

11-28-2001



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11-16-01

**RECORDATION FORM COVER SHEET
TRADEMARKS ONLY**

TO: The Commissioner of Patents and Trademarks: Please record the attached original document(s) or copy(ies).

Submission Type

- New
- Resubmission (Non-Recordation)
Document ID #
- Correction of PTO Error
Reel # Frame #
- Corrective Document
Reel # Frame #

Conveyance Type

- Assignment License
 - Security Agreement Nunc Pro Tunc Assignment
 - Merger Change of Name
 - Other
- Effective Date
Month Day Year

Conveying Party

- Mark if additional names of conveying parties attached
- Name Execution Date
Month Day Year

Formerly

- Individual General Partnership Limited Partnership Corporation Association
- Other
- Citizenship/State of Incorporation/Organization

Receiving Party

- Mark if additional names of receiving parties attached

Name

DBA/AKA/TA

Composed of

Address (line 1)

Address (line 2)

Address (line 3)
City State/Country Zip Code

- Individual General Partnership Limited Partnership If document to be recorded is an assignment and the receiving party is not domiciled in the United States, an appointment of a domestic representative should be attached. (Designation must be a separate document from Assignment.)
- Corporation Association
- Other
- Citizenship/State of Incorporation/Organization

11/27/2001 TDIAZ1 00000021 2141365

FOR OFFICE USE ONLY

01 FC:481 40.00 DP
02 FC:482 125.00 DP

Public burden reporting for this collection of information is estimated to average approximately 30 minutes per Cover Sheet to be recorded, including time for reviewing the document and gathering the data needed to complete the Cover Sheet. Send comments regarding this burden estimate to the U.S. Patent and Trademark Office, Chief Information Officer, Washington, D.C. 20231 and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Paperwork Reduction Project (0651-0027), Washington, D.C. 20503. See OMB Information Collection Budget Package 0651-0027, Patent and Trademark Assignment Practice. DO NOT SEND REQUESTS TO RECORD ASSIGNMENT DOCUMENTS TO THIS ADDRESS.

Mail documents to be recorded with required cover sheet(s) information to:
Commissioner of Patents and Trademarks, Box Assignments, Washington, D.C. 20231

TRADEMARK

REEL: 002399 FRAME: 0603

Domestic Representative Name and Address

Enter for the first Receiving Party only.

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

Correspondent Name and Address

Area Code and Telephone Number

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

Pages

Enter the total number of pages of the attached conveyance document including any attachments.

#

Trademark Application Number(s) or Registration Number(s)

Mark if additional numbers attached

Enter either the Trademark Application Number or the Registration Number (DO NOT ENTER BOTH numbers for the same property).

Trademark Application Number(s)

<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>

Registration Number(s)

<input type="text" value="2141365"/>	<input type="text" value="1756344"/>	<input type="text" value="1998784"/>
<input type="text" value="1281227"/>	<input type="text" value="2211085"/>	<input type="text" value="402055"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>

Number of Properties

Enter the total number of properties involved.

#

Fee Amount

Fee Amount for Properties Listed (37 CFR 3.41):

\$

Method of Payment:

Enclosed Deposit Account

Deposit Account

(Enter for payment by deposit account or if additional fees can be charged to the account.)

Deposit Account Number:

#

Authorization to charge additional fees:

Yes No

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. Charges to deposit account are authorized, as indicated herein.

A. Nicholas Falkides

Name of Person Signing



Signature

Date Signed

SECURITY AGREEMENT

Date of Agreement: As of October 20, 2000

GRANTOR: SEPTODONT, INC.

LENDER: THE TORONTO-DOMINION BANK

1. GRANT OF SECURITY INTEREST IN COLLATERAL

The Grantor hereby assigns and pledges to the Lender, and hereby grants to the Lender a security interest in, all of the Grantor's right, title and interest in and to the following, whether now owned or hereafter acquired (the "Collateral"):

- (a) **Equipment.** All equipment in all of its forms, located, now or hereafter existing, (including, but not limited to, all parts thereof and all accessions, additions, attachments, improvements, substitutions and replacements thereto and therefor and all accessories related thereto (all of the foregoing collectively referred to as the "Equipment")).
- (b) **Inventory.** All inventory in all of its forms, wherever located, now or hereafter existing (including, but not limited to, (i) all raw materials and work in process therefor, finished goods thereof, and materials used or consumed in the manufacture or production thereof, (ii) goods in which the Grantor has an interest in mass or a joint or other interest or right of any kind (including, without limitation, goods in which the Grantor has an interest or right as consignee), and (iii) goods which are returned to or repossessed by the Grantor), and all accessions thereto and products thereof and documents therefor (all of the foregoing collectively referred to as the "Inventory").
- (c) **Receivables and Related Contracts.** All accounts, contracts, contract rights, chattel paper, documents, instruments, general intangibles (including tax refunds) and other obligations of any kind, now or hereafter existing, whether or not arising out of or in connection with the sale or lease of goods or the rendering of services, and all rights now or hereafter existing in and to all security agreements, guaranties, leases, and other contracts securing or otherwise relating to any such accounts, contracts, contract rights, chattel paper, documents, instruments, general intangibles or other obligations (all of the foregoing collectively referred to as the "Receivables", and any and all such security agreements, guaranties, leases and other contracts collectively referred to as the "Related Contracts")
- (d) All Intellectual Property Collateral referred to below:
 - (i) all computer and other electronic data processing hardware, together with all associated integrated computer systems and related equipment;
 - (ii) all software programs now owned, licensed to or leased by the Grantor, or hereafter acquired by the Grantor;
 - (iii) all related firmware and documentation, together

with all rights in relation to the property described in clauses (i) and (ii) (such collateral and the Collateral described in clauses (i) and (ii), the "Computer Hardware and Software Collateral");

- (iv) all copyrights, whether registered or unregistered, including all copyrights registered in the United States Copyright Office or elsewhere, including copyrights referred to in Item 1(a) of Annex II, all applications for registration thereof, all copyright licenses, including those referred to in Item 1(b) of Annex II and all extensions and renewals of any thereof (the "Copyright Collateral");
 - (v) all letters patent held by the Grantor, all patent applications, including those referred to in Item 1(a) of Annex II, and any extensions or renewals thereof, and all patent licenses, including those referred to in *Item 1(b) of Annex II*, (the "Patent Collateral"); and
 - (vi) all trademarks including those registered in the United States Patent and Trademark Office or elsewhere, all trademarks referred to in *Item 1(a) of Annex II*, all trademark licenses, including those referred to in *Item 1(b) of Annex II*, any other trade names, corporate names, fictitious business names, trade styles, service marks, logos and other source or business identifiers and all applications, renewals and extensions thereof (the "Trademark Collateral").
- (e) **Proceeds.** All products, offspring, rents, issues, profits, returns, income and proceeds of any and all of the foregoing Collateral (including, without limitation, proceeds which constitute property of the types described in *Subsections (1)(a), (b), (c), and (d)* (if applicable)) and, to the extent not otherwise included, all payments under insurance (whether or not the Lender is the loss payee thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing Collateral.

2. SECURITY FOR OBLIGATIONS.

This Agreement secures the payment of all obligations of the Grantor now or hereafter existing with respect to any credit or loan agreement, guaranty, lease, letter of credit, overdraft or any other financial accommodation existing between the Grantor and the Lender, all obligations of the Grantor now or hereafter existing under this Agreement, whether for principal, interest, expenses, indemnity or otherwise (all such obligations being hereinafter referred to collectively as the "Secured Obligations", and any

agreement or instrument evidencing any Secured Obligation being a "Secured Agreement").

3. GRANTOR REMAINS LIABLE.

Anything herein to the contrary notwithstanding, (a) the Grantor shall remain liable under the contracts and agreements included in the Collateral to the extent set forth therein, and shall perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by the Lender of any of the rights hereunder shall not release the Grantor 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 Grantor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

4. REPRESENTATIONS AND WARRANTIES.

The Grantor represents and warrants as follows:

- (a) **Location of Collateral.** All of the Equipment and Inventory are located at the places specified in *Annex I, Item 1*. The place(s) of business and chief executive office of the Grantor and the office where the Grantor keeps its records concerning the Receivables and all originals of all chattel paper which evidence Receivables are located at the address of the Grantor, the address indicated in *Annex I, Item 2*.
- (b) **As to Receivables.** All Receivables evidenced by a promissory note or other instrument, negotiable document or chattel paper have been duly endorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance satisfactory to the Lender and delivered and pledged to the Lender pursuant to *Section 5(a)*.
- (c) **Ownership; No Liens, Etc.** The Grantor owns the Collateral free and clear of any lien, security interest, charge or encumbrance except for the security interest created by this Agreement and except for liens on equipment for current use securing an obligation not to exceed \$50,000. No effective financing statement or other instrument similar in effect covering all or any part of the Collateral is on file in any recording office, except such as may have been filed in favor of the Lender relating to this Agreement. The Grantor has exclusive possession and control of the Equipment and Inventory, other than Inventory in transit in the ordinary course of business and Inventory in the possession or control of a warehouseman, bailee agent or other person, as to which the Grantor has notified the Lender in writing.

(d) **Names, Etc.** The Grantor's exact legal name is set forth on the first page of this Agreement. The Grantor has no trade name other than any trade name set forth in *Annex I, Item 3*. The Grantor's federal taxpayer identification number is (and, during the few months preceding the date hereof, the Grantor has not had a federal taxpayer identification number different from) 11-2783458.

(e) **Valid and Perfected Security Interest.** Except for liens on equipment for current use securing an obligation not to exceed \$50,000, this Agreement (together with the filing of any Uniform Commercial Code financing statements) creates a valid and perfected first priority security interest in the Collateral, securing the payment of the Secured Obligations, and all filings and other actions necessary or desirable to perfect and protect such security interest have been duly taken.

(f) **Authorizations.** No authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required either (i) for the granting by the Grantor of the security interest granted hereby or for the execution, delivery or performance of this Agreement by the Grantor or (ii) for the perfection of or the exercise by the Lender of its rights and remedies hereunder, except for the filings of Uniform Commercial Code financing statements.

(g) **State of Formation.** The Grantor's state of formation is New York.

(h) As to Intellectual Property Collateral:

- (i) The Grantor has made all necessary filings and recordings to protect its interest in the Intellectual Property Collateral, including recordings of all of its interests in the Patent Collateral and Trademark Collateral in the United States Patent and Trademark Office and in corresponding offices throughout the world, and its claims to the Copyright Collateral in the United States Copyright Office and in corresponding offices throughout the world;
- (ii) the Grantor is the exclusive owner of all right, title and interest in and to such Intellectual Property Collateral, and no claim has been made that the use of the Intellectual Property Collateral violates the asserted rights of any third party; and
- (iii) the Grantor has performed and will continue to perform all acts and has paid and will continue to pay all required fees and taxes to maintain each and every such item of Intellectual Property Collateral in full force and effect.

5. FURTHER ASSURANCES, ETC.

- (a) The Grantor agrees that it will, from time to time, at the expense of the Grantor, promptly execute and deliver all further instruments, documents and chattel paper, and take all further action, that may be necessary or desirable, or that the Lender might request, in order to

perfect, preserve and protect any security interest granted or purported to be granted hereby or to enable the Lender to exercise and enforce its rights and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, the Grantor will (i) if any Receivable shall be evidenced by a promissory note or other instrument, negotiable document or chattel paper, deliver and pledge to the Lender hereunder such promissory note, instrument, negotiable document or chattel paper duly endorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance satisfactory to the Lender and (ii) execute such Uniform Commercial Code financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or desirable, or as the Lender may request, in order to perfect and preserve the security interests and other rights granted or purported to be granted hereby.

- (b) The Grantor hereby authorizes the Lender to file one or more Uniform Commercial Code financing or continuation statements, and amendments thereto, relative to all or any part of the Collateral without the signature of the Grantor where permitted by law. A carbon, photographic or other reproduction of this Agreement or any Uniform Commercial Code financing statement covering the Collateral or any part thereof shall be sufficient as a financing statement where permitted by law.
- (c) The Grantor will furnish to the Lender from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Lender may reasonably request, all in reasonable detail.
- (d) The Grantor will furnish to the Lender, from time to time at the request of the Lender, an opinion of counsel acceptable to the Lender to the effect that all Uniform Commercial Code financing or continuation statements have been filed, and all other action has been taken, to perfect and validate continuously from the date hereof the security interests granted hereby.
- (e) The Grantor will, at all times, keep pledged to the Lender pursuant hereto on a first priority perfected basis (except for liens on equipment for current use securing an obligation not to exceed \$50,000) all Collateral and other instruments, proceeds, and rights from time to time received by the Grantor in respect of any of the foregoing Collateral.

6. COVENANTS AS TO COLLATERAL.

- (a) The Grantor agrees that it shall:
 - (i) Keep the Equipment and Inventory (other than Inventory sold in the ordinary course of business) and keep its place(s) of business and chief executive office and the office where it keeps its records concerning the Receivables and all originals of all chattel paper which evidences Receivables at the places therefor specified in *Section 4(a)* or, upon 30 days' prior written notice to the Lender, at such other places in jurisdictions where all representations and warranties set forth in *Section 4* shall be true and correct, and all action required by *Section 5(a)*

shall have been taken with respect to the Equipment, Inventory and Receivables.

- (ii) Cause the Equipment to be maintained and preserved in good repair and working order, ordinary wear and tear excepted, and shall in the case of any loss or damage to any of the Equipment, notify the Lender and make or cause to be made all repairs, replacements, and other improvements in connection therewith which are necessary or desirable to such end.
- (iii) Hold and preserve such records and chattel paper and permit representatives of the Lender at any time during normal business hours to inspect and make abstracts from such records and chattel paper.
- (iv) Pay promptly when due all property and other taxes, assessments and governmental charges or levies imposed upon, and all claims (including claims for labor, materials and supplies) against, the Collateral, except to the extent the validity thereof is being diligently contested in good faith by appropriate proceedings, and for which adequate reserves have been set aside in accordance with generally accepted accounting principles.
- (v) Continue to collect, at its own expense, all amounts due or to become due to the Grantor under the Receivables. In connection with such collections, the Grantor may take (and, at the Lender's direction, shall take) such action as the Grantor or the Lender may deem necessary or advisable to enforce collection of the Receivables.
- (b) The Grantor agrees that it shall not (i) change its name or federal taxpayer identification number except upon 30 days' prior written notice to the Lender or (ii) change its state of formation.
- (c) At any time when any Secured Obligation is overdue and has been demanded by the Lender, until such time as the Lender notifies the Grantor in writing, the Grantor (i) may in the ordinary course of its business (except to the extent prohibited under any Secured Agreement), at its own expense, refine, process, store, transport, sell, lease or furnish under the contracts of service any of the Inventory normally held by the Grantor for such purpose, and use and consume, in the ordinary course of its business (except to the extent prohibited under any Secured Agreement), any raw materials, including work in process or materials normally held by the Grantor for such purpose, (ii) will, at its own expense, endeavor to collect, as and when due, all amounts due with respect to any Collateral, including the taking of such action with respect to such collection as the Lender requests or, in the absence of such request, as the Grantor may deem advisable, and (iii) may grant, in the ordinary course of business (except as otherwise permitted under any Secured Agreement), to any party obligated on any of the Collateral, any rebate, refund or allowance to which such party may be lawfully entitled, and may accept, in connection therewith, the return of goods, the sale or lease of which shall have given rise to such Collateral.

\$ 1,000,000 per occurrence

7. COVENANTS AS TO INTELLECTUAL PROPERTY COLLATERAL.

The Grantor agrees to comply with the following provisions with regard to Intellectual Property Collateral of the Grantor:

- (a) the Grantor will not permit any of its rights in the Patent Collateral or the Copyright Collateral to lapse or become unenforceable, or be placed in the public domain except upon expiration of an unrenovable term of registration therefor, unless the Grantor shall determine in good faith that any of such Intellectual Property Collateral is of negligible economic value;
- (b) with regard to any of its licensees of any Trademark Collateral, the Grantor will (i) require such licensees to use such Collateral to avoid a claim of abandonment for non-use, and to maintain the quality of its products and services protected by such Collateral, (ii) require such licensees to use any appropriate notice of registration of such Collateral, and (iii) prohibit such licensees from taking any action that violates the terms of, or diminishes the value of, any such Collateral;
- (c) the Grantor shall promptly notify the Lender (i) if it knows or is aware that any registration relating to any material item of Intellectual Property Collateral, or any application therefor, is scheduled to lapse, or is to be abandoned or placed in the public domain, or will otherwise become unenforceable, or (ii) of any adverse determination or development regarding the Grantor's ownership of, or rights in, any Intellectual Property Collateral;
- (d) prior to filing any application for the registration of any Intellectual Property Collateral, in the United States or elsewhere, the Grantor shall notify the Lender thereof, and will execute and deliver to the Lender all agreements, instruments and documents requested by the Lender to acknowledge, register or perfect its security interest in any such Intellectual Property Collateral; and
- (e) the Grantor will take all necessary steps to maintain and pursue any application filed with respect to, or to maintain any registration of, the Intellectual Property Collateral, including filing of applications for renewal or affidavits of use or incontestability or opposition or otherwise.

8. COVENANTS AS TO INSURANCE.

- (a) The Grantor agrees that it shall, at its own expense, maintain insurance with respect to the Equipment and Inventory in such amounts, against such risks, in such form and with such insurers, as shall be satisfactory to the Lender from time to time. Each policy for (i) liability insurance shall provide for all losses to be paid on behalf of the Lender and the Grantor as their respective interests may appear and (ii) property damage insurance shall provide for all losses (except for losses of less than

[Grantor to initial]

and

\$ 2,000,000 in the aggregate

to be paid directly to the Lender. Each such policy shall in addition (i) name the Grantor and the Lender as insured parties thereunder (without any representation or warranty by, or obligation upon, the Lender) as their interests may appear, (ii) contain the agreement by the insurer that any loss thereunder shall be payable to the Lender notwithstanding any action, inaction or breach of representation or warranty by the Grantor, (iii) provide that there shall be no recourse against the Lender for payment of premiums or other amounts with respect thereto and (iv) provide that at least ten days' prior written notice of cancellation or of lapse shall be given to the Lender by the insurer. The Grantor shall, if so requested by the Lender, deliver to the Lender original or duplicate policies of such insurance and, as often as the Lender may reasonably request, a report of a reputable insurance broker with respect to such insurance. Further, the Grantor shall, at the request of the Lender, duly execute and deliver instruments of assignment of such insurance policies to comply with the requirements of Section 5 and cause the respective insurers to acknowledge notice of such assignment.

- (b) Reimbursement under any liability insurance maintained by the Grantor pursuant to this Section 8 may be paid directly to the person who shall have incurred liability covered by such insurance. In case of any loss involving damage to Equipment or Inventory when Section 8(c) is not applicable, the Grantor shall make or cause to be made the necessary repairs to or replacements of such Equipment or Inventory, and any proceeds of insurance maintained by the Grantor pursuant to this Section 8 shall be paid to the Grantor as reimbursement for the costs of such repairs or replacements.
- (c) At any time when any Secured Obligation is overdue and has been demanded by the Lender, all insurance payments in respect of Equipment or Inventory shall be paid to and applied by the Lender as specified in Section 13(b). When any insured loss of Equipment or Inventory exceeds the amounts referred to in Section 8(a)(iii), all such excess insurance payments in respect of Equipment or Inventory shall be paid to and applied by the Lender as specified in Section 13(b).

9. TRANSFERS AND OTHER LIENS.

The Grantor shall not:

- (a) Sell, assign (by operation of law or otherwise) or otherwise dispose of any of the Collateral, except Inventory in the ordinary course of business.
- (b) Create or suffer to exist any lien, security interest or other charge or encumbrance upon or with respect to

any of the Collateral to secure debt of any person or entity, except for the security interest created by this Agreement and the exceptions set forth in clauses (i) through (iv) on page 13 of the Commitment Letter dated September 1, 2000 between the Lender and Novocol Pharmaceutical of Canada, Inc.

10. LENDER APPOINTED ATTORNEY-IN-FACT.

The Grantor hereby irrevocably appoints the Lender the Grantor's attorney-in-fact, with full authority in the place and stead of the Grantor and in the name of the Grantor, the Lender or otherwise, from time to time in the Lender's discretion, to take any action and to execute any instrument which the Lender may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation:

- (a) to obtain and adjust insurance required to be paid to the Lender pursuant to *Section 8*;
- (b) to ask, demand, collect, sue for, recover, compromise, receive and give acquittance and receipts for monies due and to become due under or in respect of any of the Collateral;
- (c) to receive, endorse, and collect any drafts or other instruments, documents, in connection with *Section 10(a)* or *(b)*; and
- (d) to file any claims or take any action or institute any proceedings which the Lender may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of the Lender with respect to any of the Collateral.

11. LENDER MAY PERFORM.

If the Grantor fails to perform any agreement contained herein, the Lender may itself perform, or cause performance of, such agreement, and the expenses of the Lender incurred in connection therewith shall be payable by the Grantor under *Section 20(a)*. The Lender may from time to time, at its option, perform any act which the Grantor fails to perform after being requested in writing so to perform (it being understood that no such request need be given at any time when any Secured Obligation is overdue and has been demanded by the Lender) and the Lender may from time to time take any other action which the Lender reasonably deems necessary for the maintenance, preservation or protection of any of the Collateral or of its security interests therein.

12. THE LENDER'S DUTIES.

The powers conferred on the Lender hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Collateral in its possession and the accounting for monies actually received by it hereunder, the Lender shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral.

13. REMEDIES.

If any Secured Obligation is overdue and has been demanded by the Lender:

- (a) The Lender may exercise in respect of the Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the Uniform Commercial Code as in effect in the State of New York (the "*Uniform Commercial Code*") (whether or not the Uniform Commercial Code applies to the affected Collateral) and also may (i) require the Grantor to, and the Grantor hereby agrees that it will at its expense and upon request of the Lender forthwith, assemble all or part of the Collateral as directed by the Lender and make it available to the Lender at a place to be designated by the Lender which is reasonably convenient to both parties and (ii) without notice except as specified below, sell the Collateral or any part thereof in one or more parcels at public or private sale, at any of the Lender's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Lender may deem commercially reasonable. The Grantor agrees that, if notice of sale is required by law, at least ten days' notice to the Grantor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Lender shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Lender may adjourn any public or private sale from time to time by announcement at the time and place fixed therefore, and such sale may, without further notice, be made at the time and place to which it was so adjourned.
- (b) All cash proceeds received by the Lender in respect of any sale of, collection from, or other realization upon all or any part of the Collateral may, in the discretion of the Lender, be held by the Lender as collateral for, and/or then or at any time thereafter applied (after payment of any amounts payable to the Lender pursuant to *Section 20(a)*) in whole or in part by the Lender against, all or any part of the Secured Obligations in such order as the Lender shall elect. Any surplus of such cash or cash proceeds held by the Lender and remaining after payment in full of all the Secured Obligations shall be paid over to the Grantor or to whomsoever may be lawfully entitled to receive such surplus.
- (c) The Lender may
 - (i) transfer all or any part of the Collateral into the name of the Lender or its nominee, with or without disclosing that such Collateral is subject to the lien hereunder;
 - (ii) notify the parties obligated on any of the Collateral to make payment to the Lender of any amount due or to become due thereunder;
 - (iii) enforce collection of any of the Collateral by suit or otherwise, and surrender, release or exchange all or any part thereof, or compromise or extend or renew for any period (whether or not longer than the original period) any obligations of any nature of any party with respect thereto;

- (iv) require the Grantor to hold amounts and proceeds received by the Grantor in trust for the benefit of the Lender hereunder, and to segregate such amounts and proceeds from other funds of the Grantor, and to pay over to the Lender in the same form as so received (with any necessary endorsement);
- (v) endorse any checks, drafts, or other writings in the Grantor's name to allow collection of the Collateral;
- (vi) take control of any proceeds of the Collateral, and
- (vii) execute (in the name, place and stead of the Grantor) endorsements, assignments, stock powers and other instruments of conveyance or transfer with respect to all or any of the Collateral.

14. COMPLIANCE WITH RESTRICTIONS.

The Grantor agrees that

- (a) in any sale of any of the Collateral at any time any Secured Obligation is overdue and has been demanded by the Lender, the Lender is hereby authorized to comply with any limitation or restriction in connection with such sale as it may be advised by counsel is necessary in order to
 - (i) avoid any violation of applicable law, or
 - (ii) obtain any required approval of the sale or of the purchaser by any governmental authority or official, and
- (b) such compliance shall not result in such sale being considered or deemed not to have been made in a commercially reasonable manner, nor shall the Lender be liable nor accountable to the Grantor for any discount allowed by the reason of the fact that such Collateral is sold in compliance with any such limitation or restriction.

15. CONTINUING SECURITY INTEREST; TRANSFER OF SECURED AGREEMENT(S).

This Agreement shall create a continuing security interest in the Collateral and shall (a) remain in full force and effect until payment is made in full of the Secured Obligations, (b) be binding upon the Grantor, its successors and assigns, and (c) inure to the benefit of the Lender and its successors, transferees and assigns. The Lender may assign or otherwise transfer the Secured Agreement(s) to any other person or entity, and such other person or entity shall thereupon become vested with all the benefits in respect thereof granted to the Lender herein or otherwise. Upon the payment in full of the Secured Obligations, the security interest granted hereby shall terminate and all rights to the Collateral shall revert to the Grantor. Upon any such termination, the Grantor shall be entitled to the return, upon the Grantor's

request and at Grantor's expense, of such of the Collateral as shall not have been sold or otherwise applied pursuant to the terms of this Agreement.

16. SECURITY INTEREST ABSOLUTE.

All rights of Lender and the security interests granted to the Lender hereunder, and all obligations of the Grantor hereunder, shall be absolute and unconditional, irrespective of (a) any lack of validity, legality or enforceability of any Secured Agreement, (b) the failure of the Lender (i) to assert any claim or demand or to enforce any right or remedy against the Grantor or any other person (including any other guarantor) under the provisions of any Secured Agreement or otherwise, or (ii) to exercise any right or remedy against any other guarantor of, or collateral securing, any Secured Obligations, (c) any change in the time, manner or place of payment of, or in any other term of, all or any of the Secured Obligations or any other extension, compromise or renewal of any Secured Obligations, (d) any reduction, limitation, impairment or termination of any Secured Obligations for any reason, including any claim of waiver, release, surrender, alteration or compromise, and shall not be subject to (and the Grantor hereby waives any right to or claim of) any defense or setoff, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality, nongenuineness, irregularity, compromise, unenforceability of, or any other event or occurrence affecting, any Secured Obligations or otherwise, (e) any amendment to, rescission, waiver, or other modification of, or any consent to departure from, any of the terms of any Secured Agreement, (f) any addition, exchange, release of any collateral or of any person that is (or will become) a guarantor (including the Grantor hereunder) of the Secured Obligations, or any surrender or non-perfection of any collateral, or any amendment to or waiver or release of or addition to or consent to or departure from any other guaranty held by the Lender securing any of the Secured Obligations, or (g) any other circumstance which might otherwise constitute a defense available to, or a legal or equitable discharge of, the Grantor, any other obligor, any surety or any guarantor.

17. UNIFORM COMMERCIAL CODE TERMS.

Unless otherwise defined in this Agreement or in the Secured Agreement(s), terms defined in Article 9 of the Uniform Commercial Code are used in this Agreement as defined in the Uniform Commercial Code.

18. ADDRESS FOR NOTICES.

All notices and other communications provided for hereunder shall be in writing (including communication by fax) and, if to the Grantor, delivered to the Grantor at the address indicated on the signature page of this Agreement, and if to the Lender, delivered to the Lender at the Lender's address as indicated on the signature page of this Agreement, or as to each party at such other address as shall be designated in a written notice by such party to the other party.

19. GOVERNING LAW.

This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of New York (including Sections 5-1401 and 5-1402 of the General Obligations Law of the State of New York), except to the extent the validity or perfection of the security interest hereunder, or remedies hereunder, in respect of any particular Collateral, are governed by the laws of a jurisdiction other than the State of New York.

20. MISCELLANEOUS.

- (a) **Costs and Expenses; Indemnity.** The Grantor will pay on demand all costs, expenses and taxes in connection with the preparation, execution, delivery, ongoing administration and enforcement of this Agreement, including, without limitation, the reasonable attorneys' fees and out-of-pocket expenses of the Lender. The Grantor agrees to indemnify the Lender from and against any and all claims, losses and liabilities arising or resulting from this Agreement, except claims, losses or liabilities resulting from the Lender's gross negligence or willful misconduct.
- (b) **Severability.** Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the

remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

- (c) **Delay.** No delay in enforcing the Lender's rights will affect the Grantor's obligations under this Agreement.
- (d) **Date.** If this Agreement is not dated when signed by the Grantor, the Grantor authorizes the Lender to date this Agreement.
- (e) **Integration.** This Agreement supersedes all other agreements, written or oral, between the parties hereto relating to the same subject matter.
- (f) **Amendments and Modifications.** Any amendment or modification to this Agreement shall be in writing and executed by each of the parties to this Agreement.
- (g) **Supplemental Nature.** Neither the existence nor the content of this Security Agreement shall modify, terminate or impact in any way any other security agreement given by the Guarantor to the Lender, whether the same is dated before or after the date hereof. Rather, this Security Agreement shall supplement the Lender's rights under any such other security agreement.

21. SIGNATURE.

By signing below, the Lender and the Grantor agree to be bound by the terms and conditions of this Agreement.

THE TORONTO-DOMINION BANK

By: X 

Name: RON DEWAR

Title: SNR. MGR COM CREDIT

Address: Group Risk Management
3149 Dufferin Street
Toronto, Ontario, Canada M6A 2T1

SEPTODONT, INC.

[NAME OF GRANTOR]

By: 

Name: Anthony G. Montemurro

Title: VP, Business Operations

Address: 245-C Quigley Blvd.

New Castle, Delaware 19720

Attn: _____

Phone: _____

Fax: _____

By: X _____

Name: _____

Title: _____

**ANNEXI
TO
SECURITY AGREEMENT**

Agreement Date: As of October 20, 2000

GRANTOR: SEPTODONT, INC.

LENDER: THE TORONTO-DOMINION BANK

1. LOCATION(S) OF INVENTORY AND EQUIPMENT.

245-C Quigley Blvd.

New Castle, Delaware 19720

(attach additional sheets if necessary)

2. LOCATION OF CHIEF PLACE OF BUSINESS AND CHIEF EXECUTIVE OFFICE OF THE GRANTOR AND THE OFFICE WHERE THE GRANTOR KEEPS ITS RECORDS CONCERNING THE RECEIVABLES.

245-C Quigley Blvd.

New Castle, Delaware 19720

(attach additional sheets if necessary)

3. OTHER TRADE NAMES OF GRANTOR.

NONE

(attach additional sheets if necessary)

4. FEDERAL TAXPAYER IDENTIFICATION NUMBER OF GRANTOR.

(attach additional sheets if necessary)

5. STATE OF FORMATION OF GRANTOR

New York

ANNEX II
TO
SECURITY AGREEMENT
(the "Agreement")

Agreement Date: As of October 20, 2000

1. The Agreement to which this Annex II is attached and forms a part covers all right, title and interest of the Grantor in the following property, whether now owned by the Grantor or hereafter acquired and whether now existing or hereafter coming into existence (all being collectively referred to herein and in the Agreement to which this Annex II is attached as the "Collateral"):
 - (a) all intangibles not described in Section 1(a), (b), (c) and (d) of the Agreement, including, without limitation, trademarks, patents, copyrights, industrial designs, trade-names, goodwill, confidential information, trade secrets, technology, know-how, software and any registrations and applications for registration of the foregoing and all other intellectual and industrial property of the Grantor including without limitation those trademarks, trademark registrations and trademark applications set forth on Schedule 1 attached hereto and incorporated herein by this reference;
 - (b) all the Grantor's contractual rights, licenses and all other choses in action of every kind which now are, or which may at any time be due or owing to or owned by the Grantor, and all other intangible property of the Grantor.

624385.1

SCHEDULE 1

TRADEMARKS OWNED BY SEPTODONT, INC.

MARK	COUNTRY	REG# or APPL #
ISOCAINE	MEXICO	REG #: 492957
MICROSTAT 2	US	REG #: 2141365
NOVOCOL	ARGENTINA	REG #: 1609623
NOVOCOL	BRAZIL	APPL #: 816611068
NOVOCOL	MEXICO	REG #: 492958
NOVOCOL	US	REG #: 1756344
NOVOCOL AND DESIGN	US	REG #: 1998784
OCTOCAINE	ARGENTINA	REG #: 1539168
OCTOCAINE	US	REG #: 1281227
RESIBOND	US	REG #: 2211085
OCTACAINE AND DESIGN	US	REG #: 402055
CAMBRIDGE	CANADA	REG #: 409741
NOVOCOL	CANADA	REG #: 404562