition and the amount so paid or expended shall be deemed advanced to each Debtor by Secured Party, shall become part of the Obligations, shall bear interest at the highest rate per annum charged by Secured Party on the Obligations or any part thereof, in accordance with the Loan Agreement, and shall be secured by this Security Agreement. For greater certainty, Secured Party may sell, transfer, or use any Investment Property included in the Collateral of which Secured Party has "control" within the meaning of subsection 1(2) of the PPSA.

7.3 Validity of Sale

No Person dealing with Secured Party or its servants or agents shall be concerned to inquire whether the security hereby constituted has become enforceable, whether the powers which Secured Party is purporting to exercise have become exercisable, whether any money remains due on the security of the Collateral, as to the necessity or expedience of the stipulations and conditions subject to which any sale, lease, transfer, conveyance or disposition shall be made, otherwise as to the propriety or regularity of any sale or any other dealing by Secured Party with the Collateral or to see to the application of any money paid to Secured Party. In the absence of fraud on the part of such persons, such dealings shall be deemed, so far as regards the safety and protection of such person, to be within the powers hereby conferred and to be valid and effective accordingly.

7.4 Receiver-Manager

Secured Party may, in addition to any other rights it may have, appoint by instrument in writing a receiver or receiver and manager (both of which are herein called a "Receiver") of all or any part of the Collateral. Any such Receiver is hereby given and shall have the same powers and rights and exclusions and limitations of liability as Secured Party has under this Security Agreement, at law or is able to seek in equity. In exercising any such powers, any such Receiver shall, to the extent permitted by law, act as and for all purposes shall be deemed to be the agent of each Debtor and Secured Party shall not be responsible for any act or default of any such Receiver. Secured Party may appoint one or more Receivers hereunder and may remove any such Receiver or Receivers and appoint another or others in his or their stead from time to time. Any Receiver so appointed may be an officer or employee of Secured Party. A court need not appoint, ratify the appointment by Secured Party of or otherwise supervise in any manner the actions of any Receiver. Upon any Debtor receiving notice in writing from Secured Party of the taking of possession of the Collateral or the appointment of a Receiver, all powers, functions, rights and privileges of each of the directors and officers of such Debtor with respect to the Collateral shall, to the extent permitted by applicable law, cease, unless specifically continued by the written consent of Secured Party.

7.5 Carrying on Business

Secured Party may carry on, or concur in the carrying on of, all or any part of the business or undertaking of any Debtor, may, to the exclusion of all others, including any Debtor, enter upon, occupy and use all or any of the premises, buildings, plant and undertaking of, or occupied or used by any Debtor and may use all or any of the tools, machinery, equipment and intangibles of any Debtor for such time as Secured Party sees fit, free of charge, to carry on the business of any Debtor and, if applicable, to manufacture or complete the manufacture of any Inventory and to pack and ship the finished product.

7.6 Dealing with Collateral

Secured Party may seize, collect, realize, dispose of, enforce, release to third parties or otherwise deal with the Collateral or any part thereof in such manner, upon such terms and conditions and at such time or times as may seem to it advisable, all of which without notice to any Debtor except as otherwise required by any applicable law. Secured Party may demand, sue for and receive any Account with or without notice to any Debtor, give such receipts, discharges and extensions of time and make such compromises in respect of any Account which may, in Secured Party's absolute discretion, seem bad or doubtful. Secured Party may charge on its own behalf and pay to others, sums for costs and expenses incurred including, without limitation, reasonable legal fees and expenses (on a solicitor and his own client basis) and reasonable Receivers' and accounting fees, in or in connection with seizing, collecting, realizing, disposing, enforcing or otherwise dealing with the Collateral and in connection with the protection and enforcement of the rights of Secured Party hereunder including, without limitation, in connection with advice with respect to any of the foregoing. The amount of such sums shall be deemed advanced to the applicable Debtor by Secured Party, shall become part of the Obligations, shall bear interest at the highest rate per annum charged by Secured Party on the Obligations or any part thereof, in accordance with the Loan Agreement, and shall be secured by this Security Agreement.

7.7 Securities

If Collateral at any time includes directly held Securities or Securities Entitlements, each Debtor authorizes Secured Party, upon the occurrence and during the continuation of an Event of Default, to transfer such Securities or any part thereof into its own name or that of its nominee(s) so that Secured Party or its nominee(s) may appear of record as the sole owner thereof, and, in the case of any Securities Entitlements, each Debtor and shall cause Secured Party or its nominee(s) to become the Entitlement Holder with respect to such Security Entitlements.

7.8 Retention of Collateral

Upon notice in writing to each Debtor and subject to any obligation to dispose of any of the Collateral, as provided in the PPSA, Secured Party may elect to retain all or any part of the Collateral in satisfaction of the Obligations or any of them.

7.9 Pay Encumbrances

Secured Party may pay any encumbrance that may exist or be threatened against the Collateral ranking in priority to the Security Interest granted hereunder. In addition, Secured Party may borrow money required for the maintenance, preservation or protection of the Collateral or for the carrying on of the business or undertaking of any Debtor and may grant further Security Interests in the Collateral in priority to the Security Interest created hereby as security for the money so borrowed. In every such case the amounts so paid or borrowed together with costs, charges and expenses incurred in connection therewith shall be advanced to such Debtor by Secured Party, shall become part of the Obligations, shall bear interest at the highest rate per annum charged by Secured Party on the Obligations or any part thereof, in accordance with the Loan Agreement, and shall be secured by this Security Agreement.

7.10 Application of Payments Against Obligations

Any and all payments made in respect of the Obligations from time to time and moneys realized on the Collateral shall be applied to the Obligations in accordance with the Loan Agreement. Any insurance moneys received by Secured Party pursuant to this Security Agreement may, at the option of Secured Party, be applied to rebuilding or repairing the Collateral or be applied against the Obligations in accordance with the Loan Agreement.

7.11 Deficiency

If the proceeds of the realization of the Collateral are insufficient to repay Secured Party all moneys due to it, the relevant Debtor shall forthwith pay or cause to be paid to Secured Party such deficiency.

7.12 Secured Party Not Liable

Subject to applicable laws, Secured Party shall not be liable or accountable for any failure to seize, collect, realize, dispose of, enforce or otherwise deal with the Collateral, shall not be bound to institute proceedings for any such purposes or for the purpose of preserving any rights of Secured Party, any Debtor or any other Person, firm or corporation in respect of the Collateral and shall not be liable or responsible for any loss, cost or damage whatsoever which may arise in respect of any such failure including, without limitation, resulting, from the negligence of Secured Party or any of its officers, servants, agents, solicitors, attorneys, Receivers or otherwise. Subject to applicable laws, neither Secured Party nor its officers, servants, agents or Receivers shall be liable by reason of any entry into possession of the Collateral or any part thereof, to account as a mortgagee in possession, for anything except actual receipts, for any loss on realization, for any act or omission for which a mortgagee in possession might be liable, for any negligence in the carrying on or occupation of the business or undertaking of any Debtor as provided in Section 7.5 or for any loss, cost, damage or expense whatsoever which may arise in respect of any such actions, omissions or negligence, other than those caused by the gross negligence or wilful misconduct of Secured Party, its officers, servants, agents or Receivers.

7.13 Extensions of Time

Secured Party may grant renewals, extensions of time and other indulgences, take and give up securities, accept compositions, grant releases and discharges, perfect or fail to perfect any securities, release any part of the Collateral to third parties and otherwise deal or fail to deal with any Debtor, debtors of any Debtor, guarantors, sureties and others and with the Collateral and other securities as Secured Party may see fit, all without prejudice to the liability of each such Debtor to Secured Party or Secured Party's rights and powers under this Security Agreement.

7.14 Rights in Addition

The rights and powers conferred by this Section 7 are in supplement of and in addition to and not in substitution for any other rights or powers Secured Party may have from time to time under this Security Agreement or under applicable law. Secured Party may proceed by way of any action, suit, remedy or other proceeding at law or may seek a remedy in equity and no such remedy for the enforcement of the rights of Secured Party shall be exclusive of or dependent on any other such remedy. In addition to the other rights of Secured Party under this Security Agreement or the other Loan Documents, each Debtor hereby acknowledges and agrees that upon the occurrence and continuance of an Event of Default, the Secured Party may institute proceedings in any court of competent jurisdiction for the appointment of a receiver, interim receiver or receiver and manager. Any one or more of such remedies may from time to time be exercised separately or in combination.

SECTION 8 – DEALING WITH COLLATERAL BY DEBTOR

8.1 Sale of Collateral

Except as otherwise restricted or prohibited under the Loan Agreement and prior to the occurrence of and continuance of an Event of Default, each Debtor may sell, lease, transfer, convey or otherwise dispose of any Collateral, so that the purchaser or transferee thereof takes title clear of the Security Interest hereby created and such Collateral shall be deemed to be released and discharged from such Security Interest without any further action on the part of Secured Party. If such sale, lease, transfer, conveyance or disposition results in an Account, such Account shall be subject to the Security Interest hereby created.

SECTION 9 – GENERAL

9.1 Security in Addition

The security hereby constituted is not in substitution for any other security for the Obligations or for any other agreement between the parties creating a Security Interest in all or part of the Collateral, whether heretofore or hereafter made, and such security and such agreements shall be deemed to be continued and not affected hereby unless expressly provided to the contrary in writing and signed by Secured Party and any applicable Debtor. The taking of

any action or proceedings or refraining from so doing, or any other dealing with any other security for the Obligations or any part thereof, shall not release or affect the Security Interest created by this Security Agreement and the taking of the Security Interest hereby created or any proceedings hereunder for the realization of the Security Interest hereby created shall not release or affect any other security held by Secured Party for the repayment of or performance of the Obligations.

9.2 Waiver

Any waiver of a breach by any Debtor of any of the terms or provisions of this Security Agreement or of an Event of Default must be in writing to be effective against and bind Secured Party. No such waiver by Secured Party shall extend to or be taken in any manner to affect any subsequent breach or occurrence and continuance of an Event of Default or the rights of Secured Party arising therefrom.

9.3 Further Assurances

Each Debtor shall at all times do, execute, acknowledge and deliver or cause to be done, executed, acknowledged or delivered all and singular every such further acts, deeds, conveyances, instruments, transfers, assignments, security agreements and assurances as Secured Party may reasonably require in order to give effect to the provisions and purposes of this Security Agreement including, without limitation, in respect of Secured Party's enforcement of the security and its realization on the Collateral, and for the better granting, transferring, assigning, charging, setting over, assuring, confirming and/or perfecting the Security Interest of Secured Party in the Collateral pursuant to this Security Agreement. Each Debtor hereby constitutes and appoints Secured Party, or any Receiver as provided herein, the true and lawful attorney of such Debtor irrevocably with full power of substitution to do, make and execute all such assignments, documents, acts, matters or things with the right to use the name of such Debtor whenever and wherever it may be deemed necessary or expedient; provided, that, such power of attorney may only be exercised upon the occurrence and during the continuance of an Event of Default. This irrevocable power of attorney is coupled with an interest and shall terminate once the Obligations have been repaid in full and Secured Party has no further obligation to provide financing pursuant to the terms of the Loan Agreement. Each Debtor hereby authorizes Secured Party to file such proofs of claim and other documents as may be necessary or advisable in order to prove its claim in any bankruptcy, proposed winding-up or other proceeding relating to such Debtor.

Without limiting the generality of the foregoing, each Debtor:

- (1) shall at the request of Secured Party, upon the occurrence and during the continuance of an Event of Default, mark conspicuously each chattel paper evidencing or relating to an Account, and each related contract and, each of its records pertaining to the Collateral with a legend, in form and substance satisfactory to Secured Party, indicating that such chattel paper, related contract or Collateral is subject to the Security Interests granted hereby;

- (2) shall, if any Account shall be evidenced by a promissory note or other instrument or chattel paper, at the request of Secured Party, deliver and pledge to Secured Party hereunder such note, instrument or chattel paper duly endorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance satisfactory to Secured Party, acting reasonably;
- (3) shall execute and file such financing statements or financing change statements, or amendments, thereto, and such other instruments or notices, as may be necessary or desirable, or as Secured Party may request, in order to perfect and preserve the Security Interests granted or purported to be granted hereby;
- (4) hereby authorizes Secured Party to file one or more financing statements or financing change statements, and amendments thereto, relative to all or any part of the Collateral without the signature of such Debtor, where permitted by Applicable Law, and to provide a copy of such financing statement or financing change statement to the Debtor; and
- (5) shall furnish to Secured Party from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as Secured Party may reasonably request, all in reasonable detail.

9.4 No Merger

Neither the taking of any judgment nor the exercise of any power of seizure or sale shall operate to extinguish the liability of any Debtor to make payment of or satisfy the Obligations. The acceptance of any payment or alternate security shall not constitute or create any novation and the taking of a judgment or judgments under any of the covenants herein contained shall not operate as a merger of such covenants.

9.5 Notices

Any notice required to be given to any Debtor or Secured Party hereunder shall be given in accordance with Section 8.6 of the Loan Agreement.

9.6 Counterparts

This Agreement may be signed in any number of counterparts with the same effect as if the signatures were upon the same instrument.

9.7 Multiple Debtors

In the event that this Security Agreement is signed by more than one Debtor, the grant of security by each Debtor will be separate and distinct from the grant of security of each other Debtor in the same manner and to the same extent as if each Debtor had signed a separate document of Security Agreement in form and content identical to the present Security Agreement. The release or termination of this Security Agreement with respect to any Debtor will not affect the liability of any other Debtor.

9.8 Continuing Security Interest and Discharge

(1) This Security Agreement shall create a continuing Security Interest in the Collateral and shall remain in full force and effect until payment and performance in full of the Obligations, notwithstanding any dealing between Secured Party and any Debtor or any guarantor in respect of the Obligations or any release, exchange, non-perfection, amendment, waiver, consent or departure from or in respect of any or all of the terms or provision of any security held for the Obligations.

(2) If any Debtor pays to Secured Party the Obligations secured by this Security Agreement and otherwise observes and performs the terms and conditions hereof, then Secured Party shall at the request and at the expense of such Debtor release and discharge the Security Interest created hereby and execute and deliver to such Debtor such deeds and other instruments as shall be requisite therefor.

9.9 Governing Law

This Security Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein, except as required by mandatory provisions of law and except to the extent that the validity or perfection of the Security Interests hereunder, or remedies hereunder, in respect of any particular Collateral are governed by the laws of a jurisdiction other than the Province of Ontario. Each Debtor agrees that any agreement to which it and any Securities Intermediary in respect of any Securities Account included in or relating to any Collateral are parties will specify that Ontario is such Securities Intermediary's jurisdiction for the purposes of the STA.

9.10 Security Interest Effective Immediately

Neither the execution nor registration of this Security Agreement nor any partial advances by Secured Party shall bind Secured Party to advance any other amounts to any Debtor. The Security Interest created hereby is intended to attach when this Security Agreement is signed by each Debtor and delivered to Secured Party. Each Debtor acknowledges that value has been given and that each Debtor has rights in the Collateral (except for Collateral that will be hereafter acquired).

9.11 No Collateral Warranties

There is no representation, warranty or collateral agreement affecting this Security Agreement or the Collateral, other than as expressed herein in writing.

9.12 Invalidity

In the event that any term or provision of this Security Agreement shall, to any extent, be invalid or unenforceable, the remaining terms and provisions of this Security Agreement shall be unaffected thereby and shall be valid and enforceable to the fullest extent permitted by law.

9.13 Indemnity and Expenses

(1) Each Debtor agrees to indemnify and save harmless Secured Party from and against any and all claims, losses and liabilities arising out of or resulting out of or resulting from this Security Agreement (including, without limitation, enforcement of this Security Agreement), except claims, losses or liabilities resulting from Secured Party's gross negligence or wilful misconduct.

(2) Each Debtor will upon demand pay to Secured Party the amount of any and all reasonable expenses, including the reasonable fees and disbursements of its counsel and of any experts and Secured Party, which Secured Party may incur in connection with (i) the administration of this Security Agreement, (ii) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, any of the Collateral, (iii) the exercise or enforcement of any of the rights or remedies of Secured Party hereunder or (iv) the failure by such Debtor to perform or observe any of the provisions hereunder.

9.14 Receipt of Copy

Each Debtor acknowledges receipt of an executed copy of this Security Agreement.

9.15 Binding Effect

This Security Agreement shall enure to the benefit of and be binding on the parties hereto, their respective successors and any permitted assignees.

[SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF the parties have duly executed this Security Agreement as of the date first written above.

PHARMENG INTERNATIONAL INC.

By: Alan Kwong
Name: ALAN KWONG
Title: PRESIDENT

PHARMENG TECHNOLOGY INC.

By: Alan Kwong
Name: ALAN KWONG
Title: PRESIDENT

KEATA PHARMA INC.

By: Alan Kwong
Name: ALAN KWONG
Title: PRESIDENT

PHARMENG LEARNING INSTITUTE INC.

By: Alan Kwong
Name: ALAN KWONG
Title: PRESIDENT

PHARMENG INTERNATIONAL (CHINA) INC.

By: Alan Kwong
Name: ALAN KWONG
Title: PRESIDENT

PHARMENG USA, INC.

By: _____
Name:
Title:

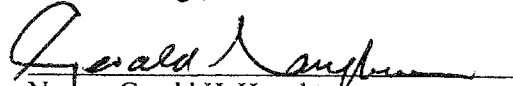
BHC Interim Funding II, L.P.
444 Madison Avenue, 25th Floor
New York, New York 10022
Attention: Gerald H. Houghton,
Managing Partner
Facsimile: (212) 753-7730

BHC INTERIM FUNDING II, L.P.


By: BHC Interim Funding Management, L.L.C.,
its General Partner

By: BHC Investors II, L.L.C.,
its Managing Member

By: GHH Holdings, L.L.C.

By: 
Name: Gerald H. Houghton
Title: Managing Member

PHARMENG USA, INC.

By: 
Name: ALAN KWONG
Title: PRESIDENT

BHC Interim Funding II, L.P.
44 Madison Avenue
25th Floor
New York, New York 100___

Attention: Gerald H. Houghton,
Managing Partner
Facsimile: (212) 753-7730

BHC INTERIM FUNDING II, L.P.

By: _____
Name:
Title:

Schedule A – Intellectual Property

Canadian Trademark Application No. 1,313,258

Canadian Trademark Application No. 1,313,259

USPTO Trademark Application No. 78,967,022

USPTO Trademark Application No. 78,967,029

Schedule B -- Pledged CollateralDescription of Pledged Stock

Owner	Issuer	Class & No. of Shares	Percent Pledged	Certificate Number
PharmEng International Inc.	PharmEng Learning Institute Inc.	100 common shares	100%	C-1
PharmEng International Inc.	PharmEng USA, Inc.	100 common shares	100%	1
PharmEng International Inc.	PharmEng Technology Inc.	28,333,344 common shares	100%	25
PharmEng International Inc.	PharmEng International (China) Inc.	100 common shares	100%	C-1
PharmEng International Inc.	“YOU AN International Limited Company” ¹	100 common shares	100%	N/A
PharmEng International Inc.	Pharmlink Inc.	400,000 common shares	100%	4
PharmEng Technology Inc.	Keata Pharma Inc.	1 common share	100%	C-1

¹ This entity does not have an English form of its corporate name, this is a phonetical translation only.