



10-15-2001



Form PTO-1594 (Rev. 03/01) OMB No. 0651-0027 (exp. 5/31/2002) Tab settings

REC PATENT TRADEMARKS ONLY 101873213

J.S. DEPARTMENT OF COMMERCE U.S. Patent and Trademark Office

To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party(ies): Armstrong Corporation 10/09/01
Individual(s) Association
General Partnership Limited Partnership
Corporation-State Ontario
Other
Additional name(s) of conveying party(ies) attached? Yes No

2. Name and address of receiving party(ies)
Name: GMAC Commercial Credit Corporation - Canada
Internal Address: Suite 1314
Street Address: 150 York Street
City: Toronto State: Ontario Zip: M5H3B5
Individual(s) citizenship Association
General Partnership
Limited Partnership
Corporation-State Canada
Other
If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No
(Designations must be a separate document from assignment)
Additional name(s) & address(es) attached? Yes No

3. Nature of conveyance:
Assignment Merger
Security Agreement Change of Name
Other
Execution Date: August 21, 2001

4. Application number(s) or registration number(s):
A. Trademark Application No.(s) 75/175,189-- COMMON SCENTS
Additional number(s) attached Yes No

B. Trademark Registration No.(s) 2,117,721-- Paw Design
Additional number(s) attached Yes No

5. Name and address of party to whom correspondence concerning document should be mailed:
Name: Norm D. St. Landau
Internal Address: Drinker Biddle & Reath LLP
1500 K Street, N.W.
Suite 1100
Street Address: 1500 K Street, N.W.
City: Washington State: D.C. Zip: 20005

6. Total number of applications and registrations involved: 6
7. Total fee (37 CFR 3.41) \$ 165.00
Enclosed
Authorized to be charged to deposit account
8. Deposit account number:
(Attach duplicate copy of this page if paying by deposit account)

DO NOT USE THIS SPACE

9. Statement and signature. To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.
Amy Carroll Name of Person Signing
Signature Date 10/9/01
Total number of pages including cover sheet, attachments, and document: 18

Mail documents to be recorded with required cover sheet information to: Commissioner of Patent & Trademarks, Box Assignments Washington, D.C. 20231

10/12/2001 LMJELLER 00000072 75175189
01 FC:481 40.00 OP
02 FC:482 125.00 OP

FILED BY COURIER:
Date: OCTOBER 9, 2001
Signature: Brenda J Coffin

TRADEMARK REEL: 002382 FRAME: 0464

**CONTINUATION OF RECORDATION FORM COVER SHEET**

**ITEM 4**

Reg. No. 2,179,483 – ERADICATOR

Reg. No. 2,204,338 – FFLOE

Reg. No. 2,180,379 – ROMAR

Reg. No. 2,478,264 – SOLUTIONS THAT WORK

**AMENDED AND RESTATED GENERAL SECURITY AGREEMENT**

**TO: GMAC COMMERCIAL CREDIT CORPORATION -  
CANADA/SOCIÉTÉ DE CRÉDIT COMMERCIAL GMAC - CANADA  
Suite 1314, 150 York Street, Toronto, Ontario  
M5H 3S5**

(hereinafter the "Lender")

**GRANTED BY: ARMSTRONG CORPORATION  
3700 Weston Road  
North York, Ontario M9L 2Z4**

(hereinafter the "Debtor")

**1.00 GRANT OF SECURITY INTEREST**

**1.01 Security Interest**

As a general and continuing security for the payment and performance of any and all indebtedness, obligations and liabilities, present or future, direct or indirect, absolute or contingent, matured or not, at any time owing by the Debtor to the Lender or remaining unpaid by the Debtor to the Lender wheresoever and howsoever incurred and howsoever evidenced, whether arising from dealings between the Lender and the Debtor or from other dealings or proceedings by which the Debtor may be or become in any manner indebted, obligated or liable to the Lender and wherever incurred and in any currency and whether incurred by the Debtor alone or with another or others and whether as principal, guarantor or surety, and all interest, commissions, cost of realization, legal and other costs, charges and expenses and including specifically those arising under a credit agreement between the Lender and the Debtor dated January 19, 1998 as amended by First, Second, Third, Fourth and Fifth Amendments dated March 20, 1998, January 26, 1999, August 29, 1999, February 13, 2001 and May 8, 2001, respectively, (as amended, supplemented, amended and restated or otherwise modified from time to time, the "Credit Agreement") (all of the foregoing being herein collectively called the "Obligations") the Debtor, **IN CONSIDERATION OF THE OBLIGATIONS** and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, hereby grants, bargains, assigns and transfers to the Lender, and grants to the Lender a continuing security interest in all the property, assets and undertakings of the Debtor of whatsoever nature and kind, now owned or hereafter acquired by or on behalf of the Debtor, wherever located (the "Collateral") including, without limitation:

**(a) Accounts Receivable**

All debts, book debts, accounts, claims, demands, monies and choses in action whatsoever including, without limitation, claims against the Crown and claims under insurance policies, which are now owned by or are due, owing or accruing due to the Debtor or which may hereafter be owned by or become due, owing or accruing due to the Debtor together with all contracts, securities, bills, notes, lien notes, judgments, chattel mortgages, mortgages and all

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other rights, benefits and documents now or hereafter taken, vested in or held by the Debtor in respect of or as security for the same and the full benefit and advantage thereof, and all rights of action or claims which the Debtor now has or may at any time hereafter have against any person or persons, firm or corporation in respect thereof (all of the foregoing being herein collectively called the "Accounts Receivable").

**(b) Inventory**

All inventory of whatever kind now or hereafter owned by the Debtor or in which the Debtor now or hereinafter has an interest or right of any kind, and all accessions thereto and products thereof, including, without limitation, all goods, merchandise, raw materials, goods in process, finished goods, packaging and packing material and other tangible personal property now or hereafter held for sale, lease, rental or resale or that are to be finished or have been finished under a contract of service or that are to be used or consumed in the business of the Debtor (all of the foregoing being herein collectively called the "Inventory").

**(c) Equipment**

All goods now or hereafter owned by the Debtor which are not inventory or consumer goods as defined in the *Personal Property Security Act* (Ontario) ("PPSA") including, without limitation, all fixtures, equipment, machinery, tools, furniture, vehicles and other tangible personal property (all of the foregoing being herein collectively called the "Equipment").

**(d) Chattel Paper, Instruments, Securities, etc.**

All chattel paper, instruments, warehouse receipts, bills of lading and other documents of title, whether negotiable or non-negotiable, shares, stock, warrants, bonds, debentures, debenture stock or other securities, now or hereafter owned by the Debtor.

**(e) Intangibles**

All intangibles now or hereafter owned by the Debtor including, without limitation, all contractual rights, goodwill, patents, trade marks (including, without limitation, those trade marks outlined in the attached Schedule "B"), trade names, copyrights, industrial designs and other industrial or intellectual property or rights therein.

**(f) Books and Accounts, etc.**

With respect to the personal property described in Paragraphs (a) to (e) inclusive, all books, accounts, invoices, deeds, documents, writings, letters, papers, security certificates and other records in any form evidencing or relating thereto and all contracts, securities, instruments and other rights and benefits in respect thereof.

**(g) Other Property**

The uncalled capital, money, rights, bills of exchange, negotiable and non-negotiable instruments, judgments and securities not otherwise described in Paragraphs (a) to (f) inclusive.

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**(h) Replacements, etc.**

With respect to the personal property described in Paragraphs (a) to (g) inclusive, all substitutions and replacements thereof, increases, additions and accessions thereto and any interest of the Debtor therein.

**(i) Proceeds**

With respect to the personal property described in Paragraphs (a) to (h) inclusive, personal property in any form or fixtures derived directly or indirectly from any dealing with such property or that indemnifies or compensates for such property destroyed or damaged and proceeds of proceeds whether of the same type, class or kind as the original proceeds.

**1.02 Definitions and Interpretation**

In this Security Agreement:

- (a) terms used herein and defined in the PPSA shall have the same meaning as in the PPSA unless the context otherwise requires;
- (b) any reference to "Collateral" shall, unless the context otherwise requires, refer to "Collateral or any part thereof";
- (c) the grant of the security interest herein provided for shall include, without limitation, a fixed mortgage, hypothecation, pledge, charge and assignment of the Collateral in favour of the Lender;
- (d) the term "security interest" shall include, without limitation, a fixed mortgage, hypothecation, pledge, charge and assignment;
- (e) the term "purchase money security interest" shall mean a purchase money security interest granted by the Debtor under the PPSA to secure all or any part of the indebtedness incurred by the Debtor in connection with the acquisition of property (not in excess of the acquisition price of such property) or any extension or renewal or replacement of such indebtedness provided that the principal amount of such indebtedness is not increased; and
- (f) the term "encumbrance" shall include, without limitation, a security interest, lien, hypothec, claim, charge, deemed trust or encumbrance of any kind whatsoever.

**1.03 Leases**

The last day of the term of any lease, oral or written, or any agreement therefor, now held or hereafter acquired by the Debtor, shall be excepted from the security interest hereby granted and shall not form part of the collateral, but the Debtor shall stand possessed of such one day remaining, upon trust to assign and dispose of the same as the Lender or any assignee of such lease or agreement shall direct. If any such lease or agreement therefor contains a provision which provides in effect that such lease or agreement may not be assigned, sub-leased, charged

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or encumbered without the leave, licence, consent or approval of the lessor, the application of the security interest created hereby to any such lease or agreement shall be conditional upon such leave, licence consent or approval having been obtained.

#### 1.04 **Debtor Remains Liable**

Notwithstanding anything herein to the contrary:

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

#### 2.00 **REPRESENTATIONS AND WARRANTIES**

The Debtor represents and warrants to and in favour of the Lender as follows.

##### 2.01 **Title**

Subject only to the security interests in favour of the Lender, the Debtor has good and marketable title to the Collateral free and clear of all encumbrances whatsoever except as are described in the attached Schedule "A".

##### 2.02 **Enforceability**

This Security Agreement constitutes a valid and legally binding obligation of the Debtor enforceable against the Debtor in accordance with its terms.

#### 3.00 **COVENANTS OF DEBTOR**

The Debtor covenants and agrees with the Lender as follows:

##### 3.01 **Repair**

The Debtor shall diligently repair, maintain, use, care for, protect and operate the Collateral and shall carry on and conduct its business in a proper, efficient manner in compliance with all laws so as to preserve and protect the Collateral and the earnings, incomes, rents, issues and profits thereof.

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**3.02 Information**

The Debtor shall promptly furnish to the Lender such information with respect to the Collateral and the Debtor and its business as the Lender may from time to time reasonably require and shall promptly notify the Lender of all proceedings (pending or threatened) before any court, board, tribunal or similar body or any occurrence, condition or event which could have a material adverse effect on the business, property, assets or condition (financial or otherwise) of the Debtor or any of its subsidiaries. The Debtor shall permit the Lender or its authorized agents during usual business hours and on reasonable notice, except upon the Lender determining there is an emergency, and at the expense of the Debtor, to verify Accounts Receivable under reasonable procedures directly with account debtors or by other procedures, to have access to all premises occupied by the Debtor or any place where the Collateral may be found in order to discuss the affairs, finances and accounts of the Debtor with appropriate officers, to inspect the Collateral and to examine the information contained in any records or other writings of the Debtor including, without limitation, books of account and other financial records and reports relating to the Collateral, to have temporary custody thereof and to make copies thereof and take extracts therefrom.

**3.03 Encumbrances**

Except for any encumbrances in favour of the Lender, and the encumbrances described in the attached Schedule "A", the Debtor shall keep the Collateral free at all times from any and all encumbrances of whatsoever nature, kind or priority other than those in favour of the Lender, defend the title to the Collateral against all persons, not permit the Collateral to become an accession to any property not subject to the security interest granted by this Security Agreement and not to become a fixture unless the security interest of the Lender ranks prior to the interests of all persons in the realty.

**3.04 Insurance**

The Debtor shall cause all of the Collateral which is of a character usually insured by businesses owning or operating Collateral of a similar nature to be properly insured and kept insured with reputable insurers acceptable to the Lender, against loss or damage by fire or other risks and hazards usually insured against by businesses owning or operating Collateral of a similar nature, in such amounts, containing such terms, in such form and for such purposes, as may be satisfactory to the Lender. Loss under such insurance shall be payable to the Lender as its interest may appear and such insurance shall contain a mortgage clause acceptable to the Lender.

**3.05 Permitted Disposals**

The Debtor shall not, except as otherwise permitted hereunder, remove, destroy, lease, sell or otherwise dispose of any of the Collateral except in the ordinary course of its business and except equipment which has become worn out or damaged or otherwise unsuitable for its purpose, in which case the Debtor shall substitute for such equipment, subject to the security interest created hereby and free from any other security interests, property of equal value such that the security hereby constituted shall not thereby be in any way reduced or impaired.

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**4.00 COLLECTIONS OF PROCEEDS****4.01 Payments to Lender**

The Debtor shall:

- (a) collect and enforce payment of all Accounts Receivable (except as provided for in Section 4.02) and shall dispose of and receive payment for all Inventory which is ordinarily disposed of in the Debtor's business;
- (b) if the security hereby constituted becomes enforceable as provided under Article 5.00 Default, receive and hold in trust for the Lender, all payments on or instruments received in respect of the Collateral, all rights by way of suretyship or guarantee which the Debtor now has or may hereafter acquire to enforce payment of Collateral and all rights in the nature of a security interest whereby the Debtor may satisfy any Collateral out of property, and all non-cash proceeds of any such collection, disposition or realization of any of the Collateral shall be subject to the security interest hereby created.
- (c) forthwith deliver to it all such payments and instruments in the form received by the Debtor; and
- (d) if the security hereby constituted becomes enforceable as provided under Article 5.00 Default, forthwith deliver to the Lender all property in the Debtor's possession or hereafter coming into its possession through enforcement of any such rights.

**4.02 Account Debtor**

The Lender may, from time to time, upon notice to the Debtor of its intention to do so, notify an account debtor or obligors under any Account Receivable of the assignment of the Account Receivable to the Lender and require such person to make payment to the Lender in respect of any of the Accounts Receivable and the Lender may hold all amounts acquired or received from any such account debtors or obligors, together with income on such amounts, as part of the Collateral and as security for the Obligations.

**5.00 DEFAULT****5.01 Defaults**

Without in any way limiting or restricting the demand nature of any of the Obligations and the Lender's rights to demand, at any time, payment of any or all of the Obligations payable on demand, the Obligations secured by this Security Agreement shall be immediately due and payable in full and the security hereby constituted shall become enforceable without, subject to applicable law, the need for any action or notice on the part of the Lender upon the happening of any Event of Default under and as defined in the agreements between the Debtor and the Lender evidencing and documenting the Obligations, and including the following events (herein called a "Default"):



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- (a) if the Debtor shall fail to make any payment of any of the Obligations when due;
- (b) if the Debtor commits a breach of or fails to observe or perform any of the covenants, terms or conditions contained in this Security Agreement or in any other agreement or instrument from time to time in effect between the Debtor and the Lender, whether relating to the Obligations or not, or if any representation or warranty of the Debtor made to the Lender or otherwise contained herein or in any other agreement or instrument from time to time in effect between the Debtor and the Lender, whether relating to the Obligations or not, shall be established by the Lender to have been incorrect in any material (determined in the Lender's sole discretion) respect, and which is not corrected within five (5) business days after the provision of written notice of the event by the Lender;
- (c) if the Debtor shall default under any instrument or agreement with respect to any indebtedness or other obligation of it to the Lender or to any creditor or other person, provided that such default has resulted in, or may result in, with notice or lapse of time, or both, the acceleration of any such indebtedness or obligation in favour of such person or the right of such person to realize upon the Collateral, and which is not corrected within five (5) business days after the provision of written notice of the event by the Lender;
- (d) if the Debtor ceases paying its debts as they mature, ceases or threatens to cease to carry on its business, makes an assignment for the benefit of creditors, commits any act or does any thing constituting or being an act of bankruptcy or insolvency (as defined or provided for in any applicable statute), fails to defend in good faith any material action, suit or proceeding commenced against it, fails to discharge or appeal forthwith any judgment for the payment of money rendered against it, fails to pay any taxes, rates or charges when due, in consequence of which any lien or other encumbrance, inchoate or otherwise, upon the Collateral arises or could arise thereby, applies to any tribunal or similar body for the appointment or authorization of any receiver, trustee, liquidator or sequestrator or otherwise commences any proceedings relating to any substantial portion of its property under any reorganization, arrangement or readjustment of debt, dissolution, winding-up, adjustment, composition or liquidation law or statute of any jurisdiction including, without limitation, under the *Companies Creditors Arrangement Act* (Canada), the *Bankruptcy and Insolvency Act* (Canada) or the *Winding-Up and Restructuring Act* (Canada), whether now or hereafter in effect (each of the foregoing herein referred to as a "Proceeding");
- (e) if there is commenced against the Debtor any Proceeding and an order approving the petition or dissolution, liquidation or winding up is entered, or such Proceeding remains uncontested or undismissed for a period of 30 days, any receiver, trustee, liquidator, sequestrator or similar official of or for the Debtor or any substantial portion of the property of the Debtor is appointed, the Debtor by any act indicates consent to or approval of or acquiescence in any Proceeding for the appointment of any receiver, trustee, liquidator, sequestrator or similar official of or for the Debtor or any substantial portion of the property of the Debtor; or

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- (f) if the Lender, in its absolute discretion, concludes as the result of the occurrence of any material change in the condition or affairs (financial or otherwise) of the Debtor that the essential basis of the Obligations or security hereby constituted has been materially impaired or otherwise altered.

## 6.00 REMEDIES ON DEFAULT

If the security hereby constituted becomes enforceable, the Lender shall have, in addition to any other rights, remedies and powers which it may have under the Credit Agreement, the Loan Document at law, in equity or under the PPSA the following rights, remedies and powers, subject to applicable law:

### 6.01 Power of Entry

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

### 6.02 Power of Sale

The Lender may sell, lease or otherwise dispose of all or any part of the Collateral, as a whole or in separate parcels, by public auction, private tender or by private contract and except as otherwise required by applicable law, with or without notice, with or without advertising and without any other formality, all of which are hereby waived by the Debtor. Such sale, lease or disposition shall be on such terms and conditions as to credit and otherwise and as to upset or reserve bid or price as to the Lender, in its discretion, may seem advantageous. If such sale, transfer or disposition is made on credit or part cash and part credit, the Lender need only credit against the Obligations the actual cash received at the time of the sale. Any payments made pursuant to any credit granted at the time of the sale shall be credited against the Obligations as they are received. The Lender may buy in or rescind or vary any contract for sale of all or any of the Collateral and may resell without being answerable for any loss occasioned thereby. Any such sale, lease or disposition may take place whether or not the Lender has taken possession of the Collateral. The Lender may, before any such sale, lease or disposition, perform any commercially reasonable repair, processing or preparation for disposition and the amount so paid or expended shall be deemed advanced to the Debtor by the Lender, shall become part of the Obligations, shall bear interest at the highest rate per annum charged by the Lender on the Obligations or any part thereof and shall be secured by this Security Agreement.

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**6.03 Validity of Sale**

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

**6.04 Receiver-Manager**

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

**6.05 Carrying on Business**

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

**6.06 Dealing with Collateral**

The Lender may seize, collect, realize, dispose of, enforce, release to third parties or otherwise deal with the Collateral or any part thereof in such manner, upon such terms and conditions and at such time or times as may seem to it advisable, all of which without notice to the Debtor except as otherwise required by any applicable law. The Lender may demand, sue for and receive any Accounts Receivable with or without notice to the Debtor, give such receipts,

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discharges and extensions of time and make such compromises in respect of any Accounts Receivable which may, in the Lender's absolute discretion, seem bad or doubtful. The Lender may charge on its own behalf and pay to others, sums for costs and expenses incurred including, without limitation, legal fees and expenses on a solicitor and his own client scale and Receivers' and accounting fees, in or in connection with seizing, collecting, realizing, disposing, enforcing or otherwise dealing with the Collateral and in connection with the protection and enforcement of the rights of the Lender hereunder including, without limitation, in connection with advice with respect to any of the foregoing. The amount of such sums shall be deemed advanced to the Debtor by the Lender, shall become part of the Obligations, shall bear interest at the highest rate per annum charged by the Lender on the Obligations or any part thereof and shall be secured by this Security Agreement.

#### 6.07 Retention of Collateral

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

#### 6.08 Pay Encumbrances

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

#### 6.09 Application of Payments Against Obligations

Any and all payments made in respect of the Obligations from time to time and monies realized on the Collateral may be applied to such part or parts of the Obligations as the Lender may see fit. The Lender shall, at all times and from time to time, have the right to change any appropriation as it may see fit. Any insurance monies received by the Lender pursuant to this Security Agreement may, at the option of the Lender, be applied to rebuilding or repairing the Collateral or be applied against the Obligations in accordance with the provisions of this Section.

#### 6.10 Set-Off

The Obligations will be paid by the Debtor without regard to any equities between the Debtor and the Lender or any right of set-off or cross-claim. Any indebtedness owing by the Lender to the Debtor may be set off and applied by the Lender against the Obligations at any time or from time to time either before or after maturity, without demand upon or notice to anyone.

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**6.11 Deficiency**

If the proceeds of the realization of the collateral are insufficient to repay the Lender all monies due to it, the Debtor shall forthwith pay or cause to be paid to the Lender such deficiency.

**6.12 Lender Not Liable**

The Lender shall not be liable or accountable for any failure to seize, collect, realize, dispose of, enforce or otherwise deal with the Collateral, shall not be bound to institute proceedings for any such purposes or for the purpose of preserving any rights of the Lender, the Debtor or any other persons, firm or corporation in respect of the Collateral and shall not be liable or responsible for any loss, cost or damage whatsoever which may arise in respect of any such failure including, without limitation, resulting from the negligence of the Lender or any of its officers, servants, agents, solicitors, attorneys, Receivers or otherwise. Neither the Lender nor its officers, servants, agents or Receivers shall be liable by reason of any entry into possession of the Collateral or any part thereof, to account as a mortgagee in possession, for anything except actual receipts, for any loss on realization, for any act or omission for which a mortgagee in possession might be liable, for any negligence in the carrying on or occupation of the business or undertaking of the Debtor as provided in Section 6.05 or for any loss, cost, damage or expense whatsoever which may arise in respect of any such actions, omissions or negligence.

**6.13 Extensions of Time**

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

**6.14 Rights in Addition**

The rights and powers conferred by this Article 6.00 are in supplement of and in addition to and not in substitution for any other rights or powers the Lender may have from time to time under this Security Agreement, any other agreement or instrument from time to time in effect between the Debtor and the Lender, or under applicable law. The Lender may proceed by way of any action, suit, remedy or other proceeding at law or in equity and no such remedy for the enforcement of the rights of the Lender shall be exclusive of or dependent on any other such remedy. Any one or more of such remedies may from time to time be exercised separately or in combination.

**7.00 DEALING WITH COLLATERAL BY THE DEBTOR****7.01 Sale of Inventory**

Prior to the occurrence of a Default, the Debtor may, in the ordinary course of its business and on customary trade terms, lease or sell items of inventory so that the purchaser

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thereof takes title clear of the security interest hereby created. If such sale or lease results in an Account Receivable, such account Receivable shall be subject to the security interest hereby created.

## 8.00 GENERAL

### 8.01 Security in Addition

The security hereby constituted is not in substitution for any other security for the Obligations or for any other agreement between the parties creating a security interest in all or part of the Collateral, whether heretofore or hereafter made, and such security and such agreements shall be deemed to be continued and not affected hereby unless expressly provided to the contrary in writing and signed by the Lender and the Debtor. The taking of any action or proceedings or refraining from so doing, or any other dealing with any other security for the Obligations or any part thereof, shall not release or affect the security interest created by this Security Agreement and the taking of the security interest hereby created or any proceedings hereunder for the realization of the security interest hereby created shall not release or affect any other security held by the Lender for the repayment of or performance of the Obligations.

### 8.02 Waiver

Any waiver of a breach by the Debtor of any of the terms or provisions of this Security Agreement or of a Default under Section 5.01 must be in writing to be effective against and bind the Lender. No such waiver by the Lender shall extend to or be taken in any manner to affect any subsequent breach or Default or the rights of the Lender arising therefrom.

### 8.03 Further Assurances

The Debtor shall at all times do, execute, acknowledge and deliver or cause to be done, executed, acknowledged or delivered all and singular every such further acts, deeds, conveyances, instruments, transfers, assignments, security agreements and assurances as the Lender may reasonably require in order to give effect to the provisions and purposes of this Security Agreement including, without limitation, in respect of the Lender's enforcement of the security and its realization on the Collateral, and for the better granting, transferring, assigning, charging, setting over, assuring, confirming and/or perfecting the security interest of the Lender in the Collateral pursuant to this Security Agreement. The Debtor hereby constitutes and appoints the Manager or acting Manager of the Lender at its above address, or any Receiver appointed by the Court or the Lender as provided herein, the true and lawful attorney of the Debtor irrevocably with full power of substitution to do, make and execute all such assignments, documents, acts, matters or things with the right to use the name of the Debtor whenever and wherever it may be deemed necessary or expedient. The Debtor hereby authorizes the Lender to file such proofs of claim and other documents as may be necessary or advisable in order to prove its claim in any bankruptcy, proposed winding-up or other proceeding relating to the Debtor.

### 8.04 Continuing Security Interest and Discharge

This Security Agreement shall create a continuing security interest in the Collateral and shall remain in full force and effect until payment and performance in full of the

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Obligations, notwithstanding any dealing between the Lender and the Debtor or any Guarantor in respect of the Obligations or any release, exchange, non-perfection, amendment, waiver, consent or departure from or in respect of any or all of the terms or provision of any security held for the Obligations.

#### 8.05 **Governing Law**

This Security Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

#### 8.06 **Security Interest Effective Immediately**

Neither the execution or registration of this Security Agreement nor any partial advances by the Lender shall bind the Lender to advance any other amounts to the Debtor. The parties intend the security interest created hereby to attach and take effect forthwith upon execution of this Security Agreement by the Debtor and the Debtor acknowledges that value has been given and that the Debtor has rights in the collateral and that it has received a copy of this Security Agreement.

#### 8.07 **Joint and Several Liability**

If more than one person executes this Security Agreement as Debtor, their obligations under this Security Agreement shall be joint and several.

#### 8.08 **Invalidity**

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

#### 8.09 **Indemnity and Expenses**

- (a) The Debtor agrees to indemnify and save harmless the Lender from and against any and all claims, losses and liabilities arising out of or resulting out of or resulting from this Security Agreement (including, without limitation, enforcement of this Security Agreement), except claims, losses or liabilities resulting from the Lender's gross negligence or wilful misconduct to the extent resulting solely and directly therefrom.
- (b) The Debtor will upon demand pay to the Lender the amount of any and all expenses, including the fees and disbursements of its counsel and of any experts and agents, which the Lender may incur in connection with (i) the administration of this Security Agreement, (ii) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, any of the Collateral, (iii) the exercise or enforcement of any of the rights or remedies of the Lender hereunder, or (iv) the failure by the Debtor to perform or observe any of the provisions hereunder.

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**8.10 Binding Effect**

All rights of the Lender hereunder shall enure to the benefit of its successors and assigns and all obligations of the Debtor hereunder shall bind the Debtor and his heirs, executors, administrators, legal personal representatives, successors and assigns.

**8.11 Personal Property Security Act**

This Agreement shall be subject to compliance with those provisions of the *Personal Property Security Act* (Ontario) which can not be waived, altered or superseded by agreement.

**8.12 Precedence**

In the event that any provisions of this Agreement contradict or are otherwise incapable of being construed in conjunction with the provisions of the Credit Agreement (and as same may be further amended, supplemented, revised or replaced from time to time), the provisions of the Credit Agreement shall take precedence over those contained in this Agreement and, in particular, if any act of the Debtor is expressly permitted under the Credit Agreement but is prohibited under this Agreement, any such act shall be deemed to be permitted under this Agreement.

It is the express wish of the Parties that this agreement and any related documents be drawn up and executed in English. Il est in volonte expresse des Parties que cette convention et tous les documents s'y rattachant soient rediges et signes en anglais.

IN WITNESS WHEREOF the Debtor has duly executed this Security Agreement under seal this 21<sup>st</sup> day of August, 2001.

**ARMSTRONG CORPORATION**Per: 

Name: DAVID ARMSTRONG

Title: President / CEO

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**SCHEDULE "A"**  
**Permitted Encumbrances**

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**SCHEDULE "B"**

**Trademarks**

**Canada**

Common Scents (TMA 347,627)

Common Scents (Appln. 823,481)

FFLOE

Moisture Magnet

Odor-End (TMA 411,742)

Odor-End (TMA 443,191)

Protex

Ro-Tyme & Design

ROMAR

Sensible Solutions

Skandia

Solutions That Work

Vision Design

**United States**

Common Scents

Solutions That Work

ROMAR

Eradicator

PAW Design

FFLOE

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