FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

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SIC: **2835** In vitro & in vivo diagnostic substances

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

(Mark One)

☒ **QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2007

☐ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number 0-51492

SYNOVA HEALTHCARE GROUP, INC.

(Exact name of small business issuer as specified in its charter)

Nevada	**91-1951171**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**

1400 North Providence Road, Suite 6010, Media, Pennsylvania 19063
(Address of principal executive offices)

(610) 565-7080
(Issuer' s telephone number)

Not Applicable
(Former name, former address, and former fiscal year, if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

APPLICABLE ONLY TO CORPORATE ISSUERS

As of November 13, 2007, the number of outstanding shares of common stock, par value $.001 per share, of Synova Healthcare Group, Inc. was 34,882,932.

Transitional Small Business Disclosure Format (check one): Yes ☐ No ☒

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SYNOVA HEALTHCARE GROUP, INC.

FORM 10-QSB

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2007

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

SYNOVA HEALTHCARE GROUP, INC. AND SUBSIDIARIES

Consolidated Balance Sheet

	September 30, 2007 (unaudited)	December 31, 2006
Assets		
Cash	$691,564	$–
Restricted cash	74,454	72,605
Accounts receivable, net of $585,880 and $0 allowance as of September 30, 2007 and December 31, 2006	141,144	32,762
Inventory	2,343,151	396,768
Prepaid expenses	483,715	44,006
Deferred loan costs	–	37,181
Deposits–current	–	500,000
Total Current Assets	**3,734,028**	**1,083,322**
Property and equipment, net of accumulated depreciation of $149,628 and $35,468 at September 30, 2007 and December 31, 2006	2,541,314	126,900
Intangible assets, net of accumulated amortization of $1,076,613 as of September 30, 2007	13,923,387	–
Goodwill	6,606,012	–
Deferred financing costs, net of accumulated amortization of $259,577 as of September 30, 2007	1,828,384	–

Deferred charges	–	187,982
Investment	1,804,207	2,227,961
Total Assets	**$30,437,332**	**$3,626,165**
Liabilities and Stockholders' Equity (Deficit)		
Liabilities		
Line of credit	$–	$282,000
Loans payable	266,923	1,500,000
Accounts payable	4,010,994	2,633,996
Accrued expenses	1,862,837	1,550,267
Deferred revenue	576,300	–
Total Current Liabilities	**6,717,054**	**5,966,263**
Senior convertible notes payable, net of discount	3,658,557	–
Embedded derivative liability	8,283,037	–
Warrant liability	2,494,947	–
Total Liabilities	**21,153,595**	**5,966,263**
Stockholders' Equity (Deficit)		
Preferred stock, $0.001 par value: 50,000,000 shares authorized; no shares outstanding	–	–

Common stock, $0.001 par value: 150,000,000 shares authorized; 34,689,599 and 17,686,780 shares issued and outstanding at September 30, 2007 and December 31, 2006	34,689	17,687
Additional paid in capital	31,246,478	12,688,458
Accumulated deficit	(21,997,430)	(15,046,243)
Total Stockholders' Equity (Deficit)	**9,283,737**	**(2,340,098)**
Total Liabilities and Stockholders' Equity (Deficit)	**$30,437,332**	**$3,626,165**

See accompanying notes to consolidated financial statements

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SYNOVA HEALTHCARE GROUP, INC. AND SUBSIDIARIES

Consolidated Statement of Operations

	For the Three Months Ended September 30, 2007 (unaudited)	For the Three Months Ended September 30, 2006 (unaudited)
Net sales	$336,655	$35,594
Operating expenses:		
Cost of net sales	1,031,630	81,587
Selling and marketing	833,297	208,268
Personnel expenses, including stock-based compensation expense of $8,261 and $185,285 for the three months ended September 30, 2007 and September 30, 2006	413,738	497,410
General and administrative, including stock-based compensation expense of $19,220 and $0 for the three months ended September 30, 2007 and September 30, 2006	1,563,640	966,133
Total operating expenses	3,842,305	1,753,398
Operating loss	**(3,505,650)**	**(1,717,804)**
Other Income (Expenses):		
Interest income	3,036	1,545
Interest expense	(433,623)	(52,761)
Deferred financing amortization costs	(89,826)	–

Distribution fee	(500,000)	–
Unrealized foreign exchange transaction	(79,858)	–
Unrealized gain on market value of warrants	4,593,737	–
Equity in loss of unconsolidated affiliate	(82,569)	(124,867)
Total other income (expenses)	**3,410,897**	**(176,083)**
Net loss	**$(94,753)**	**$(1,893,887)**
Basic and diluted net loss per share	**$–**	**$(0.11)**
Basic and diluted weighted average number of shares	34,694,715	17,539,447

See accompanying notes to consolidated financial statements

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SYNOVA HEALTHCARE GROUP, INC. AND SUBSIDIARIES

Consolidated Statement of Operations

	For the Nine Months Ended September 30, 2007 (unaudited)	For the Nine Months Ended September 30, 2006 (unaudited)
Net sales	$909,555	$150,357
Operating expenses:		
Cost of net sales	1,893,021	144,943
Selling and marketing	2,163,116	2,352,841
Personnel expenses, including stock-based compensation expense of $198,340 and $545,306 for the nine months ended September 30, 2007 and September 30, 2006	1,457,111	1,465,997
General and administrative, including stock-based compensation expense of $146,540 and $16,540 for the nine months ended September 30, 2007 and September 30, 2006	4,234,162	1,934,654
Total operating expenses	9,747,410	5,898,435
Operating loss	**(8,837,855)**	**(5,748,078)**
Other Income (Expenses):		
Interest income	89,768	4,666
Interest expense	(1,189,968)	(140,348)
Deferred financing amortization costs	(259,577)	–

Distribution fee	(500,000)	–
Loss on Radiant settlement	(430,348)	–
Other expenses	(3,580)	–
Unrealized foreign exchange transaction expenses	(87,577)	–
Unrealized gain on market value of warrants	4,046,180	–
Equity in loss of unconsolidated affiliate	(378,230)	(370,986)
Total other income (expenses)	**1,286,668**	**(506,668)**
Loss before provision (benefit) for income taxes	**(7,551,187)**	**(6,254,746)**
Provision (benefit) for income taxes	(600,000)	–
Net loss	**$(8,151,187)**	**$(6,254,746)**
Basic and diluted net loss per share	**$(0.21)**	**$(0.38)**
Basic and diluted weighted average number of shares	33,459,282	16,567,429

See accompanying notes to consolidated financial statements

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SYNOVA HEALTHCARE GROUP, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	For the Nine Months Ended September 30, 2007 (unaudited)	For the Nine Months Ended September 30, 2006 (unaudited)
Cash flows from operating activities:		
Net loss	$(6,951,187)	$(6,254,746)
Adjustments to reconcile net loss to cash used in operating activities:		
Accretion of interest on notes payable	444,056	–
Amortization of deferred loan cost	37,181	31,038
Decrease in allowance for inventory reserve	(81,479)	(75,918)
Depreciation and amortization	1,938,487	9,157
Deferred compensation	(110,780)	–
Issuance of common stock for services	140,000	7,674
Share-based compensation	442,380	561,846
Change in fair value of warrant liability	(4,046,180)	–
Equity loss of unconsolidated affiliate	378,230	370,986
Deferred income taxes	(600,000)	–

Loss on Radiant settlement	430,348	–
Foreign exchange translation	67,641	–
Changes in assets and liabilities, net of effects of acquisition:		
(Increase) decrease in assets:		
Accounts receivable	(278,583)	(10,534)
Inventory	(1,002,588)	(355,261)
Prepaid expenses and other current assets	(333,149)	10,425
Deposits	500,000	(375,000)
Increase (decrease) in liabilities		
Deferred revenue	576,300	–
Accounts payable and accrued expenses	(4,783,920)	2,146,116
Net cash used in operating activities	**$(13,233,243)**	**$(3,934,217)**
Cash flows from investing activities:		
Acquisition costs	$(367,642)	$–
Investment in Bio Pad	–	(1,880,000)
Distribution from investee	45,524	–
Increase in restricted cash	(1,849)	–

Purchases of property and equipment	(128,729)	(83,739)
Net cash used in investing activities	**$(452,696)**	**$(1,963,739)**
Cash flows from financing activities:		
Proceeds from loan payable	$–	$1,000,000
Net proceeds (repayments) on line of credit	(282,000)	77,000
Financing costs incurred	(1,884,581)	–
Repayment of loan payable	(1,747,615)	(711,085)
Repayment on previously issued stock	(2,332)	–
Proceeds from issuance of convertible senior notes and common stock	18,294,031	5,513,263
Net cash provided by financing activities	**$14,377,503**	**$5,879,178**
Net increase (decrease) in cash	691,564	(18,778)
Cash at beginning of period	–	204,576
Cash and cash equivalents at end of period	**$691,564**	**$185,798**
Supplemental schedule of cash flows:		
Cash paid during the year for interest	$80,511	$39,968
Supplemental schedule of non-cash financing and investing activities:		
Stock issued for business acquisition	**$15,945,888**	**$–**

Amount paid in lieu of stock for Allendale acquisition	**$54,112**	**$–**
Warrants issued for offering costs	**$203,380**	**$–**
Warrants issued for deferred interest on loans	**$–**	**$128,400**
Issuance of registration rights penalty shares	**$803,479**	**$196,000**

See accompanying notes to consolidated financial statements

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SYNOVA HEALTHCARE GROUP, INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity (Deficit)

For the Nine Months Ended September 30, 2007

(unaudited)

	Number of Shares	Common Stock	Additional Paid-in Capital	Deferred Compensation	Accumulated Deficit	Total Stockholders' Equity (Deficit)
Balance at December 31, 2006	17,686,780	$17,687	$12,688,458	$–	$(15,046,243)	$(2,340,098)
Issuance of common stock for services	200,000	200	139,800	–	–	140,000
Stock-based compensation for restricted stock awards	103,722	104	227,396	(110,780)	–	116,720
Stock-based compensation for options	–	–	214,880	–	–	214,880
Issuance of common stock in connection with acquisition of Allendale Pharmaceuticals, Inc.	15,541,638	15,541	15,526,097	–	–	15,541,638
Shares of common stock issued in connection with acquisition of Allendale Pharmaceuticals, Inc.	–	–	394,227	–	–	394,227
Issuance of registration rights penalty shares	1,004,349	1,004	802,475	–	–	803,479
Issuance of previously unissued shares in connection with acquisition of Allendale Pharmaceuticals, Inc.	145,422	145	(145)	–	–	–
Stock issued to settle accrued liability	10,020	10	10,013	–	–	10,023
Settlement expenses paid by stockholders with company stock	–	–	830,000	–	–	830,000
Cancellation of stock issued	(2,332)	(2)	(2,330)	–	–	(2,332)

Warrants issued in Series B note offering	–	–	526,387	–	–	526,387
Net loss for the nine months ended September 30, 2007	–	–	–	–	(6,951,187)	(6,951,187)
Balance at September 30, 2007	34,689,599	$34,689	$31,357,258	$(110,780)	$(21,997,430)	$9,283,737

See accompanying notes to consolidated financial statements

SYNOVA HEALTHCARE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2007
(Unaudited)

NOTE 1 - ORGANIZATION AND NATURE OF BUSINESS

ORGANIZATION

Synova Healthcare Group, Inc., a Nevada corporation, and its subsidiaries (collectively, the "Company") are focused on the development, distribution, marketing and sale of women' s healthcare products relating to contraception, vaginal health, menopause management, fertility planning, obstetrics and personal care. The Company' s principal executive offices are located in Media, Pennsylvania. The Company is a holding company and conducts its operations through its six subsidiaries: Synova Healthcare, Inc., a Delaware corporation ("Synova Healthcare"), Synova Pre-Natal Healthcare, Inc., a Delaware corporation, Allendale Pharmaceuticals, Inc., a Delaware corporation ("Allendale"), Todays Womencare Company, a Delaware corporation, Today' s Womencare (Canada) Inc., a Canadian corporation, and Today' s Womencare (UK) Ltd, a United Kingdom corporation. The consolidated financial statements include the accounts of the Company and its subsidiaries, and all intercompany transactions have been eliminated in consolidation.

The Company was incorporated in the State of Nevada on September 1, 1998 under the name Centaur Capital Group, Inc. The original business strategy of the Company was to engage in the discovery of pharmaceuticals based upon human genetics, but this business was never developed and was abandoned in 2001. The Company' s name has been changed numerous times since its formation. From December 10, 2004 to January 12, 2005, it operated under the name Advanced Global Industries Corporation. From formation until the Company' s acquisition of Synova Healthcare, the Company was a development stage company with no active business.

In December 2004, the Company entered into a letter of intent to merge with Synova Healthcare. In connection with this merger, on January 12, 2005, the Company changed its name to Synova Healthcare Group, Inc. On February 10, 2005, a wholly owned subsidiary of the Company merged with Synova Healthcare, with Synova Healthcare surviving the merger.

BASIS OF PRESENTATION

These unaudited financial statements have been prepared in accordance with generally accepted accounting principles and the rules and regulations of the Securities and Exchange Commission (the "Commission") for presenting interim financial information. Accordingly, they do not include all the information and footnotes necessary for a comprehensive presentation of financial position and results of operations.

These statements include all adjustments (consisting only of normal recurring adjustments) which management believes necessary for a fair presentation of the financial statements. The interim operating results for the three and nine months ended September 30, 2007 are not necessarily indicative of operating results expected for the full year.

SIGNIFICANT ACCOUNTING POLICIES

Except as may otherwise be provided herein, these unaudited financial statements have been prepared consistently with the accounting polices described in Note 3 to the Company' s Consolidated Financial Statements for the year ended December 31, 2006, which financial statements have been included in the Company' s Form 10-KSB for the year ended December 31, 2006, as filed with the Commission on February 26, 2007.

BUSINESS COMBINATION ACCOUNTING

Acquisitions entered into by the Company are accounted for using the purchase method of accounting. The purchase method requires management to make significant estimates. Management must determine the cost of the acquired entity based on the fair value of the consideration paid or the fair value of the net assets acquired, whichever is more clearly evident. This cost is then allocated to the assets

acquired and liabilities assumed based on their estimated fair values at the acquisition date. In addition, management, with the assistance of valuation

professionals, must identify and estimate the fair values of intangible assets that should be recognized as assets apart from goodwill. Where appropriate or required, management utilizes third-party appraisals to assist in estimating the fair value of tangible property, plant and equipment and intangible assets acquired.

GOODWILL AND OTHER INTANGIBLE ASSETS

In accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets* ("SFAS No. 142"), goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but instead are tested for impairment at least annually. The Company is required to review its goodwill for impairment at least annually. Any future impairment will be recorded in the consolidated statement of operations as "goodwill impairment" and will reduce income from operations.

SFAS No. 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and be reviewed for impairment in accordance with SFAS No. 144, *Accounting for Impairment or Disposal of Long-Lived Assets* ("SFAS No. 144"). The Company' s compliance certificates and deferred financing costs are amortized on a straight-line basis over five years. The Company will assess the value of these intangible assets and record an impairment adjustment to their carrying value at December 31, 2007, if necessary.

FOREIGN CURRENCY TRANSLATION

SFAS No. 52, *Foreign Currency Translation,* requires that all assets and liabilities denominated in a currency other than an entity' s functional currency be translated into that entity' s functional currency as of the balance sheet date. The Company' s functional currency is the U.S. dollar. The Company' s balance sheet includes assets and liabilities denominated in British pounds, Canadian dollars and Euros. All of these assets and liabilities are translated into U.S. dollars at each balance sheet date, and the resulting increases and decreases in functional currency values are included as foreign currency transaction gains and losses in determining the Company' s net income for the period in which the exchange rates changed.

DERIVATIVE FINANCIAL INSTRUMENTS

In accordance with Emerging Issues Task Force ("EITF") Issue No. 00-19, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company' s Own Stock* ("EITF 00-19"), warrants issued with the Company' s Senior Notes (as defined in Note 2) with a cash-out feature and embedded conversion features with a reset option were recognized as liabilities on the Company' s balance sheet. See Notes 7 and 8. These warrants will be adjusted to fair value at each reporting date. The embedded derivative relating to the conversion feature was valued at its intrinsic value on the date issued, and will be adjusted to its fair value if a reset event occurs.

In accordance with EITF Issue No. 06-7, *Issuer' s Accounting for a Previously Bifurcated Conversion Option in a Convertible Debt Instrument When the Conversion Option No Longer Meets the Bifurcation Criteria in FASB Statement No. 133*, the embedded conversion option previously accounted for as a liability will be reclassified to equity upon expiration or conversion of the convertible debt. See Note 7. Any unamortized discount related to the bifurcated financial instruments will be recognized as interest expense.

INVENTORY

Inventory consists of diagnostic medical devices, lubricants, vitamins, and contraceptive sponges and is stated at the lower of cost (determined by the first-in, first-out method) or market. An allowance has been provided for expired and discontinued product, and product which will expire by January 2008. Also the company maintains a standard cost system of accounting for inventory, and manufacturing variances are a period expense and reflected in the Consolidated Statement of Operations.

USE OF ESTIMATES

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that effect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reported period. Actual results could differ from those estimates.

BASIC AND DILUTED NET LOSS PER SHARE

In accordance with SFAS No. 128, *Earnings per Share*, basic and diluted net loss per share is computed using net loss divided by the weighted average number of shares of common stock outstanding for the period presented. Because the Company reported a net loss for each of the three and nine months ended September 30, 2007 and 2006, common stock equivalents consisting of options and warrants were anti-dilutive; therefore, the basic and diluted net loss per share for each of these periods were the same.

INCOME TAXES

The Company accounts for income taxes using the liability method. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in the tax rate is recognized in income or expense in the period that the change is effective. Tax benefits are recognized when it is probable that the deduction will be sustained. A valuation allowance is established when it is more likely than not that all or a portion of a deferred tax asset will not be realized.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 2006, the Financial Accounting Standards Board (the "FASB") issued Interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes*. FIN 48 prescribes detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise' s financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes* ("SFAS No. 109"). Tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized upon the adoption of FIN 48 and in subsequent periods. FIN 48 has been adopted by the Company as of January 1, 2007, and the provisions of FIN 48 were applied to all tax positions under SFAS No. 109 after initial adoption. The cumulative effect of applying the provisions of this interpretation will be reported as an adjustment to the opening balance of retained earnings for that fiscal year. The adoption of FIN 48 did not require an adjustment to our consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ("SFAS No. 157"). SFAS No. 157 establishes a framework for measuring fair value and expands disclosures about fair value measurements. The changes to current practice resulting from the application of SFAS No. 157 relate to the definition of fair value, the methods used to measure fair value and the expanded disclosures about fair value measurement. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The Company does not believe that the adoption of the provisions of SFAS No. 157 will materially impact its financial statements and footnote disclosures.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS No. 159"). SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and will become effective for the Company beginning with the first quarter of 2008. The Company has not yet determined the impact of the adoption of SFAS No. 159 on its financial statements and footnote disclosures.

NOTE 2 - MANAGEMENT STATEMENT

The Company has not generated sufficient revenues from operations to meet its operating expenses. For this reason, the Company has historically financed its operations primarily through issuances of equity and the proceeds of debt instruments. In the past, the Company has also provided for its cash needs by relying on the issuance of stock, debt instruments, options and warrants to fund certain operating costs, including consulting and professional fees. As a result of the closing on January 12, 2007 of the sale of $15.0 million in aggregate original principal amount of the Company' s 6.5% Senior Convertible Promissory Notes, due January 12, 2012 (the "Senior Notes"), and the closing

on September 19, 2007 of the sale of approximately $3.3 million in aggregate original notional principal amount of the Company' s 6.5% Senior Convertible

Promissory Notes, Series B, due September 19, 2012 (the "Series B Notes"), the Company believes that it presently has sufficient available capital to fund its anticipated operations through the end of 2007, provided that it can sell the balance of Series B Notes of approximately $1.7 million, although there can be no assurance that the net proceeds from this offering will be sufficient to operate and grow the Company' s business as intended during such time period without the need to obtain additional sources of capital. If the Company is unable to raise capital in the near term by completing the Series B Note financing round, the Company believes that its presently available sources of capital would be sufficient to fund its anticipated operations through the end of November 2007.

The Company believes that in the future it will be able to raise additional capital as needed to support operations. In support of this view, since January 1, 2006, Company management has raised approximately $24 million in proceeds from sales of the Company' s securities, after deducting cash placement agent fees incurred but excluding other applicable offering expenses and costs.

While the Company believes that it will be able to obtain, if necessary, future financing on acceptable terms, if it is not successful in obtaining debt or equity financing, or if the Company is not permitted to obtain such financing by the terms of its existing agreements and financial instruments, the Company would need to expend significant efforts to find other short- and long-term sources of capital to meet its ongoing operating and business expenses. The terms of the Company' s Senior Notes and the Series B Notes, and the terms of other prior debt and equity financing instruments and agreements, also significantly limit the Company' s ability to sell equity or incur debt without the consent of the holders of the Senior Notes and the Series B Notes, and the Company may not be able to repay, refinance or terminate these obligations or obtain the consent of the debt or equity holders, if necessary, to obtain additional capital should the Company need or desire to do so. The Company is also focusing on opportunities to increase net sales while seeking to manage operating expenses in an attempt to preserve as much as practical its available cash resources. If the Company is unable to raise sufficient long-term or short-term capital resources when needed on acceptable terms, the Company' s business, results of operations, liquidity and financial condition would be materially and adversely harmed.

The Company believes that the successful growth and operation of its business is dependent upon its ability to do any or all of the following:

- obtain as needed adequate sources of debt or equity financing to pay operating expenses and fund long-term business operations;
- identify new product offerings to complement and expand the Company' s current and projected future business;
- manage or control working capital requirements by reducing advertising, selling, marketing, and general and administrative expenses;
- optimize the marketing and development of the Company' s existing product offerings through less capital intensive channels;
- rationalize existing product lines concerning capital allocation based on contribution and return on capital;
- develop new and enhance existing relationships with product retailers and other points of distribution for the Company' s products; and
- seek potential acquisitions of mature product lines that could be expected to generate positive cash flow for the Company upon acquisition, assuming appropriate financing structures are available on acceptable terms in order to effect such acquisitions.

There can be no assurance that the Company will be successful in achieving its long-term plans as set forth above, or that such plans, if consummated, will enable the Company to obtain profitable operations or continue in the long-term as a going concern.

NOTE 3 - STOCK-BASED COMPENSATION

On January 1, 2006, the Company adopted SFAS No. 123 (revised 2004), *Share-Based Payment* ("SFAS No. 123R"), using the modified prospective method as permitted under SFAS No. 123R. Under this transition method, compensation cost recognized in 2006 includes compensation cost for all share-based payments granted prior to, but not yet vested as of, December 31, 2005, based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123R. In accordance with the modified prospective method of adoption, the Company' s results of operations and financial position for prior periods have not been restated.

During the three months ended September 30, 2007 and 2006, the Company' s net income was approximately $27,481 and $185,285, respectively, lower as a result of stock-based compensation expense as a result of the adoption of SFAS No. 123R.

During the nine months ended September 30, 2007 and 2006, the Company' s net income was approximately $331,600 and $561,846, respectively, lower as a result of stock-based compensation expense as a result of the adoption of SFAS No. 123R.

The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of an award, with the following assumptions: no dividend yield, expected volatility of 64% (for options with a ten-year expected time to expiration) and 62% (for options with less than a ten-year expected time to expiration), and a risk-free interest rate between 4.7% and 4.8%. In determining volatility of the Company' s options, the Company used a combination of (1) the average volatility over a 10-year period of the common stock of seven other public companies operating in the Company' s areas of operations; (2) the average volatility of the Company' s stock since its acquisition of Allendale and initial registration statement required in connection with the Senior Note offering; and (3) the contractual or expected life of the specific option, allowing for a reduction in volatility for those options with a contractual or expected life of less than ten years in consideration of the shorter contractual or expected life of the option.

NOTE 4 - INVESTMENT

Pursuant to a share purchase agreement, on January 31, 2006, the Company acquired 25% of the issued and outstanding ordinary shares of Bio Pad Ltd., an Israeli research and development company, on a fully-diluted basis (excluding options to purchase up to 10% of Bio Pad' s ordinary shares that may be granted to employees of Bio Pad) for $2,630,000 in cash. The total investment of $2,687,944 includes $57,944 of closing costs incurred during 2005. This share purchase was effected in connection with the Company' s September 2005 distribution agreement with Bio Pad pursuant to which the Company and Bio Pad agreed to jointly develop certain fetal monitoring products. The Company accounts for its 25% interest in Bio Pad under the equity method of accounting, as the Company is deemed to have significant influence over the operations of Bio Pad.

As of September 30, 2007, the Company' s pro rata equity portion of losses of Bio Pad amounted to $378,230, which was comprised of (1) $238,091, which represents 25% of Bio Pad' s reported net loss for the nine months ended September 30, 2007 of $952,364, plus (2) amortization expense of $140,139, representing the amortization of the value of certain patentable technology and patent applications, which are estimated to have an economic life of 10 years. As of September 30, 2007, the equity-basis investment of $1,804,207 in Bio Pad includes $1,541,527, representing the unamortized value of this technology and these patent applications, as well as legal and closing costs associated with the acquisition of $57,944. During the nine months ended September 30, 2007, Bio Pad released to the Company $45,524 of the original purchase price that had been held in escrow in connection with the share purchase agreement.

Bio Pad was formed in March 2005. Summarized unaudited financial information for Bio Pad as of and for the nine months ended September 30, 2007 and 2006 was as follows:

	For the nine months ended September 30, 2007 (unaudited)	For the nine months ended September 30, 2006 (unaudited)
Statement of operations information:		
Revenues	$–	$–
Operating loss	$(952,364)	$(956,380)
Net loss	$(952,364)	$(923,390)

	September 30, 2007 (unaudited)	September 30, 2006 (unaudited)
Balance sheet information:		
Current assets	$336,139	$623,382
Fixed assets	$43,651	$49,055
Current liabilities	$310,842	$179,890
Shareholders' equity	$68,948	$492,547

The foregoing financial information does not reflect any valuation of patentable technology, patent applications or rights, or other intangibles of Bio Pad. The issuance by Bio Pad of 10% of its ordinary shares to its employees pursuant to the exercise of options that may be granted in the future would potentially dilute the Company' s 25% interest in Bio Pad to approximately 22.7%. If this dilution had occurred as of September 30, 2007, the effect would have been to reduce the Company' s equity share of Bio Pad' s net loss for the period ended September 30, 2007 from $238,091 to $216,187.

Based on discussions with Bio Pad' s management, the Company believes that Bio Pad presently has sufficient capital resources to continue to fund its operations through the end of 2007. Furthermore, Bio Pad' s management has provided the Company with assurances that Bio Pad is seeking to obtain additional capital to support operations and meet its working capital and liquidity needs. However, if Bio Pad is unable to

obtain additional capital in a timely manner or at all, or if it is unable to obtain capital in sufficient amounts to support its operations, Bio Pad may be required to significantly curtail or cease altogether its operations, and in turn, its and the Company' s efforts to co-develop a fetal monitoring product. In such an event, the Company' s ability to ultimately market and sell this fetal monitoring product would be materially and negatively hindered and the Company may need to review its investment in Bio Pad for impairment under SFAS No. 142. For these reasons, the Company believes that the inability of Bio Pad to continue its operations could have a material adverse effect upon the Company' s business, financial condition and results of operations.

NOTE 5 - OUTSTANDING DEBT

On April 28, 2006, the Company renewed a previously existing line of credit of $300,000 with Wachovia Bank. The line of credit was to terminate on April 28, 2007 and bore interest at prime, plus 0.50%. As of January 31, 2007, the line of credit was terminated and $287,000 in principal and $1,791 in accrued interest under this line of credit was repaid in full with a portion of the net proceeds of the January 12, 2007 Senior Note offering.

As part of the acquisition of Allendale on January 12, 2007, the Company assumed a $350,000 loan payable due to Radiant Technologies, Inc., along with accrued interest on the loan in the amount of $40,200. The amount of principal and accrued interest has been reduced to zero as a part of the settlement with Radiant. See Note 13.

As part of the acquisition of Allendale, the Company also acquired a loan payable due to xpedx, a division of International Paper Company ("xpedx"). xpedx is a third-party warehouse provider for the Company' s Today® Sponge inventory, and pays the Company an agreed-upon amount for every case of inventory shipped from the Company' s third-party manufacturer to xpedx' s warehouse. xpedx then bills the Company an agreed-upon amount

for every case shipped from xpedx' s warehouse to one of the Company' s customers. The balance on the loan as of the acquisition date of January 12, 2007 was $414,538, and is based on an inventory financing agreement between Allendale and xpedx. The balance of $414,538 as of the acquisition date represented the net balance due to xpedx from Allendale for funding previously advanced under this financing agreement. As of September 30, 2007, the loan payable due to xpedx was $266,923.

As of December 31, 2006, the Company had received $1,455,000 in net proceeds from the sale of $1,500,000 in aggregate principal amount of convertible bridge notes and related bridge warrants, net of offering expenses of $45,000. In connection with this offering, the Company paid the placement agent a cash commission equal to 3% of the gross purchase price of the convertible bridge notes purchased by investors introduced to the Company by the placement agent. The Company has also agreed to reimburse the placement agent for all reasonable out-of-pocket expenses incurred by the placement agent issued in the convertible bridge note offering. The principal and interest outstanding under the convertible bridge notes were repaid with a portion of the net proceeds from the January 12, 2007 Senior Note offering. In connection therewith, the Company paid to the holders of the convertible bridge notes $1.5 million in principal and $65,688 in accrued but unpaid interest thereupon through January 19, 2007, the date of repayment.

A discussion of the Senior Notes and Series B Notes is provided in Note 7.

NOTE 6 - ALLENDALE ACQUISITION

On January 12, 2007, the Company entered into an agreement and plan of merger with, among other parties, Allendale, pursuant to which Allendale became a wholly-owned subsidiary of the Company. Pursuant to the merger, each share of Allendale common stock owned by accredited investors (as defined in Rule 501 of Regulation D of the Securities Act of 1933, as amended (the "Securities Act")) was converted into approximately 2.275 shares of the Company' s common stock. Each share of common stock owned by the Allendale stockholders who did not deliver a certification to the Company that they were accredited investors was converted into the right to receive cash in an amount equal to $1.00 per Allendale share. Holders of outstanding warrants, options and similar rights to acquire stock of Allendale are entitled to acquire shares of common stock upon the payment of the exercise price provided for in such warrants, options or similar rights. The Company issued to the former Allendale stockholders who were accredited investors in the aggregate approximately 15.6 million shares of common stock in this merger, including approximately 145,000 shares of common stock that were issued to one former stockholder of Allendale on June 4, 2007, after the settlement of certain litigation and other disputes between the Company and the stockholder. In connection with the acquisition of Allendale, each option, warrant or similar right to acquire stock of Allendale immediately prior to the effective time of the merger remains outstanding in accordance with its terms, and entitles the holders thereof to acquire in the aggregate approximately 248,805 shares of the Company' s common stock upon the payment of the exercise price provided in the option, warrant or similar right, adjusted for the merger. The other terms of the options, warrants and other rights remain the same.

Allendale develops and markets the Today® Sponge, an over-the-counter female contraceptive sponge, in the United States and Canada, and in Hong Kong and Macau through a third-party distributor. We paid a premium, which is classified as goodwill, over the fair value of the net tangible and identified intangible assets acquired. Goodwill is recognized based upon a number of factors, including the brand awareness of the Today® Sponge and the ability to cross-sell other products of the Company together with the Today® Sponge, such as the Company' s Fem-V® non-invasive diagnostic test kit.

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The following table summarizes the fair value of the Allendale assets acquired and liabilities assumed as of January 12, 2007:

	(Unaudited)
Assets acquired:	
Current assets	$1,837,811
Property, plant and equipment	2,700,000
Intangible assets not subject to amortization:	
Trademarks	7,500,000
Intangible assets subject to amortization over 5 years:	
GMP compliance certificate	2,000,000
NDA certification	5,500,000
Goodwill	6,606,012
Total assets acquired	$26,143,823
Liabilities assumed:	
Accounts payable and accrued expenses	$4,176,179
Notes and loans payable	5,000,000
Deferred tax liability	600,000
Total liabilities	9,776,179

Net assets acquired	$16,367,644

NOTE 7 - SENIOR CONVERTIBLE DEBT

As a condition to the acquisition of Allendale described in Note 6, on January 12, 2007, the Company completed the private placement of its Senior Notes in the original aggregate principal amount of $15.0 million, and common stock purchase warrants to purchase, in the aggregate, up to 16.5 million shares of the Company' s common stock to accredited investors (as defined in Rule 501 of Regulation D of the Securities Act). The terms of the Senior Notes were amended in connection with the Company' s issuance of Series B Notes on September 19, 2007. The Senior Notes bear interest at a rate of 6.5% per year and are convertible, including any accrued but unpaid interest, if any, into shares of common stock, commencing on January 12, 2007, at an initial conversion rate of $1.00, subject to "full-ratchet" anti-dilution adjustments.

If the Company issues common stock at a price of less than $1.00, the conversion price of the Senior Notes will be reduced to the lower price. Accordingly, the conversion option is an embedded derivative which is classified as a liability under EITF 00-19. A holder of a Senior Note, as amended, may demand repayment of 115% of the principal balance and unpaid interest 30 trading days following the Company' s release of earnings for 2008 and 2009 unless (i) the Company' s common stock is trading above 175% of the conversion price for 20 out of the 30 consecutive trading days before the earnings release; (ii) the Company' s common stock has a dollar trading volume in excess of $225,000 for 20 trading days during such 30 trading day period; and (iii) certain other conditions are satisfied. The terms of the Senior Notes provide the holders of the Senior Notes with additional redemption and repurchase rights.

The gross proceeds of the Senior Notes and related warrants were allocated $8,662,253 to the Senior Notes and $6,337,747 to the warrants. The warrant liability was immediately adjusted to its $9,380,250 fair value on the date issued and reduced to its $2,442,000 fair value on September 30, 2007. The fair value of the warrant issued to the placement agent was $52,947 as of September 30, 2007. Changes in the fair value of these warrants are reflected in earnings.

The $8,662,253 allocated to the Senior Notes was reduced by the $7,756,650 intrinsic value of the embedded conversion option, resulting in an initial carrying value of $905,306 for the Senior Notes. The Senior Notes are being accreted to their maturity value using the interest method and an effective rate of 55%. As of September 30, 2007, the accreted value of the Senior Notes was $1,344,454. The carrying amount of the embedded derivative was not adjusted at September 30, 2007 since a reset event had not occurred.

Upon an event of default or change in control, the holders of the Senior Notes may require the Company to redeem the Senior Notes for at least 102% and 125%, respectively, of the outstanding principal amount, plus accrued but unpaid interest.

The Company' s obligations under the Senior Notes have been guaranteed by all of the Company' s subsidiaries. As of September 19, 2007, all of the Company' s obligations under the Senior Notes are also secured by a first lien on substantially all of the Company' s and its subsidiaries' assets. The Senior Notes also require the Company to comply with certain affirmative, negative and financial covenants. As of September 30, 2007, the Company was not in default under any of its covenants and other obligations under the Senior Notes, and as of that date, no event of default existed.

On September 19, 2007, the Company commenced a private placement of its Series B Notes by offering and selling Series B Notes in the original aggregate principal amounts of $1,380,000 and 1,390,000 Euros (which as of such date was equivalent to approximately $1,914,030) along with common stock purchase warrants to purchase, in the aggregate, up to 5,929,254 shares of the Company' s common stock, to accredited investors (as defined in Rule 501 of Regulation D of the Securities Act) and purchasers who were not "U.S. persons" (as defined in Rule 902(k) of Regulation S of the Securities Act). The Series B Notes bear interest at a rate of 6.5% per year and are convertible, including any accrued but unpaid interest, if any, into shares of common stock, at an initial conversion rate of $1.00.

The conversion rate for the Series B Notes is subject to adjustment if the Company, at any time while these Series B Notes are outstanding, pays a stock dividend, combines or subdivides its stock, distributes any security, rights or warrants or any other asset to holders of its common stock, or enters into a fundamental transaction, such as certain mergers with or into another person, a sale of all, or substantially all, of its assets, or a conversion of its common stock into other securities, cash or property. Accordingly, this conversion option is an embedded derivative which is classified as a liability under EITF 00-19.

Upon an event of default or change in control, the holders of the Series B Notes may require the Company to redeem the Series B Notes for at least 102% and 125%, respectively, of the outstanding principal amount, plus accrued but unpaid interest.

All amounts outstanding under the Series B Notes are subordinated in right of payment to the Senior Notes. The Company may not issue or incur any future indebtedness that is senior or pari passu to the Company' s obligations under the Series B Notes. The offer and sale of the Series B Notes sold and to be sold in this offering required the consent of the holders of the Senior Notes. As consideration for these consents and certain other waivers of, and amendments to, various agreements related to the Senior Notes, the Company and its subsidiaries agreed to grant to the holders of the Senior Notes a first lien on substantially all of their assets.

The gross proceeds of the Series B Notes and related warrants were allocated $2,767,643 to the Series B Notes and $526,387 to the warrants.

The $2,767,643 allocated to the Series B Notes was reduced by the $526,387 fair value of the warrants classified as equity, resulting in an initial carrying value of $2,241,257 for the Series B Notes. The Series B Notes are being accreted to their maturity value using the interest method and an effective rate of 7.6%. The carrying amount of the embedded derivative was not adjusted at September 30, 2007 since a reset event had not occurred. As of September 30, 2007, the accreted value of the Series B Notes was $2,314,103.

The Series B Notes denominated in Euros have been converted into U.S. dollars for financial reporting purposes, and have been revalued based on the spot exchange rate for the U.S dollar to Euro as of September 30, 2007. For each reporting period, changes in the U.S. dollar value of these Series B Notes are reflected in earnings.

The Series B Notes require the Company to comply with certain affirmative and negative covenants. As of September 30, 2007, the Company was not in default under any of its covenants and other obligations under the Series B Notes, and as of that date, no event of default existed.

NOTE 8 – STOCKHOLDERS' EQUITY

COMMON STOCK

As discussed in Note 6, on January 12, 2007, the Company entered into an agreement and plan of merger with, among other parties, Allendale, pursuant to which Allendale became a wholly-owned subsidiary of the Company. Pursuant to the merger, each share of Allendale common stock owned by accredited investors (as defined in Rule

501 of Regulation D of the Securities Act) was converted into the right to receive approximately 2.275 shares of the Company' s common stock. In the merger, the Company issued to the former Allendale stockholders who were accredited investors as of the closing of the merger in the aggregate 15,541,638 shares of common stock plus approximately 145,000 shares of common stock that were issued to one former stockholder of Allendale as a result of a litigation settlement in September 2007. See Note 13.

On April 3, 2007, the Company issued 34,574 shares in the form of a grant of restricted stock under the Company' s 2005 Equity Incentive Plan (the "Incentive Plan") to each of four of its non-employee directors. The restricted stock vests on April 3, 2008, assuming that the director remains a director as of the date of the Company' s 2007 Annual Meeting of Stockholders. The Company recorded an aggregate expense of $130,000 in stock-based compensation under SFAS No. 123R as general and administrative expenses in connection with these restricted stock awards. One of these directors resigned from the board prior to serving out her term, which caused the director' s restricted stock award to be forfeited without vesting. As a result, the Company reduced its stock-based compensation expense by $34,574.

On August 7, 2007, the Company issued 65,000 shares in the form of a grant of restricted stock under the Incentive Plan to each of two of its non-employee directors. On August 8, 2007, the Company issued 72,222 shares in the form of a grant of restricted stock under the Incentive Plan to two additional non-employee directors. The total fair value of the grants was $130,000, which is reflected as deferred compensation and is being amortized monthly as the stock vests. The restricted stock vests one year after the date of grant, assuming that the director remains a director as of the Company' s 2008 Annual Meeting of Stockholders. The Company recorded an aggregate expense of $19,220 in stock-based compensation under SFAS No. 123R as general and administrative expenses in connection with these restricted stock awards.

OPTIONS

On February 21, 2007, the Company granted to an employee of the Company an option under the Incentive Plan to purchase 225,000 shares of the Company' s common stock at an exercise price of $1.15 per share. This option shall vest in four equal installments annually over each of the first four anniversary dates of the employee' s employment with the Company. The option is contingent on continued employment and expires February 21, 2017. In accordance with SFAS No. 123R, the Company has recorded stock-based compensation expense during the nine months ended September 30, 2007 of $46,245 in connection with the issuance of this option.

On February 21, 2007, the Company granted to two of its employees an option under the Incentive Plan to purchase in the aggregate 35,000 shares of the Company' s common stock at an exercise price of $1.15 per share. These options vest in full on February 21, 2008. The options are contingent on continued employment and expire February 16, 2017. In accordance with SFAS No. 123R, the Company has recorded stock-based compensation expense during the nine months ended September 30, 2007 of $21,183 in connection with the issuance of these options.

On April 2, 2007, the Company granted to two of its employees an option under the Incentive Plan to purchase in the aggregate 16,000 shares of the Company' s common stock at an exercise price of $0.91 per share. These options vest in full on April 2, 2008. The options are contingent on continued employment and expire April 2, 2017. In accordance with SFAS No. 123R, the Company has recorded stock-based compensation expense during the nine months ended September 30, 2007 of $6,113 in connection with the issuance of these options.

In accordance with SFAS No. 123R, the Company recorded $141,339 in stock-based compensation expense for options that were granted to employees and directors in 2006 and 2005 but vested in the first nine months of 2007. The Company also had forfeitures during the first nine months of 2007 of stock options previously held by former employees, which reduced the stock-based compensation for such period by $92,412.

In connection with the acquisition of Allendale, each option to acquire stock of Allendale immediately prior to the effective time of the merger remains outstanding and entitles each option holder to acquire the holder' s pro rata share of the common stock consideration in the merger upon the payment of the exercise price as provided in the option, subject to adjustment for the merger. The other terms of these options remain the same. In accordance with the merger agreement, the Company has issued options to purchase in the aggregate up to 68,817 shares of common stock at exercise prices ranging from $5.14 to $12.10.

The following table summarizes all Company stock option transactions between January 1, 2007 and September 30, 2007:

	Option Shares	Vested Shares	Exercise Price per Common Share Range
Balance, December 31, 2006	1,667,842	1,098,842	$0.0011 to $2.78
Granted or vested during the nine months ended September 30, 2007	344,817	232,817	$1.15 to $12.10
Expired during the nine months ended September 30, 2007	(125,000)	(50,000)	–
Balance, September 30, 2007	1,887,659	1,281,659	$0.0011 to $12.10

Information with respect to Company stock options that are outstanding at September 30, 2007 is as follows:

	Stock Options Outstanding		
Range of Exercise Prices	Number of Options Currently Exercisable at September 30, 2007	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price Of Options Currently Exercisable
$0.0011 to $12.10	1,281,659	5.0 years	$ 1.60

WARRANTS

Pursuant to the terms of the Senior Notes, the Company issued warrants to purchase in the aggregate up to 16.5 million shares of common stock at an exercise price of $1.00 per share, subject to “full ratchet” anti-dilution adjustments. The warrants are immediately exercisable and expire on or prior to the close of business on January 12, 2012. Upon a fundamental transaction or change in control of the Company, the warrant holder has the right to receive cash equal to the value of the warrant determined in accordance with the Black-Scholes option pricing formula using the assumptions described in Note 3 above. Accordingly, the warrants are classified as a liability which is to be adjusted to fair value at each reporting period. The warrants were adjusted to their fair value of $2,442,000 on September 30, 2007.

The placement agent for the Senior Notes and warrants was issued a warrant to purchase up to 357,750 shares of common stock at an exercise price of $1.00 per share, subject to “weighted average” anti-dilution adjustments. This warrant is immediately exercisable, expires on or prior to the close of business on January 12, 2012 and has substantially similar terms to the warrants issued to the purchasers of the Senior Notes. Upon a fundamental transaction involving the Company, the warrant holder has the right to receive cash equal to the value of the warrant determined in accordance with the Black-Scholes option pricing formula using the assumptions described in Note 3 above. Accordingly, in accordance with EITF 00-19, the warrants are classified as a liability which are to be adjusted to fair value at each reporting period. This warrant was adjusted to its fair value of $52,947 on September 30, 2007.

In connection with the acquisition of Allendale, each warrant to acquire stock of Allendale immediately prior to the effective time of the merger remains outstanding, and entitles each warrant holder to acquire the holder’ s pro rata share of the common stock consideration in the merger upon the payment of the exercise price as provided in the warrant, subject to adjustment for the merger. The other terms of these warrants remain the same. In connection with the merger agreement, the Company has issued warrants to purchase in the aggregate up to 179,988 shares of common stock at exercise prices ranging from $0.64 to $23.15.

Pursuant to the terms of the Series B Notes issued on September 19, 2007, the Company issued warrants to purchase in the aggregate up to 5,929,254 shares of common stock at an exercise price of $1.00 per share, subject to adjustment for stock splits, stock dividends, pro rata distributions and certain fundamental transactions. The warrants are immediately exercisable and expire on the close of business on September 19, 2012.

The following table summarizes all Company warrant transactions between January 1, 2007 and September 30, 2007:

	Warrant Shares	Vested Shares	Exercise Price per Common Share Range
Balance, December 31, 2006	5,303,584	5,303,584	$0.00044 to $3.00
Granted or vested during the nine months ended September 30, 2007	22,966,992	22,966,992	$0.64 to $23.15
Expired during the nine months ended September 30, 2007	(8,564)	(8,564)	–
Balance, September 30, 2007	28,262,012	28,262,012	$0.00044 to $23.15

Information with respect to Company warrants that are outstanding at September 30, 2007 is as follows:

	Warrants Outstanding		
Range of Exercise Prices	Number of Warrants Currently Exercisable at September 30, 2007	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price of Warrants Currently Exercisable
$0.00044 to $23.15	28,262,012	4.2 years	$ 1.24

NOTE 9 - INCOME TAXES

The provision (benefit) for income taxes for the nine months ended September 30, 2007 and 2006 consisted of the following:

	For the Nine Months Ended	
	September 30, 2007	September 30, 2006
Provision (benefit) for income taxes	$(600,000)	$ –
Effective tax rate	(8)%	–

For the nine months ended September 30, 2007 and September 30, 2006, the Company recognized a pre-tax loss of $10.7 million with a tax benefit of $600,000 and a pre-tax loss of $8.0 million with a tax benefit of $0, respectively. A decrease of $600,000 was made to the opening valuation allowance due to the inclusion of Allendale in the Company' s consolidated tax return. A valuation of allowance has been established for net deferred tax assets resulting from related temporary differences and net operating loss carryforwards.

As of September 30, 2007, the Company has $37,000,000 of unused federal and state net operating loss carryforwards that may be used to offset future taxable income through the year 2027. Utilization of certain of the net operating loss carryforwards may be subject to limitation in certain tax years.

NOTE 10 - MAJOR CUSTOMER

The Company' s largest customer accounted for $308,613 and $0 in net sales for the nine months ended September 30, 2007 and 2006, respectively, and approximately 12% of accounts receivable as of September 30, 2007.

NOTE 11 - INVENTORY

Inventory as of September 30, 2007 and December 31, 2006 consists of the following:

	September 30, 2007 (unaudited)	December 31, 2006
Raw materials	$624,996	$-
Work in process	1,392,670	251,702
Finished goods	655,247	165,149
Consigned inventory	694,280	22,757
Inventory allowance	(1,024,042)	(42,840)
	$2,343,151	$396,768

NOTE 12 - PROPERTY AND EQUIPMENT

Property and equipment as of September 30, 2007 and December 31, 2006 consist of the following:

	September 30, 2007 (unaudited)	December 31, 2006
Computer equipment	$94,468	$59,015
Machinery	2,472,452	–
Office equipment	29,580	23,106
Office furniture	84,748	66,547
Leasehold improvements	309,694	13,701
	2,990,942	162,369
Less: Accumulated depreciation and amortization	(449,628)	(35,469)
	$2,541,314	$126,900

Related depreciation expense for the nine months ended September 30, 2007 and 2006 was $414,159 and $4,820, respectively.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Except for the commitments and contingencies described elsewhere herein, the following are the Company' s material commitments and contingencies as of September 30, 2007:

The Company leases office space under a lease that expires on November 30, 2011. The monthly rent obligation during 2007 under this lease is approximately $9,200.

Following the Company' s acquisition in January 2007 of Allendale and the worldwide rights to manufacture and sell the Today® Sponge contraceptive product, on August 29, 2007, the Company signed an amendment to that certain Amended and Restated Contract Manufacturing Agreement, dated as of March 8, 2006, between Allendale and OSG Norwich Pharmaceuticals, Inc., now known as Norwich Pharmaceuticals, Inc. ("NPI"), which was amended again on October 16, 2007. Pursuant to this agreement, NPI owns and operates the facility that is used to manufacture the Company' s Today® Sponge contraceptive product.

The August 2007 amendments to the Manufacturing Agreement changed the way the Company obtains and pays for this product from NPI from a purchase order method to a "take or pay" method for May through December 2007. Under the purchase order method, NPI was only required to manufacture the amount of product requested pursuant

to quarterly purchase orders the Company submitted to NPI in advance. Under the take or pay method, the Company must purchase a specified minimum amount of product each month pursuant to monthly purchase orders submitted at least 90 days in advance. If this minimum amount is not ordered and received, the Company must pay NPI an amount specified under the agreement, unless the failure to purchase and have delivered the product is within the control of NPI. The minimum monthly take or pay amounts range from $150,000 to $625,000, which represents an aggregate amount of $3.63 million for May through December 2007, subject to reduction if certain manufacturing and production efficiency criteria are not met. The $3.63 million aggregate take or pay amount for 2007 is effectively reduced by approximately $1.59 million for product the Company already paid for in 2007. The credit terms of the Manufacturing Agreement have also been amended to provide that the Company must pay for all Today® Sponges ordered prior to shipment until March 31, 2008.

The Manufacturing Agreement' s term will expire on April 30, 2010; however, the term is automatically extended for an additional 24-month period unless one party notifies the other party that it does not wish to extend the agreement at least 18 months before expiration of the initial term. The Manufacturing Agreement was amended to permit the Company to terminate the agreement if a governmental authority withdraws the product from sale in the United States or the Company withdraws it from the market other than because of an action of a governmental authority. If the Company terminates the Manufacturing Agreement in either case, the Company must pay to NPI as its sole remedy for such termination an amount equal to the take or pay amount applicable with respect to the following three calendar months plus 60% of the take or pay applicable to the subsequent six calendar months.

In June 2006, the Company engaged a firm to provide the Company with investor and public relations services. The agreement was terminable by either party at any time. The Company agreed to pay this firm a monthly fee of $17,500 in cash, which was decreased to $12,500 in March 2007 in connection with a reduction in services provided to the Company by this firm. Additionally, upon execution of the agreement, the Company agreed to issue 200,000 shares of common stock to the firm, valued at fair value of $140,000, of which 100,000 shares vested on the nine-month anniversary of the agreement and the remaining 100,000 shares vested on the 12-month anniversary of the agreement. This agreement was terminated as of July 31, 2007.

Under the terms of registration rights agreements that the Company has entered into with investors purchasing units in the Company' s unit offerings between October 2005 and May 2006, the Company is required to file, and obtain and maintain the effectiveness of, a resale registration statement by stated deadlines. This registration statement is to register the shares of common stock, and shares of common stock underlying warrants, each sold as part of the units. If, among other things, the Company does not meet these deadlines, upon the occurrence of a default, the Company is required to pay each investor a penalty of 1% of the purchase price of all registrable securities then owned by the investor, and a penalty of 1.5% of the purchase price of all registrable securities then owned by the investor for each month thereafter that the default continues. The Company may elect to pay these penalties in cash or in shares of common stock valued at 85% of the average of the ten-day trading price of the Company' s common stock ending on the date the registration statement is declared effective by the Commission. The registration statement covered by these agreements was declared effective by the Commission on April 4, 2007. For the nine months ended September 30, 2007, the Company has incurred an expense of $219,954 as a result of these penalties. In May 2007, the Company issued to investors an aggregate of 1,004,349 shares of common stock representing payment of these penalties.

On July 18, 2006, George T. Brown, Jr. commenced a proceeding against Allendale in the Superior Court of New Jersey Law Division, Bergen County, seeking damages arising from claims that Allendale breached a written employment agreement with him. As a result of the Company' s acquisition of Allendale, the Company succeeded as a party in interest to this legal proceeding. In January 2007, after the Company' s acquisition of Allendale, this claim was settled for $250,000.

As a result of the Company' s acquisition of Allendale discussed in Note 6, the Company succeeded as a party in interest to a legal proceeding filed by Allendale on May 5, 2006 in the U.S. District Court for the Southern District of New York captioned *Allendale Pharmaceuticals, Inc. v. Radiant Technologies, Inc.* In this lawsuit, Allendale asserted, among other things, that Radiant Technologies, Inc. ("Radiant") breached its obligations to Allendale under an exclusive distribution agreement entered into in March 2004. Radiant had sought counterclaims against Allendale seeking compensatory and consequential damages. In February 2007, Radiant, who was also a stockholder of Allendale prior to the merger, notified the Company of Radiant' s intent to exercise appraisal rights with respect to the merger.

On May 31, 2007, the Company and Radiant signed a settlement agreement to resolve fully and completely all past, present and future matters, controversies, claims and disputes between and among the parties. Under the terms of the settlement agreement, without any party admitting or conceding any responsibility, liability or wrongdoing on the part of any party, the parties agreed to a general and mutual release of each other for all past, present and future claims between the parties. Radiant transferred to the Company all accounts receivable outstanding as of April 25, 2007 with retailers associated with the sale of the Company' s Today® brand products, which receivables totaled approximately $779,000 as reflected on Radiant' s books. Radiant also agreed to promptly transfer to the Company any monies collected by Radiant on these transferred receivables subsequent to their transfer to the Company. The Company paid Radiant $100,000 in cash and three former principal stockholders of Allendale transferred 1,000,000 shares of common stock previously issued to them in connection with the Allendale merger, which shares had been held in escrow to satisfy their indemnification obligations to the Company. Allendale agreed to indemnify Radiant for any product liability, product defect, recall, retailer credit, return allowances or other similar claims brought by retail customers against Radiant in connection with the accounts receivable being transferred, other than claims arising out of Radiant' s negligence, reckless or willful misconduct or claims that Radiant has or should have knowledge of as of the date of the settlement agreement. Finally, the parties dismissed with prejudice all claims raised in the lawsuit. On the date of the settlement with Radiant, the closing market price of the Company' s common stock was $0.83 per share, resulting in a valuation of $830,000 for the 1,000,000 shares distributed from escrow by the three former stockholders of Allendale to Radiant. When offset against the value of the receivables transferred from Radiant to the Company, (approximately $389,000, net of reserves for bad debt) the value of the net liability forgiven by Radiant (approximately $110,000) and the $100,000 in cash disbursed to Radiant, the net impact of the settlement on the Company' s financial performance was a loss of approximately $430,000. During the quarter ended September 30, 2007, the Company reserved an additional $194,500 against the value of the receivables transferred from Radiant to the Company due to the continued aging of these receivables.

The sale on September 19, 2007 of the Series B Notes with a conversion price of less than $1.50 per share and the sale of warrants issued in connection therewith with an exercise price of less than $1.50 per share, each require the Company to adjust the purchase price of units sold to investors in its unit offerings from October 2005 through May 2006. As a result, the Company is required under the terms of these unit offerings to issue to each such investor an additional number of shares of the Company' s common stock to appropriately reflect such adjusted purchase price. The Company is in the process of calculating the number of shares to be issued to each investor, which is based upon the number of shares purchased in the unit offerings and owned by each investor as of September 19, 2007.

NOTE 14 - CORPORATE TRADE AGREEMENT

On July 17, 2007, the Company entered into an agreement with a vendor pursuant to which the Company agreed to transfer some of its product inventory, including lubricants, vitamins, vaginal infection tests and menopause indicator tests to this vendor in exchange for $400,000 of trade credits, which are valid for four years from the date of the agreement, and can be used to purchase media buying services from this vendor, or to purchase goods and services from other suppliers who agree to accept this vendor' s trade credits as partial payment of their invoices.

Under EITF Issue No. 93-11, *Accounting for Barter Transactions Involving Barter Contracts*, the fair value of a non-monetary asset exchanged is presumed to be more evident than the fair value of the trade credits received. Therefore, the trade credits have been reported at the fair value of the asset exchanged.

On the date of the agreement, the book value of the inventory transferred approximated $59,000, which was reclassified as a prepaid expense on the Company' s balance sheet. This amount also represents the fair value of the trade credits received. Future purchases of media buying services from this vendor, or purchases from other suppliers who agree to accept their trade credits as payment, will be recorded to the Company' s income statement and offset against this prepaid expense balance.

NOTE 15 - DISCONTINUATION OF PRODUCT LINE

In late September 2007, the Company decided to discontinue its MenoCheck® and Menocheck*Pro*® product lines. In late September and early October 2007, the Company notified its master broker and all of its customers by letter

that it would be discontinuing its MenoCheck® and Menocheck*Pro*® product lines and would cease distribution of the products on October 31, 2007. The MenoCheck® and Menocheck*Pro*® products are menopause indicator tests, which are used to detect the onset of menopause in women.

Under SFAS No. 144, the results of discontinued operations of a component of an entity and the gain or loss on its disposal must be reported in the income statement separately from continuing operations, but not as an extraordinary item. For purposes of SFAS No. 144, a "component of an entity" comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity.

The MenoCheck® and Menocheck*Pro*® product lines are part of the Company' s overall product portfolio of women' s healthcare products, and cannot be distinguished, either operationally or for financial reporting purposes, from the other products in the portfolio. Therefore, the discontinuation of these product lines does not meet the conditions under SFAS No. 144 for requiring treatment as "discontinued operations," and thus the Company is not required to report their disposal in the Company' s income statement separately from continuing operations.

NOTE 16 - SUBSEQUENT EVENTS

On October 4, 2007, the Company issued 77,380 shares in the form of a grant of restricted stock under the Incentive Plan to one of its non-employee directors. The restricted stock vests on October 4, 2008, assuming that the director remains a director as of the Company' s 2008 Annual Meeting of Stockholders. The Company will record an aggregate expense of $32,500 in stock-based compensation under SFAS No. 123R as general and administrative expenses in connection with this restricted stock awards.

On October 25, 2007, the Company entered into a Consulting Agreement with Bianchi & Partner AG ("Bianchi") pursuant to which Bianchi was engaged as a consultant to provide strategic advice regarding matters affecting the Company' s European stockholder base and to arrange informational meetings with the Company' s stockholders and investors located in Europe. Bianchi is a beneficial owner of approximately 6% of the Company' s common stock and has been an investor in several of the Company' s previous financing rounds. A consulting fee of $200,000 was paid to Bianchi in the form of 200,000 shares of the Company' s common stock. The Consulting Agreement will terminate on October 25, 2008, unless the Company terminates it earlier for cause.

Item 2. Management' s Discussion and Analysis or Plan of Operation.

All references in this Quarterly Report on Form 10-QSB to "we," "our," "us," or the "Company," or words of similar import, mean Synova Healthcare Group, Inc., a Nevada corporation, and our two consolidated Delaware subsidiaries, Synova Healthcare, Inc., which is wholly owned by Synova Healthcare Group, Inc., and Synova Pre-Natal Healthcare, Inc., which is wholly owned by Synova Healthcare, Inc. In addition, on and after January 12, 2007, such references also include Allendale Pharmaceuticals, Inc., a Delaware corporation, and its three consolidated subsidiaries, which we acquired through our merger with Allendale on January 12, 2007.

Forward-Looking Information

Except for the historical information presented herein, the matters discussed in this Quarterly Report contain "forward-looking statements" that relate to future events or future financial performance. These statements can be identified by the use of forward-looking terminology such as "believes," "plans," "intends," "scheduled," "will," "future," "potential," "continue," "estimates," "hopes," "goal," "objective," "expects," "may," "should," "could" or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. We caution you that no statements contained in this Quarterly Report should be construed as a guarantee or assurance of future performance or results. These forward-looking statements involve risks and uncertainties, including those discussed in this section and elsewhere throughout this Quarterly Report (including all exhibits hereto), as well as the risks and uncertainties described in our Annual Report on Form 10-KSB for the year ended December 31, 2006, as filed with the SEC on February 26, 2007 (the "Annual Report"), in our Quarterly Reports on Form 10-QSB for the quarters ended March 31, 2007 and June 30, 2007, and in our Prospectus dated April 17, 2007 (as supplemented on November 8, 2007) which forms a part of our Registration Statement on Form SB-2 (File No. 333-140889), as declared effective by the Securities and Exchange Commission on April 17, 2007 (the "Registration Statement"). The actual results that we achieve may

differ materially from any forward-looking statements due to the effect of such risks and uncertainties. These forward-looking statements are based on current expectations, and, except as required by law, we assume no obligation to update this information whether as a result of new information, future events or otherwise. Readers are urged to carefully review and consider the various disclosures made by us in this Quarterly Report, the Annual Report, the Registration Statement, and our other reports filed with the Securities and Exchange Commission, that attempt to advise interested parties of the risks that may affect our business, financial condition and results of operations.

History and Background

We were formed as a Nevada corporation on September 1, 1998 under the name Centaur Capital Group, Inc. Our initial business strategy was to use human genetics in order to discover novel pharmaceuticals, but this business never developed and was abandoned in 2001. We changed our name numerous times since our original formation, but as of December 31, 2004, our name was Advanced Global Industries Corporation. We were a development stage company with no active business from the time of our original formation until our acquisition by Synova Healthcare, Inc., the entity that, prior to this acquisition, operated our non-invasive diagnostic healthcare products business.

In December 2004, we entered into a letter of intent to merge with Synova Healthcare, Inc. In connection with the merger, on January 12, 2005, we changed our name to Synova Healthcare Group, Inc. On February 10, 2005, our wholly owned subsidiary, Synova AGBL Merger Sub, Inc., a Delaware corporation, merged with Synova Healthcare, Inc., with Synova Healthcare, Inc. surviving the merger. As a result of the merger, Synova Healthcare, Inc. became our wholly owned operating subsidiary.

Following this merger, we began to concentrate our efforts on developing and growing our business and line of women' s healthcare products. Historically, however, our revenues from operations have not been sufficient to meet our capital and cash flow needs. To date, we have obtained the necessary funds to develop, operate and grow our business primarily through the sale of our equity and debt securities. During 2005 and 2006, we raised an aggregate of approximately $9.5 million in total proceeds from private offerings of units consisting of shares of common stock and warrants to purchase common stock. We also sold a total of $2.1 million in convertible promissory and bridge notes and related warrants in private transactions in August and September 2005, and in July, September and October 2006.

We have also sought to grow our business and develop new products through strategic acquisitions. On January 31, 2006, through Synova Pre-Natal, we acquired 25% of the issued and outstanding ordinary shares of Bio Pad Ltd., an Israeli research and development company, on a fully-diluted basis, excluding options to purchase up to 10% of Bio Pad' s ordinary shares that may be granted to employees of Bio Pad, for approximately $2.6 million in cash. This share purchase was effected in connection with our September 2005 distribution agreement with Bio Pad pursuant to which we and Bio Pad agreed to jointly develop certain fetal monitoring products. The cash purchase price was paid in several installments into an escrow account, with the final installment of $1.9 million paid into escrow on January 31, 2006 in connection with the closing of the share purchase. Amounts may be released from escrow to Bio Pad upon the completion of specific milestones and otherwise as set forth in the terms of the share purchase agreement. We and Bio Pad continue to work together to develop this fetal monitoring technology. See "– Business Overview – New Business Development."

On January 12, 2007, we acquired Allendale Pharmaceuticals, Inc., a company that had the rights to manufacture and distribute the Today® Sponge. Each former stockholder of Allendale, except for certain non-accredited investors, had the right to receive approximately 2.275 shares of our common stock for each share of Allendale common stock. Holders of outstanding warrants, options and similar rights to acquire stock of Allendale are entitled to acquire shares of our common stock upon the payment of the exercise price provided for in such warrants, options or similar rights, as adjusted for the merger. We issued in the aggregate approximately 15.6 million shares in the merger and options and warrants to purchase in the aggregate approximately 248,805 shares of our common stock.

As a condition to the merger, on January 12, 2007, we completed the private placement of our 6.5% Senior Convertible Promissory Notes due January 12, 2012 in the original aggregate principal amount of $15 million and

warrants to purchase, in the aggregate, up to 16.5 million shares of our common stock. The senior notes are convertible, including any accrued but unpaid interest, if any, into shares of our common stock, commencing on January 12, 2007, at an initial rate of $1.00 per share. See " – Liquidity and Capital Resources – Contractual Obligations." Pursuant to the terms of the warrants, a holder is entitled to purchase shares of our common stock at an exercise price of $1.00 per share, on or after January 12, 2007 and on or prior to the close of business on January 12, 2012.

On September 19, 2007, we commenced the private placement of our 6.5% Senior Convertible Promissory Notes, Series B in the original aggregate notional principal amount of up to $5 million and warrants to purchase, in the aggregate, up to approximately 9 million shares of our common stock. On September 19, 2007, we sold an aggregate of approximately $3.3 million in original notional principal amount of Series B notes and related warrants to purchase in the aggregate up to 5,929,254 shares of common stock. Principal under the Series B notes we sold on September 19, 2007 is due and payable on September 19, 2012, and outstanding principal is convertible, together with any accrued but unpaid interest, if any, into shares of our common stock, at an initial rate of $1.00 per share, subject to adjustment. Pursuant to the terms of the warrants, a holder is entitled to purchase shares of our common stock at an initial exercise price of $1.00 per share, subject to adjustment, until September 19, 2012. See " – Liquidity and Capital Resources – Contractual Obligations."

Business Overview

We are focused on the development, distribution, marketing and sales of women' s healthcare products relating to contraception, vaginal health, menopause management, fertility planning, obstetrics and personal care. Our products are designed to deliver a meaningful improvement in healthcare management for women. Our goal is to provide healthcare solutions that address every stage of a woman' s reproductive life.

We distribute and sell our products over the counter, or OTC, to retail customers through drug stores, grocery stores and other retail outlets. Historically, we marketed and sold our products only in the United States. Since acquiring Allendale on January 12, 2007, we also market and sell the Today® Sponge in the United States and Canada and are seeking to do so in Europe and in other countries worldwide. In November 2007, we entered into a distribution agreement to sell the Today® Sponge in Hong Kong and Macau. Our products are also available for purchase via the Internet.

We currently market and sell our products under the brand names Today® and Fem-V®. The Today® Sponge is a non-hormonal contraceptive device that combines barrier and spermicidal methods to prevent conception. Fem-V® is a non-invasive diagnostic test kit designed to assist women in detecting and diagnosing the presence of elevated vaginal acidity, often indicating a vaginal infection.

Existing Products

The Today® Sponge. In January 2007, in connection with our acquisition of Allendale, we acquired the rights to manufacture and sell the Today® Sponge. Made of soft, disposable polyurethane foam, the Today® Sponge contains the widely-used spermicide nonoxynol-9. The Today® Sponge provides contraceptive protection by killing sperm, blocking entry of sperm into the cervix and absorbing and trapping sperm. We believe that non-hormonal birth control products, including the Today® Sponge, condoms and other spermicides, are essential for women who cannot use or tolerate hormonal birth control products.

Since our acquisition of the Today® Sponge, we have embarked upon our plans to re-launch this product to both consumers and healthcare professionals. Market research has recently revealed a high level of brand awareness of the Today® Sponge among consumers and healthcare professionals. Research also uncovered that physicians and other healthcare professionals are ready to recommend this once-popular non-hormonal contraceptive option to their patients again.

We have focused a significant portion of our re-launch efforts on the packaging and branding of the Today® Sponge. Consumer research confirmed a need to contemporize the product' s packaging and branding to meet the demands and expectations of today' s women. After extensive testing, with multiple package designs and concepts, we have developed and finalized new branding and packaging designs which we believe will increase the product' s impact on and appeal to today' s women.

Having completed these efforts, in May 2007, we re-launched the Today® Sponge to healthcare professionals during the 55th Annual Meeting of the American College of Obstetrics and Gynecology. Healthcare professionals attending this meeting confirmed their interest in recommending the Today® Sponge to women seeking an alternative to hormonal methods of contraception. In June 2007, we released our Today® Sponge product for sale for the first time since our acquisition of Allendale. We then initiated a consumer-directed advertising campaign on July 31, 2007 featuring the unveiling of the new product packaging for the Today® Sponge. This phase of our marketing effort included print advertising and Internet-based marketing, all supported by consumer and professional directed public relations campaigns.

Fem-V®. In the second quarter of 2006, we began to distribute and sell the Fem-V® Vaginal Infection Test Kit. This product is a convenient, easy-to-use non-invasive self-test kit for women who believe their vaginal discharge to be abnormal and who suspect the presence of a vaginal infection. Our Fem-V® test kit has been developed in a convenient pantiliner design, with a removable diagnostic test strip. This test kit is intended to give an initial indication regarding the potential causes of abnormal vaginal discharge and assists women in determining whether a doctor visit is required, or whether an OTC treatment may be considered for the treatment of the symptoms.

*MenoCheck® and Menocheck*Pro®. Our original product offering included the MenoCheck® and Menocheck*Pro*® in-home and in-office non-invasive urine tests for use in detecting and diagnosing the onset of menopause. These products enabled women to easily and accurately determine whether they have entered the menopausal stage of their lives. MenoCheck® functions in a manner similar to the OTC pregnancy tests that are commonly used today. Menocheck*Pro*® is an FDA-approved diagnostic for point-of-care, or POC, testing that enables physicians to quickly and accurately determine whether their patients have entered menopause.

While these products represented our initial entry into the women' s healthcare sector and helped to launch our efforts to provide women with healthcare solutions that deliver a meaningful improvement in their healthcare management decisions, we have experienced and believe that we will continue to experience decreasing sales of these products despite our efforts to promote, market and sell them to women nationwide. Our efforts to market and distribute Menocheck*Pro*® as a POC product through physician offices and physician supply companies also did not generate significant sales.

As a result of the declining results of operations we have historically experienced from these products, and in an attempt to allocate more of our working capital to our other products and product development activities, in September 2007 we decided to discontinue the marketing, distribution and sale of these products. We have in the past recorded, and will continue to record, expenses in connection with returns of existing product by retailers that continue to hold existing inventory. Given our focus on the marketing and sale of our Today® Sponge and Fem-V® test kit products, we do not believe that the decision to cease offering our MenoCheck® line of products will otherwise have a material adverse effect on our results of operations.

New Business Development

The ongoing introduction of new products and the expansion of our product portfolio is a key strategic objective for us, and is considered critical to our long-term success. We believe that, in order to be successful, we must develop, license or acquire additional products for sale through our various points of distribution. As a result, a substantial amount of management time and effort was expended in 2006, and we anticipate will continue to be spent in the future, on new business development.

On January 12, 2007, we acquired Allendale, which owns the rights to manufacture and sell the Today® Sponge. The Today® Sponge is the subject of an FDA-approved new drug application owned by Allendale and is manufactured in a facility owned and operated by Norwich Pharmaceuticals, Inc. Allendale owns all of the machinery and equipment used to make the Today® Sponge. See "– Liquidity and Capital Resources – Contractual Obligations." On November 8, 2007, we entered into a distribution agreement to distribute and sell the Today® Sponge in Hong Kong and Macau.

We also have entered into additional distribution agreements with respect to products we intend to develop and market in the future:

Bio Pad Ltd. We and Bio Pad Ltd., an early stage Israeli research and development company, have agreed to jointly develop a non-invasive fetal monitoring medical device. We will be the exclusive distributor of this product in the United States, Canada and Mexico. We also hold a right of first offer in all other global geographic territories.

In connection with this distribution agreement, on January 31, 2006, through Synova Pre-Natal, we acquired 25% of the issued and outstanding ordinary shares of Bio Pad on a fully-diluted basis, excluding options to purchase up to 10% of Bio Pad' s ordinary shares that may be granted to employees of Bio Pad, for $2.63 million in cash. The cash purchase price was paid in several installments into an escrow account, with the final installment of approximately $1.9 million paid into escrow on January 31, 2006 in connection with the closing of the share purchase. Amounts may be released from escrow to Bio Pad upon the completion of specific milestones and otherwise as set forth in the terms of the share purchase agreement.

In March 2006, Synova Pre-Natal and Bio Pad successfully completed the development and testing of a data logging system for use with the non-invasive fetal monitor. The data logging system is an integral part of the fetal monitor' s ability to collect and integrate data from multiple sources, including ultrasound, and the completion of this system satisfied a necessary first step to the development and marketing of this product. The ability of Bio Pad to continue to develop this fetal monitoring product after the end of 2007, however, is dependent on its ability to obtain additional capital to fund its operations and to meet its working capital and liquidity needs. See "– Liquidity and Capital Resources – Plan of Operations."

QuantRx Biomedical Corporation. Formerly known as A-Fem Medical Corporation, QuantRx, as an outsourced development partner, is developing certain products on our behalf that we expect will allow us to expand our non-invasive diagnostic portfolio in the women' s healthcare industry. QuantRx has access to proprietary technology and the manufacturing capacity to rapidly develop and efficiently produce non-invasive diagnostic tests for both the OTC and POC distribution channels. In the third quarter of 2006, we entered into a distribution agreement with QuantRx giving us, for a period of approximately five years, the exclusive right to distribute, market and sell an OTC product designed to treat and provide relief from hemorrhoids. Upon signing this agreement, we paid QuantRx a non-refundable cash fee of $500,000. This cash fee was expensed in the third quarter of 2007 because QuantRx met the milestones set forth in the distribution agreement during that period.

Ovulation Tester, LLC. In the third quarter of 2006, we entered into a distribution agreement with Ovulation Tester, LLC to market and sell its ovulation testing products. Due to our decision to focus our resources on marketing and selling the Today® Sponge and Fem-V® test kit, we have not had available working capital to develop Ovulation Tester' s products. It is our expectation that should we be able to obtain or generate sufficient working capital, we would consider allocating appropriate resources to the development and distribution of these products.

There can be no assurance that we will be successful in selling any of the above products, or that we will generate enough sales from the sale of these products to recover our significant investment of our resources in these relationships. Management expects to continue to expend a substantial amount of time and effort pursuing other opportunities to obtain rights to sell products through our points of distribution. Also, the markets for these products are characterized by evolving industry and regulatory requirements which may result in product or technology obsolescence. There can be no assurance that we can successfully identify new product opportunities and develop and bring new products and services to the market in a timely manner. Furthermore, we have had little historical operating background in this business, and thus the likelihood that we may succeed at these efforts cannot presently be determined.

Management expects that it will pursue other licensing or acquisition opportunities in the future as part of its business development efforts. There can be no assurance that we will be able to complete any such opportunities or that we will have the funds or other capital necessary to complete any such acquisitions.

Critical Accounting Policies and Estimates

We prepared our consolidated financial statements in conformity with accounting principles generally accepted in the United States. As such, we are required to make certain estimates, judgments and assumptions that we believe are reasonable based upon the information available. These estimates and assumptions that we believe are reasonable are based upon the information available at the time the estimates or assumptions are made. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. The significant accounting policies that we believe are the most critical to aid in fully understanding and evaluating our reported financial results include the following:

Revenue Recognition. We sell our products to a number of leading national and regional retailers and wholesalers, both directly and through the services of external sales brokers. In accordance with SEC Staff Accounting Bulletin No. 104, *Revenue Recognition*, we recognize revenue when:

persuasive evidence of a customer or distributor arrangement exists or acceptance occurs;

a retailer, distributor or wholesaler receives the goods;

the price is fixed or determinable; and

collectibility of the sales revenues is reasonably assured.

Subject to these criteria, except with respect to retailers, distributors or wholesalers that buy products from us on pay-on-scan terms and except as otherwise described below, we will generally recognize revenue at the time our merchandise is received by the retailer, distributor or wholesaler.

We recognize revenue from pay-on-scan sales when we are notified of the sales of goods by the retailer to its customer through weekly sales data.

Another exception to our general revenue recognition policy stated above exists when we have entered into an arrangement with a retailer, wholesaler or distributor that has the right to return to us any product that was not sold or otherwise failed to meet the customer' s expectations. Under these terms, the sale of product to the retail customer would be considered contingent upon the retail customer' s resale of the product to its customer. Therefore, the recognition of revenue upon actual shipment of product to such retail customer is not permitted in accordance with SAB 104, and is deferred until the retail customer' s actual resale of the product. We are generally notified of sales by these retailers through a third party' s publication of weekly sales data.

Based on the monitoring of sales activity and the reordering patterns of our major customers, we have established an allowance for returned product. We have experienced returns in the normal course of business and expect to do so in future periods. We will continue to monitor sales activity and our customer ordering patterns to determine whether the return allowance amount is reasonable in the future based upon actual and expected return activity.

Allowance for Doubtful Accounts. As amounts become uncollectible, they will be charged to an allowance or operations in the period when a determination of uncollectibility is made. Any estimates of potentially uncollectible customer accounts receivable will be made based

on an analysis of individual customer and historical write-off experience. Our analysis includes the age of the receivable, creditworthiness of the customer and general economic conditions. We believe the actual results of collection could be materially different from our estimates if historical trends do not reflect actual results or if economic conditions worsen.

Inventory and Product Return Allowance. Inventory consists of diagnostic medical devices, lubricants, vitamins, and contraceptive sponges which are stated at the lower of cost – determined by the first-in, first-out method – or market. An allowance has been provided for expired product and product which will expire by January 2008.

We have a formal policy for returns, solely for unsaleable product. We use a return allowance procedure to issue authorizations to retailers to destroy or return damaged or expired product. This ensures that we can effectively govern and oversee the amounts and reasons for any return of unsaleable product. The method we use to determine return exposure for unsaleable product in a distribution channel consists of analyzing the orders from our customers to ensure that they correlate with the product movement at the point of sale. In order to do this effectively, many different factors are considered, including:

Ex-factory sales analysis

We assess the size and frequency of the orders, by customer.

We verify that the size and frequency of the orders correlate with our current channel estimates.

Point-of-Sale Analysis

We receive actual sales information from our customers, either directly or indirectly.

We receive indirect customer sales information from two different data sources.

Metric Analysis

Using data obtained from similar customers, we are able to reasonably estimate point-of-sale levels at a retailer that does not report sales.

We use a metric, such as estimated units sold per store or retailer, upon which we base our estimates.

We validate these estimates with reports that we obtain from the retailer.

Business Planning

Each year we establish a business plan for each customer, which includes sales estimates and cooperative advertising estimates.

When we assess inventory levels, we also consider upcoming promotional activities and co-operative advertising initiatives, as these efforts may cause periodic increases in sales.

For example, if a retailer is having a promotion to drive sales, we can reasonably expect based on prior experience that the retailer will order more product during that period.

Similarly, historical evidence suggests that when we launch major marketing initiatives, we cause sales to rise at the point of sale.

As a result of these efforts, existing inventory for the channel would normally diminish, which would trigger an increase in order activity from channel customers.

Using the above information, along with management guidance, we can readily determine exposure due to returns that may result from unsaleable product and record an allowance for product returns, if deemed necessary.

Standard Product Cost. We maintain a standard cost system of accounting for inventory, and manufacturing variances are recognized as a period expense and reflected in our income statement as cost of net sales.

Impairment of Long-Lived Assets. Beginning in fiscal year 2006, we began to evaluate our long-term investment, namely our interest in Bio Pad, for impairment on an annual basis and will perform evaluations for impairment more frequently if required. The impairment loss, if any, is recognized in earnings and measured by the difference between the carrying amount of this investment and its fair value based on the best information available, including discounted cash flow analysis or other financial metrics that management utilizes to help determine fair value. Judgments made by management related to the fair value of our long-term investments are affected by factors such as the ongoing financial performance of the investment and additional capital raises by the investee, as well as general changes in the economy.

We will periodically evaluate the recoverability of the carrying amount of all of our other long-lived assets (including property, plant and equipment and intangible assets with determinable lives) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. We will evaluate events or changes in circumstances based mostly on actual historical operating results, but business plans, forecasts, general and industry trends, and anticipated cash flows are also considered. We will also continually evaluate the estimated useful lives of all long-lived assets and, when warranted, revise such estimates based on current events.

Advertising Expenses. Advertising costs are expensed as incurred. In accordance with Statement of Position 93-7, *Reporting on Advertising Costs*, prepaid advertising represents advertising, distribution and monitoring costs with respect to advertisements in various media that have not yet aired.

We treat temporary price reduction, or TPR, programs, merchandising fees, co-operative advertising and slotting expenses as a reduction to our gross sales. We record the liability for TPR expenses when persuasive evidence exists that we and the customer or distributor have reached agreement and that an advertising action will result in an expense to us in the near future. The liability is maintained until the customer takes the deduction against payments due. In addition, in accordance with Emerging Issues Task Force Issue No. 01-09, *Accounting for Consideration Given by a Vendor to a Customer*, if the TPR recorded is in excess of gross sales for any retailer, the amount in excess will be recorded as a marketing expense.

EITF 01-09 requires that cash consideration, including sales incentives, given by a vendor to a customer is presumed to be a reduction of the selling price and, therefore, should be characterized as a reduction to gross sales. This presumption is overcome and the consideration would be characterized as an expense incurred if the vendor receives an identifiable benefit in exchange for the consideration and the fair value of that identifiable benefit can be reasonably estimated. Furthermore, under EITF 01-09, if the consideration recorded is in excess of gross sales for any retailer, the amount in excess will be recorded as a marketing expense.

Stock-Based Compensation. On January 1, 2006, we adopted SFAS No. 123 (revised 2004), *Share-Based Payment*, or SFAS No. 123R, using the modified prospective method as permitted under SFAS No. 123R. Under this transition method, compensation cost recognized during the first quarter of 2006 includes compensation cost for all share-based payments that were granted prior to, but not yet vested as of, December 31, 2005, based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123R.

We presently use the following assumptions in determining the grant date fair value of an award under the Black-Scholes options valuation model: no dividend yield, expected volatility of 64% (for options with a ten-year expected time to expiration) and 62% (for options with less than a ten-year expected time to expiration), and a risk-free interest rate between 4.7% and 4.8%. In the future, however, we may be required to adjust these assumptions in accordance with SFAS No. 123R and generally accepted accounting principles.

Business Combinations. Acquisitions we enter into are accounted for using the purchase method of accounting. The purchase method requires our management to make significant estimates. Management must determine the cost of the acquired entity based on the fair value of the consideration paid or the fair value of the net assets acquired, whichever is more clearly evident. This cost is then allocated to the assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. In addition, management, with the assistance of valuation professionals, must identify and estimate the fair values of intangible assets that should be recognized as assets apart from goodwill. Where appropriate or required, management utilizes third-party appraisals to assist in estimating the fair value of tangible property, plant and equipment and intangible assets acquired.

Goodwill and Other Intangible Assets. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but instead are tested for impairment at least annually. We are required to review our goodwill for impairment at least annually. Any future impairment will be recorded in the statement of operations as “goodwill impairment” and will reduce our income from operations. We are also required to amortize intangible assets with estimable useful lives over their respective estimated useful lives to their estimated residual values, and we must review these assets for impairment. We will assess the value of these intangible assets and record an impairment adjustment to their carrying value, if necessary.

Foreign Currency Translation. As of each balance sheet date, we are required to translate into U.S. dollars all of our assets and liabilities that are denominated in a currency other than the U.S. dollar. Our balance sheet as of September 30, 2007 includes assets and liabilities denominated in British pounds, Canadian dollars and Euros. All of these assets and liabilities are translated into U.S. dollars as of the date of that balance sheet, and the resulting increases and decreases in functional currency values are included as foreign currency transaction gains and losses in determining our net income or loss for the period in which the exchange rates changed.

Derivative Financial Instruments. In accordance with EITF Issue No. 00-19, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock*, and related accounting pronouncements, warrants with a cash-out feature and embedded conversion features with a reset option, including warrants we issued in connection with our January 2007 senior note offering, are recognized as liabilities. These warrants will be adjusted to fair value at each reporting date. The embedded derivative relating to the conversion feature was valued at its intrinsic value on the date issued, and will be adjusted to its fair value if a reset event occurs. The embedded conversion option previously accounted for as a liability will be reclassified to equity upon expiration or conversion. Any unamortized discount related to the bifurcated financial instruments will be recognized as interest expense.

In accordance with EITF Issue No. 06-7, *Issuer's Accounting for a Previously Bifurcated Conversion Option in a Convertible Debt Instrument When the Conversion Option No Longer Meets the Bifurcation Criteria in FASB Statement No. 133*, the embedded conversion option previously accounted for as a liability will be reclassified to equity upon expiration or conversion of the convertible debt. Any unamortized discount related to the bifurcated financial instruments will be recognized as interest expense.

Results of Operations – Three Months Ended September 30, 2007 Compared to Three Months Ended September 30, 2006

Net Sales. The following table sets forth information regarding our total gross and net sales for the three months ended September 30, 2007 and 2006 categorized by customer type and on an aggregate basis.

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Gross and Net Sales by Customer Type

	For the Three Months Ended September 30,	
	2007	2006
	(unaudited)	(unaudited)
OTC Sales:		
Gross OTC sales	$631,534	$187,277
Less:		
Damages and other returns	107,574	58,952
Co-operative advertising	152,474	100,460
Coupons, rebates and promotions	32,911	95
Net OTC sales	$338,575	$27,770
POC Sales:		
Gross POC sales	$–	$8,130
Less:		
Damages and other returns	1,920	306
Net POC sales	$(1,920)	$7,824
Total Sales:		
Gross sales	$631,534	$195,407

Net sales	$336,655	$35,594

Net sales consist of product sales, net of product returns, costs associated with TPRs and co-operative advertising expenses. Net sales increased by $301,061, or 846%, to $336,655 for the three months ended September 30, 2007, from $35,594 for the three months ended September 30, 2006. This increase was attributable to the effect of the merger in accounting for the sales associated with the Today® Sponge. Also, as shown above, for the three months ended September 30, 2007, we incurred an additional $48,622 in damages and other returns as compared to the three months ended September 30, 2006, which resulted from MenoCheck® returns due to one retailer' s decision not to carry this product category for 2007. Finally, our co-operative advertising expenses as a percentage of gross sales decreased from 51.4% for the three months ended September 30, 2006, to 24.2% for the three months ended September 30, 2007, meaning that in 2007 we spent a smaller proportion of each gross sales dollar on these advertising expenses as compared to 2006.

Our net sales from the three months ended September 30, 2007 to the same period in 2006 distinguished by customer type were as follows:

OTC. Net OTC sales increased by $310,805, or 1,118%, to $338,575 for the three months ended September 30, 2007, from $27,770 for the three months ended September 30, 2006. The increase resulted primarily from increasing gross sales related to product sales of the Today® Sponge and increasing co-operative advertising expense associated with such sales. Gross OTC sales increased by $444,257 from the three month period in 2006 due to sales associated with the Today® Sponge.

POC. Net POC sales decreased by $9,744, or 124.5%, to $(1,920) for the three months ended September 30, 2007, from $7,824 for the three months ended September 30, 2006. As Menocheck*Pro*® was our only POC product, these results reflect decreasing sales and the cost of product returns. Our inability to successfully market and sell Menocheck*Pro*® to doctors and physician supply companies has led to our decision in September 2007 to discontinue the sale of this product.

Cost of Net Sales. Cost of net sales increased by $950,043, or 1,164%, to $1,031,630 for the three months ended September 30, 2007, from $81,587 for the three months ended September 30, 2006. Cost of net sales as a

percentage of net sales increased to 306% for the three months ended September 30, 2007, from 229% for the three months ended September 30, 2006. The increase in cost of net sales both from period to period and as a percentage of net sales was the result of (i) an increase in our sales of product, (ii) an increase in reserves for allowances and returns resulting from damaged, discontinued, obsolete or expired product of approximately $250,000, (iii) an increase in warehousing, shipping and handling fees and shrinkage costs of approximately $125,000, (iv) a manufacturing variance expense of $270,000, and (v) the amortization of one-time production and start-up costs of approximately $88,000. The increase in cost of net sales as a percentage of net sales from period to period was also impacted by a higher amount of co-operative advertising expenses incurred for the three months ended September 30, 2007 as compared to the year prior period.

Selling and Marketing Expenses. Selling and marketing expenses increased by $625,029, or 300%, to $833,297 for the three months ended September 30, 2007, from $208,268 for the three months ended September 30, 2006. The increase in selling and marketing expenses from period to period reflected an increase in advertising initiatives directed at our Today® Sponge products and our public relations activities.

Personnel Expenses. Personnel expenses represent salaries, wages and other costs associated with our employees (other than our directors), and these expenses decreased by $83,672, or 16.8%, to $413,738 for the three months ended September 30, 2007, from $497,410 for the three months ended September 30, 2006. This decrease in personnel expenses resulted primarily from a decrease in stock-based compensation expense of $177,024, or 95.5%, to $8,261 for the three months ended September 30, 2007, from $185,285 for the three months ended September 30, 2006.

General and Administrative Expenses. General and administrative expenses increased $599,507, or 62.1%, to $1,563,640 for the three months ended September 30, 2007, from $966,133 for the three months ended September 30, 2006. The increase in general and administrative expenses resulted primarily from (i) an increase in professional, legal and accounting expenses associated with the preparation of our SEC filings and our Series B note offering documentation during the three months ended September 30, 2007; (ii) an increase in amortization and depreciation expenses recorded as general and administrative expense; (iii) greater operating and administrative costs associated with our increased headcount; and (iv) an increase in product liability insurance costs.

Operating Loss. Our operating loss increased by $1,787,846, or 104%, to $3,505,650 for the three months ended September 30, 2007, from $1,717,804 for the three months ended September 30, 2006. This increase in our operating loss was primarily due to an increase in the cost of net sales, general and administrative expenses and sales and marketing expenditures as discussed above, offset by a decrease in personnel expenditures during the third quarter of 2007.

Interest Income. Interest income increased by $1,491 to $3,036 for the three months ended September 30, 2007, from $1,545 for the three months ended September 30, 2006. The increase in interest income from period to period was due primarily to the increase in interest income we received by maintaining an increased bank balance as a result of our receipt of the net proceeds from our January 2007 and September 2007 senior note offerings.

Interest Expense. Interest expense increased $380,862, or 721%, to $433,623 for the three months ended September 30, 2007, from $52,761 for the three months ended September 30, 2006. This increase in interest expense resulted primarily from the accrual of interest on our senior notes and Series B notes as well as the assumption and payment of outstanding indebtedness assumed in connection with the acquisition of Allendale.

Deferred Financing Amortization Cost. We incurred deferred financing amortization costs of $89,826 during the three months ended September 30, 2007. These costs are related to the placement agent, legal and accounting fees associated with our 2007 senior note offerings, which costs will be amortized over the term of the respective senior notes.

Distribution Fees. During the three months ended September 30, 2007, we incurred an expense of $500,000 resulting from the write-off of a non-refundable deposit we paid QuantRx in connection with the development of its OTC hemorrhoid treatment product. This cash fee was expensed in the third quarter of 2007 because QuantRx met the milestones in the distribution agreement during that period.

Unrealized Foreign Exchange Translation Costs. As a result of our acquisition of Allendale, we have obtained operations in both Canada and the United Kingdom. Furthermore, through our Series B note offering, we issued Series B notes denominated in Euros. As a result, certain of our assets and liabilities on our balance sheet are denominated in currencies other than the U.S. dollar. We are required to revalue these assets and liabilities at each balance sheet date using foreign currency exchange rates then in effect. The resulting periodic change in the value of these assets and liabilities is recorded as unrealized foreign exchange translation income or expense for the appropriate period. During the three months ended September 30, 2007, we recorded unrealized foreign exchange translation expenses of $79,858. There were no expenses classified under this line item in the year prior period.

Unrealized Gain on Market Value of Warrants. We recorded an unrealized gain of $4,593,737 on the "mark to market" adjustment of the value of warrants we sold or issued in connection with our January 2007 senior note offering. If we enter into a fundamental transaction or a change in control, the holders of the warrants sold with the senior notes have the right to elect to receive cash equal to the value of the warrants, as determined in accordance with the Black-Scholes option pricing formula. In addition, a warrant to purchase up to 357,750 shares of our common stock issued to the placement agent at the closing of the senior note offering gives the placement agent the right to elect to receive cash equal to the value of the warrant, as determined in accordance with the Black-Scholes option pricing formula, upon a change of control involving the Company. Accordingly, all of these warrants have been classified as liabilities, which will be adjusted to fair value, or "marked to market," for each reporting period.

In future periods, the "mark to market" adjustment to the liability represented by these warrants will require us to recognize income or expense, as applicable, to the extent that the fair value is increased or decreased from period to period. The fair value of these warrants will be determined, in significant part, by reference to the market price for our common stock. Thus, generally speaking, increases in our common stock price from period to period will likely cause an increase in the fair value of the warrants, and thus a corresponding recognition of expense; decreases in our common stock price will likely cause the fair value of the warrants to decrease, resulting in the recognition of income. Since we cannot predict increases or decreases in our stock price over time, we are unable to presently determine the value of these warrants for future periods. However, given that our stock price tends to be volatile, it can be expected that the amount of income or expense we may be required to recognize with respect to these warrants may vary substantially from period to period.

Equity in Loss of Unconsolidated Affiliate. On January 31, 2006, we acquired a 25% interest in Bio Pad. Under the equity method of accounting, we are required to recognize a pro rata portion of the income or loss that is ultimately recognized by Bio Pad as an item of income or expense, respectively, on our statement of operations. As a result, we recognized an expense of $82,569 for the three months ended September 30, 2007, which represented 25% of Bio Pad' s loss for the three months ended September 30, 2007 of $35,856, along with amortization of its intangible assets. This expense decreased by $42,298, or 33.9%, to $82,569 for the three months ended September 30, 2007, from $124,867 for the three months ended September 30, 2006 due to an decrease in the loss recognized by Bio Pad from period to period.

Net Loss. Our net loss decreased by $1,799,134, or 95.0%, to a loss of $94,753 for the three months ended September 30, 2007, from a loss of $1,893,887 for the three months ended September 30, 2006. This decrease occurred primarily as a result of the unrealized gain on market value of warrants and a decrease in expense associated with our investment in Bio Pad, offset by increases in the cost of net sales, general and administrative expenses, accrued interest in relation to the senior notes and our operating loss from period to period.

Results of Operations - Nine Months Ended September 30, 2007 Compared to Nine Months Ended September 30, 2006

Net Sales. The following table sets forth information regarding our total gross and net sales for the nine months ended September 30, 2007 and 2006 categorized by customer type and on an aggregate basis.

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Gross and Net Sales by Customer Type

	For the Nine Months Ended September 30,	
	2007 (unaudited)	2006 (unaudited)
OTC Sales:		
Gross OTC sales	$1,609,815	$368,335
Less:		
Damages and other returns	209,913	107,686
Co-operative advertising	431,785	149,335
Coupons, rebates and promotions	80,942	927
Net OTC sales	$887,175	$110,387
POC Sales:		
Gross POC sales	$22,680	$40,885
Less:		
Damages and other returns	300	915
Net POC sales	$22,380	$39,970
Total Sales:		
Gross sales	$1,632,495	$409,220

Net sales	$909,555	$150,357

Net sales consist of product sales, net of product returns, costs associated with TPRs and co-operative advertising expenses. Net sales increased by $759,198, or 505%, to $909,555 for the nine months ended September 30, 2007, from $150,357 for the nine months ended September 30, 2006. This increase was attributable to an increase in sales associated with the Today® Sponge. Also, as shown above, for the nine months ended September 30, 2007, we incurred an additional $102,227 in damages and other returns as compared to the nine months ended September 30, 2006, which resulted from accruals for MenoCheck® returns we anticipate we will receive in light of our decision in September 2007 to discontinue distributing this product category. Finally, our co-operative advertising expenses as a percentage of gross sales decreased to 26.8% for the nine months ended September 30, 2007, from 40.5% for the nine months ended September 30, 2006, meaning that in 2007 we spent a smaller proportion of each gross sales dollar on these advertising expenses as compared to 2006.

Our net sales from the nine months ended September 30, 2007 to the same period in 2006 distinguished by customer type were as follows:

OTC. Net OTC sales increased by $776,788, or 704%, to $887,175 for the nine months ended September 30, 2007, from $110,387 for the nine months ended September 30, 2006. The increase resulted primarily from increasing gross sales related to the Today® Sponge and increased co-operative advertising expense associated with such sales. Gross OTC sales increased by $1,241,480 from the nine month period in 2006 also due to sales associated with the Today® Sponge.

POC. Net POC sales decreased by $17,590, or 44.0%, to $22,380 for the nine months ended September 30, 2007, from $39,970 for the nine months ended September 30, 2006. As Menocheck*Pro*® was our only POC product, these results reflect decreasing sales and the cost of product returns. Our inability to generate sufficient sales from the distribution of Menocheck*Pro*® to doctors and physician supply companies has led to our decision in September 2007 to discontinue the sale of this product.

Cost of Net Sales. Cost of net sales increased by $1,748,078, or 1,206%, to $1,893,021 for the nine months ended September 30, 2007, from $144,943 for the nine months ended September 30, 2006. Cost of net sales as a

percentage of net sales increased to 208% for the nine months ended September 30, 2007, from 96.4% for the nine months ended September 30, 2006. The increase in cost of net sales both from period to period and as a percentage of net sales was the result of (i) costs of approximately $431,000 associated with a higher co-operative advertising expense associated with gross sales, (ii) an increase in reserves of approximately $346,000 for allowances and returns resulting from damaged, obsolete, discontinued or expired product, (iii) an increase of approximately $290,000 in warehousing, shipping and handling fees, shrinkage costs and costs associated with a one-time repackaging of our Today® Sponge six-count and twelve-count product inventories into three-count product inventories, all of which were treated as period costs, due to their unique nature, and not capitalized, (iv) a manufacturing variance expense of $270,000, and (v) the amortization of one-time production and start-up costs of approximately $134,000. The remainder of the cost of net sales was attributable to an increase in the total number of units of our product sold from period to period.

Selling and Marketing Expenses. Selling and marketing expenses decreased by $189,725, or 8.1%, to $2,163,116 for the nine months ended September 30, 2007, from $2,352,841 for the nine months ended September 30, 2006. The decrease in selling and marketing expenses from period to period reflected a decrease in radio advertising initiatives directed at the MenoCheck® product and advertising for our Fem-V® test kit, as well as lower public and investor relations expenditures.

Personnel Expenses. Personnel expenses represent salaries, wages and other costs associated with our employees (other than our directors), and these expenses decreased by $8,886, or 0.6%, to $1,457,111 for the nine months ended September 30, 2007, from $1,465,997 for the nine months ended September 30, 2006. This decrease in personnel expenses resulted primarily from a decrease in stock-based compensation expense of $346,966, or 63.6%, to $198,340 from $545,306 for the nine months ended September 30, 2006, offset by higher salaries, wages and other costs associated with our increased headcount.

General and Administrative Expenses. General and administrative expenses increased $2,299,508, or 119%, to $4,234,162 for the nine months ended September 30, 2007, from $1,934,634 for the nine months ended September 30, 2006. The increase in general and administrative expenses resulted primarily from (i) an increase in professional, legal and accounting expenses associated with our preparation during the nine months ended September 30, 2007 of three resale registration statements and the consummation of two financing rounds; (ii) an increase in amortization and depreciation expenses recorded as general and administrative expense; (iii) greater operating and administrative costs associated with our increased headcount; (iv) the payment of penalties incurred under certain of our registration rights agreements; (v) grants of restricted stock awards to our non-employee directors; and (v) an increase in product liability insurance costs.

Operating Loss. Our operating loss increased by $3,089,777, or 53.8%, to $8,837,855 for the nine months ended September 30, 2007, from $5,748,078 for the nine months ended September 30, 2006. This increase in our operating loss was primarily due to an increase in the cost of net sales and general and administrative expenses as discussed above, offset by a decrease in selling and marketing expenditures during the third quarter of 2007.

Interest Income. Interest income increased by $85,102 to $89,768 for the nine months ended September 30, 2007, from $4,666 for the nine months ended September 30, 2006. The increase in interest income from period to period was due primarily to the increase in interest income we received by maintaining an increased bank balance as a result of our receipt of the net proceeds from our January 2007 and September 2007 senior note offerings.

Interest Expense. Interest expense increased $1,049,620 to $1,189,968 for the nine months ended September 30, 2007, from $140,348 for the nine months ended September 30, 2006. This increase in interest expense resulted primarily from the accrual of interest on our senior notes as well as the assumption and payment of outstanding indebtedness assumed in connection with the acquisition of Allendale.

Deferred Financing Amortization Cost. We incurred deferred financing amortization costs of $259,577 during the nine months ended September 30, 2007. These costs are related to the placement agent, legal and accounting fees associated with our 2007 senior note offerings, which costs will be amortized over the term of the respective senior notes.

Distribution Fees. During the nine months ended September 30, 2007, we incurred an expense of $500,000 resulting from the write-off of a non-refundable deposit we paid QuantRx in connection with the development of its OTC hemorrhoid treatment product. This cash fee was expensed in the third quarter of 2007 because QuantRx met the milestones in the distribution agreement during that period.

Unrealized Foreign Exchange Translation Costs. As a result of our acquisition of Allendale, we have obtained operations in both Canada and the United Kingdom. Furthermore, through our Series B note offering, we issued Series B notes denominated in Euros. As a result, certain of our assets and liabilities on our balance sheet are denominated in currencies other than the U.S. dollar. We are required to revalue these assets and liabilities at each balance sheet date using foreign currency exchange rates then in effect. The resulting periodic change in the value of these assets and liabilities is recorded as unrealized foreign exchange translation income or expense for the appropriate period. During the nine months ended September 30, 2007, we recorded unrealized foreign exchange translation expenses of $87,577. There were no expenses classified under this line item in the year prior period.

Loss on Radiant Settlement. As a result of our settlement of litigation with Radiant Technologies, Inc., we recognized a loss of approximately $430,000, reflecting the net difference between the value of the receivables transferred from Radiant to us (approximately $389,000, net of reserves for bad debt), the value of the net liability forgiven by Radiant (approximately $110,000) and the $100,000 in cash disbursed to Radiant. See Note 13 to our consolidated financial statements included in Item 1 herein.

Unrealized Gain on Market Value of Warrants. We recorded an unrealized gain of $4,046,180 for the nine months ended September 30, 2007 on the "mark to market" adjustment of the value of warrants we sold or issued in connection with our January 2007 senior note offering. If we enter into a fundamental transaction or a change in control, the holders of these warrants have the right to elect to receive cash equal to the value of the warrants, as determined in accordance with the Black-Scholes option pricing formula. In addition, a warrant to purchase up to 357,750 shares of our common stock issued to the placement agent at the closing of this offering gives the placement agent the right to elect to receive cash equal to the value of the warrant, as determined in accordance with the Black-Scholes option pricing formula, upon a change of control involving the Company. Accordingly, all of these warrants have been classified as liabilities, which will be adjusted to fair value, or "marked to market," for each reporting period.

Equity in Loss of Unconsolidated Affiliate. On January 31, 2006, we acquired a 25% interest in Bio Pad. Under the equity method of accounting, we are required to recognize a pro rata portion of the income or loss that is ultimately recognized by Bio Pad as an item of income or expense, respectively, on our statement of operations. As a result, we recognized an expense of $378,230 for the nine months ended September 30, 2007, which represented 25% of Bio Pad' s loss for the nine months ended September 30, 2007 of $238,091, along with amortization of its intangible assets. This expense increased by $7,244, or 2.0%, to $378,230 for the nine months ended September 30, 2007, from $370,986 for the nine months ended September 30, 2006 due to an increase in the loss recognized by Bio Pad from period to period.

Benefit for Income Taxes. A decrease of $600,000 was made to the opening valuation allowance due to the inclusion of Allendale in our consolidated tax filings. As a result, we received an income tax benefit of $600,000 for the nine months ended September 30, 2007.

Net Loss. Our net loss increased by $696,441, or 11.1%, to $6,951,187 for the nine months ended September 30, 2007, from $6,254,746 for the nine months ended September 30, 2006. This increase occurred primarily as a result of increases in the cost of net sales, general and administrative expenses, accrued interest payable associated with our senior notes, our operating loss from period to period, and the expenses associated with our investment in Bio Pad, as well as our loss associated with the Radiant settlement, offset by the unrealized gain on market value of warrants and an income tax benefit received in connection with the acquisition of Allendale.

Liquidity and Capital Resources

Cash on Hand. As of September 30, 2007, we had $766,018 in cash on hand compared to $72,605 cash on hand as of December 31, 2006. Of the $766,018 cash on hand as of September 30, 2007, however, $74,454 was restricted because it served as collateral for certain of our indebtedness and a letter of credit issued in connection with the lease of our principal executive offices. The increase in cash on hand resulted primarily from cash provided

by the net proceeds of our January 2007 $15.0 million senior note offering and our September 19, 2007 sale of approximately $3.3 million in aggregate original notional principal amount of Series B notes, offset by repayments of indebtedness and cash used in our operating and investing activities.

Cash Used in Operating Activities. Our operating activities used $13,233,243 in cash for the nine months ended September 30, 2007, as compared to $3,934,217 in cash used in our operating activities for the nine months ended September 30, 2006. This differential was primarily attributable to the payment of approximately $5.2 million in liabilities and accrued expenses associated with the Allendale acquisition, increases in inventory, accounts receivable and prepaid expenses and an increase in our net loss from period to period, offset by:

a non-cash gain of $4,046,180 recognized on the "mark to market" adjustment to the liability associated with warrants issued in connection with our January 2007 senior note offering;

an increase in depreciation and amortization expense of, in the aggregate, $1,938,487 from period to period, relating primarily to the required amortization and depreciation of intangible and other assets we acquired in connection with the Allendale merger, and the amortization of deferred financing costs associated with our January 2007 and September 2007 senior note offerings;

an aggregate non-cash expense of $582,380 recognized for stock-based compensation and the issuance of common stock for services rendered;

the recognition of $378,230 representing our equity in the loss of Bio Pad on our financial statements during the nine months ended September 30, 2007;

a loss of approximately $430,000 on the Radiant settlement; and

accrued interest payable of $444,056 on our senior notes.

Cash Used in Investing Activities. For the nine months ended September 30, 2007, we used cash of $452,696 in our investing activities, which included $367,642 paid for professional and consulting fees related to the Allendale acquisition, and $128,729 in purchases of new property and equipment.

Cash Provided by Financing Activities. Financing activities provided cash of $14,377,503 for the nine months ended September 30, 2007, compared to $5,879,178 in cash provided for the nine months ended September 30, 2006. The increase in cash from our financing activities occurred primarily because, during the nine months ended September 30, 2007, we issued approximately $18.3 million in senior notes, Series B notes and related common stock purchase warrants and received approximately $16.4 million in net proceeds therefrom. During the nine months ended September 30, 2007, we used a portion of the net proceeds from our January 2007 senior note offering to repay in full $287,934 of principal and interest outstanding under our line of credit and $1,565,688 of principal and interest outstanding under our convertible bridge notes.

Capital Resources. As of September 30, 2007, our working capital deficit was $2,983,026, which was decreased by $1,899,915 from a working capital deficit of $4,882,941 as of December 31, 2006. This decrease in working capital deficit is primarily a result of (i) a reclassification of our senior notes from a current liability to a long-term liability, which occurred as a result of amendments made to the

redemption provisions of those notes in connection with our Series B note offering, and (ii) the cash received from the senior note offerings we completed in the first nine months of 2007. See "– Contractual Obligations" below.

Plan of Operations. Since we have not yet generated sufficient revenues from operations to meet our operating expenses, we have historically financed our operations primarily through issuances of equity and the proceeds of our debt instruments, including to pay consulting, placement agent and similar fees. As a result of our senior note offering completed in January 2007 as described above and our Series B note offering commenced in September 2007, assuming that we are able to complete the Series B senior note financing, we believe we presently have sufficient available capital to fund our anticipated operations through the end of 2007, although we cannot assure you that the net proceeds from these offerings will be sufficient to operate and grow our business as we

intend during such time period without needing to obtain additional sources of capital. However, if we are unable to complete this round of financing, we believe we have sufficient sources of available capital to fund our anticipated operations through the end of November 2007.

In our Annual Report on Form 10-KSB filed with the SEC in February 2007, we originally estimated that our existing cash and capital resources would be sufficient to meet our operating and capital needs until the first quarter of 2008. During the latter part of the first quarter of 2007, we concluded a detailed review and analysis of our business plan and our estimated capital needs following the integration of Allendale. Based on an update to this review and analysis, we now estimate that our existing cash and capital resources will be sufficient to meet our operating and capital needs until the end of November 2007.

In the past, we have sought to meet our cash and working capital needs by obtaining equity or debt financing. We expect that we will need to obtain additional equity or debt financing to meet our liquidity requirements beyond the end of November 2007, unless we are able to complete our $5.0 million Series B note offering we started in September 2007, in which case we anticipate that we would need to obtain additional equity or debt financing to meet our liquidity requirements beyond the end of 2007. We believe that we will be able to raise additional capital as needed to support our continued operations, and since January 1, 2006, we have raised approximately $24.0 million in proceeds from sales of our securities, after deducting cash placement agent fees incurred but excluding other applicable offering expenses and costs. However, there can be no assurance that the proceeds from capital transactions will continue to be available, that even if available we will be able to close such transactions, that our net sales will increase sufficiently to meet our ongoing cash needs or that a sufficient amount of our securities can or will be sold. The terms of our senior notes and other financing instruments and agreements also significantly limit our ability to sell equity or incur debt without the consent of the holders of the senior notes and certain of our other securities, and we cannot assure you that we will be able to repay or refinance the senior notes or obtain the consent of the holders of the senior notes or our other securities, if necessary, to obtain additional capital should we need or want to do so.

While we believe that we will be able to obtain future financing on terms acceptable to us, if we are not successful in obtaining permanent equity or debt financing, we will need to expend significant efforts to find other sources of capital to meet our ongoing operating and business expenses. We are also focusing on opportunities to increase our net sales while seeking to manage our operating expenses in an attempt to preserve as much as practical our available cash resources and improve working capital. If we are unable to raise sufficient capital resources on terms acceptable to us or at all, our business, results of operations, liquidity and financial condition would be materially and adversely harmed.

The successful growth and operation of our business is also dependent upon our ability to do any or all of the following:

identify new product offerings to complement and expand our current and projected future business;

manage or control working capital requirements by reducing advertising, selling, marketing, and general and administrative expenses;

optimize the marketing and development of our existing product offerings through less capital intensive channels;

rationalization of existing product lines concerning capital allocation based on contribution and return on capital;

develop new and enhance existing relationships with product retailers and other points of distribution for our products; and

seek potential acquisitions of mature product lines that could be expected to generate positive cash flow for us upon acquisition, assuming appropriate financing structures are available on acceptable terms in order to effect such acquisitions.

Based on discussions with Bio Pad' s management, we believe that Bio Pad presently has sufficient capital resources to continue to fund its operations through the end of 2007. Furthermore, Bio Pad' s management has assured us that it is seeking to obtain additional capital to support operations and meet its working capital and liquidity needs. However, if Bio Pad is unable to obtain additional capital in a timely manner or at all, or if it is unable to locate capital in sufficient amounts to support its operations, Bio Pad may be forced to significantly curtail or cease altogether its operations, and in turn, its efforts to co-develop a fetal monitoring product with us. In such an event, our ability to ultimately market and sell this fetal monitoring product would be materially and negatively hindered. Furthermore, we would need to consider whether an adjustment to the value of our investment in Bio Pad as reflected on our financial statements should be made. For these reasons, the inability of Bio Pad to continue its operations could have a material adverse effect upon our business, financial condition and results of operations.

Contractual Obligations. On January 12, 2007, as a condition to the Allendale merger, we completed the offering of our senior notes in the original aggregate principal amount of $15.0 million and related warrants to purchase, in the aggregate, up to 16.5 million shares of our common stock. The senior notes bear interest at a rate of 6.5% per year, although the terms of the senior notes permit us to elect to pay this interest "in kind" by increasing the principal amount of the notes by the amount of interest, which increased principal amount would continue to accrue interest each quarter on a compounded basis. As of September 30, 2007, we had elected to pay all outstanding interest "in kind" over the life of the notes. As of September 30, 2007, a total of $15 million in principal and $690,225 in accrued but unpaid interest were outstanding under these senior notes.

Principal outstanding under the senior notes, including any accrued but unpaid interest, are initially and immediately convertible into shares of our common stock at a rate of $1.00 per share, subject to "full ratchet" anti-dilution adjustments. Our obligations under the senior notes are secured and are backed by subsidiary guarantees pursuant to the terms of a guarantee agreement, as supplemented. As of September 19, 2007, our obligations under these senior notes are also secured by a first lien on substantially all of our and our subsidiaries' assets. So long as the senior notes are outstanding, we are required to comply with a number of negative, affirmative and financial covenants, many of which place significant constraints on our ability to raise capital and take other actions we may deem necessary or desirable.

The senior notes, as amended, require us to have earnings before interest, taxes, depreciation and amortization, or EBITDA, as defined by the terms of the senior notes, as amended, in the following amounts for each of the 12-month periods specified below:

12-month period ended	Target EBITDA
December 31, 2007	$(6.9 million)
March 31, 2008	$(6.5 million)
June 30, 2008	$(6.0 million)
September 30, 2008	$(4.5 million)
December 31, 2008	$(2.8 million)
March 31, 2009	zero
June 30, 2009	$1 million
September 30, 2009	$2 million
December 31, 2009	$3 million
March 31, 2010	$4 million
June 30, 2010	$5 million
September 30, 2010 and thereafter	$6.5 million

An event of default under a senior note is deemed to occur if, among other things, there is:

any default in the payment of the principal, interest or liquidated damages under the senior note when such amounts become due and payable;

any default in making any other cash payment required under the senior notes or any agreement or document relating to the senior note offering;

the failure to observe or perform any other covenant, condition or agreement contained in the senior note offering documents;

the occurrence of a change in control involving the Company;

the occurrence of an event of default under any other senior note;

a lien, other than permitted liens, against any of our properties;

any prepayment of any other senior note or other of our indebtedness, except:

where the same prepayment terms are offered to all other holders of the senior notes; and

in compliance with the other prepayment requirements of the senior note;

the bankruptcy of us or our subsidiaries;

a judgment or judgments against us for the payment of money amounting to more than $50,000 in the aggregate, or any action taken by a judgment creditor to attach or levy upon our or our subsidiaries' assets to enforce such judgment or judgments;

any senior note offering document that ceases, for any reason, to be in effect, or a statement made in writing by us to that effect, or a disavowal of any of our obligations under these documents;

a removal of our common stock from trading in any eligible market, including the OTC Bulletin Board, for a period of three trading days;

a period in excess of an aggregate of 30 trading days occurred during which a registration statement covering the amount of registrable securities required by the Registration Rights Agreement entered into in the January 2007 senior note offering was not available for use by the holders of registrable securities thereunder;

the failure to satisfy the EBITDA targets set forth above; or

violations of certain provisions of the Series B notes regarding ranking, subordination, waiver and amendment.

On September 19, 2007, we commenced a private placement of up to $5.0 million in aggregate notional principal amount of our 6.5% senior convertible promissory notes, Series B, and warrants to purchase in the aggregate up to approximately 9,000,000 shares of our common stock. On September 19, 2007, we sold an aggregate of approximately $3.3 million in aggregate original notional principal amount of Series B notes and related warrants to purchase in the aggregate 5,929,254 shares of common stock. Principal under, and any accrued but unpaid interest upon, the Series B Notes we sold on September 19, 2007 is due and payable in full on September 19, 2012, and outstanding principal is convertible, together with any accrued but unpaid interest, if any, into shares of our common stock, at an initial rate of $1.00 per share, subject to adjustment. Pursuant to the terms of the warrants, a holder is entitled to purchase shares of our common stock at an initial exercise price of $1.00 per share, subject to adjustment, until September 19, 2012. We may sell additional Series B notes from time to time until a total of $5.0 million in aggregate notional principal amount of Series B notes have been issued.

The Series B notes bear interest at a rate of 6.5% per year, although the terms of the Series B notes permit us to elect to pay this interest "in kind" by increasing the principal amount of the Series B notes by the amount of such interest, which increased principal amount would continue to accrue interest each quarter on a compounded basis.

Subject to certain exceptions, the principal and any accrued but unpaid interest under the Series B notes are convertible into shares of our common stock at an initial conversion price of $1.00 per share, subject to adjustment for specified corporate transactions. The holders of the Series B notes have agreed that all amounts outstanding under the Series B notes are subordinated in right of payment to our senior notes. So long as the Series B notes are outstanding, we are required to comply with a number of negative and affirmative covenants.

The offer and sale of the Series B notes sold and to be sold in the offering required the consent of the holders of the senior notes. As consideration for these consents and certain other waivers of, and amendments to, various agreements related to the senior notes, we and our subsidiaries granted to the holders of the senior notes a first lien on substantially all of our and our subsidiaries' assets.

An event of default under the Series B notes will occur upon:

a default on the repayment of the Series B notes;

a failure to pay or the acceleration of any of our indebtedness or other monetary obligations in excess of $500,000;

defaults in the transaction documents related to the Series B note offering;

such transaction documents shall cease to be in full force and effect, or our assertion thereof in writing;

our disavowment of our obligations under such transaction documents;

the creation of a lien on our property, except as permitted by the securities purchase agreement in connection with the Series B note offering;

the existence of a judgment lien in excess of $250,000;

a failure to deliver a stock certificate representing shares underlying the Series B notes upon conversion thereof within a specified time period;

a suspension of the conversion rights of the holders of the Series B notes;

an inaccuracy of our representations and warranties in any transaction document on the date we issued the Series B notes;

certain events involving our insolvency or bankruptcy; or

a failure of our common stock to be listed or quoted, or a suspension from trading, on an eligible market for a minimum of three trading days.

As of September 30, 2007, we were in compliance with all covenants and other obligations under the terms of our senior notes and Series B notes, and, as of such date, no event of default existed.

The holders of the senior notes and the Series B notes may require us to redeem the notes:

for at least 102% of the stated principal amount, plus accrued but unpaid interest, upon an event of default; and

for at least 125% of such stated principal amount, plus accrued but unpaid interest, in the event of a change in control.

The holders of the senior notes may also require us to redeem the notes for 115% of such stated principal amount, plus accrued but unpaid interest, during the 30 trading days after we release our 2008 and 2009 financial information, unless our stock is trading above specified price and volume levels and we can satisfy other conditions.

Following our acquisition in January 2007 of Allendale and the worldwide rights to manufacture and sell the Today® Sponge contraceptive product, on August 29, 2007, we signed an amendment to that certain Amended and Restated Contract Manufacturing Agreement, dated as of March 8, 2006, between Allendale and OSG Norwich Pharmaceuticals, Inc., now known as Norwich Pharmaceuticals, Inc., which was amended again on October 16, 2007. Pursuant to this agreement, NPI owns and operates the facility that is used to manufacture our Today® Sponge contraceptive product.

The Manufacturing Agreement has been amended to change the way we obtain and pay for this product from NPI from a purchase order method to a "take or pay" method for May through December 2007. Under the purchase order method, NPI was only required to manufacture the amount of product we requested pursuant to quarterly purchase orders we submitted to NPI in advance. Under the take or pay method, we must purchase and have delivered to us a specified minimum amount of product each month pursuant to monthly purchase orders we submit at least 90 days in advance. If we do not order and receive this minimum amount, we must pay NPI an amount specified under the agreement, unless our failure to purchase and have delivered the product is within the control of NPI. The minimum monthly take or pay amounts range from $150,000 to $625,000, which represents an aggregate amount of $3.63 million for May through December 2007, subject to reduction if certain manufacturing and production efficiency criteria are not met. The $3.63 million aggregate take or pay amount for 2007 is effectively reduced by approximately $1.59 million for product we have already paid for in 2007. The credit terms of the Manufacturing Agreement have also been amended to provide that we must pay for all Today® Sponges ordered prior to shipment until March 31, 2008.

The Manufacturing Agreement' s term will expire on April 30, 2010; however, the term is automatically extended for an additional 24 month period unless one party notifies the other party that it does not wish to extend the agreement at least 18 months before expiration of the initial term. The Manufacturing Agreement was amended to permit us to terminate the agreement if a governmental authority withdraws the product from sale in the United States or we withdraw it from the market other than because of an action of a governmental authority. If we terminate the Manufacturing Agreement in either case, we must pay to NPI as its sole remedy for such termination an amount equal to the take or pay amount applicable with respect to the following three calendar months plus 60% of the take or pay applicable to the subsequent six calendar months.

The Manufacturing Agreement also provides that, at the termination of the Manufacturing Agreement, we must purchase all finished product manufactured in reliance upon an outstanding purchase order at the agreed-upon prices and all remaining raw materials will be shipped to us. The Manufacturing Agreement has been amended to provide that, upon termination or expiration, we are only required to pay NPI' s out of pocket cost for shipping such materials plus an additional 15% if the Manufacturing Agreement is terminated for cause by NPI or without cause by us. Upon the termination date, we must begin to remove our equipment from NPI' s facility, and if such removal is not completed within 90 days, we would be required to pay NPI $50,000 per month to rent the facility in which the equipment remains.

We lease office space under a lease that expires on November 30, 2011. Future minimum annual rent obligations as of September 30, 2007 were as follows:

Year	Minimum Annual Lease Payment
2007	$ 23,552
2008	95,829
2009	97,993
2010	100,157
2011	93,629
Total	$ 411,160

Under the terms of registration rights agreements that we entered into with investors purchasing units in our unit offerings between October 2005 and May 2006, we were required to file and obtain the effectiveness of a resale registration statement by stated deadlines. This registration statement serves to register the shares of common stock, and shares of common stock underlying warrants, each sold as part of the units. If, among other things, we do not meet these deadlines, upon the occurrence of a default, we are required to pay each investor a penalty of 1% of the purchase price of registrable securities then owned by the investor, and a penalty of 1.5% of the purchase price of registrable securities then owned by the investor for each month thereafter that the default continues. We may elect to pay these penalties in cash or in shares of our common stock valued at 85% of the average of the ten-day trading price of our common stock ending on the date the registration statement is declared effective by the SEC. The registration statement covered by these agreements was filed with the SEC and declared effective on April 4, 2007. For the nine months ended September 30, 2007, we incurred and accrued an expense of $855,730 as a result of these penalties. In May 2007, we issued to these investors an aggregate of 1,004,349 shares of common stock representing payment of these penalties in full.

The sale on September 19, 2007 of the Series B notes with a conversion price of less than $1.50 per share and the sale of warrants issued in connection therewith with an exercise price of less than $1.50 per share, each require us to adjust the purchase price of units sold to investors in our unit offerings from October 2005 through May 2006. As a result, we are required under the terms of these unit offerings to issue to each such investor an additional number of shares of our common stock to appropriately reflect such adjusted purchase price. We are in the process of calculating the number of shares to be issued to each investor, which is based upon the number of shares purchased in the unit offerings and owned by each investor as of September 19, 2007.

As of September 30, 2007, other than as set forth in this Quarterly Report, we had no other material commitments or obligations.

Off-Balance Sheet Items. We had no off-balance sheet items as of September 30, 2007.

Recent Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board, or FASB, issued Interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes*. FIN 48 prescribes detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise' s financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*. Tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized upon the adoption of FIN 48 and in subsequent periods. We have adopted FIN 48 as of January 1, 2007, and the provisions of FIN 48 will be applied to all tax positions under SFAS No. 109 after initial adoption. The cumulative effect of applying the provisions of this interpretation will be reported as an adjustment to the opening balance of retained earnings for that fiscal year. The adoption of FIN 48 did not require an adjustment to our consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 establishes a framework for measuring fair value and expands disclosures about fair value measurements. The changes to current practice resulting from the application of SFAS No. 157 relate to the definition of fair value, the methods used to measure fair value and the expanded disclosures about fair value measurement. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. We do not believe that the adoption of the provisions of SFAS No. 157 will materially impact our financial statements and footnote disclosures.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and will become effective for beginning with the first quarter of 2008. We have not yet determined the impact of the adoption of SFAS No. 159 on its financial statements and footnote disclosures.

Item 3. Controls and Procedures.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures, as defined in Exchange Act Rules 13a-15(e) and 15a-15(e), as of September 30, 2007. Based upon the September 30, 2007 disclosure controls evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective to provide a reasonable level of assurance that information required to be disclosed in the reports we file, furnish or submit under the Exchange Act is recorded, processed, summarized and reported within the specified time periods in the SEC' s rules and forms. Our officers have concluded that our disclosure controls and procedures were also effective to provide a reasonable level of assurance that information required to be disclosed in the reports that we file, furnish or submit under the Exchange Act is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure, all in accordance with Exchange Act Rules 13a-15(e) and 15d-15(e).

There has been no change in our internal control over financial reporting (as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the quarter ended September 30, 2007 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls.

PART II - OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Listed below are sales of unregistered securities effected by the Company during the third quarter of 2007, except for issuances previously reported on Form 8-K.

On August 7, 2007, we issued 130,000 shares of our common stock in the form of a grant of restricted stock under the Synova Healthcare Group, Inc. 2005 Equity Incentive Plan to two of our non-employee directors.

On August 8, 2007, we issued 144,444 shares of our common stock in the form of a grant of restricted stock under the Synova Healthcare Group, Inc. 2005 Equity Incentive Plan to two of our non-employee directors.

We believe that these offers and sales were exempt from registration under Section 4(2) of the Securities Act and/or Rule 506 thereunder because the subject securities were sold to a limited group of persons, each of whom was believed to have been (i) either an accredited investor or a sophisticated investor at the time of the sale and had a pre-existing business or personal relationship with us, our management or a placement agent engaged by us, and (ii) purchasing the securities for investment without a view to resale or further distribution. Restrictive legends stating that the securities may not be offered and sold in the United States absent registration under the Securities Act or an applicable exemption therefrom were placed on certificates evidencing the securities and/or agreements relating thereto. We believe no form of general solicitation or general advertising was made in connection with the offer or sale of these securities.

Pursuant to the terms of the Securities Purchase Agreement we entered into with each of the parties signatory thereto as of September 19, 2007, without the consent of such parties and until our Series B notes have either been repaid or converted in full, we may not declare, pay or make any provision for any cash dividend or distribution with respect to our common stock. We have entered into similar restrictions with the holders of our senior notes.

Item 4. Submission of Matters to a Vote of Security Holders.

Election of Director Nominees

On August 7, 2007, we held our 2007 annual meeting of stockholders. The first matter for approval by our stockholders was the election of five director nominees, each of whom was to hold office until our 2008 annual meeting of stockholders and until his or her successor has been duly elected and qualified. All of the following persons nominated were elected to serve as directors. The results of the voting for the election of these director nominees were as follows:

Director Nominee	For	Withhold Authority
Stephen E. King	21,282,412	106,722
David J. Harrison	21,223,092	166,042
Ronald S. Spangler, Ph.D.	21,287,128	102,006
Steven L. Edell, D.O.	21,307,628	81,506
Jeffrey N. Pelesh	21,307,628	81,506

John M. Suender and George T. Votis previously served as our directors during 2007 and had notified us of their intention to resign as directors as of the date of the 2007 annual meeting. Mr. Suender and Mr. Votis declined to stand for re-election as directors at the 2007 annual meeting.

On September 28, 2007, Dr. Spangler notified us of his immediate resignation from the board of directors. Dr. Spangler remains employed by us as our Chief Scientific Officer.

Amendment to 2005 Equity Incentive Plan

The second matter for approval by stockholders at the annual meeting was an amendment to our 2005 Equity Incentive Plan to authorize an increase in the number of shares of our common stock authorized for issuance pursuant to the plan from 1,500,000 to 3,000,000 shares. The results of the voting for approval of the amendments to the plan were as follows:

For	Against	Abstain	Broker Non-Votes
18,029,844	166,721	18,519	3,174,050

Item 5. Other Information.

Pursuant to the terms of the Securities Purchase Agreement we entered into with each of the parties signatory thereto as of September 19, 2007, without the consent of such parties and until our Series B notes have either been repaid or converted in full, we may not declare, pay or make any provision for any cash dividend or distribution with respect to our common stock. We have entered into similar restrictions with the holders of our senior notes.

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Item 6. Exhibits.

Exhibit No.	Description
4.1	Form of 6.5% Senior Convertible Promissory Note, Series B, due September 19, 2012, dated as of September 19, 2007, issued by Synova Healthcare Group, Inc., as maker. (1)
4.2	Form of Common Stock Purchase Warrant, dated as of September 19, 2007, issued by Synova Healthcare Group, Inc. (1)
4.3	Form of Securities Purchase Agreement, dated as of September 19, 2007, by and among Synova Healthcare Group, Inc. and each of the purchaser signatories thereto. (1)
10.1	Letter Agreement, dated July 9, 2007, terminating the Letter Agreement, dated as of August 10, 2006, by and between Synova Healthcare Group, Inc. and BMO Capital Markets Corp.
10.2	Second Amended and Restated Contract Manufacturing Agreement, dated August 27, 2007, by and between Norwich Pharmaceuticals Inc. and Allendale Pharmaceuticals, Inc. (2)
10.3	Security Agreement, dated as of September 19, 2007, by and among Synova Healthcare Group, Inc., Synova Healthcare, Inc., Synova Pre-Natal Healthcare, Inc., Allendale Pharmaceuticals, Inc., Todays Womencare Company, Today' s Womencare (Canada) Inc., Today' s Womencare (UK) Ltd, and each of the holders of the 6.5% Senior Convertible Promissory Notes due January 12, 2012.
10.4	Patents, Trademarks, and Copyrights Security Agreement, dated as of September 19, 2007, by and among Synova Healthcare, Inc., Todays Womencare Company, and each of the holders of the 6.5% Senior Convertible Promissory Notes due January 12, 2012. (1)
10.5	Supplement No. 1, dated as of September 19, 2007, to the Guarantee Agreement, dated as of January 12, 2007, by and among Synova Healthcare Group, Inc., Synova Healthcare, Inc., Synova Pre-Natal Healthcare, Inc., Allendale Pharmaceuticals, Inc., Todays Womencare Company, Today' s Womencare (Canada) Inc., Today' s Womencare (UK) Ltd, and each of the purchaser signatories thereto.
10.6.1	Form of Consent, Amendment and Waiver Letter Agreement between Synova Healthcare Group, Inc. and certain of the holders of the 6.5% Senior Convertible Promissory Notes due January 12, 2012. (1)
10.6.2	Consent, Amendment and Waiver Letter Agreement between Synova Healthcare Group, Inc. and Plainfield Direct Inc. (1)
10.6.3	Consent, Amendment and Waiver Letter Agreement between Synova Healthcare Group, Inc. and Castlerigg Master Investments Ltd. (1)
10.7.1	Letter Agreement, dated as of September 13, 2007, from Synova Healthcare Group, Inc. to Plainfield Asset Management LLC regarding legal expenses.
10.7.2	Letter Agreement, dated as of September 13, 2007, from Synova Healthcare Group, Inc. to Castlerigg Master Investments Ltd. regarding legal expenses.

31.1	Chief Executive Officer Certification Pursuant to Exchange Act Rule 13d-14(a) and Rule 15d-14(a).
31.2	Chief Financial Officer Certification Pursuant to Exchange Act Rule 13d-14(a) and Rule 15d-14(a).
32.1	Section 1350 Certification of the Chief Executive Officer.
32.2	Section 1350 Certification of the Chief Financial Officer.

(1) Previously filed as an exhibit to the Company' s Current Report on Form 8-K (File No. 0-51492), as filed with the SEC on September 20, 2007.

(2) Certain portions of this exhibit have been redacted pursuant to a confidential treatment request filed with the SEC on November 19, 2007.

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SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SYNOVA HEALTHCARE GROUP, INC.

By: /s/ Stephen E. King
Stephen E. King
Chairman and Chief Executive Officer

Date: November 19, 2007

/s/ Stephen E. King
Stephen E. King
Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: November 19, 2007

/s/ Robert L. Edwards
Robert L. Edwards
Chief Financial Officer
(Principal Financial Officer)

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10.7.2	Letter Agreement, dated as of September 13, 2007, from Synova Healthcare Group, Inc. to Castlerigg Master Investments Ltd. regarding legal expenses.

31.1	Chief Executive Officer Certification Pursuant to Exchange Act Rule 13d-14(a) and Rule 15d-14(a).
31.2	Chief Financial Officer Certification Pursuant to Exchange Act Rule 13d-14(a) and Rule 15d-14(a).
32.1	Section 1350 Certification of the Chief Executive Officer.
32.2	Section 1350 Certification of the Chief Financial Officer.

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(1) Previously filed as an exhibit to the Company' s Current Report on Form 8-K (File No. 0-51492), as filed with the SEC on September 20, 2007.

(2) Certain portions of this exhibit have been redacted pursuant to a confidential treatment request filed with the SEC on November 19, 2007.

Exhibit 10.1

July 9, 2007

BMO Capital Markets Corp.
3 Times Square, 27th Floor
New York, New York 10036
Attention: Mr. Philip C. Marchal
Director, Equity Capital Markets

Re: Letter Agreement (the "Letter Agreement") dated August 10, 2006 between Synova Healthcare Group, Inc. ("Synova") and BMO Capital Markets Corp. ("BMO"), as the Letter Agreement thereafter may have been amended from time to time

Dear Mr. Marchal:

Reference is hereby made to the above-referenced Letter Agreement. In connection with the closing of a $15 million private placement by Synova of its 6.5% Senior Convertible Notes in which BMO acted as Synova' s exclusive placement agent, this letter is to confirm our mutual understanding as follows:

1. Effective upon payment by Synova to BMO of BMO' s reimbursable out-of-pocket expenses of $52,500, and except as contained in paragraph 3 of this letter, the parties agree that the Letter Agreement shall terminate and be of no further force or effect.

2. Notwithstanding any provision, agreement or covenant contained in the Letter Agreement, and except as provided in paragraph 3 of this letter, upon the termination of the Letter Agreement as set forth in paragraph 1 above, each of Synova and BMO shall have no further obligation to the other party under the Letter Agreement.

3. Notwithstanding paragraphs 1 and 2 of this letter:

the obligations of BMO contained in the fourth full paragraph of Section 2 of the Letter Agreement, relating to maintaining the confidentiality of Synova' s non-public information, shall remain in full force and effect until January 12, 2008;

the obligations of Synova to indemnify and hold harmless BMO as provided in Section 9 and Exhibit B of the Letter Agreement shall remain in full force and effect as provided therein; and

with respect to that certain warrant (the "BMO Warrant") previously issued by Synova to BMO on January 12, 2007 to purchase up to 357,750 shares of Synova common stock at an exercise price of $1.00 per share (subject to adjustment as described in the BMO Warrant), the Company will, within 10 days after the date this letter is executed by all parties, cancel the certificate representing the BMO Warrant and will cause to deliver to BMO an originally executed warrant in replacement thereof with terms and conditions identical to the original BMO Warrant; *provided*, *however*, that if the Company provides to BMO written evidence that such warrant was previously transmitted for delivery to BMO, the Company' s obligation to issue a replacement warrant to BMO shall be conditioned on the execution and delivery by BMO to the Company of customary "lost security" affidavits and the provision of appropriate indemnities against any claims arising out of the original warrant; *and provided further,* that BMO shall not be required to post a security bond;

the terms of this letter and the Letter Agreement shall be deemed confidential and shall not be further disclosed by either party to any person or entity, except (i) as required by applicable law, rule or regulation (including, without limitation, the requirements under any federal or state securities laws, rules or regulations (or any judicial or regulatory interpretations thereof) applicable to either party that may require disclosure of this letter or the Letter Agreement), or (ii) by any party with the prior written consent of the other party; *provided*, *however*, that nothing in this letter or the Letter Agreement shall prevent any party hereto from disclosing the existence or terms of this letter in the course of its normal business affairs, as regarding communications with its accountants, advisors, insurance companies, attorneys, and all regulatory agencies or bodies having a *bona fide* need to know such information; and

the shares of common stock underlying the BMO Warrant shall continue to have unlimited piggyback registration rights during the term of the BMO Warrant.

Please indicate BMO' s agreement to the terms of the foregoing letter by signing where indicated below.

With personal regards,

/s/ Stephen E. King

Stephen E. King
Chairman and Chief Executive Officer

Agreed to and accepted this 9th day of July, 2007.

BMO Capital Markets Corp.

By:

/s/ Philip C. Marchal

Philip C. Marchal

Director, Equity Capital Markets

Exhibit 10.2

CERTAIN PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT. THE OMITTED PORTIONS ARE MARKED AS "[XXXX]" ALONG WITH A FOOTNOTE INDICATING THAT THE INFORMATION HAS BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT. AN UNREDACTED COPY OF THIS EXHIBIT HAS BEEN FILED SEPARATELY WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

SECOND AMENDED AND RESTATED CONTRACT MANUFACTURING AGREEMENT

Between

NORWICH PHARMACEUTICALS, INC.

And

ALLENDALE PHARMACEUTICALS, INC.

For

US FDA APPROVED TODAY SPONGE

THIS SECOND AMENDED AND RESTATED CONTRACT MANUFACTURING AGREEMENT ("Agreement") is made this 27th day of August, 2007 (the "Agreement Date"), by and between ALLENDALE PHARMACEUTICALS, INC. (hereinafter known as "Allendale"), a Delaware corporation with a principal place of business at 1400 N. Providence Road, Building 2, Suite 6010, Media, PA 19063, and NORWICH PHARMACEUTICALS, INC. (hereinafter known as "NPI"), a Delaware corporation with a principal place of business at 6826 State Highway 12, Norwich, NY 13815.

Recitals

A. Allendale is engaged in the business of, among other things, marketing and distributing certain pharmaceutical products.

B. NPI is in the business of contract manufacturing and packaging pharmaceutical products and providing related services.

C. Allendale and NPI are parties to that certain Amended and Restated Contract Manufacturing Agreement dated March 8, 2006 (the "2006 Agreement"), pursuant to which Allendale agreed to purchase from NPI, and NPI agreed to provide to Allendale, certain manufacturing and quality assurance services relating to certain of Allendale' s products, on the terms and conditions set forth therein.

D. Each of Allendale and NPI desires to amend and restate the 2006 Agreement as set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Allendale and NPI (the "Parties") agree as follows:

Article 1 - Definitions

The following terms used in this Agreement shall have the meanings set forth below.

1.1 "Act" means the United States Food, Drug and Cosmetic Act, as amended, 21 U.S.C. Section 301, et.seq. and all rules and regulations promulgated thereunder.

1.2 "Applicable Laws" means all laws, statutes and regulations of any Governmental Authority having jurisdiction over the manufacturing, use, labeling, packaging, warehousing, distribution, marketing or sale of the Product, as the same may be amended from time to time.

1.3 "cGMP" shall mean current Good Manufacturing Practice as set forth in the Act and applicable regulations set forth at 21CFR §§ 210 and 211 as may be amended from time to time, as well as current good manufacturing practices applicable to the Product or the making thereof set forth by any Governmental Authority and as set forth in the Quality System Regulation at 21 CFR, Part 820, as applicable.

1.4 "Confidential Information" means any and all trademarks, trademark applications, trade names, copyrights, patents, patent applications, technical information, know-how, formulae, processes, clinical studies, trade secrets, confidential and/or proprietary information and other know-how, information, procurement requirements, purchasing, manufacturing, customer and supplier information, business plans and forecasts, sales and marketing plans, documents and/or materials, technology, formulations, specifications, testing data and analytical methods and other information which would be considered a trade secret under the Uniform Trade Secrets Act as in force and effect in the State of New York.

1.5 "FDA" means the United States Food and Drug Administration, or any successor entity thereto.

1.6 "Governmental Authority" means any governmental department, commission, board, bureau, agency, court or other instrumentality having any jurisdiction over the manufacturing, use, packaging, warehousing, marketing, distribution or sale of the Product, as the same may be amended from time to time, including without limitation, within (i) the fifty states of the United States of America, the District of Columbia, and all territories and possessions of the United States of America

(including, without limitation, Puerto Rico) (collectively, the "United States Territory") and any other location where the FDA has jurisdiction over drug and device products intended for human use and (ii) any foreign authority similar to the FDA.

1.7 "Intellectual Property Rights" shall mean any patents, know-how, trade marks, and other intellectual property rights of Allendale, whether existing on the date hereof or acquired by Allendale subsequently, that are necessary for the performance by NPI of its obligations hereunder.

1.8 "Invention" shall mean any discovery, improvement, process, formula, data, invention, know-how, trade secret, procedure, device, or other intellectual property, whether or not patentable, including any enhancement in the manufacture, formulation, ingredients, preparation, presentation, means of delivery, dosage or packaging of a product or any discovery or development of a new indication for a product (including, without limitation, the Product).

1.9 "Manufacture" or any variation thereof, means all operations necessary to produce the Products to the specified state of completion in accordance with the terms and conditions of this Agreement. Without limiting the foregoing, the term "Manufacture" shall include (i) all receipt and storage of Materials incident to such operations; (ii) the processing and formulating of final Products; (iii) the labeling and packaging of final Products; and (iv) the performance of all quality control procedures pertaining to the Products which are required by applicable regulations on the Agreement Date, and/or which become required by such regulations after the Agreement Date.

1.10 "Manufacturing Facility" means the manufacturing facility owned and operated by NPI and located at 6826 State Highway 12, Norwich, NY 13815.

1.11 "Materials" means raw materials (chemicals) and labeling and packaging materials purchased by Allendale and used to manufacture and package Products.

1.12 "Printed Matter" means all printed Materials, including labeling required to be affixed to and/or packaged with Products delivered to Allendale hereunder.

1.13 "Product" or "Products" means those products of Allendale more fully described on Schedule 1.13 in the presentation forms listed in Schedule 1.13.

1.14 "Receivables" means monies owed NPI by Allendale for products and services provided by NPI and for which an invoice has been generated and supplied to Allendale.

1.15 "Regulatory Approval" shall mean any and all approvals (including pricing and reimbursement approvals), licenses, permits, registrations or authorizations of any Governmental Authority necessary to develop, make, have made, import, use, sell, offer for sale, market or otherwise dispose of the Product in the United States territory or any other territory, including any (a) approval of a Product, including, without limitation, any marketing authorization and supplements and amendments thereto; (b) pre- and post-approval marketing authorizations (including any prerequisite Manufacturing approval or authorization related thereto); (c) labeling approval; and (d) technical, medical and scientific licenses.

1.16 "Specifications" mean the written methods, formulae, procedures, specifications, tests (and testing protocols) and standards pertaining to each presentation form of the Products set forth in Schedule 1.17, as modified from time-to-time.

1.18 "Supply Term" means the period starting on the Agreement Date and continuing for the initial term of this Agreement and any subsequent extension period as set forth in Section 7.1 hereof, subject to any earlier termination of this Agreement pursuant to Section 7.2 hereof.

1.19 "Laws, Rules and Regulations" means all Applicable Laws including, without limitation, cGMP.

Article 2 – Supply of Product

2.1 Obligations of the Parties

(a) Relationship of the Parties. Subject in all respects to the terms and conditions of this Agreement, Allendale and NPI agree and acknowledge that NPI shall be the supplier of the Products for North America during the Supply Term, unless the parties otherwise agree in writing. The Parties further acknowledge that no partnership, joint venture, or agency relationship is created between the Parties with respect to this Agreement. Within one hundred and twenty (120) days following the Agreement Date, the Parties agree to negotiate in good faith and enter into an amended and restated Quality Agreement to replace the existing Quality Agreement between the Parties.

(b) Manufacture of Products. At the time of shipment of Products by NPI hereunder, Products shall (i) conform to the applicable Specifications for the Products, (ii) comply with all applicable Laws, Rules and Regulations; (iii) without limiting (ii), have been manufactured and stored under cGMP conditions and within the Manufacturing Facility; (iv) not be adulterated or misbranded within the meaning of the Act; (v) have been manufactured in accordance with the terms of the Quality Agreement; and (vi) title to such Products will pass to Allendale as provided herein free and clear of any security interest, lien or other encumbrance. Except as otherwise approved in writing by Allendale, NPI shall Manufacture Product exclusively at the Manufacturing Facility. NPI shall not utilize a different manufacturing facility other than the Manufacturing Facility for the manufacture, processing or packaging of the Products without express prior written approval of Allendale. In addition, no aspects of the manufacturing process can take place at any facility other than the Manufacturing Facility without the prior written approval of Allendale. NPI shall ensure that any and all

licenses, registrations, and Governmental Authority approvals of NPI necessary for the Manufacture and supply of Product by NPI in accordance with this Agreement have been obtained and are in full force and effect. NPI shall maintain the Manufacturing Facility and such equipment in a state of repair and operating efficiency consistent with the requirements of the Specifications, the Regulatory Approvals, cGMP and all other Applicable Law.

(c) Product Recalls. Allendale shall be responsible for conducting product recalls or market withdrawals and shall promptly notify NPI of any recall notice for supplied Products. NPI shall use commercially reasonable efforts to cooperate with and assist Allendale in the performance of such duties and obligations. NPI shall promptly notify Allendale if it receives any notice, including a recall notice, which relates to any Product. NPI shall have no liability for recalled Product if such recall is (i) caused by process capability issues inherent in the production formulation and/or design, or (ii) not within the control of NPI personnel, or (iii) not caused by the negligence of NPI personnel. If any recall or market withdrawal of any Products is the result of the negligence of NPI, including without limitation, the breach of any representation, warranty, covenant or agreement under this Agreement by NPI, then NPI shall replace the recalled product at no charge to Allendale and absorb a maximum of twenty-five percent (25%) of the recall expenses (including reimbursement of expenses incurred by Allendale in connection with such recall).

(d) Stability Testing. Allendale shall bear the cost of stability testing required for Products including both finished packaged and semi-finished pack forms. The cost of NPI-supplied Stability services is included in Schedule 2.1(d). NPI shall invoice Allendale immediately upon provision of test data for Stability Testing. Allendale shall pay invoice within thirty (30) days from Allendale' s receipt.

(e) Adverse Drug Experience Reports. Allendale will have the sole responsibility for adverse event tracking and reporting. Should NPI receive any reports or information related to adverse events or potential adverse events related to the Product, all such information should be promptly reported to Allendale.

(f) Product Complaints. Allendale shall have the responsibility for fielding, investigating, and responding to all Product complaints. Any Product quality related complaints received by NPI must be forwarded to Allendale within three (3) business days of receipt. NPI shall provide reasonable cooperation in promptly investigating and reporting to Allendale the results of investigations for all Product complaints that may involve the Products not meeting Specifications. NPI' s costs specific to its investigation of Product complaints shall be borne by Allendale unless the complaint or investigation is a result of the negligence of NPI or NPI personnel or failure of NPI to comply with the representations, warranties and covenants of NPI under this Agreement or the Quality Agreement.

(g) Production Records. NPI shall provide Allendale with copies of all relevant production records within ten days after pouching of Products or two days after batch release, as may be requested by Allendale in writing. NPI will, with respect to each lot of Products produced and manufactured by NPI or its Affiliates hereunder, for the longer of (i) any period required under Applicable Laws, and (ii) a period of one(1) years after expiry of the expiration dating of such lot, maintain accurate records of the manufacture and testing of such lot of Products, including all such records which are required by Applicable Laws or pursuant hereto. Access to such records will be made available by NPI to Allendale or its Affiliates during normal business hours upon Allendale' s reasonable written request.

2.2 Technology Rights: Title to Regulatory Approvals. For the sole purpose of manufacturing Products in accordance with this Agreement and subject to the terms and conditions hereof, NPI shall have the right to use Allendale' s Confidential Information, which relates in any way to the Products. The Parties acknowledge and agree that Allendale is the owner of its Confidential Information and that NPI has no ownership rights thereto and no right to use Allendale' s Confidential Information except as provided in this Agreement. The Parties acknowledge and agree that Allendale is and shall be the owner of all right, title and interest in and to all Regulatory Approvals related to the Product whether existing on the date of this Agreement or hereafter developed by the Parties hereto.

2.3 Purchase, Receipt and Storage of Materials. Allendale shall be responsible for purchasing and shipping to NPI the Materials to support the Manufacture of the Products. A list of Materials that Allendale will purchase is provided in Schedule 2.3. Any materials used by NPI in the Manufacture of the Products and not listed in Schedule 2.3 will be provided at the expense of NPI. NPI shall receive, inventory and handle the Materials to support the Manufacture of the Products. NPI shall provide Allendale with a receipt of delivery with respect to each shipment of Materials supplied to NPI by Allendale hereunder. NPI shall be and remain responsible for the proper care and handling of all Materials so supplied and shall account to Allendale for the handling and disposition of all such quantities. Without limiting the preceding sentence, NPI shall promptly report to Allendale any and all incidents or occurrences pursuant to which any shipment of Materials is not manufactured into finished Product, including, without limitation, accident, waste, spoilage or other disposition. NPI shall reimburse Allendale or credit Allendale' s account, as Allendale may elect, for Allendale' s cost of all Materials that are not manufactured into finished Product as a consequence of NPI' s negligence or any other breach by NPI of its obligations hereunder.

2.4 Shipment of Pouched Sponges. All Products delivered hereunder to Allendale shall have proper dating on the pouches. All Products delivered to Allendale hereunder shall be shipped Free Carrier (FCA per INCOTERMS 2000) NPI plant by a common carrier ("Carrier") approved and paid for by Allendale. NPI shall ship such quantities to the destinations(s) and at the time(s) specified in the Purchase Order (as defined in Section 3.2 hereof) by Allendale or its designee. Allendale will designate an approved Carrier or will provide a schedule of approved Carriers of which NPI will choose one from the list.

2.5 Labeling and Pouching of Supplied Products. Allendale shall, at its own cost and expense, supply NPI with all Printed Matter to be used by NPI in

connection with pouching the Products. Each piece of Printed Matter, shall be identified by a unique item control number or code (the "Code") supplied by Allendale, or Allendale' s designated Vendor, which is consistent with NPI' s existing control practices, copies of which have been provided by NPI to Allendale in writing. All physical specifications of all Printed Matter shall comply with NPI' s control numbering system, quality control requirements, and manufacturing process constraints as provided by NPI in writing. Allendale shall specify the Code for each item of Printed Matter to be supplied with each order for Products hereunder.

2.6 Inspections. Under reasonable prior written notice, during NPI regular business hours, and subject to NPI' s normal and reasonable confidentiality and safety regulations governing visitors, Allendale' s representatives shall have the right to enter and inspect the facility at which the Products are manufactured and to request samples of the Products being manufactured. Such inspections shall be conducted during normal business hours, and Allendale shall use commercially reasonable efforts to not interfere with NPI' s operations. Allendale' s representatives shall be bound by the provisions of Section 9.1 of this Agreement regarding any confidential information of NPI obtained by such representatives as a result of any inspection conducted pursuant to this provision. NPI agrees that during the Term, Allendale shall have the right, at Allendale' s sole option and expense, to allow an Allendale employee to have access to the Manufacturing Facility to work on improvements to the Manufacturing process, and NPI shall make available to such Allendale employee reasonable access to the appropriate facilities, records and personnel of NPI related to the Products as Allendale may reasonably request.

Article 3 – Purchase of Product

3.1 Purchase Obligation. Allendale shall purchase and receive from NPI, and NPI shall sell and deliver to Allendale or its designated agent, Allendale' s requirements of Products, to be ordered pursuant to the terms hereof in the quantities set forth in the Purchase Orders (as defined herein). NPI shall manufacture the Product

exclusively for Allendale and shall not manufacture, distribute, promote or sell the Product except to Allendale pursuant to the terms of this Agreement. The cost of shipping all such Products shall be borne by Allendale. Title to Products shipped by NPI in accordance with the terms and conditions of this Agreement shall pass to Allendale upon acceptance by the Carrier.

3.2 Production Scheduling.

(a) Within thirty (30) days of the signing of this Agreement, Allendale shall provide to NPI a nonbinding written forecast of estimated quantities of Products that Allendale and its Affiliates anticipate ordering from NPI during the following eighteen (18) month period. Allendale shall update such forecast on a calendar quarter rolling basis ("Delivery Forecast"), for the eighteen (18) month period commencing ninety (90) days from each such update. Allendale shall place purchase orders for at least seventy-five percent (75%) of the quantity of Product specified in the first three (3) months of each Delivery Forecast (the "Firm Forecast") and the remaining fifteen (15) months shall be a good faith estimate. Allendale shall place firm purchase orders for Product at least ninety (90) days prior to the requested date of delivery (each, a "Firm Purchase Order"); provided that, if requested by Allendale, NPI shall use commercially reasonable efforts to deliver Product at such earlier time as Allendale reasonably requests. Each Firm Purchase Order, signed by Allendale' s duly authorized representative, shall authorize NPI to manufacture such quantities of the Product as are set forth therein. Each Firm Purchase Order shall be deemed accepted upon acknowledgement of receipt, which shall occur within three (3) business days of NPI' s receipt of the purchase order, and NPI shall deliver Product in accordance with such Firm Purchase Order; provided, however, that if the quantity of Product set forth in a Firm Purchase Order exceeds 125% of the most recent Firm Forecast for Product for the month to which such Purchase Order relates, then NPI shall use its commercially reasonable efforts to supply the quantity of Product in excess of the Firm Forecasted amount in accordance with such Purchase Order, but shall not be deemed to have breached this Agreement if it cannot supply such excess Product. Allendale shall, at all

times, maintain at least thirty (30) days inventory of all materials on hand at NPI. Allendale may not reject as non-conforming orders filled by the requested delivery date within 10% of the requested order quantity, provided that the Products otherwise meet the warranty set forth in Section 2.1(b) hereof. Minimum order quantities are listed on Schedule 3.2; quantities of Product greater than the above minimum order quantities must be ordered in full lot multiples. NPI shall make all deliveries of Product hereunder utilizing stock rotation based on expiration dating, with Product expiring earliest delivered first whenever reasonable.

(b) Release for Shipment. NPI shall release for shipment quantities of Product consistent with the Firm Purchase Order issued by Allendale. If there is any discrepancy between the terms of the Firm Purchase Order and the terms of this Agreement, the terms of this Agreement shall control.

(c) Limitations. In no event shall Allendale' s Firm Purchase Order be less than seventy-five percent (75%) of the total quantity set forth in the applicable month of the Firm Forecast. If Allendale' s Firm Purchase Order is more than one hundred twenty-five percent (125%) of the applicable month of the Firm Forecast, NPI shall use reasonable efforts to determine feasibility of meeting the Purchase Order request. If feasible, NPI shall produce and invoice Allendale for any premium costs notified to Allendale in advance and required to deliver the Product that exceeds one hundred twenty-five percent (125%) of the applicable Firm Forecasted amount. If Allendale' s Firm Purchase Order is less than seventy-five percent (75%) of the applicable Firm Forecasted amount, NPI may, as its sole remedy, invoice Allendale for storage of raw materials held in inventory that are in excess of the Firm Forecasted amount at cost of $XXXX[1] / pallet / month or portion thereof.

(d) The delivery date as specified in each Firm Purchase Order is critical to Allendale' s planning and ability to supply its customers with Product. Given

[1] Omitted and filed separately with the Securities and Exchange Commission under an application for confidential treatment.

Allendale' s forecast and purchase obligations hereunder, Allendale expects NPI to ship Product to meet the delivery date as specified in each Firm Purchase Order. Product delivered to the delivery location within fifteen (15) business days of the delivery date specified in a Firm Purchase Order shall be deemed to be in material compliance with the Firm Purchase Order. In the event there is a delay in excess of fifteen (15) business days, NPI shall provide to Allendale a refund of 2% of the invoiced value of such late Firm Purchase Order in the form of a credit to be applied to the next Firm Purchase Order (or, if there is no next Firm Purchase Order due to the expiration or termination of the Agreement, NPI shall refund the 2% of the invoiced value in readily available funds to Allendale). NPI shall not be responsible for any refund payment to Allendale or for a default when the reason for the late order is not within the Control Of NPI (as defined in Schedule 4.1 hereof); including but not limited to situations where processing delays are attributable to material or process variability, where Allendale has not responded to a manufacturing variance investigation or where Allendale has not provided the final QA release in a timely manner. In the event there is a delay of longer than fifteen (15) business days after the specified delivery date in the Firm Purchase Order, such delay shall be deemed a default for which Allendale shall be entitled to terminate this Agreement with cause pursuant to Section 7.2(a) if NPI has not cured such default within a thirty (30) day cure period following the end of the initial fifteen (15) business day delay. Acceptance of such 2% refund shall not operate as a waiver of any claims Allendale may have relating to NPI' s failure to deliver the amount of Product it ordered.

(e) Ex-North America Production. Allendale' s forecasts required by Section 3.2 shall include Allendale' s forecasted volume for sales outside of North America.

3.3 Testing and Certificate of Analysis. NPI shall obtain representative samples from each batch of Product produced by NPI. NPI shall assay and analyze such samples in strict accordance with the Specifications and shall promptly prepare a certificate of analysis ("Certificate of Analysis") from NPI' s quality assurance department and shall provide such Certificate of Analysis to Allendale or its designated agent, with

each shipment of Product hereunder. Such Certificate of Analysis shall certify with respect to each shipment and lot (identified by batch/lot or control number): (i) the quantity of the shipment; and (ii) that the Product delivered was manufactured in accordance with the Specifications and the Master Batch Records, cGMPs and documented according to requirements of Laws, Rules and Regulations and production SOP' s. NPI shall not ship or cause to be shipped any Product hereunder which, as indicated by a sample assay or analysis, does not conform to such Product' s Specifications. Any Product that does not conform to the Specifications shall be disposed of in accordance with Applicable Laws.

3.4 Testing Upon Delivery. Promptly following receipt of the Products in any shipment, Allendale may check the compliance of such batch with the Specifications. Such compliance check shall be performed by Allendale' s Quality Assurance Department and shall be certified by the head of such department (or his/her designee). If Allendale deems that any Products delivered to Allendale hereunder fail to conform to written and approved Specifications upon delivery to Allendale, then Allendale shall notify NPI thereof in writing (such notice to include test results) within thirty (30) days from delivery of such Products to Allendale with respect to any non-conforming Products containing obvious defects discoverable without affecting the integrity of the packaging; provided, however, that, with respect to latent defects, Allendale will notify NPI of such nonconformity within thirty (30) working days from its discovery. Allendale shall retain the non-conforming Products and NPI shall have the right to inspect such Products. If NPI batch records show Products met the Specifications at time of delivery to the Carrier, and that the Product damage was due to shipping, handling or other events taking place after the transfer and unrelated to any negligence on the part of NPI or failure by NPI to comply with its obligations under this Agreement, then NPI shall not be liable for any damage.

(a) Remedy for Claims. If NPI agrees with Allendale' s claim or if a disputed claim is resolved in favor of Allendale, then, at Allendale' s discretion, (i) NPI shall replace any such Products with an equal quantity of Products complying with the

Specifications at no cost to Allendale and without undue delay subject to the provisions of Section 8.2 of this Agreement (force majeure) or (ii) Allendale may return the nonconforming Product to NPI for full credit, and NPI shall pay all delivery and shipping and insurance costs in either circumstance. Allendale shall dispose of any Products that are not in compliance with the Specifications at NPI' s cost, and in compliance with all Applicable Laws, except that Allendale shall follow any reasonable instructions from NPI to destroy or return such Products to NPI at NPI' s cost.

(b) Disputed Claims. If NPI disputes Allendale' s complaint, then NPI shall notify Allendale of such disagreement within thirty (30) days of receipt of notice of deficiency. If the Parties cannot resolve such disagreement within ten (10) business days of Allendale' s receipt of NPI notice of disagreement, then the matter shall be submitted (without undue delay) to an independent laboratory agreed by the Parties in order to resolve the discrepancy in the analysis of the Products in question. The assessment of such laboratory shall be binding upon the Parties and any related expense shall be borne by the party whose analysis was in error.

3.5 Violations. Each party shall notify the other of any violation of any Laws, Rules and Regulations applicable to the Products alleged by a third party promptly following receipt of notice of such allegation.

3.6 Taxes. Allendale agrees to pay all taxes assessed on Materials and Finished Product to which it has title.

Article 4 - Pricing and Payment Terms

4.1 Pricing. The Price (the "Price") for Products Manufactured hereunder is set forth on Schedule 4.1, and subject to the quantity pricing set forth therein. The Price shall be adjusted as follows:

(a) Material Prices. If NPI should purchase any Materials as contemplated by Section 2.3, NPI may notify Allendale of any changes in Material pricing and the Price shall be increased or decreased based upon such changes. Changes to Material pricing may include supplier price increases or decreases, and may include adjustments to yield and scrap losses (upwards or downwards) associated with the overall capability of the manufacturing process. Changes in Pricing will be effective with shipments one month after the price change notification date (February 1st) of each year of the Supply Term, or as stated in Schedule 4.1.

(b) Non-Material Costs. Components of NPI' s cost of the Products and the manufacture thereof, other than the cost of Materials, shall be hereinafter referred to as Non-Material Costs. Non-Material Costs included in the Product Price are reflected in Schedule 4.1 and shall be considered firm with respect to Product manufactured hereunder; provided, however, that NPI shall notify Allendale of Non-Material Cost changes thirty (30) days before the beginning of each calendar year and any Non-Material Cost change shall be negotiated between the Parties and, if agreed upon, shall become effective with shipments at the beginning of the applicable calendar year. During the Supply Term, NPI and Allendale will work together to make process improvements that result in quality, safety and cost improvements. In the event a process improvement results in a material increase in process rate that is sustainable, the Parties will negotiate in good faith to adjust the Product unit price accordingly. Notwithstanding anything contained herein to the contrary, in the event that capital improvements paid for, in whole or part, by Allendale results in a material increase in process rate, a price change shall be made within 30 days, or at some other date negotiated in good faith or otherwise agreed upon, following the determination that such increase in process rate is sustainable. The original basis for throughput and yield is included in Schedule 4.1.

(c) Volume Premium. If the Firm Forecast falls below XXXX[1] sponge units, a XXXX[1] per unit price premium will be applied to the Products produced in that quarter.

4.2 Payment Terms.

(a) Beginning in May 2007, Allendale will operate under an NPI credit limit of $ XXXX[1] with payment terms of Net Fifteen (15) days through November 2007. If Allendale invoices are paid within the Fifteen (15) day terms, then the $ XXXX[1] credit limit will be re-evaluated by NPI for an increase in the amount. Allendale will establish a $XXXX[1] letter of credit through November 2007. Should Allendale fail to make any undisputed payments, other than disputes pursuant to Section 3.4(b), in the first six months within the Net Fifteen (15) day terms, NPI may place all shipments on hold and stop production until the Allendale receivables are brought into current status. In such case, NPI may also change the credit terms and credit limit for future business as it deems necessary. An extended shutdown of production for two (2) weeks or more, where such shutdown is due to some fault of Allendale, will result in a new startup requiring additional startup expenses funded by Allendale. Where such a shutdown is the result of some fault of NPI, then NPI shall pay for such startup expenses. NPI shall provide an estimate of any startup expenses to Allendale in advance for Allendale' s approval. Upon reasonable notice, NPI will permit Allendale and its representative (including, without limitation, its independent auditors) to have access to NPI' s premises and pertinent books and records during normal business hours to verify the accuracy of the calculations to support NPI' s calculation of the start-up cost estimate (and components thereof) contemplated by this Agreement.

(b) Subject to the conditions in Section 4.2 (a), the price for all Product shipped in November 2007 and later shall be due and owing to NPI net thirty (30) days after shipment and shall be payable in currency of the United States in immediately-available

[1] Omitted and filed separately with the Securities and Exchange Commission under an application for confidential treatment.

funds. If Allendale requests that NPI delay shipment of released Product, NPI shall invoice Allendale at the time of Product release with the net thirty (30) day terms due from date the Product is released by NPI. Should Allendale fail to make any undisputed payments, other than disputes pursuant to Section 3.4(b), within such 30-day period, NPI may place all shipments on hold and stop production until the Allendale receivables are brought into current status. In such case, NPI may also change the credit terms and credit limit for future business as it deems necessary.

(c) Expired Materials. NPI shall attempt to use Materials utilizing stock rotation based on expiration dating, with Materials expiring earliest used first. Subject to prior written approval by Allendale, NPI will dispose of expired batches of product catalyst and unpouched sponges using appropriate waste methods in accordance with all Applicable Laws, and will invoice Allendale for the cost of this disposal. Allendale hereby agrees to make prompt payment for any invoices resulting from these efforts by NPI. Prior to any unprocessed raw materials being destroyed, Allendale shall have the opportunity to contact the supplier to see if the materials can be returned for full or partial credit. If so, the cost of preparing the materials for return, and the associated freight cost will be the responsibility of Allendale. Remnant or expired pouched or unpouched sponges, and Materials that are identified by NPI shall be dispositioned and removed from NPI facilities not later than sixty (60) days after the details of such remnant or expired sponges or Materials are provided by NPI to Allendale. The administrative, preparation, shipping, and disposal costs to complete this disposition will be borne by Allendale. Should Allendale not meet the timelines in Section 4.2 (c), then NPI may assess a $XXXX[1] per pallet monthly storage fee for Materials remaining in NPI facilities.

4.3 No Setoff. Except as expressly set forth herein (including Section 3.2 hereof), all payments to NPI by Allendale hereunder shall be made free and clear of, and without deduction for, any withholding, discount, offset or other deduction of any kind, except as expressly authorized in advance by NPI in writing.

[1] Omitted and filed separately with the Securities and Exchange Commission under an application for confidential treatment.

4.4 Capital. The Parties shall cooperate with each other to provide capital for equipment purchases to support the forecasted production volume. In general Allendale will provide the capital funds for equipment purchases, and own the installed equipment base. This does not preclude NPI from providing equipment for production. Should a Party provide capital that yields a cost reduction, such Party shall retain any savings resulting from such capital. Capital includes equipment, labor, engineering, installation costs, and concept design or implementation. If the Parties share in capital investment, then the savings shall be shared according to the share of capital provided by each Party.

(a) Allendale Capital Equipment. Capital investment for equipment owned by Allendale is shown in Schedule 4.4. If capital, new equipment, equipment modifications, or upgrades are needed, they will be quoted in writing to Allendale. NPI will not begin such effort until the quote is approved in writing by Allendale, a PO is issued, and terms are agreed to by both Parties. For future equipment purchases to be owned by Allendale and purchased by NPI, NPI shall invoice Allendale at time of purchase and Payment Terms shall be net thirty (30) days from time of invoice. The parties shall update Schedule 4.4 as additional equipment is purchased. Any assets paid for by Allendale and referred to as capital investment are the sole property of Allendale and upon termination of the Agreement shall be returned to Allendale upon its written request.

(b) Equipment Maintenance. NPI shall maintain all utilized equipment, including equipment owned by Allendale, in good repair in accordance with accepted industry standards and to ensure that the Products manufactured using such equipment are in compliance with the Act and cGMP requirements. NPI shall pay for common maintenance parts and supplies that are used in the NPI facility. Allendale shall pay for parts and supplies that are unique to the Manufacture of the Product. NPI shall invoice Allendale at the time of purchase of any unique parts and payment terms shall be net fifteen (15) days from time of invoice.

4.5 Pre-Production. Validation and other start-up costs will be paid by Allendale. NPI will provide a written estimate for such costs which must be approved in writing by Allendale. Costs will be billed monthly by NPI and reconciliation will be provided at the end of each month. Payment Terms shall be net fifteen (15) days from the time of invoice.

4.6 Product Scrap. In the event NPI realizes Product Scrap costs which are (i) caused by process capability issues inherent in the production formulation and/or design, and (ii) not within the control of NPI personnel, NPI will invoice Allendale for a) the cost of the Materials of the Product scrapped, for any materials purchased by NPI; b) environmental disposal fees; and c) a product handling fee of 15% for Materials acquired by NPI. In the event that any cGMP variance investigation indicates that any such cost exceeds the controlled costs and expenses of any such process or was controllable by NPI personnel in the ordinary course, but not due to the negligence of NPI or NPI personnel, that amount shall not be charged to Allendale.

Article 5 - Change Management

5.1 Required Manufacturing Changes. With respect to changes to the Specifications or manufacturing process which are required by applicable Laws, Rules and Regulations or by action (or inaction) of any legally-competent government or other regulatory body or authority, or by medical or scientific concerns as to the toxicity, safety, and/or efficacy of the products (collectively, "Required Manufacturing Changes"), the Parties shall cooperate in making such changes promptly. However, no manufacturing changes shall be made without the express written authorization of Allendale. The cost for Product or Allendale-specific Required Manufacturing Changes shall be borne by the Allendale. Facility and NPI Equipment-related Required Manufacturing Changes shall be borne by NPI. For Product or Allendale-specific Required Manufacturing changes, Allendale shall pay all the costs of all remaining obsolete stock of Products, all inventory of affected raw materials (at NPI actual

acquisition cost plus 15%), and all remaining obsolete work in process of products resulting from any such changes. In cooperating in making such changes, Allendale shall be responsible for communicating with regulatory agencies with respect to the Regulatory Approvals for the Products. Required Manufacturing Changes: (i) do not include changes to the labeling only (which are dealt with in Section 5.3 hereof), and (ii) do include changes resulting from or arising out of changes to or withdrawal of third party Materials. Allendale shall be responsible for the costs associated with any required change in sourcing of the active pharmaceutical ingredient, including any regulatory submission charges and process validation costs.

5.2 Discretionary Manufacturing Changes. With respect to changes to the Specifications or the manufacturing process for Supplied Products which are not Required Manufacturing Changes (collectively, "Discretionary Manufacturing Changes"), the Parties shall, to the extent commercially reasonable under the circumstances, cooperate in making such changes and the party initiating such change(s) shall bear all the costs associated with and resulting from any such changes. No manufacturing changes shall be made without the express written authorization of Allendale. If the proposed change is judged to require a prospective process validation or regulatory submission, then the costs to execute and resource such validation or submission shall be the responsibility of the initiating party. All regulatory submissions will be filed by Allendale.

5.3 Labeling Changes. With respect to changes to the Printed Matter, the Parties shall cooperate in making such changes promptly and Allendale shall, unless otherwise agreed, reimburse NPI for all remaining obsolete stock of Products, all inventory of Printed Matter (at NPI actual acquisition cost plus 15%) and all remaining obsolete work in process of Products resulting from any such change or amendment to the Printed Matter. Allendale may, at any time during the Supply Term, change or amend any item of the labeling by notice hereunder, such change or amendment to be effective after appropriate advance written notice hereof.

5.4 Changes to Specifications. Allendale may make changes to the Specifications from time-to-time, provided that all such changes, including Required Manufacturing Changes, are to be communicated to NPI in writing and acknowledged by NPI in writing. Changes to the Specifications shall only be made with the prior written authorization of Allendale. Such acknowledgement by NPI will include any cost impact to Allendale of a change to specifications. Prior to implementing the change Allendale must acknowledge payment of any additional cost to NPI.

5.5 Authorizations. During the Supply Term, NPI shall obtain and maintain in force all licenses and authorizations necessary for NPI to Manufacture Products. Except as may be required by Sections 5.1 or 5.2 hereof, NPI shall bear the full cost and expense of so obtaining and maintaining such licenses and authorizations. Allendale shall bear all costs associated with maintenance of the marketing authorizations for the Products. In the event Allendale Products require licenses in a new country or territory, Allendale shall pay the costs of new license requirements. NPI agrees to provide reasonable assistance to Allendale at Allendale' s request for Allendale to obtain or maintain marketing authorization for the Product.

Article 6 - Liabilities and Indemnification

6.1 Representations and Warranties.

(a) NPI. NPI hereby represents and warrants to Allendale that (i) it has the power and authority to enter into this Agreement and to perform its obligations hereunder; (ii) all work to be performed under this Agreement, including the Manufacture of all Products, shall be performed in a professional manner, in accordance with all applicable Laws, Rules and Regulations, including all health and safety ordinances; (iii) NPI has all permits and authorizations necessary to fulfill its obligations under this Agreement; (iv) NPI has not been debarred and is not subject to debarment pursuant to Section 306 of the Act and is not listed on either Excluded List, and (v) NPI will not knowingly use in any capacity, in connection with the services to be

performed under this Agreement, any Person who has been debarred pursuant to Section 306 of the Act, or who is the subject of a conviction described in such section, or listed on either Excluded List. NPI agrees to inform Allendale in writing immediately if it or if it becomes aware of any Person who is performing services hereunder is debarred or is the subject of a conviction described in Section 306 of the Act or is listed on either Excluded List, or if any action, suit, claim, investigation or legal or administrative proceeding is pending or, to the best of NPI' s knowledge, is threatened, relating to the debarment or conviction under Section 306 of the Act, or listing on either Excluded List, of NPI or any person performing services hereunder.

(b) Allendale. Allendale hereby represents and warrants to NPI that (i) it has the power and authority to enter into this Agreement and to perform its obligations hereunder; (ii) it is the owner of all proprietary information, or the holder of licenses thereto, necessary to allow NPI to Manufacture the Products, and no Products, when Manufactured in accordance with the Specifications, will infringe upon the rights of any third party; and (iii) it has all licenses, permits, and other authorizations necessary to fulfill its obligations under this Agreement.

6.2 Product Warranties; Other Warranties.

(a) NPI represents and warrants to Allendale that the Products shall, on the date of delivery to Allendale' s carrier: (i) meet the requirements therefore set forth in the Specifications; (ii) not be adulterated within the meaning of the Act; and (iii) comply in all respects with all Applicable Laws (whether domestic or foreign) and cGMP. NPI makes no warranties with respect to the Products other than those specifically set forth in this Agreement. No other warranty is expressed or implied by NPI including any warranty of merchantability or fitness for a particular purpose and none shall be implied. The extent of NPI liability shall not exceed ten million dollars ($10,000,000).

(b) Each Party hereby represents and warrants to the other Party as follows:

(1) Such Party (i) is duly formed and in good standing under the laws of the jurisdiction of its formation, (ii) has the organizational power and authority and the legal right to enter into this Agreement and perform its obligations hereunder, and (iii) has taken all necessary action on its part required to authorize the execution and delivery of this Agreement and the performance of its obligations hereunder. This Agreement has been duly executed and delivered on behalf of such Party, constitutes the legal, valid and binding obligation of such Party and is enforceable against it in accordance with its terms, except (x) as limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, and (y) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies.

(2) The execution and delivery of this Agreement and the performance of such Party' s obligations hereunder (i) do not and will not conflict with or violate any provision of the articles of incorporation, bylaws or limited partnership agreement of such Party and (ii) do not and will not conflict with, violate, or breach, or constitute a default or require any consent under, any contractual obligation or court or administrative order by which such Party is bound.

6.3 Allendale Insurance. Allendale shall provide NPI with evidence that it has in place the following policies with a reputable and responsible insurance carrier, which shall remain in full force and effect throughout the Supply Term; (i) general liability including product and completed operations coverage in a minimum amount of $1,000,000 insuring NPI against liability for injury to persons occurring in, upon, or adjacent to NPI' s facilities; and (ii) product liability coverage for Products Manufactured by NPI in the amount of not less than $10,000,000 insuring customer against product liability claims. Allendale shall provide evidence that NPI has been named as an additional insured under the policies described herein during the Supply Term.

6.4 NPI Insurance. NPI shall provide Allendale on a period basis (no less frequently than once per annum) as requested by Allendale with evidence that it has in place, with a reputable and responsible insurance carrier, which shall remain in full force and effect throughout the Supply Term, the following minimum insurance coverage: (a) product liability insurance with a minimum of $10,000,000 per occurrence (with Allendale named as an additional insured under such policy); (b) comprehensive general liability and property damage insurance in such amounts as are customary for pharmaceutical companies engaged in similar business; and (c) statutory worker' s compensation and occupational disease insurance in accordance with applicable state law requirements.

6.5 Allendale Indemnity. Allendale shall indemnify, defend and hold harmless NPI, NPI' s affiliates, and each of their respective officers, directors (past, present, and future) employees, representatives and agents (collectively, "Affiliates") from and against any and all claims, loss, damage, liability, payment, and obligation, and all expenses, including, without limitation, reasonable legal fees (collectively "Losses") incurred by any of them, whether such Losses are based in contract, strict liability, negligence, warranty, statutes or regulations, or any other legal theory, including, without limitation, injury to or death of persons and/or property or contamination of or adverse effect on humans, animals, aquatic life or the environment, based upon, arising out of, or otherwise in respect of: (i) any claim threatened or brought against NPI alleging that the Specifications for any Product, including the labeling for such Product, violate any applicable United States Federal, state, or local rule, regulation, law or ordinance, to the extent that such Specifications were provided to NPI by Allendale and the Products in question were manufactured in compliance with such Specifications; (ii) any inaccuracy in or breach of any representation, warranty, or covenant made by Allendale in this Agreement; (iii) the willful misconduct or any negligent or reckless acts or omissions of any of Allendale' s officers, directors, agents, affiliates, employees and/or representatives; (iv) any claim threatened or brought against NPI alleging that the Manufacture, in accordance with the design or Specifications of any Product, as provided to NPI by Allendale, infringes upon any

intellectual property interest of a third party; (v) any product warranty claim or product liability claim threatened or brought against NPI with respect to the Products, other than (x) as arising out of the negligence or willful misconduct of NPI or any of its employees or agents or (y) any material inaccuracy in or breach of NPI representation, warranty, or covenant in this Agreement; and (vi) any claim, including damage to any property, or injury to any person (including Allendale' s employees, representatives, agents, associates, or other persons invited by Allendale to inspect NPI' s facilities on behalf of Allendale), arising out of, or related to, the inspection of NPI' s facilities contemplated by Section 2.6 of this Agreement.

6.6 NPI Indemnity. NPI shall indemnify, defend and hold harmless Allendale and Allendale' s Affiliates from and against any and all Losses incurred by any of them, based upon, arising out of, or otherwise in respect of; (i) any material inaccuracy in or breach or default by NPI of any of its representations, warranties, duties or covenants contained in this Agreement or the Quality Agreement, including, without limitation, the failure to manufacture Products in accordance with Specifications, Applicable Law or cGMP, and (ii) any negligent or reckless act or omission, or willful misconduct of NPI or NPI' s officers, directors, agents, affiliates, employees and/or representatives.

6.7 Joint Negligence. If any Loss incurred by or rendered against either party is determined by an independent tribunal to be due to the negligence or willful misconduct of both NPI and Allendale, then the Parties shall share the costs attributable to such Loss (including but not limited to the cost of defense thereof) in accordance with the proportion of each party' s relative fault, as determined by the independent tribunal. Each party shall give the other notice of any Loss to which the preceding sentence applies and the Parties shall cooperate in the defense thereof.

6.8 Notice and Opportunity to Defend. No party against whom a claim of indemnity shall be made pursuant to Section 6.5 or 6.6 hereof (the "Indemnifying Party") shall be liable thereunder unless the party making such claim (the "Claiming

Party") shall notify the Indemnifying Party of such claim promptly upon becoming aware of the existence or threatened existence of any Loss giving rise to, or which may give rise to, a claim of indemnity under Section 6.5 or 6.6 hereof, but in no event later than ten (10) business days after the service (or discovery, if later) of the claim against the Claiming Party. Upon such notice becoming effective hereunder, the Indemnifying Party will handle and control the defense of such Loss. If both Parties claim indemnification hereunder for the same Loss or if the Indemnifying Party in good faith rejects the claim of indemnity, then the Party or Parties named as defendant in the subject litigation will handle and control the defense of such Loss pending final resolution of the Parties' respective claims for or with respect to indemnity hereunder. At the time of such resolution, defense costs incurred pursuant to the preceding sentence shall be apportioned between the Parties in the same manner as the Parties share ultimate liability for the underlying Loss pursuant to Sections 6.5 and 6.6 hereof. In all cases, the party not handling and controlling such defense shall cooperate in such defense and may, at its own expense, participate in such defense through counsel of its choice. the party handling and controlling such defense shall not settle or otherwise voluntarily dispose of or agree to dispose of such matter without prior approval of the other party.

6.9 Limitation. Except in the event of and to the extent of claims made by for Losses (i) awarded to a third party in connection with the indemnification provisions set forth in Sections 6.5 and 6.6 above, or (ii) resulting from the willful or intentional misconduct of a Party, neither Allendale nor NPI will be liable to the other for special, indirect, incidental or consequential damages, whether in contract, warranty, negligence, tort, strict liability or otherwise.

Article 7 - Term and Termination

7.1 Term. Subject to the provisions of Section 7.2 hereof, the initial term of this Agreement shall commence on the date of this Agreement and shall remain in full force and effect, unless otherwise terminated earlier, until April 30, 2010. The

term of this Agreement shall be automatically extended for an additional twenty four (24) month term unless one party notifies the other party at least eighteen (18) months before the expiration of the Supply Term that it does not intend to extend the Agreement beyond the sixty (60) month initial term or in accordance with Section 7.2. The Product Price for the twenty-four (24) month extension shall be negotiated between the Parties.

7.2 Termination. This Agreement shall terminate upon the expiration of the Supply Term. Prior to the expiration of the Supply Term (as such Supply Term may be extended in accordance with Section 7.1), this Agreement may be terminated only in accordance with the terms and conditions of this Section 7.2.

(a) Default. If a party breaches a material provision of this Agreement, the non-breaching party may terminate this Agreement if both of the following occur: (i) the non-breaching party provides to the breaching party a written notice specifying the nature of the breach; and (ii) the breaching party fails to remedy such breach within either (A) ninety (90) days following receipt of the written notice from the non-breaching party or (B) the time period specified in a written consent, if any, issued by the non-breaching party pursuant to this Section 7.2(a). Upon written request by the breaching party, the non-breaching party may, in its sole discretion, provide the breaching party with a written consent to extend the remedy period beyond the initial ninety (90) day period specified in this Section 7.2(a). If such written consent is granted by the non-breaching party, the breaching party may avoid the termination of this Agreement by remedying the breach within either: (i) the time period specified in the written consent; or (ii) if no such time period is specified in the written consent, within a reasonable amount of time as reasonable diligence will permit.

(b) Termination without Cause.

(1) Allendale or NPI may at any time, terminate this agreement, by giving written notice to the other party at least eighteen (18) months prior to the effective date of such termination. In the event that Allendale does not have a

secondary supplier of Product, and Allendale is unable to have a new supplier manufacturing Product in eighteen (18) months, and Allendale has worked diligently to identify a secondary supplier and get such secondary supplier qualified, Allendale may request an additional six (6) months of manufacturing from NPI. Such additional six (6) months of manufacturing by NPI shall not be unreasonably denied. In no case shall the total length of time that NPI makes product exceed twenty four (24) months from the date of notification from NPI as to termination without cause.

(2) Allendale may terminate this Agreement immediately (x) upon notice to NPI in the event that any Governmental Authority causes the withdrawal of the Product from the market in the United States Territory or (y) in the event that Allendale withdraws the Product from the market in the United States Territory other than by reason of an action of a Governmental Authority specified in Section 7.2(b)(2)(x). In the event that Allendale terminates this Agreement pursuant to this Section 7.2(b)(2), Allendale shall pay to NPI, as NPI' s sole remedy for such early termination, an amount equal to the Take or Pay applicable to the immediately following three calendar months plus sixty (60%) of the Take or Pay applicable to the subsequent six calendar months.

(c) Termination with Cause. Either party may terminate this Agreement at any time effective upon delivery of written notice of such termination upon the occurrence of any of the following: (i) improper assignment of this Agreement by the non-terminating party; (ii) an assignment for the benefit of creditors by the non-terminating party; or (iii) commencement of voluntary or involuntary liquidation proceedings by or on behalf of the non-terminating party. NPI may terminate this Agreement following written notice to Allendale if Allendale has not issued any Firm Purchase Orders for Product for six (6) consecutive months.

(d) Equipment Removal. Upon the date of termination of the Agreement, Allendale shall commence to promptly remove Allendale owned equipment from the NPI facility. If Allendale equipment is not removed from the NPI facility after ninety (90) days from the date of Agreement termination, Allendale shall notify NPI in writing that it will pay NPI in advance $50,000 per month to rent the facility in which the equipment is installed.

(e) Low Equipment Utilization. In the event Allendale production volume (i) is forecasted to be below XXXX[1] sponge units per quarter for two consecutive quarters, or (ii) actual production is below XXXX[1] sponge units per quarter for two consecutive quarters where such low production volume is not the fault of NPI in any part, NPI may decommission and remove excess molding, pouching, scrim making and other production equipment to free up production space, so long as the remaining equipment is capable of meeting the production forecast. Costs for decommissioning, removing, and storing excess molding, pouching, scrim making, and other production equipment will be borne by Allendale.

7.3 Effects of Termination

(a) Raw Materials. If NPI has quantities of raw materials or packaging materials in excess of Allendale requirements after expiration or termination of this Agreement, or if NPI is required to order quantities of such raw materials or packaging materials in excess of Allendale requirements after termination of this Agreement, Allendale shall, upon such termination, purchase all finished product manufactured in reliance on an outstanding Purchase Order at the agreed prices and such Materials shall be shipped to Allendale. Unless the Agreement is terminated without cause by NPI or for cause by Allendale, Allendale shall pay for NPI' s out of pocket cost for shipping such Materials plus 15% F.O.B. producing plant.

(b) Survival of Obligations. Termination or expiration of this Agreement shall not affect the Parties' obligations with respect to Sections 6.5, 6.6, and 9.1 of this Agreement.

[1] Omitted and filed separately with the Securities and Exchange Commission under an application for confidential treatment.

ARTICLE 8 - INTELLECTUAL PROPERTY

8.1 Grant of License. Allendale hereby grants to NPI, effective upon the date hereof, a non-exclusive, worldwide, revocable, fully paid-up, limited license to use the Intellectual Property Rights solely for the development, validation, testing, manufacture, and packaging, and sale of the Product to Allendale pursuant to this Agreement, including use in connection with any filings with or disclosures to the FDA or any other Governmental Authority required of NPI for the development, validation, testing, manufacture, and packaging, and sale of the Product to Allendale pursuant to this Agreement. NPI acknowledges and agrees that the license granted in this Section 8.1 is for the sole purpose of enabling NPI to use the Intellectual Property Rights to validate, test, manufacture, package, and sell the Product to Allendale pursuant to this Agreement. NPI acknowledges and agrees that Allendale reserves and retains whatever right, title and interest Allendale has in and to the Intellectual Property Rights, subject to the license granted herein. ALLENDALE MAKES NO REPRESENTATION AS TO, AND DOES NOT WARRANT, THE ACCURACY OR COMPLETENESS OF ANY KNOW-HOW INCLUDED IN THE INTELLECTUAL PROPERTY RIGHTS, NOR DOES ALLENDALE WARRANT THAT THE USE OF SUCH INTELLECTUAL PROPERTY RIGHTS, OR ANY PRODUCTS MANUFACTURED OR PACKAGED IN ACCORDANCE WITH OR UTILIZING SUCH TECHNOLOGY, WILL BE FREE FROM CLAIMS OF INFRINGEMENT OF THE INTELLECTUAL PROPERTY RIGHTS OF ANY THIRD PARTY.

8.2 Ownership.

(a) Allendale shall own all right, title and interest in and to (i) the Specifications and the Manufacturing Process and (ii) any and all Inventions and other intellectual property (including, without limitation, any Intellectual Property Rights) created, developed or acquired as a result of or in connection with this Agreement, including NPI' s Manufacturing of the Product hereunder (the "Project Information and Inventions"). Supplier shall, and shall cause its affiliates to, promptly disclose in writing to Allendale the development, making, conception or reduction to practice of any Project

Information and Inventions and shall and does hereby, and shall cause its affiliates to, assign to Allendale any and all right, title or interest NPI or its affiliates may have in or to the Project Information and Inventions. NPI hereby appoints, and shall cause its affiliates to appoint, Allendale as their attorney-in-fact for the purpose of executing such documents in their respective names as may be necessary or desirable to carry out the purposes of this subsection.

(b) Third Person Litigation. In the event that during the Term any Person institutes against NPI, its affiliates, or any of its direct or indirect owners, any action that alleges that the Manufacture of Product hereunder in accordance with the terms hereof infringes the intellectual property rights held by such Person, then, as between NPI and Allendale, Allendale, at its sole expense, shall have the sole obligation to contest, and assume direction and control of the defense of, such action, including the right to settle such action on terms determined by Allendale. NPI, at Allendale' s expense, shall use all reasonable efforts to assist and cooperate with Allendale as reasonably requested by Allendale in such action. If, as a result of any such action, a judgment is entered by a court of competent jurisdiction from which no appeal can be taken or from which no appeal is taken within the time permitted for appeal, or a settlement is entered into by Allendale, such that NPI cannot, without a license from such Person, Manufacture Product without infringing the intellectual property rights held by such Person, then Allendale shall have the right to terminate this Agreement immediately by delivering written notice to NPI.

Article 9 - General Provisions

9.1 Confidentiality. During the Supply Term, and for a period of five (5) years thereafter, the Parties and all of their respective employees, agents, representatives, and advisors, shall maintain, in confidence, all of the other Party' s Confidential Information and shall not disclose Confidential Information to any third party or use Confidential Information in any way or for the benefit of any person, other than as expressly permitted in this Agreement. For the purposes of this covenant, the Parties shall have no obligation with respect to any information which has been either published

or is otherwise in the public domain; is lawfully acquired from a third party under no obligation of confidentiality to the owner of the Confidential Information; or is derived from information that is not otherwise confidential. If either party is required by law to disclose the other' s Confidential Information, the disclosing party will promptly notify the owner of the Confidential Information of the requirement and will cooperate in all reasonable respects with the owner of the Confidential Information to limit the amount of information to be disclosed.

9.2 Force Majeure.

(a) NPI shall not be subject to any liability for delay in performance or non-performance hereunder as a result of contingencies and circumstances beyond its control (including, but not limited to, fire, flood, or other natural catastrophes, strike, labor trouble, accident, riot, war, act of governmental authority (which is not intended to include an enforcement action against NPI pertaining to its operations or practices), or act of God) interfering with the Production, supply, transportation or receipt of Product or with the supply of any raw materials used in the Manufacture thereof. Quantities so affected may be eliminated from this Agreement without liability, but the Agreement shall otherwise remain unaffected.

(b) Except where the nature of the event shall prevent it from doing so, if NPI suffers such force majeure, it shall promptly notify Allendale in writing after the occurrence of such force majeure and shall, in every instance, to the extent reasonable and lawful under the circumstances, use its best efforts to remove or remedy such cause with all reasonable dispatch.

(c) When the force majeure conditions in question cases to exist, NPI shall promptly notify Allendale in written form about the force majeure termination.

(d) Should a circumstance of force majeure prevent performance of this Agreement by NPI for a continuous three (3) month period, Allendale may terminate this Agreement upon thirty (30) days written notice given to NPI during the continuance of such force majeure in excess of three (3) months.

9.3 Entire Agreement. This Agreement and all exhibits and attachments hereto, constitutes the full understanding of the Parties, a complete allocation of risk between them, and a complete and exclusive statement of the terms and conditions of their Agreement relating to the Manufacture of Product for the United States hereunder and supersedes and replaces any and all prior or contemporaneous agreements, arrangements, understandings, and negotiations, whether written or oral, that may exist between the Parties with respect to the subject matter hereof. Except as provided otherwise in this Agreement, no conditions, usage of trade, course of dealing or performance, understanding or agreement purporting to modify, vary, explain or supplement the terms or conditions of this Agreement shall be binding on the Parties unless described as a modification or amendment of this Agreement made in writing and signed by the Parties to be bound. No modification hereof shall be effected by the acknowledgement or acceptance of any purchase order or shipping instruction forms containing terms and conditions at variance with or in addition to those set forth in this Agreement.

9.4 Headings. Section and article headings as to the contents of particular sections and articles are for convenience only and are in no way to be construed as part of this Agreement or as a limitation of the scope of the particular sections or articles to which they refer.

9.5 Relations Between the Parties. NPI shall act as independent contractor of Allendale in performing its obligations hereunder and shall furnish all labor, supervision, machinery and equipment necessary for performance hereunder and shall obtain and maintain all building and other permits and licenses required by public authorities in connection therewith.

9.6 Assignment. Neither this Agreement nor any claim arising directly or indirectly out of or in connection with the performance of either party hereunder shall be assignable by either Party hereto without the prior written consent of the other Party, which shall not be unreasonably withheld. The foregoing shall not include merger or acquisition of either Party, but in any event, notification must be provided in writing within thirty (30) days of any such merger or acquisition. No such assignment or transfer shall relieve or release the assignor or transferor from any of its liabilities or obligations under this Agreement.

9.7 Notice. All communications under this Agreement shall be in writing and shall be either faxed, sent by courier (Federal Express or equivalent), or mailed by first-class mail, postage pre-paid, to the fax number and/or address specified below. If faxed, such communication shall be deemed to be given when sent; provided, however, that such fax shall be confirmed by sending a hard copy by courier or first-class mail (by methods specified herein) within one (1) working day of the sending of such fax. If sent by courier or mailed by first-class mail as specified below, such communication shall be deemed to be given either two (2) business days after sending (for communication sent by courier) or five (5) business days after mailing (for communication sent by mail). Either party may change its address for notice purposes by complying with the provisions of this Section 9.7. All communications hereunder shall be sent:

(a) if to NPI, at its address shown below or such other address as it may give to Allendale by notice hereunder:

President

Norwich Pharmaceuticals, Inc.

6826 State Highway 12

Norwich, NY 13815

Fax: (607) 335.3100

(b) if to Allendale, at its address shown below or such other address as it may give to NPI by notice hereunder:

President

Allendale Pharmaceuticals, Inc.

1400 N. Providence Road

Building 2, Suite 6010

Media, PA 19063

Fax: (610) 565-7081

With a copy to: Blank Rome, LLP

One Logan Square

Philadelphia, PA 19103

Attn: Alan Zeiger, Esq.

Fax: (215) 832-5754

9.8 Severability. If any provision of this Agreement is found or declared to be invalid or unenforceable by any court or other competent authority having jurisdiction, such finding or declaration will not invalidate any other provision hereof and this Agreement shall thereafter continue in full force and effect, except that such invalid or unenforceable provision, and (if necessary) other provisions thereof, shall be reformed by a court of competent jurisdiction so as to effect, insofar as is practicable, the intention of the Parties as set forth in this Agreement, provided that if such court is unable or unwilling to effect such reformation, the invalid or unenforceable provisions shall be deemed deleted to the same extent as if it had never existed.

9.9 Governing Law; Venue. The provisions of this Agreement shall be governed by the laws of the State of New York, USA, without regard to the rules on conflict of laws thereof. Any action, suit, or other proceeding initiated by either Party hereto under or in connection with this Agreement, may be brought in any Federal or state court in the State of New York having jurisdiction over the subject matter thereof as the party bringing such action, suit, or proceeding shall elect. The Parties hereby

submit themselves to the jurisdiction of any such court and agree that service of process on them in any such action, suit, or proceeding may be affected by the means by which notices are to be given to it under this Agreement.

9.10 Remedies. No right or remedy herein conferred upon the Parties is intended to be exclusive of any other right or remedy, and each and every right or remedy shall be cumulative and in addition to any other right or remedy given hereunder or now or hereafter existing at law or in equity or by statute.

9.11 Attachments. The attachments to this Agreement are hereby incorporated in and made a part of this Agreement. The Parties may, by mutual consent, amend any attachment hereto at any time during the term hereof by executing a version of such attachments dated after the then current version.

9.12 Waiver; Amendment. Any waiver by either party hereto of a breach or a default of any provision of this Agreement by any other party hereto, shall not be construed as a waiver of any succeeding breach of the same or any other provision, nor shall any delay or omission on the part of any party hereto to exercise or avail itself of any right, power, or privilege that it has or may have hereunder, operate as a waiver of any such right, power, or privilege by such party. Any amendment or supplementation of this Agreement shall be effective only if in writing, signed by both of the Parties hereto.

9.13 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute one and same instrument. The Parties have agreed that for this purpose, facsimile signatures will be accepted as originals.

[Signature page follows]

IN WITNESS HEREOF, the Parties have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

ALLENDALE PHARMACEUTICALS, INC.

By: /s/ David J. Harrison

Name: David J. Harrison

Title: President

Date: August 28, 2007

NORWICH PHARMACEUTICALS, INC.

By: /s/ Christopher R. Calhoun

Name: Christopher R. Calhoun

Title: President

Date: August 29, 2007

Schedule 1.13

Products

US FDA Allendale approved bulk pouched Today Sponge for US and Export

Schedule 1.6

Specifications

Allendale has provided approved product specifications, raw material specifications, and testing methods and protocols prior to the commencement of commercial production.

Schedule 2.1 (d)

Stability Costs

$XXXX[1] per pull for annual stability studies, or any study where only one or two lots are being tested.

$XXXX[1] per pull if additional registration stability is needed based on a minimum study of three (3) batches.

Additional costs for tests that NPI cannot perform will be billed directly to Allendale.

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1 Omitted and filed separately with the Securities and Exchange Commission under an application for confidential treatment.

Schedule 2.3

Materials

Allendale shall provide all Materials.

Raw Materials:

Nonoxynol-9, USP Special	Spec. # Alphar-934-003	M/N# ALP71010
Citric Acid Anhydrous (USP)	Spec. # Alphar-934-005	M/N# ALP71020
Sorbic Acid (NF)	Spec. # Alphar-934-006	M/N# ALP71030
Benzoic Acid (USP)	Spec. # Alphar-934-007	M/N# ALP71040
Sodium Metabisulfite (NF)	Spec. # Alphar-934-008	M/N# ALP71050
Sodium Hydroxide (NF)	Spec. # Alphar-934-004	M/N# ALP71060
Anchoring Scrim	Spec. # Alphar-934-012	M/N# ALP61050
Removal Tape	Spec. # Alphar-934-010	M/N# ALP61010
Catalyst	Spec. # Alphar 934-002	M/N# ALP73002
Pre-pol HDW2002	Spec. # Alphar 934-009A	M/N# ALP00605
Removal Tape	Spec. # Alphar 934-010	M/N# ALP61010
Anchoring Scrim	Spec. # Alphar 934-012	M/N# ALP61050
Spools	Spec. #	M/N# ALP61200

Black Pigment Ribbon	Spec. # Alphar 934-003	M/N# ALP17218
Top Web US	Spec. # Alphar 934-013	M/N# ALP62000
Top Web CA	Spec. # Alphar 934-013	M/N# ALP61200
Molds Top / Bottom	Spec. # ALP99006	M/N# ALP99005

Packing Materials: None

Schedule 3.2

Order Quantities for Current Catalyst batch of XXXX[1] gallons yielding approximately XXXX[1] sponges

	Lots	Total Sponges
Today Sponge Bulk	XXXX[1] Lots	Approx XXXX[1]

Quantities of Product greater than the above minimum order quantities must be ordered in full lot multiples.

Order Quantities for Proposed Catalyst batch of XXXX[1] gallons yielding approximately XXXX[1] sponges

	Lots	Total Sponges
Today Sponge Bulk	XXXX[1] Lots	Approx XXXX[1]

Quantities of Product greater than the above minimum order quantities must be ordered in full lot multiples.

[1] Omitted and filed separately with the Securities and Exchange Commission under an application for confidential treatment.

Schedule 4.1

Pricing

All pricing is based on bulk, pouched Sponges. There is no secondary packaging included.

1. Sponge pricing for the first three commercial batches will be priced at $XXXX[1] each.

2. A Take or Pay concept to be in place for 2007, with Allendale having the option of a Take or Pay in 2008 and 2009, with details as follows, all of which is contingent upon meeting all performance criteria and pricing as set forth in Table A of this Schedule 4.1:

    a. Subject to the terms and conditions set forth herein, Allendale agrees to pay for a minimum of XXXX[1] sponges from NPI in 2007 (the "Annual Minimum Requirement"). Except for the first three commercial batches outlined in Section 1 above, the price of the first XXXX[1] sponges shall be $XXXX[1] per sponge. Subject to any changes in price based on the performance criteria set forth in Table A, and so long as either (i) NPI ships to Allendale at least the Annual Minimum Requirement of sponges in 2007, or, (ii) any failure by NPI to ship the Annual Minimum Requirement is for reasons that are not within the Control of NPI (as defined in paragraph e below), Allendale agrees to pay NPI a minimum of $3,850,000 for conforming sponges in 2007 (the "Annual Take or Pay Amount").

    b. If Allendale pays the $3,850,000 Take or Pay in 2007 based on a price per sponge of $XXXX[1], but the actual price per sponge is less than $XXXX[1] based on the performance criteria set forth in Table A, NPI shall calculate the difference in the estimated Take or Pay and the actual amount based on the number of sponges purchased at some price below $XXXX[1] and apply the difference as a credit toward future amounts owed hereunder by Allendale.

    c. In 2007, assuming that the process is performing consistently above XXXX[1]% yield, effective line rate is at least XXXX[1] sponges a minute, and the catalyst batch is scaled up to at least XXXX[1] gallons, using two (2) XXXX[1] gallon tanks which both parties agree to meet by October 15, 2007 for machines 1,2,3 and 4 (or such other dates as agreed mutually in writing by the parties), and assuming that at least XXXX[1] sponges have

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1 Omitted and filed separately with the Securities and Exchange Commission under an application for confidential treatment.

been shipped to Allendale, with confirmed order quantities at or above XXXX[1] million sponges, NPI will recommend improved pricing for sponges between XXXX[1] and XXXX[1], as well as updated pricing for sponges shipped above XXXX[1]. Further, the parties agree that Allendale will purchase an additional two (2) XXXX[1] gallon tanks to arrive at NPI not later than December 31, 2007. The price for sponges in the range of XXXX[1] to XXXX[1] is not less than XXXX[1]/sponge but not more than XXXX[1]/sponge as set forth in Table A. The price for sponges above XXXX[1] (if there is time available within 2007 for such production) will be no more than XXXX[1], but no less than XXXX[1] a sponge all of which is subject to performance criteria and pricing set forth in Table A.

d. Operating results must be based on a repeatable, consistent process with at least 2 consecutive batches exhibiting such results on each machine.

e. Assuming NPI produces XXXX[1] sponges before the end of 2007, Allendale agrees to accept delivery of up to an additional XXXX[1] conforming sponges in 2007 if NPI is able to ship them.

f. If NPI does not ship at least XXXX[1] conforming sponges in 2007 due to causes not in the Control Of NPI, then NPI is to be paid the full Annual Take or Pay Amount of $3,850,000, subject to price fluctuations based on the performance criteria in Table A. Causes that are ***not*** within the "Control Of NPI" are those issues that NPI is not capable or does not have the authority to resolve using commercially reasonable efforts, including, but not limited to: (i) process capability issues inherent in the production process, formulation and/or design, (ii) lack of raw materials, due to supply shortages, late ordering, or late delivery in each case not due to any fault of NPI, or quality issues inherent in the production process, such that production is interrupted, (iii) delays in testing from outside laboratories that are managed by Allendale, or (iv) factors not caused by the negligence, recklessness, willful misconduct of NPI personnel or a breach of this Agreement by NPI. If NPI does not ship at least XXXX[1] conforming sponges due to causes that are within the Control Of NPI, including where the Agreement is terminated either for cause by Allendale or without cause by NPI, then NPI will credit Allendale from $XXXX[1] to $XXXX[1] per sponge (as applicable) for the shortfall.

g. The following are the Approximate Monthly Requirements of sponges to be shipped by NPI in the specified months of 2007 which corresponds to the Take or Pay Amount for each applicable month as more fully set forth in Table A of this Schedule 4.1:

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[1] Omitted and filed separately with the Securities and Exchange Commission under an application for confidential treatment.

Month	Approximate Monthly Requirements
May	XXXX[1] sponges
June	XXXX[1] sponges
July	XXXX[1] sponges
August	XXXX[1] sponges
September	XXXX[1] sponges
October	XXXX[1] sponges
November	XXXX[1] sponges
December	XXXX[1] sponges

Notwithstanding the Approximate Monthly Requirement, the Take or Pay amounts for 2007 shall be as set forth below and detailed in Table A:

Month	Monthly Take or Pay Amount (in dollars)
May	150,000
June	250,000
July	425,000
August	400,000
September	525,000
October	700,000
November	700,000

December

700,000

The "Purchased Product Invoice Amount" is the total number of conforming sponges actually shipped to Allendale in a given month multiplied by the applicable price per sponge.

In any month during which NPI ships more than the Approximate Monthly Requirement of sponges to Allendale, the amount by which the Purchased Product Invoice Amount exceeds the Monthly Take or Pay Amount shall be the "Excess Amount."

In any month during which NPI ships less than the Monthly Requirement of sponges to Allendale, the amount by which Purchased Product Invoice Amount is less than the monthly Take or Pay Amount shall be the "Shortfall Amount."

The "Carry Forward Balance" is a cumulative number that is increased each month by any Shortfall Amount and decreased each month by any Excess Amount.

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NPI shall provide monthly invoices to Allendale based on product shipped; such cumulative monthly invoices shall be equal to:

(i) If the Sum of Purchased Product Invoice Amounts for such month is greater than the Take or Pay Amount due that month, such Excess Amount shall be compared to the Carry Forward Balance from the preceding month. If the Carry Forward Balance is Positive and the Excess Amount is greater than the Carry Forward Balance, the difference between the two will be invoiced and the Excess Amount will be subtracted from the Carry Forward Balance. If the Carry Forward Balance is Negative, the Excess Amount will be invoiced and subtracted from the Carry Forward Balance. If the Carry Forward Balance is Positive and the Excess Amount is less than the Carry Forward Balance, the Excess Amount will be subtracted from the Carry Forward Balance and no additional billings will be made.

(ii) If the Sum of Purchased Product Invoice Amounts for such month is less than the Take or Pay Amount due that month, such Shortfall Amount shall be compared to the Carry Forward Balance from the preceding month. If the Carry Forward Balance is Positive, the Shortfall Amount will be billed as a True Up amount vs. the Take or Pay Agreement and added to the Carry Forward Balance. If the Carry Forward Balance is Negative and the Shortfall Amount is less than the Carry Forward Balance, no invoicing will be done and the Carry Forward Balance will be reduced by the Shortfall Amount. If the Carry Forward Balance is Negative and the Shortfall Amount is greater than the Carry Forward Balance, the difference will be invoiced and the Shortfall Amount subtracted from the (negative) Carry Forward Balance, making it Positive.

An example of the calculation of the actual monthly invoice amounts for each of the applicable months of 2007 is attached hereto as Table A.

If NPI breaches the Agreement and such breach results in the Monthly Take or Pay falling below the Purchased Product Invoice Amount, Allendale will be invoiced the Purchased Product Invoice Amount for those conforming sponges actually shipped to Allendale, and the Take or Pay shall not apply, until the breach is cured by NPI.

Should NPI ship sponges with applicable per sponge costs in excess of 2007 Cumulative Take or Pay Amount, such sponges will be billed at the per sponge rate in excess of the Take or Pay Amount as set forth in Table A.

h. Subject to the performance criteria and pricing in Table A, in 2008, and for the above proposal to be in effect, Allendale commits to a XXXX[1] sponge take or pay agreement at XXXX[1] per sponge. On or before October 1, 2007, Allendale must provide their final take or pay commitment for 2008, and it must be at least XXXX[1] sponges. For every XXXX[1] sponges above the XXXX[1] sponge take or pay already agreed, the take or pay price will be lowered in accordance with Table A. For these prices to be valid, the assumptions are that the process is performing consistently at no less than XXXX[1]% yield, the effective line rate is at least XXXX[1] sponges a minute, and the catalyst batch is XXXX[1] gallons or greater. NPI is willing to provide step changes of improved pricing within the take or pay volume. If at least XXXX[1] sponges have been shipped to Allendale, with confirmed orders continuing at or above XXXX[1] sponges, NPI will provide improved pricing for sponges between XXXX[1] and XXXX[1], as well as pricing for sponges shipped above XXXX[1]. The price for sponges between XXXX[1] and XXXX[1] shall be not less than XXXX[1]/sponge and not more than XXXX[1]/sponge subject to performance criteria and pricing in Table A. The price for sponges above XXXX[1] (if there is time available within 2008 for such production) will be no more than XXXX[1], but no less than XXXX[1] subject to performance criteria and pricing as detailed in Table A. Once the take or pay volume requirement is provided by Allendale, and if it is less than XXXX[1] sponges, NPI will inform Allendale of its tiered pricing at volume levels by October 15, 2007 in accordance with Table A.

i. Regardless of whether the take or pay volume is at or above XXXX[1] sponges for 2008, NPI will be ending 2007 with full production staffing, for approximately a XXXX[1] sponges a year run rate. Since a lower take or pay volume would lead to a lower on-going production rate, to allow an orderly transition of NPI personnel to other business in 2008, the minimum requirement for the first quarter of 2008 will be XXXX[1] sponges, reduced by such number of sponges that NPI fails to ship or Allendale fails to pay for where such failure was in the Control of NPI.

j. If Allendale does not wish to accept the 2008 Take or Pay proposal, prices for 2008 will be negotiated between the Parties.

k. If projected volume requirements from Allendale are greater than XXXX[1] sponges in 2009, if yields are agreed to be greater than XXXX[1]%, and effective line rates are agreed to be greater than XXXX[1]/min, NPI will be expected to provide take or pay pricing of XXXX[1] or less for this production. If NPI is unable to provide this pricing, then Allendale has the right, but not the obligation, to give NPI 12 month' s notice of its intent to

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move production on all molding machines to another provider. During any transitional phase, Allendale will provide NPI with its volume needs, and NPI will provide pricing that uses the pricing algorithms from 2007 and 2008 as set forth in Table A.

l. NPI is committed to working together with Allendale to achieve unit cost improvement for the Today Sponge. The three primary levers that affect unit cost from NPI are Total Volume, Product Yield per Batch, and Effective Line Rate. Within one month of the signing of this amended agreement, NPI will form a Value Improvement Team (VIT) to be led by Carolyn Gherardi and consisting of Operations, Finance, and Customer Service Leadership from each company. This team will meet quarterly, and will review results for these three parameters, comparing actual results to expectations that were assumed in our mutually agreed pricing.

m. Another priority for the VIT will be to develop plans and assess opportunities for equipment and formulation changes that would create a step change in product output per machine. Based on the source of funding for such equipment or formulation studies, the team will analyze the ROI of such projects, using price improvement data provided by NPI.

n. Prices for 2010 and after will be negotiated between the Parties.

Table A

8/24/
2007

	May	June	July	August	September	October	November	December	Total
Invoicing Scenarios: Mixed results, under and over shipments									
Purchase Price Invoice Amount	$XXXX[1]	$XXXX[1]	$XXXX[1]	$XXXX[1]	$XXXX [1]	$XXXX[1]	$XXXX [1]	$XXXX [1]	$XXXX [1]
Monthly Take or Pay	$XXXX[1]	$XXXX[1]	$XXXX[1]	$XXXX[1]	$XXXX [1]	$XXXX[1]	$XXXX [1]	$XXXX [1]	$3,850,000
Amount to be Invoiced	$XXXX[1]	$XXXX[1]	$XXXX[1]	$XXXX[1]	$XXXX [1]	$XXXX[1]	$XXXX [1]	$XXXX [1]	$XXXX [1]
Cumulative Purchase Price Invoice Amount	$XXXX[1]	$XXXX[1]	$XXXX[1]	$XXXX[1]	$XXXX [1]	$XXXX[1]	$XXXX [1]	$XXXX [1]	
Cumulative Invoices	$XXXX[1]	$XXXX[1]	$XXXX[1]	$XXXX[1]	$XXXX [1]	$XXXX[1]	$XXXX [1]	$XXXX [1]	
Cumulative Take or Pay	$XXXX[1]	$XXXX[1]	$XXXX[1]	$XXXX[1]	$XXXX [1]	$XXXX[1]	$XXXX [1]	$XXXX [1]	
Carry Forward Balance	$XXXX[1]	$XXXX[1]	$XXXX[1]	$XXXX[1]	$XXXX [1]	$XXXX[1]	$XXXX [1]	$XXXX [1]	

Notes:

Carry Forward Balance - Positive means NPI billing against Take or Pay, Negative means NPI billed for production above take or pay

Cumulative Invoices should never be less than Cumulative Take or Pay

Cumulative Invoices will equal Cumulative Purchase Price Invoice Amount only if shipments exceed Take or Pay

[1] Omitted and filed separately with the Securities and Exchange Commission under an application for confidential treatment.

Table A

Sponge Pricing - Take or Pay Summary - 2007 and 2008

8/24/07

	# Sponges shipped	Sponges per minute	4 machines, XXXX[1] gal batch size	Efficiency	Price
Base Pricing Established - price per sponge up to that volume, commit to volume of XXXX[1] sponges					
2007 Take or Pay	XXXX[1]-XXXX[1]	XXXX[1]		XXXX[1]%	$XXXX[1]
Pricing with Improvements - price takes affect with proven improvements, when > XXXX[1] sponges					
2007 Take or Pay	XXXX[1]-XXXX[1]	XXXX[1]		XXXX[1]%	$XXXX[1]
2007 Take or Pay	XXXX[1]-XXXX[1]	XXXX[1]		XXXX[1]%	$XXXX[1]
2007 Take or Pay	XXXX[1]-XXXX[1]	XXXX[1]		XXXX[1]%	$XXXX[1]
2007 Take or Pay	XXXX[1]-XXXX[1]	XXXX[1]		XXXX[1]%	$XXXX[1]
2007 Take or Pay	XXXX[1]-XXXX[1]	XXXX[1]		XXXX[1]%	$XXXX[1]
Pricing with Improvements - price takes affect with proven improvements, when > XXXX[1] sponges					
2007 Take or Pay	XXXX[1]-XXXX[1]	XXXX[1]		XXXX[1]%	$XXXX[1]
2007 Take or Pay	XXXX[1]-XXXX[1]	XXXX[1]		XXXX[1]%	$XXXX[1]
2007 Take or Pay	XXXX[1]-XXXX[1]	XXXX[1]		XXXX[1]%	$XXXX[1]
2007 Take or Pay	XXXX[1]-XXXX[1]	XXXX[1]		XXXX[1]%	$XXXX[1]
2007 Take or Pay	XXXX[1]-XXXX[1]	XXXX[1]		XXXX[1]%	$XXXX[1]
Base Pricing Established - price per sponge up to that volume, commit to volume of XXXX[1] -XXXX[1] sponges					
2008 Take or Pay	XXXX[1]-XXXX[1]	XXXX[1]		XXXX[1]%	$XXXX[1]
2008 Take or Pay	XXXX[1]-XXXX[1]	XXXX[1]		XXXX[1]%	$XXXX[1]

2008 Take or Pay	XXXX[1]-XXXX[1]	XXXX[1]	XXXX[1]%	$XXXX[1]
2008 Take or Pay	XXXX[1]-XXXX[1]	XXXX[1]	XXXX[1]%	$XXXX[1]
2008 Take or Pay	XXXX[1]-XXXX[1]	XXXX[1]	XXXX[1]%	$XXXX[1]
2008 Take or Pay	XXXX[1]-XXXX[1]	XXXX[1]	XXXX[1]%	$XXXX[1]
2008 Take or Pay	XXXX[1]-XXXX[1]	XXXX[1]	XXXX[1]%	$XXXX[1]

[1] Omitted and filed separately with the Securities and Exchange Commission under an application for confidential treatment.

Pricing with Improvements - price takes affect with proven improvements, when > XXXX[1] sponges				
2008 Take or Pay	XXXX[1]- XXXX[1]	XXXX[1]	XXXX[1]%	$XXXX[1]
2008 Take or Pay	XXXX[1]- XXXX[1]	XXXX[1]	XXXX[1]%	$XXXX[1]
2008 Take or Pay	XXXX[1]- XXXX[1]	XXXX[1]	XXXX[1]%	$XXXX[1]
2008 Take or Pay	XXXX[1]- XXXX[1]	XXXX[1]	XXXX[1]%	$XXXX[1]
2008 Take or Pay	XXXX[1]- XXXX[1]	XXXX[1]	XXXX[1]%	$XXXX[1]
Improved Pricing with Additional volume and Improvements - after impr and > XXXX[1] sponges				
2008 Take or Pay	over XXXX[1]	XXXX[1]	XXXX[1]%	$XXXX[1]
2008 Take or Pay	over XXXX[1]	XXXX[1]	XXXX[1]%	$XXXX[1]
2008 Take or Pay	over XXXX[1]	XXXX[1]	XXXX[1]%	$XXXX[1]
2008 Take or Pay	over XXXX[1]	XXXX[1]	XXXX[1]%	$XXXX[1]
2008 Take or Pay	over XXXX[1]	XXXX[1]	XXXX[1]%	$XXXX[1]

Note: Pricing improvements are from that point for rest of year (volume tier met), not retroactive

In order to receive any or all of the prices above, all criteria noted above must be met for each line item.

[1] Omitted and filed separately with the Securities and Exchange Commission under an application for confidential treatment.

Schedule 4.4

Capital Costs & Equipment Listing

MANUFACTURE

NOTE: Function location codes are changing to from HOPV to SPPV
Highlighted items are in Mod322

Equipment Description	*Asset #*	*Cert*	*Pro Val*	*Location*	*Function location Code*	*Work Ctr.*
Molding Machine #3	AP000003	558	254	322-A	HOPV-094-003	XXPMOLDI
Metering System (machine #3)	AP000110	564		322-A	HOPV-094-003-003	XXPMOLDI
SQC (machine #3)	NN000472			322-A		
Molding Machine #4	–	–		Borden Av.	HOPV-095-004	XXPMOLDI
Metering System (machine #4)	–	–		AST	HOPV-095-004-004	XXPMOLDI
SQC	–	–		–	–	–
Molding Machine #5	–	–		Borden Av.	HOPV-096-005	XXPMOLDI
Metering System (machine #5)	–	–		AST	HOPV-096-005-005	XXPMOLDI
SQC	–	–		–	–	–
Molding Machine #6	AP000006	559	255	322-B	HOPV-097-006	XXPMOLDI
Metering System (machine #6)	AP000111	565		322-B	HOPV-097-006-006	XXPMOLDI
SQC	NN000474			322-B		
Molding Machine #7	AP000043	470-A-1	215	323-A	HOPV-092-002	XXPMOLDI
Metering System (machine #7)	AP000104	472		323-A	HOPV-092-002-002	XXPMOLDI

SQC	NN006141			323-A		
Molding Machine #8	AP000041	463	140-A-1	323-B	HOPV-091-001	XXPMOLDI
Metering System (machine #8)	AP000103	486		323-B	HOPV-091-001-001	XXPMOLDI
SQC	NN000692			323-B		
Tape/Scrim Assembly #1 Machine (series8144)	AP000045	466	124	322-D	HOPV-090-001	TAPESC45
Tape/Scrim Assembly #2 Machine (series2000t)	AP000012	587	256	322-E	HOPV-090-003	TAPESC45
Scrim machine 000011	–	–		Borden Av.	HOPV-090-002	TAPESC45
Com-Ten force test 1 Calibration date: 01/03/05	AP000109			323	HOPV-093-001	XXPMOLDI
Meter load cell				323	HOPV-093-001-001	XXSPONGE
Meter Controller				323	HOPV-093-001-002	XXSPONGE
Com-Ten force test 2 Calibration date: 12/15/04	AP000114			322	HOPV-093-002	XXSPONGE
Load Cell					HOPV-093-001-003	XXSPONGE
Balance 323 mold	NN2501			323		
Weight set	005			323		
Balance 322 mold	NN2500			322		
Weight set	006			322		
Molding HVAC (for machines 3 & 6)	AP000113	568		322	HOPV-098-008	XXSPONGE

Molding HVAC (for machines 7 & 8)	AP000105		HOPV-098-007	XXPMOLDI
		473	323	
Floor scale	NN2514			
			322	

Package

NOTE: Function location codes are changing to from JOPV to −?
Highlighted items are in Mod322

Equipment Description	*Asset #*	*Cert*	*Pro Val*	*Location*	*Function Location Code*	
Balance	NN2502			323-C		
Pouching Machine #1 (Dixie Vac)	AP000016	467	140	323-C	JOPV-008-005	
Vacuum (Pouching Machine #1	AP000016	467		323-C	JOPV-008-005-001	
Pump (Pouching Machine #1)	AP000016	467		323-C	JOPV-008-005-002	
Chiller (Pouching Machine #1)	AP000102			323-C	JOPV-008-010	
Presto Lift	0967			323-C	JOPV-222-002	
Pouching Machine #2	AP000015	586		322-C		
Vacuum (Pouching Machine #2	AP000015	586		322-C		
Pump (Pouching Machine #2	AP000015	586		322-C		
Chiller (Pouching Machine #2	AP000034			322-C		
Cartoner (Adco)	AP000007	464	6+12 pack	315-B	JOPV-004-005	
Checkweigher	NN2277	468		315-B	JOPV-500-085	
Elevator (Boston Gear5699)	AP000024	474	258	315-B	JOPV-004-010	
Date Jet (Video Jet)	AP000115	583		315-B	JOPV-500-200	Sent to CWS
Bundler, Osollas (6896)	AP000009	505		315-B	JOPV-500-125	Sent to CWS

Heat Tunnel (Shrink wrap)	AP000112	570	315-B	JOPV-500-195	Sent to CWS
Case former	NN2138	461		JOPV-500-015	
Case Sealer (taper)	NN2090	370,462	315-B	JOPV-500-020	
Metal Detector	AP000021	458	315-B	JOPV-004-015	
Conveyor	AP000018		315-B	JOPV-004-020	

If capital, new equipment, or equipment modifications or upgrades are need, they will be quoted in writing to Allendale. NPI will not begin such effort until the quote is approved in writing by Allendale, a PO is issued, and terms are agreed to by both Parties.

Schedule 4.5

This schedule eliminated.

LIST OF ATTACHMENTS

Schedule 1.13	Products
Schedule 1.6	Specifications
Schedule 2.1 (d)	Stability Costs
Schedule 2.3	Materials
Schedule 3.2	Order Quantities
Schedule 4.1	Pricing
Schedule 4.4	Capital Costs & Equipment Listing
Schedule 4.5	Pre-production Costs

Exhibit 10.3

SECURITY AGREEMENT

SYNOVA HEALTHCARE GROUP, INC.

September 19, 2007

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Schedule B – Existing Liens and Encumbrances

Schedule C – Pledged Securities

Annex A – The Agent

SECURITY AGREEMENT

SECURITY AGREEMENT, dated as of September 19, 2007 (this ***"Agreement"***), among **Synova Healthcare Group, Inc.**, a Nevada corporation (the ***"Company"***), and the Subsidiaries of the Company party hereto (such subsidiaries, the ***"Guarantors"***) (the Company and Guarantors are collectively referred to as the ***"Debtors"***) and the holders of the Company' s 6.5% Senior Convertible Promissory Notes, due January 12, 2012, in the original aggregate principal amount of $15,000,000 (the "***Senior Notes"***), signatory hereto, their endorsees, transferees and assigns (collectively referred to as, the ***"Secured Parties"***).

W I T N E S S E T H:

WHEREAS, pursuant to the Purchase Agreement (as defined in the Senior Notes), the Secured Parties extended loans to the Company evidenced by the Senior Notes;

WHEREAS, pursuant to a certain Guarantee Agreement dated as of January 12, 2007, as amended, with respect to the Senior Notes (the "***Guarantee***"), certain of the Guarantors have jointly and severally agreed to guaranty and act as surety for payment of the Senior Notes and additional subsidiaries of the Company will be added as Guarantors shortly after the date hereof; and

WHEREAS, in order to induce the Secured Parties to provide the Company with specific waivers and consents, each Debtor has agreed to execute and deliver to the Secured Parties this Agreement and to grant the Secured Parties, *pari passu* with each other Secured Party, a perfected security interest in certain property of such Debtor to secure the prompt payment, performance and discharge in full of all of the Company' s obligations under the Senior Notes and the other Debtor obligations under the Guarantee.

NOW, THEREFORE, in consideration of the agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. **Certain Definitions.** As used in this Agreement, the following terms shall have the meanings set forth in this Section 1. Terms used but not otherwise defined in this Agreement that are defined in Article 9 of the UCC (such as "account", "chattel paper", "commercial tort claim", "deposit account", "document", "equipment", "fixtures", "general intangibles", "goods", "instruments", "inventory", "investment property", "letter-of-credit rights", "proceeds" and "supporting obligations") shall have the respective meanings given such terms in Article 9 of the UCC.

(a) ***"Collateral"*** means the collateral in which the Secured Parties are granted a security interest by this Agreement and which shall include all real and personal property of the Debtors, whether presently owned or existing or hereafter acquired or coming into existence, wherever situated, and all additions and accessions thereto and all substitutions and replacements thereof, and all proceeds, products and accounts thereof, including, without limitation, all proceeds from the sale or transfer of the Collateral and of insurance covering the same and of any tort claims in connection therewith, and all dividends, interest, cash, notes, securities, equity

interest or other property at any time and from time to time acquired, receivable or otherwise distributed in respect of, or in exchange for, any or all of the Pledged Securities (as defined below) including, without limitation, the following:

(i) All goods, inventory, machinery, equipment, computers, motor vehicles, appliances, furniture, tools, fixtures, test and quality control devices and other equipment of every kind;

(ii) All general intangibles and contract rights;

(iii) All accounts;

(iv) All chattel paper;

(v) All commercial tort claims;

(vi) All deposit accounts and all cash (whether or not deposited in such deposit accounts);

(vii) All investment property;

(viii) All files, records, books of account, business papers, and computer programs; and

(ix) the products and proceeds of all of the foregoing Collateral set forth in clauses (i)-(viii) above.

Without limiting the generality of the foregoing, the ***"Collateral"*** shall include all investment property and general intangibles respecting ownership and/or other equity interests in each Guarantor, and any other shares of capital stock and/or other equity interests of any other direct or indirect subsidiary of any Debtor obtained in the future, and, in each case, all certificates representing such shares and/or equity interests and, in each case, all rights, options, warrants, stock, other securities and/or equity interests that may hereafter be received, receivable or distributed in respect of, or exchanged for, any of the foregoing (all of the foregoing being referred to herein as the ***"Pledged Securities"***) and all rights arising under or in connection with the Pledged Securities, including, but not limited to, all dividends, interest and cash.

Notwithstanding the foregoing, nothing herein shall be deemed to constitute an assignment of any asset which, in the event of an assignment, becomes void by operation of applicable law or the assignment of which is otherwise prohibited by applicable law (in each case to the extent that such applicable law is not overridden by Sections 9-406, 9-407 and/or 9-408 of the UCC or other similar applicable law); provided, however, that to the extent permitted by applicable law, this Agreement shall create a valid security interest in such asset and, to the extent permitted by applicable law, this Agreement shall create a valid security interest in the proceeds of such asset.

(b) ***"Intellectual Property"*** means the collective reference to all rights, priorities and privileges relating to intellectual property, whether arising under United States, multinational or foreign laws or otherwise, including, without limitation, (i) all copyrights arising under the laws of the United States, any other country or any political subdivision thereof, whether registered or unregistered and whether published or unpublished, all registrations and recordings thereof, and all applications in connection therewith, including, without limitation, all registrations, recordings and applications in the United States Copyright Office, (ii) all letters patent of the United States, any other country or any political subdivision thereof, all reissues and extensions thereof, and all applications for letters patent of the United States or any other country and all divisions, continuations and continuations-in-part thereof, (iii) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade dress, service marks, logos, domain names and other source or business identifiers, and all goodwill associated therewith, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, whether in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, or otherwise, and all common law rights related thereto, (iv) all trade secrets arising under the laws of the United States, any other country or any political subdivision thereof, (v) all rights to obtain any reissues, renewals or extensions of the foregoing, (vi) all licenses for any of the foregoing, and (vii) all causes of action for infringement of the foregoing.

(c) ***"Majority in Interest"*** shall mean, at any time of determination, holders of 70% or more of promissory notes with the Obligations secured by the security interests granted hereunder, determined on the basis of the aggregate principal amount of such promissory notes.

(d) ***"Necessary Endorsement"*** shall mean undated stock powers endorsed in blank or other proper instruments of assignment duly executed and such other instruments or documents as the Agent (as that term is defined in Section 6(a) below) may reasonably request.

(e) ***"Obligations"*** means all of the liabilities and obligations (primary, secondary, direct, contingent, sole, joint or several) due or to become due, or that are now or may be hereafter contracted or acquired, or owing to, of any Debtor to the Secured Parties, including, without limitation, all obligations under this Agreement, the Senior Notes, the Guarantee and any other instruments, agreements or other documents executed and/or delivered in connection herewith or therewith, in each case, whether now or hereafter existing, voluntary or involuntary, direct or indirect, absolute or contingent, liquidated or unliquidated, whether or not jointly owed with others, and whether or not from time to time decreased or extinguished and later increased, created or incurred, and all or any portion of such obligations or liabilities that are paid, to the extent all or any part of such payment is avoided or recovered directly or indirectly from any of the Secured Parties as a preference, fraudulent transfer or otherwise as such obligations may be amended, supplemented, converted, extended or modified from time to time. Without limiting the generality of the foregoing, the term "Obligations" shall include, without limitation: (i) principal of, and interest on the Senior Notes and the loans extended pursuant thereto; (ii) any and all other fees, indemnities, costs, obligations and liabilities of the Debtors from time to time under or in connection with this Agreement, the Senior Notes, the Guarantee and any other instruments, agreements or other documents executed and/or delivered in connection herewith or therewith; and (iii) all amounts (including but not limited to post-petition interest) in respect of the foregoing that would be payable but for the fact that the obligations to pay such amounts are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving any Debtor.

(f) ***"Organizational Documents"*** means with respect to any Debtor, the documents by which such Debtor was organized (such as a certificate of incorporation, certificate of limited partnership or articles of organization, and including, without limitation, any certificates of designation for preferred stock or other forms of preferred equity) and which relate to the internal governance of such Debtor (such as bylaws, a partnership agreement or an operating, limited liability or members agreement).

(g) ***"UCC"*** means the Uniform Commercial Code of the State of New York and or any other applicable law of any state or states which has jurisdiction with respect to all, or any portion of, the Collateral or this Agreement, from time to time. It is the intent of the parties that defined terms in the UCC should be construed in their broadest sense so that the term "Collateral" will be construed in its broadest sense. Accordingly if there are, from time to time, changes to defined terms in the UCC that broaden the definitions, they are incorporated herein and if existing definitions in the UCC are broader than the amended definitions, the existing ones shall be controlling.

2. **Grant of Perfected First Priority Security Interest.** As an inducement (i) for the Secured Parties to grant certain waivers and consents under the Senior Notes and (ii) to secure the complete and timely payment, performance and discharge in full, as the case may be, of all of the Obligations, each Debtor hereby unconditionally and irrevocably pledges, grants and hypothecates to the Secured Parties a continuing and perfected security interest in and to, and a lien upon, all of their respective right, title and interest of whatsoever kind and nature in and to, the Collateral (the ***"Security Interest"***), except that the foregoing Security Interest shall not apply to the 25% interest in Bio Pad Ltd. owned by the Company (through Synova Pre-Natal Healthcare, Inc.) for so long as and to the extent that such Security Interest is prohibited by the terms of the Shareholders' Agreement, dated September 23, 2005, by and among Bio Pad Ltd. and the shareholders thereof (the "***Bio Pad Shareholders' Agreement***").

3. **Delivery of Certain Collateral.** If and when requested by the Agent, each Debtor shall deliver or cause to be delivered to the Agent (a) any and all certificates and other instruments representing or evidencing the Pledged Securities, and (b) any and all certificates and other instruments or documents representing any of the other Collateral, in each case, together with all Necessary Endorsements. The Debtors are, contemporaneously with the execution hereof, delivering to the Agent, or have previously delivered to the Agent, a true and correct copy of each Organizational Document governing any of the Pledged Securities.

4. **Representations, Warranties, Covenants and Agreements of the Debtors.** Each Debtor represents and warrants to, and covenants and agrees with, the Secured Parties as follows:

(a) Each Debtor has the requisite corporate, partnership, limited liability company or other power and authority to enter into this Agreement and otherwise to carry out its obligations hereunder. The execution, delivery and performance by each Debtor of this Agreement and the filings contemplated therein have been duly authorized by all necessary

action on the part of such Debtor and no further action is required by such Debtor. This Agreement has been duly executed by each Debtor. This Agreement constitutes the legal, valid and binding obligation of each Debtor, enforceable against each Debtor in accordance with its terms except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization and similar laws of general application relating to or affecting the rights and remedies of creditors and by general principles of equity.

(b) The Debtors have no place of business or offices where their respective books of account and records are kept (other than temporarily at the offices of its attorneys or accountants) or places where Collateral is stored or located, except as set forth on Schedule A attached hereto. No Debtor is the record owner of any real property on the date hereof.

(c) Except for Permitted Liens (as defined in the Purchase Agreement) and except as set forth on Schedule B attached hereto, the Debtors are the sole owner of the respective Collateral (except for non-exclusive licenses granted by or to any Debtor in the ordinary course of business), free and clear of any liens, security interests, encumbrances, rights or claims, and are fully authorized to grant the Security Interest. There is not on file in any governmental or regulatory authority, agency or recording office an effective financing statement, security agreement, license or transfer or any notice of any of the foregoing (other than those that will be filed in favor of the Secured Parties pursuant to this Agreement) covering or affecting any of the Collateral. So long as this Agreement shall be in effect, the Debtors shall not execute and shall not knowingly permit to be on file in any such office or agency any such financing statement or other document or instrument (except to the extent filed or recorded in favor of the Secured Parties pursuant to the terms of this Agreement).

(d) No written claim has been received that any Collateral or Debtor' s use of any Collateral violates the rights of any third party. There has been no adverse decision to any Debtor' s claim of ownership rights in or exclusive rights to use the Collateral in any jurisdiction or to any Debtor' s right to keep and maintain such Collateral in full force and effect, and there is no proceeding involving said rights pending or, to the best knowledge of any Debtor, threatened before any court, judicial body, administrative or regulatory agency, arbitrator or other governmental authority.

(e) Each Debtor shall at all times maintain its books of account and records relating to the Collateral at its principal place of business and its Collateral at the locations set forth on Schedule A attached hereto and may not relocate such books of account and records or tangible Collateral unless it delivers to the Secured Parties at least 30 days prior to such relocation (i) written notice of such relocation and the new location thereof (which must be within the United States) and (ii) evidence that appropriate financing statements under the UCC and other necessary documents have been filed and recorded and other steps have been taken to perfect the Security Interest to create in favor of the Secured Parties a valid, perfected and continuing perfected first priority lien in the Collateral.

(f) This Agreement creates in favor of the Secured Parties a valid, security interest in the Collateral, subject only to Permitted Liens (as defined in the Purchase Agreement) securing the payment and performance of the Obligations. Upon making the filings described in the immediately following paragraph, all security interests created hereunder in any Collateral

which may be perfected by filing Uniform Commercial Code financing statements shall have been duly perfected. Except for the filing of the Uniform Commercial Code financing statements referred to in the immediately following paragraph, the recordation of any Intellectual Property Security Agreement (as defined below) with respect to the assets referred to in paragraph (p), the execution and delivery of deposit account control agreements satisfying the requirements of Section 9-104(a)(2) of the UCC with respect to each deposit account of the Debtors, and the delivery of the certificates and other instruments provided in Section 3, no action is necessary to create, perfect or protect the security interests created hereunder. Without limiting the generality of the foregoing, except for the filing of said financing statements, the recordation of said Intellectual Property Security Agreement, and the execution and delivery of said deposit account control agreements, no consent of any third parties and no authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for (i) the execution, delivery and performance of this Agreement, (ii) the creation or perfection of the Security Interests created hereunder in the Collateral or (iii) the enforcement of the rights of the Secured Parties hereunder.

(g) Each Debtor hereby authorizes the Secured Parties, or any of them, to file one or more financing statements under the UCC, with respect to the Security Interest with the proper filing and recording agencies in any jurisdiction deemed proper by them.

(h) The execution, delivery and performance of this Agreement by the Debtors does not (i) violate any of the provisions of any Organizational Documents of any Debtor or any judgment, decree, order or award of any court, governmental body or arbitrator or any applicable law, rule or regulation applicable to any Debtor or (ii) conflict with, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation (with or without notice, lapse of time or both) of, any agreement, credit facility, debt or other instrument (evidencing any Debtor' s debt or otherwise) or other understanding to which any Debtor is a party or by which any property or asset of any Debtor is bound or affected except such as has been waived.

(i) The capital stock and other equity interests listed on Schedule C hereto represent all of the capital stock and other equity interests of the Guarantors, and represent all capital stock and other equity interests owned, directly or indirectly, by the Company. All of the Pledged Securities are validly issued, fully paid and nonassessable, and the Company is the legal and beneficial owner of the Pledged Securities, free and clear of any lien, security interest or other encumbrance except (i) as set forth on Schedule C, (ii) for the security interests created by this Agreement and (iii) as to any other Permitted Liens.

(j) The ownership and other equity interests in partnerships and limited liability companies (if any) included in the Collateral (the ***"Pledged Interests"***) by their express terms do not provide that they are securities governed by Article 8 of the UCC and are not held in a securities account or by any financial intermediary.

(k) Each Debtor shall at all times maintain the liens and Security Interest provided for hereunder as valid and perfected first priority liens and security interests in the Collateral in favor of the Secured Parties until this Agreement and the Security Interest

hereunder shall be terminated. Each Debtor hereby agrees to defend the same against the claims of any and all persons and entities. Each Debtor shall safeguard and protect all Collateral for the account of the Secured Parties. At the request of the Secured Parties, each Debtor will sign and deliver to the Secured Parties at any time or from time to time one or more financing statements pursuant to the UCC in form reasonably satisfactory to the Secured Parties and will pay the cost of filing the same in all public offices wherever filing is, or is deemed by the Secured Parties to be, necessary or desirable to effect the rights and obligations provided for herein.

(l) Except in the ordinary course of business, no Debtor will transfer, pledge, hypothecate, encumber, license, sell or otherwise dispose of any of the Collateral (except for non-exclusive licenses granted by a Debtor) without the prior written consent of a Majority in Interest.

(m) Each Debtor shall use reasonable efforts to keep and preserve its equipment, inventory and other tangible Collateral in good condition, repair and order.

(n) Each Debtor shall maintain with financially sound and reputable insurers, insurance with respect to the Collateral against loss or damage of the kinds and in the amounts customarily insured against by entities of established reputation having similar properties similarly situated and in such amounts as are customarily carried under similar circumstances by other such entities and otherwise as is prudent for entities engaged in similar businesses but in any event sufficient to cover the full replacement cost thereof. Each Debtor shall within 90 days after the date hereof, cause each insurance policy issued in connection herewith to provide, and the insurer issuing such policy to certify to the Agent that (a) the Agent will be named as lender loss payee and additional insured under each such insurance policy; and (b) if such insurance be proposed to be cancelled or materially changed for any reason whatsoever, such insurer will promptly notify the Agent and such cancellation or change shall not be effective as to the Agent for at least thirty (30) days after receipt by the Agent of such notice, unless the effect of such change is to extend or increase coverage under the policy.

(o) Each Debtor shall, within thirty (30) days of obtaining knowledge thereof, advise the Secured Parties promptly, in sufficient detail, of any substantial change in the tangible Collateral, and of the occurrence of any event which would have a material adverse effect on the value of the tangible Collateral or on the Secured Parties' security interest therein.

(p) Each Debtor shall promptly execute and deliver to the Agent on behalf of the Secured Parties such further deeds, mortgages, assignments, security agreements, financing statements or other instruments, documents, certificates and assurances and take such further action as the Secured Parties may from time to time request and may in its sole discretion deem necessary to perfect, protect or enforce its security interest in the Collateral including, without limitation, if requested by the Agent, the execution and delivery of a separate security agreement with respect to each Debtor' s Intellectual Property (***"Intellectual Property Security Agreement"***) in which the Secured Parties have been granted a security interest hereunder, substantially in a form acceptable to the Agent, which Intellectual Property Security Agreement, other than as stated therein, shall be subject to all of the terms and conditions hereof.

(q) Each Debtor shall permit the Secured Parties and their representatives and agents to inspect the Collateral at any time during normal business hours, and to make copies of records pertaining to the Collateral as may be requested by a Secured Party from time to time.

(r) No Debtor will change its name, type of organization, jurisdiction of organization, organizational identification number (if it has one), legal or corporate structure, or identity, or add any new fictitious name unless it provides at least 30 days prior written notice to the Secured Parties of such change and, at the time of such written notification, such Debtor provides any financing statements or fixture filings necessary to perfect and continue perfected the perfected security Interest granted and evidenced by this Agreement.

(s) The Debtors shall use commercially reasonable efforts to obtain the consents, approvals or authorizations required under the Bio Pad Shareholders' Agreement to grant a full pledge of the equity interests in Bio Pad Ltd. The Debtors will not pledge its equity interests in Bio Pad Ltd. to any other person other than to the Secured Parties pursuant to this Agreement.

(t) The Debtors shall, within 30 days after the date of this Agreement, cause Today' s Womencare (Canada), Inc. and Today' s Womencare (UK) Ltd. to execute and deliver counterparts to this Agreement and joinders to the Guarantee in form contemplated by the Guarantee.

(u) The Debtors shall, within 45 days after the date of this Agreement, execute and deliver deposit account control agreements satisfying the requirements of Section 9-104(a)(2) of the UCC and reasonably acceptable to the Agent with respect to each deposit account of the Debtors.

5. **Defaults.** The following events shall be ***"Events of Default"***:

(a) The occurrence of Event of Default (as defined in the Senior Notes) under the Senior Notes;

(b) Any representation or warranty of any Debtor in this Agreement shall prove to have been incorrect in any material respect;

(c) The continuation of a failure to observe or perform any obligations hereunder for ten (10) days, provided that such ten (10) day period shall be extended to a thirty (30) day period if (i) such failure is capable of cure but cannot be cured within such ten (10) day period; (ii) such Debtor is using its best efforts to cure same as promptly as practicable, (iii) such Debtor has provided the Agent with written notice of its intent to rely on the extension provided in this Section 5(c) no later than the expiration of such ten (10) day period, and, (iv) the failure to observe or perform obligations hereunder is not reasonably likely to have a material adverse effect on the first priority lien in favor of the Secured Parties; or

(d) If any provision of this Agreement shall at any time for any reason be declared to be null and void, or the validity or enforceability thereof shall be contested by any Debtor, or a proceeding shall be commenced by any Debtor, or by any governmental authority having jurisdiction over any Debtor, seeking to establish the invalidity or unenforceability thereof, or any Debtor shall deny that any Debtor has any liability or obligation purported to be created under this Agreement.

6. **Rights and Remedies Upon Default.**

(a) Upon the occurrence of any Event of Default under the Senior Notes, as the case may be, and at any time thereafter, the Secured Parties, acting through any agent appointed by them for such purpose (the "**Agent**"), shall have the right to exercise all of the remedies conferred hereunder and under the Senior Notes, as the case may be, and the Secured Parties shall have all the rights and remedies of a secured party under the UCC. Without limitation, the Secured Parties shall have the following rights and powers upon the occurrence of any Event of Default and at any time thereafter:

(i) The Agent (on behalf of the Secured Parties) shall have the right to take possession of the Collateral and, for that purpose, enter, with the aid and assistance of any person, any premises where the Collateral, or any part thereof, is or may be placed and remove the same, and each Debtor shall assemble the Collateral and make it available to the Agent at places which the Agent shall reasonably select, whether at such Debtor' s premises or elsewhere, and make available to the Agent, without rent, all of such Debtor' s respective premises and facilities for the purpose of the Agent taking possession of, removing or putting the Collateral in saleable or disposable form.

(ii) Upon notice to the Debtors by the Agent, all rights of each Debtor to exercise the voting and other consensual rights which it would otherwise be entitled to exercise and all rights of each Debtor to receive the dividends and interest which it would otherwise be authorized to receive and retain, shall cease. Upon such notice, the Agent shall have the right to receive any interest, cash dividends or other payments on the Collateral and, at the option of the Agent, to exercise in the Agent' s discretion all voting rights pertaining thereto. Without limiting the generality of the foregoing, Agent shall have the right (but not the obligation) to exercise all rights with respect to the Collateral as it were the sole and absolute owners thereof, including, without limitation, to vote and/or to exchange, at its sole discretion, any or all of the Collateral in connection with a merger, reorganization, consolidation, recapitalization or other readjustment concerning or involving the Collateral or any Debtor or any of its direct or indirect subsidiaries.

(iii) The Secured Parties shall have the right (but not the obligation) to notify any account debtors and any obligors under instruments or accounts to make payments directly to the Secured Parties and to enforce the Debtors' rights against such account debtors and obligors.

(iv) The Secured Parties may (but are not obligated to) direct any financial intermediary or any other person or entity holding any investment property to transfer the same to the Secured Parties or their designee.

(v) The Secured Parties may (but are not obligated to) transfer any or all Intellectual Property registered in the name of any Debtor at the United States Patent and Trademark Office and/or Copyright Office into the name of the Secured Parties or any designee or any purchaser of any Collateral.

(b) The Agent may comply with any applicable law in connection with a disposition of Collateral and such compliance will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral. The Agent may sell the Collateral without giving any warranties and may specifically disclaim such warranties. If the Agent sells any of the Collateral on credit, the Debtors will only be credited with payments actually made by the purchaser. In addition, each Debtor waives any and all rights that it may have to a judicial hearing in advance of the enforcement of any of the Agent' s rights and remedies hereunder, including, without limitation, its right following an Event of Default to take immediate possession of the Collateral and to exercise its rights and remedies with respect thereto.

7. **Costs and Expenses.** Each Debtor agrees to pay all reasonable out-of-pocket fees, costs and expenses incurred in connection with any filing required hereunder, including without limitation, any financing statements pursuant to the UCC, continuation statements, partial releases and/or termination statements related thereto or any expenses of any searches reasonably required by the Agent. The Debtors shall also pay all other claims and charges which in the reasonable opinion of the Agent might prejudice, imperil or otherwise affect the Collateral or the Security Interest therein. The Debtors will also, upon demand, pay to the Secured Parties the amount of any and all reasonable expenses, including the reasonable fees and expenses of its counsel and of any experts and agents, which the Secured Parties may incur in connection with (i) the enforcement of this Agreement, (ii) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Collateral, or (iii) the exercise or enforcement of any of the rights of the Secured Parties under the Senior Notes. Until so paid, any fees payable hereunder shall be added to the principal amount of the Senior Notes and shall bear interest at the Default Rate.

8. **Responsibility for Collateral.** The Debtors retain all liabilities and responsibility in connection with all Collateral, and the Obligations shall in no way be affected or diminished by reason of the loss, destruction, damage or theft of any of the Collateral or its unavailability for any reason. Without limiting the generality of the foregoing, (a) neither the Agent nor any Secured Party (i) has any duty (either before or after an Event of Default) to collect any amounts in respect of the Collateral or to preserve any rights relating to the Collateral, or (ii) has any obligation to clean-up or otherwise prepare the Collateral for sale, and (b) each Debtor shall remain obligated and liable under each contract or agreement included in the Collateral to be observed or performed by such Debtor thereunder. Neither the Agent nor any Secured Party shall have any obligation or liability under any such contract or agreement by reason of or arising out of this Agreement or the receipt by the Agent or any Secured Party of any payment relating to any of the Collateral, nor shall the Agent or any Secured Party be obligated in any manner to perform any of the obligations of any Debtor under or pursuant to any such contract or agreement, to make inquiry as to the nature or sufficiency of any payment received by the Agent or any Secured Party in respect of the Collateral or as to the sufficiency of any performance by any party under any such contract or agreement, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to the Agent or to which the Agent or any Secured Party may be entitled at any time or times.

9. **Security Interest Absolute.** All rights of the Secured Parties and all obligations of the Debtors hereunder, shall be absolute and unconditional, irrespective of: (a) any lack of validity or enforceability of this Agreement, the Senior Notes or any agreement entered into in connection with the foregoing, or any portion hereof or thereof; (b) any change in the time, manner or place of payment or performance of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from the Senior Notes or any other agreement entered into in connection with the foregoing; (c) any exchange, release or nonperfection of any of the Collateral, or any release or amendment or waiver of or consent to departure from any other collateral for, or any guaranty, or any other security, for all or any of the Obligations; (d) any action by the Secured Parties to obtain, adjust, settle and cancel in its sole discretion any insurance claims or matters made or arising in connection with the Collateral; or (e) any other circumstance which might otherwise constitute any legal or equitable defense available to a Debtor, or a discharge of all or any part of the Security Interest granted hereby. Until the Obligations shall have been paid and performed in full, the rights of the Secured Parties as creditors of the Company under the Senior Notes shall continue under the Senior Notes even if the security interest represented herein is barred or avoided for any reason, including, without limitation, the running of the statute of limitations or bankruptcy. Each Debtor expressly waives presentment, protest, notice of protest, demand, notice of nonpayment and demand for performance. In the event that at any time any transfer of any Collateral or any payment received by the Secured Parties hereunder shall be deemed by final order of a court of competent jurisdiction to have been a voidable preference or fraudulent conveyance under the bankruptcy or insolvency laws of the United States, or shall be deemed to be otherwise due to any party other than the Secured Parties, then, in any such event, each Debtor' s obligations hereunder shall survive cancellation of this Agreement, and shall not be discharged or satisfied by any prior payment thereof and/or cancellation of this Agreement, but shall remain a valid and binding obligation enforceable in accordance with the terms and provisions hereof. Each Debtor waives all right to require the Secured Parties to proceed against any other person or entity or to apply any Collateral which the Secured Parties may hold at any time, or to marshal assets, or to pursue any other remedy. Each Debtor waives any defense arising by reason of the application of the statute of limitations to any obligation secured hereby.

10. **Term of Agreement.** This Agreement and the Security Interest shall terminate on the date on which all payments under the Senior Notes have been indefeasibly paid in full and all other Obligations have been paid or discharged; provided, however, that all indemnities of the Debtors contained in this Agreement shall survive and remain operative and in full force and effect regardless of the termination of this Agreement.

11. **Notices.** All notices, requests, demands and other communications hereunder shall be subject to the notice provision of the applicable Purchase Agreement (as such term is defined in the Senior Notes).

12. **Other Security.** To the extent that the Obligations are now or hereafter secured by property other than the Collateral or by the guarantee, endorsement or property of any other person, firm, corporation or other entity, then the Secured Parties shall have the right, in its sole discretion, to pursue, relinquish, subordinate, modify or take any other action with respect thereto, without in any way modifying or affecting any of the Secured Parties' rights and remedies hereunder.

13. **Appointment of Agent.** The Secured Parties hereby appoint Plainfield Direct Inc. or any of its affiliates designated by Plainfield Direct Inc. in a notice to the Company to act as the Agent for purposes of exercising any and all rights and remedies of the Secured Parties hereunder and as collateral agent for the perfection of the Security Interest in favor of the Secured Parties. Such appointment shall continue until revoked in writing by a Majority in Interest, at which time a Majority in Interest shall appoint a new Agent. The Agent shall have the rights, responsibilities and immunities set forth in Annex A hereto.

14. **Miscellaneous.**

(a) No course of dealing between the Debtors and the Secured Parties, nor any failure to exercise, nor any delay in exercising, on the part of the Secured Parties, any right, power or privilege hereunder or under the Senior Notes shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

(b) All of the rights and remedies of the Secured Parties with respect to the Collateral, whether established hereby or by the Senior Notes or by any other agreements, instruments or documents or by law shall be cumulative and may be exercised singly or concurrently.

(c) This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and is intended to supersede all prior negotiations, understandings and agreements with respect thereto. Except as specifically set forth in this Agreement, no provision of this Agreement may be modified or amended except by a written agreement specifically referring to this Agreement and signed by the parties hereto.

(d) In the event any provision of this Agreement is held to be invalid, prohibited or unenforceable in any jurisdiction for any reason, unless such provision is narrowed by judicial construction, this Agreement shall, as to such jurisdiction, be construed as if such invalid, prohibited or unenforceable provision had been more narrowly drawn so as not to be invalid, prohibited or unenforceable. If, notwithstanding the foregoing, any provision of this Agreement is held to be invalid, prohibited or unenforceable in any jurisdiction, such provision, as to such jurisdiction, shall be ineffective to the extent of such invalidity, prohibition or unenforceability without invalidating the remaining portion of such provision or the other provisions of this Agreement and without affecting the validity or enforceability of such provision or the other provisions of this Agreement in any other jurisdiction.

(e) No waiver of any breach or default or any right under this Agreement shall be considered valid unless in writing and signed by the party giving such waiver, and no such waiver shall be deemed a waiver of any subsequent breach or default or right, whether of the same or similar nature or otherwise.

(f) This Agreement shall be binding upon and inure to the benefit of each party hereto and its successors and assigns.

(g) Each party shall take such further action and execute and deliver such further documents as may be necessary or appropriate in order to carry out the provisions and purposes of this Agreement.

(h) All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflicts of law thereof. Each Debtor agrees that all proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Agreement and the Senior Notes (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, partners, members, employees or agents) shall be commenced exclusively in the state and federal courts sitting in the City of New York, Borough of Manhattan. Each Debtor hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the City of New York, Borough of Manhattan for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such proceeding is improper. Each party hereto hereby irrevocably waives personal service of process and consents to process being served in any such proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. Each party hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby. If any party shall commence a proceeding to enforce any provisions of this Agreement, then the prevailing party in such proceeding shall be reimbursed by the other party for its reasonable attorney' s fees and other costs and expenses incurred with the investigation, preparation and prosecution of such proceeding.

(i) This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and, all of which taken together shall constitute one and the same Agreement. In the event that any signature is delivered by facsimile transmission, such signature shall create a valid binding obligation of the party executing (or on whose behalf such signature is executed) the same with the same force and effect as if such facsimile signature were the original thereof.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be duly executed on the day and year first above written.

SYNOVA HEALTHCARE GROUP, INC.

By: /s/ Stephen E. King
Name: Stephen E. King
Title: CEO

SYNOVA HEALTHCARE, INC.

By: /s/ Stephen E. King
Name: Stephen E. King
Title: CEO

SYNOVA PRE-NATAL HEALTHCARE, INC.

By: /s/ Stephen E. King
Name: Stephen E. King
Title: CEO

ALLENDALE PHARMACEUTICALS, INC.

By: /s/ Stephen E. King
Name: Stephen E. King
Title: CEO

TODAYS WOMENCARE COMPANY

By: /s/ Stephen E. King
Name: Stephen E. King
Title: CEO

TODAY' S WOMENCARE (CANADA) INC.

By: /s/ Stephen E. King
Name: Stephen E. King
Title: President and Chief Executive Officer

TODAY' S WOMENCARE (UK) LTD

By: /s/ Stephen E. King

Name: Stephen E. King

Title: Director

[SIGNATURE PAGE OF HOLDERS FOLLOWS]

[SIGNATURE PAGE OF HOLDERS - SECURITY AGREEMENT]

Name of Investing Entity: SF Capital Partners Ltd.

Signature of Authorized Signatory of Investing Entity: /s/ Michael A. Roth

Name of Authorized Signatory: Stark Offshore Management LLC
Its Investment Management
By: Michael A. Roth
Title of Authorized Signatory: Managing Member

[SIGNATURE PAGE OF HOLDERS - SECURITY AGREEMENT]

Name of Investing Entity: PLAINFIELD DIRECT INC.

Signature of Authorized Signatory of Investing Entity: /s/ Rayan Joshi

Name of Authorized Signatory: Rayan Joshi

Title of Authorized Signatory: Authorized Individual

[SIGNATURE PAGE OF HOLDERS - SECURITY AGREEMENT]

Name of Investing Entity: Castlerigg Master Investments Ltd.

Signature of Authorized Signatory of Investing Entity: /s/ Timothy O' Brien

Name of Authorized Signatory: Timothy O' Brien

Title of Authorized Signatory: Chief Financial Officer to Sandell Asset Management Corp., investment manager to Castlerigg Master Investments Ltd.

[SIGNATURE PAGE OF HOLDERS - SECURITY AGREEMENT]

Name of Investing Entity: Everest Asset Management AG

Signature of Authorized Signatory of Investing Entity: /s/ Erwin Speckert

Name of Authorized Signatory: Erwin Speckert

Title of Authorized Signatory: Managing Director

[SIGNATURE PAGE OF HOLDERS - SECURITY AGREEMENT]

Name of Investing Entity: _____

Signature of Authorized Signatory of Investing Entity: /s/ Gabriel Bianchi

Name of Authorized Signatory: G. Bianchi

Title of Authorized Signatory: Partner

[SIGNATURE PAGE OF HOLDERS - SECURITY AGREEMENT]

Name of Investing Entity: Galt Industries, Inc.

Signature of Authorized Signatory of Investing Entity: /s/ George T. Votis

Name of Authorized Signatory: G. T. Votis

Title of Authorized Signatory: CEO

[SIGNATURE PAGE OF HOLDERS - SECURITY AGREEMENT]

Name of Investing Entity: Bushido Capital Master Fund, L.P.

Signature of Authorized Signatory of Investing Entity: /s/ Ronald S. Dagar

Name of Authorized Signatory: Ronald S. Dagar

Title of Authorized Signatory: Director

[SIGNATURE PAGE OF HOLDERS - SECURITY AGREEMENT]

Name of Investing Entity: Pierce Diversified Management Fund, LLC Series BUS

Signature of Authorized Signatory of Investing Entity: /s/ Ronald S. Dagar

Name of Authorized Signatory: Ronald S. Dagar

Title of Authorized Signatory: Attorney in Fact

[SIGNATURE PAGE OF HOLDERS - SECURITY AGREEMENT]

Name of Investing Entity: Gene Detroyer

Signature of Authorized Signatory of Investing Entity: /s/ Gene Detroyer

Name of Authorized Signatory: Gene Detroyer

Title of Authorized Signatory: Self

[SIGNATURE PAGE OF HOLDERS - SECURITY AGREEMENT]

Name of Investing Entity: _____

Signature of Authorized Signatory of Investing Entity: /s/ Robert J. Staab

Name of Authorized Signatory: Robert J. Staab

Title of Authorized Signatory: _____

[SIGNATURE PAGE OF HOLDERS - SECURITY AGREEMENT]

Name of Investing Entity: Stephen King

Signature of Authorized Signatory of Investing Entity: /s/ Stephen King

Name of Authorized Signatory: Stephen King

Title of Authorized Signatory: CEO

[SIGNATURE PAGE OF HOLDERS - SECURITY AGREEMENT]

Name of Investing Entity: David Harrison

Signature of Authorized Signatory of Investing Entity: /s/ David Harrison

Name of Authorized Signatory: David Harrison

Title of Authorized Signatory: _____

[SIGNATURE PAGE OF HOLDERS - SECURITY AGREEMENT]

Name of Investing Entity: Robert L. Edwards

Signature of Authorized Signatory of Investing Entity: /s/ Robert L. Edwards

Name of Authorized Signatory: Robert L. Edwards

Title of Authorized Signatory: Owner

[SIGNATURE PAGE OF HOLDERS - SECURITY AGREEMENT]

Name of Investing Entity: Ron Spangler

Signature of Authorized Signatory of Investing Entity: /s/ Ron Spangler

Name of Authorized Signatory: Ron Spangler

Title of Authorized Signatory: Chief Scientific Officer

[SIGNATURE PAGE OF HOLDERS - SECURITY AGREEMENT]

Name of Investing Entity: _____

Signature of Authorized Signatory of Investing Entity: /s/ John Suender

Name of Authorized Signatory: John Suender

Title of Authorized Signatory: _____

[SIGNATURE PAGE OF HOLDERS - SECURITY AGREEMENT]

Name of Investing Entity: Patricia Campbell

Signature of Authorized Signatory of Investing Entity: /s/ Patricia Campbell

Name of Authorized Signatory: Patricia Campbell

Title of Authorized Signatory: _____

[SIGNATURE PAGE OF HOLDERS - SECURITY AGREEMENT]

Name of Investing Entity: Mark S. Bricker

Signature of Authorized Signatory of Investing Entity: /s/ Mark S. Bricker

Name of Authorized Signatory: Mark S. Bricker

Title of Authorized Signatory: Mister

SCHEDULE A
PRINCIPAL PLACE OF BUSINESS OF DEBTORS AND
LOCATION OF COLLATERAL

Principal Place of Business of Debtors:

1400 North Providence Road, Suite 6010, Media, Pennsylvania 19063

Locations Where Collateral is Located or Stored:

1400 North Providence Road, Suite 6010, Media, Pennsylvania 19063

Allendale Pharmaceuticals, Inc. owns machinery, equipment, raw materials and other assets used to manufacture the Today® Sponge, all of which is located at 6828 State Highway 12, Norwich, New York 13815, which facility is owned and operated by Norwich Pharmaceuticals, Inc.

Finished inventory may be stored at a warehouse owned or operated by xpedx National Accounts Retail, 4225 Dues Drive, Cincinnati, Ohio 45246

Unfinished inventory/work in process may be stored at CWS Contract Packaging, 17 Midland Drive, Norwich, New York 13815.

SCHEDULE B
EXISTING LIENS AND ENCUMBRANCES

None, except for the Liens created hereby and for Permitted Liens.

SCHEDULE C
PLEDGED SECURITIES

Synova Healthcare, Inc., a Delaware corporation (100% owned by the Company)

Synova Pre-Natal Healthcare, Inc., a Delaware corporation (100% owned by the Company)

Allendale Pharmaceuticals, Inc., a Delaware corporation (100% owned by the Company)

Todays Womencare Company, a Delaware corporation (100% owned by the Company)

Today' s Womencare (Canada) Inc., a Canadian corporation (100% owned by the Company)

Today' s Womencare (UK) Ltd, a United Kingdom corporation (80% owned by the Company)

Bio Pad Ltd., an Israeli corporation ("Bio Pad"); *provided, however*, that this Agreement and the Company' s ability to place liens on the common stock of Bio Pad Ltd. are subject to the terms, conditions, limitations and prohibitions of a Shareholders' Agreement dated September 23, 2005, as amended (the "Shareholders Agreement").

ANNEX A
to
SECURITY
AGREEMENT

THE AGENT

1. **Appointment.** The Secured Parties (all capitalized terms used herein and not otherwise defined shall have the respective meanings provided in the Security Agreement to which this Annex A is attached (the ***"Agreement"***)), by their acceptance of the benefits of the Agreement, hereby designate Plainfield Direct LLC (***"Agent"***) as the Agent to act as specified herein and in the Agreement. Each Secured Party shall be deemed irrevocably to authorize the Agent to take such action on its behalf under the provisions of the Agreement and any other Transaction Document (as such term is defined in the Senior Notes) and to exercise such powers and to perform such duties hereunder and thereunder as are specifically delegated to or required of the Agent by the terms hereof and thereof and such other powers as are reasonably incidental thereto. The Agent may perform any of its duties hereunder by or through its agents or employees.

2. **Nature of Duties.** The Agent shall have no duties or responsibilities except those expressly set forth in the Agreement. Neither the Agent nor any of its partners, members, shareholders, officers, directors, employees or agents shall be liable for any action taken or omitted by it as such under the Agreement or hereunder or in connection herewith or therewith, be responsible for the consequence of any oversight or error of judgment or answerable for any loss, unless caused solely by its or their gross negligence or willful misconduct as determined by a final judgment (not subject to further appeal) of a court of competent jurisdiction. The duties of the Agent shall be mechanical and administrative in nature; the Agent shall not have by reason of the Agreement or any other Transaction Document a fiduciary relationship in respect of any Debtor or any Secured Party; and nothing in the Agreement or any other Transaction Document, expressed or implied, is intended to or shall be so construed as to impose upon the Agent any obligations in respect of the Agreement or any other Transaction Document except as expressly set forth herein and therein.

3. **Lack of Reliance on the Agent.** Independently and without reliance upon the Agent, each Secured Party, to the extent it deems appropriate, has made and shall continue to make (i) its own independent investigation of the financial condition and affairs of the Company and its subsidiaries in connection with such Secured Party' s investment in the Debtors, the creation and continuance of the Obligations, the transactions contemplated by the Transaction Documents, and the taking or not taking of any action in connection therewith, and (ii) its own appraisal of the creditworthiness of the Company and its subsidiaries, and of the value of the Collateral from time to time, and the Agent shall have no duty or responsibility, either initially or on a continuing basis, to provide any Secured Party with any credit, market or other information with respect thereto, whether coming into its possession before any Obligations are incurred or at any time or times thereafter. The Agent shall not be responsible to the Debtors or any Secured Party for any recitals, statements, information, representations or warranties herein or in any document, certificate or other writing delivered in connection herewith, or for the execution,

effectiveness, genuineness, validity, enforceability, perfection, collectibility, priority or sufficiency of the Agreement or any other Transaction Document, or for the financial condition of the Debtors or the value of any of the Collateral, or be required to make any inquiry concerning either the performance or observance of any of the terms, provisions or conditions of the Agreement or any other Transaction Document, or the financial condition of the Debtors, or the value of any of the Collateral, or the existence or possible existence of any default or Event of Default under the Agreement, the Senior Notes or any of the other Transaction Documents.

4. **Certain Rights of the Agent.** The Agent shall have the right to take any action with respect to the Collateral, on behalf of all of the Secured Parties. To the extent practical, the Agent shall request instructions from the Secured Parties with respect to any material act or action (including failure to act) in connection with the Agreement or any other Transaction Document, and shall be entitled to act or refrain from acting in accordance with the instructions of Secured Parties holding a majority in principal amount of Notes (based on then-outstanding principal amounts of Notes at the time of any such determination); if such instructions are not provided despite the Agent' s request therefor, the Agent shall be entitled to refrain from such act or taking such action, and if such action is taken, shall be entitled to appropriate indemnification from the Secured Parties in respect of actions to be taken by the Agent; and the Agent shall not incur liability to any person or entity by reason of so refraining. Without limiting the foregoing, (a) no Secured Party shall have any right of action whatsoever against the Agent as a result of the Agent acting or refraining from acting hereunder in accordance with the terms of the Agreement or any other Transaction Document, and the Debtors shall have no right to question or challenge the authority of, or the instructions given to, the Agent pursuant to the foregoing and (b) the Agent shall not be required to take any action which the Agent believes (i) could reasonably be expected to expose it to personal liability or (ii) is contrary to this Agreement, the Transaction Documents or applicable law.

5. **Reliance.** The Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, statement, certificate, telex, teletype or telecopier message, cablegram, radiogram, order or other document or telephone message signed, sent or made by the proper person or entity, and, with respect to all legal matters pertaining to the Agreement and the other Transaction Documents and its duties thereunder, upon advice of counsel selected by it and upon all other matters pertaining to this Agreement and the other Transaction Documents and its duties thereunder, upon advice of other experts selected by it. Anything to the contrary notwithstanding, the Agent shall have no obligation whatsoever to any Secured Party to assure that the Collateral exists or is owned by the Debtors or is cared for, protected or insured or that the liens granted pursuant to the Agreement have been properly or sufficiently or lawfully created, perfected, or enforced or are entitled to any particular priority.

6. **Indemnification.** To the extent that the Agent is not reimbursed and indemnified by the Debtors, the Secured Parties will jointly and severally reimburse and indemnify the Agent, in proportion to their initially purchased respective principal amounts of Notes and Senior Notes, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against the Agent in performing its duties hereunder or under the Agreement or any other Transaction Document, or in any way relating to or arising out of the Agreement or any other Transaction Document except for those determined by a final

judgment (not subject to further appeal) of a court of competent jurisdiction to have resulted solely from the Agent' s own gross negligence or willful misconduct. Prior to taking any action hereunder as Agent, the Agent may require each Secured Party to deposit with it sufficient sums as it determines in good faith is necessary to protect the Agent for costs and expenses associated with taking such action.

7. **Resignation by the Agent.**

(a) The Agent may resign from the performance of all its functions and duties under the Agreement and the other Transaction Documents at any time by giving 30 days' prior written notice (as provided in the Agreement) to the Debtors and the Secured Parties. Such resignation shall take effect upon the appointment of a successor Agent pursuant to clauses (b) and (c) below.

(b) Upon any such notice of resignation, the Secured Parties, acting by a Majority in Interest, shall appoint a successor Agent hereunder.

(c) If a successor Agent shall not have been so appointed within said 30-day period, the Agent shall then appoint a successor Agent who shall serve as Agent until such time, if any, as the Secured Parties appoint a successor Agent as provided above. If a successor Agent has not been appointed within such 30-day period, the Agent may petition any court of competent jurisdiction or may interplead the Debtors and the Secured Parties in a proceeding for the appointment of a successor Agent, and all fees, including, but not limited to, extraordinary fees associated with the filing of interpleader and expenses associated therewith, shall be payable by the Debtors on demand.

8. **Rights with respect to Collateral.** Each Secured Party agrees with all other Secured Parties and the Agent (i) that it shall not, and shall not attempt to, exercise any rights with respect to its security interest in the Collateral, whether pursuant to any other agreement or otherwise (other than pursuant to this Agreement), or take or institute any action against the Agent or any of the other Secured Parties in respect of the Collateral or its rights hereunder (other than any such action arising from the breach of this Agreement) and (ii) that such Secured Party has no other rights with respect to the Collateral other than as set forth in this Agreement and the other Transaction Documents. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent and the retiring Agent shall be discharged from its duties and obligations under the Agreement. After any retiring Agent' s resignation or removal hereunder as Agent, the provisions of the Agreement including this Annex A shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent.

Exhibit 10.5

SUPPLEMENT TO GUARANTEE AGREEMENT

SUPPLEMENT NO. 1, dated as of September 19, 2007, to the GUARANTEE AGREEMENT (as amended, supplemented or otherwise modified from time to time, the "Guarantee Agreement"), dated as of January 12, 2007, made by Synova Healthcare Group, Inc., a Nevada corporation (the "Company"), Synova Healthcare, Inc., a Delaware corporation ("Synova Healthcare"), Synova Pre-Natal Healthcare, Inc., a Delaware corporation ("Synova Pre-Natal", and together with Synova Healthcare, the "Guarantors", and each individually, a "Guarantor"), to the purchasers signatory hereto (each purchaser including their respective successors, endorsees, transferees and assigns, a "Purchaser", and collectively, the "Purchasers").

Reference is made to the Purchase Agreement, dated as of January 12, 2007, among the Company, the Guarantors and the Purchasers (as amended, supplemented or otherwise modified from time to time, the "Purchase Agreement"). Capitalized terms used herein and not defined herein shall have the meanings assigned to such terms in the Guarantee Agreement.

The Guarantors have entered into the Guarantee Agreement in order to induce the Purchasers to purchase certain securities of the Company. Article 14 of the Guarantee Agreement provides that additional Subsidiaries may become Guarantors under the Guarantee Agreement by execution and delivery of an instrument in the form of this Supplement. The undersigned Subsidiaries (the "New Guarantors") are executing this Supplement in accordance with the requirements of the Guarantee Agreement to become Guarantors under the Guarantee Agreement as consideration for securities previously purchased.

Accordingly, the Purchasers and the New Guarantors agree as follows:

1. In accordance with Article 14 of the Guarantee Agreement, the New Guarantors by their signatures below become Guarantors under the Guarantee Agreement with the same force and effect as if originally named therein as Guarantors, and the New Guarantors hereby (a) agree to all the terms and provisions of the Guarantee Agreement applicable to them as Guarantors thereunder and (b) represent and warrant that the representations and warranties made by them as Guarantors thereunder are true and correct on and as of the date hereof. Each reference to a "Guarantor" in the Guarantee Agreement shall be deemed to include the New Guarantors. The Guarantee Agreement is hereby incorporated herein by reference.

2. The New Guarantors represent and warrant to the Purchasers that this Supplement has been duly authorized, executed and delivered by them and constitutes their legal, valid and binding obligation, enforceable against them in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditor' s rights generally.

3. This Supplement may be executed in counterparts (and by each party hereto on a different counterpart), each of which shall constitute an original, but both of which, when taken together, shall constitute but one contract. This Supplement shall become effective when the Purchasers shall have received counterparts of this Supplement that, when taken together, bear the signatures of the New Guarantors and the Purchasers. Delivery of an executed counterpart of this Supplement by facsimile transmission shall be as effective as delivery of a manually executed counterpart of this Supplement.

4. Except as expressly supplemented hereby, the Guarantee Agreement shall remain in full force and effect.

5. THIS SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES THAT WOULD REQUIRE THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION.

6. In the event any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in the Guarantee Agreement shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision hereof in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties hereto shall endeavor in good faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

7. All communications and notices hereunder shall be in writing and given as provided in Article 12 of the Guarantee Agreement. All communications and notices hereunder to the New Guarantors shall be given to them at the address set forth under their signatures below, with a copy to the Company.

8. The New Guarantors agree to reimburse the Purchasers for their reasonable out-of-pocket expenses in connection with this Supplement, including the reasonable fees, disbursements and other charges of counsel for the Purchasers.

[Signature page follows]

IN WITNESS WHEREOF, the New Guarantors and the Purchasers have duly executed this Supplement No. 1 to the Guarantee Agreement as of the day and year first above written.

ALLENDALE PHARMACEUTICALS, INC.

By: /s/ Stephen King
Name: Stephen King
Title: CEO

TODAY' S WOMENCARE COMPANY

By: /s/ Stephen King
Name: Stephen King
Title: CEO

TODAY' S WOMENCARE (CANADA) INC.

By: /s/ Stephen E. King
Name: Stephen E. King
Title: President and Chief Executive Officer

TODAY' S WOMENCARE (UK) LTD

By: /s/ Stephen E. King
Name: Stephen E. King
Title: Director

Contact information for the above subsidiaries: Synova Healthcare Group, Inc.
1400 N. Providence Road, Suite 6010
Media, PA 19063
Fax : (610) 565-7081
Attention: Stephen E. King, CEO

AGREED AND ACCEPTED:

PURCHASERS

SF Capital Partners Ltd.

By: /s/ Michael A. Roth

Name: Stark Offshore Management LLC
Its Investment Management
By: Michael A. Roth

Title: Managing Member

[Supplement No. 1 to the Guarantee Agreement]

AGREED AND ACCEPTED:

PURCHASERS (PLAINFIELD DIRECT INC.)

By: /s/ Rayan Joshi
Name: Rayan Joshi
Title: Authorized Individual

[Supplement No. 1 to the Guarantee Agreement]

AGREED AND ACCEPTED:

CASTLERIGG MASTER INVESTMENTS LTD.
BY: SANDELL ASSET MANAGEMENT CORP.
PURCHASERS

By: /s/ Timothy O' Brien
Name: Timothy O' Brien
Title: Chief Financial Officer

[Supplement No. 1 to the Guarantee Agreement]

AGREED AND ACCEPTED:

PURCHASERS

By: /s/ Erwin Speckert

Name: Erwin Speckert, CFA

Title: Managing Director

[Supplement No. 1 to the Guarantee Agreement]

AGREED AND ACCEPTED:

PURCHASERS

By: /s/ Gabriel Bianchi

Name: Bianchi G.

Title: Partner

[Supplement No. 1 to the Guarantee Agreement]

AGREED AND ACCEPTED:

PURCHASERS

Galt Industries, Inc.

By: /s/ George T. Votis
Name: G. T. Votis
Title: CEO

[Supplement No. 1 to the Guarantee Agreement]

AGREED AND ACCEPTED:

PURCHASERS

BUSHIDO CAPITAL MASTER FUND, L.P.

By: /s/ Ronald S. Dagar
Name: Ronald S. Dagar
Title: Director

[Supplement No. 1 to the Guarantee Agreement]

AGREED AND ACCEPTED:

PURCHASERS

By: /s/ Gene Detroyer

Name: Gene Detroyer

Title:

[Supplement No. 1 to the Guarantee Agreement]

AGREED AND ACCEPTED:

PURCHASERS

By: /s/ Robert J. Staab

Name: Robert J. Staab

Title:

[Supplement No. 1 to the Guarantee Agreement]

AGREED AND ACCEPTED:

PURCHASERS

By: /s/ Stephen King

Name: Stephen King

Title: CEO

[Supplement No. 1 to the Guarantee Agreement]

AGREED AND ACCEPTED:

PURCHASERS

By: /s/ David Harrison

Name: David Harrison

Title:

[Supplement No. 1 to the Guarantee Agreement]

AGREED AND ACCEPTED:

PURCHASERS

By: /s/ Robert L. Edwards
Name: Robert L. Edwards
Title:

[Supplement No. 1 to the Guarantee Agreement]

AGREED AND ACCEPTED:

PURCHASERS

By: /s/ Ron Spangler

Name: Ron Spangler

Title: Chief Scientific Officer

[Supplement No. 1 to the Guarantee Agreement]

AGREED AND ACCEPTED:

PURCHASERS

By: /s/ John Suender

Name: John Suender

Title: _____

[Supplement No. 1 to the Guarantee Agreement]

AGREED AND ACCEPTED:

PURCHASERS

By: /s/ Patricia Campbell

Name: Patricia Campbell

Title:

[Supplement No. 1 to the Guarantee Agreement]

AGREED AND ACCEPTED:

PURCHASERS

By: /s/ Mark S. Bricker
Name: Mark S. Bricker
Title:

[Supplement No. 1 to the Guarantee Agreement]

AGREED AND ACCEPTED:

PURCHASERS

PIERCE DIVERSIFIED STRATEGY MANAGEMENT FUND, LLC SERIES BUS

By: /s/ Ronald S. Dagar

Name: Ronald S. Dagar

Title: Attorney in Fact

[Supplement No. 1 to the Guarantee Agreement]

Exhibit 10.7.1

Synova Healthcare Group, Inc.
1400 N. Providence Road
Suite 6010, Building II
Media, PA 19063

September 13, 2007

Plainfield Asset Management LLC
Plainfield Direct LLC
55 Railroad Avenue
Greenwich, CT 06830
Attn: Jean Smith

Re: Synova Healthcare Group, Inc.

Ladies and Gentlemen:

This letter evidences our agreement that upon (i) closing of the transactions contemplated by that certain Securities Purchase Agreement, dated as of the date hereof, among Synova Healthcare Group, Inc. and the various investors identified therein, and (ii) delivery of the waiver, consent and amendment we have solicited from you in respect of such transactions, Synova Healthcare Group, Inc. shall reimburse you (or, at your direction, pay on your behalf directly to your law firm) your actual legal expenses incurred in connection with Plainfield' s consent to such Securities Purchase Agreement and the related transactions, not to exceed $35,000.

Very truly yours,

SYNOVA HEALTHCARE GROUP, INC.

By:
/s/ Stephen E. King
Stephen E. King, Chairman and CEO

Exhibit 10.7.2

Synova Healthcare Group, Inc.
1400 North Providence Road, Suite 6010
Media, Pennsylvania 19063

September 13, 2007

Castlerigg Master Investments Ltd.
40 West 57th St
26th Floor
New York, NY 10019

Re: Synova Healthcare Group, Inc. (the "**Company**") Proposed Financing; Consent, Amendment and Waiver Letter.

Ladies and Gentlemen:

Reference is made to that certain Consent, Amendment and Waiver letter, dated as of today' s date by and between you and the Company (the "**Consent**") and the Security Documents (as defined in the Consent).

The Company hereby covenants and agrees to reimburse you for your reasonable legal expenses, up to $7,500, incurred in connection with the preparation and execution of the Consent and the Security Documents.

In addition, in connection with the Security Agreement (as defined in the Consent), the Company agrees, upon demand, to pay you the amount of any and all reasonable expenses, including the reasonable fees and expenses of your counsel, which you may incur in connection with the future administration, waiver or other modification or termination of the Security Agreement.

This letter agreement shall be governed by the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule that would cause the application of the law of any jurisdiction other than the State of New York.

Very truly yours,

SYNOVA HEALTHCARE GROUP, INC.

By: /s/ Stephen E. King
Name: Stephen E. King
Title: Chief Executive Officer

ACKNOWLEDGED, AGREED AND ACCEPTED BY:

CASTLERIGG MASTER INVESTMENTS LTD.

By: **SANDELL ASSET MANAGEMENT CORP.**

/s/ Patrick T. Burke

Name: Patrick T. Burke

Title: Senior Managing Director

DATE: SEPTEMBER 12, 2007

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Stephen E. King, certify that:

1. I have reviewed this report on Form 10-QSB of Synova Healthcare Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant' s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) [Intentionally omitted].

c) Evaluated the effectiveness of the registrant' s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant' s internal control over financial reporting that occurred during the registrant' s most recent fiscal quarter (the registrant' s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant' s internal control over financial reporting; and

5. The registrant' s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant' s auditors and the audit committee of the registrant' s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant' s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant' s internal control over financial reporting.

/s/ Stephen E. King

Stephen E. King, Chairman and Chief Executive Officer Date: November 19, 2007

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Robert L. Edwards, certify that:

1. I have reviewed this report on Form 10-QSB of Synova Healthcare Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant' s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) [Intentionally omitted].

c) Evaluated the effectiveness of the registrant' s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant' s internal control over financial reporting that occurred during the registrant' s most recent fiscal quarter (the registrant' s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant' s internal control over financial reporting; and

5. The registrant' s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant' s auditors and the audit committee of the registrant' s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant' s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant' s internal control over financial reporting.

/s/ Robert L. Edwards

Robert L. Edwards, Chief Financial Officer Date: November 19, 2007

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code), the undersigned officer of Synova Healthcare Group, Inc., (the "Company") does hereby certify with respect to the Quarterly Report of the Company on Form 10-QSB for the quarter ended September 30, 2007 (the "Report") that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 19, 2007

/s/ Stephen E. King

Stephen E. King
Chief Executive Officer

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code) and is not being filed as part of the Report or as a separate disclosure document.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code), the undersigned officer of Synova Healthcare Group, Inc., (the "Company") does hereby certify with respect to the Quarterly Report of the Company on Form 10-QSB for the quarter ended September 30, 2007 (the "Report") that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 19, 2007

/s/ Robert L. Edwards

Robert L. Edwards
Chief Financial Officer

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code) and is not being filed as part of the Report or as a separate disclosure document.