

PATENT ASSIGNMENT

Electronic Version v1.1
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SUBMISSION TYPE:	NEW ASSIGNMENT
NATURE OF CONVEYANCE:	SECURITY AGREEMENT
CONVEYING PARTY DATA	
Name	Execution Date
ELOT, INC.	03/05/2012
RECEIVING PARTY DATA	
Name:	eLottery Collateral Agent, LLC
Street Address:	10 East 85th Street
Internal Address:	c/o Roger H. Goodspeed
City:	New York
State/Country:	NEW YORK
Postal Code:	10028
PROPERTY NUMBERS Total: 1	
Property Type	Number
Patent Number:	6277026
CORRESPONDENCE DATA	
Fax Number:	(516)692-8889
Phone:	516-692-8888
Email:	mail@chauiplaw.com
<i>Correspondence will be sent to the e-mail address first; if that is unsuccessful, it will be sent via US Mail.</i>	
Correspondent Name:	F. Chau & Associates, LLC
Address Line 1:	130 Woodbury Road
Address Line 4:	Woodbury, NEW YORK 11797
ATTORNEY DOCKET NUMBER:	8438-230
NAME OF SUBMITTER:	JOSEPH B. GROSS
Total Attachments: 17 source=Security Agreement#page1.tif source=Security Agreement#page2.tif source=Security Agreement#page3.tif	

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SECURITY AGREEMENT

SECURITY AGREEMENT, dated as of March 5, 2012 (this "Agreement"), made by eLOT, Inc., a Delaware corporation ("the Company") and eLottery, Inc., a Delaware corporation ("eLottery" and together with the Company referred to as the "Grantors" and each referred to as a "Grantor"), in favor of eLottery Collateral Agent, LLC, a Delaware limited liability company ("Secured Party"), in its capacity as collateral agent for the Lenders. Capitalized terms used herein without definition have the respective meanings assigned in that certain Convertible Secured Promissory Note and Warrant Purchase Agreement, dated as of the date hereof by and among the Grantors and the Lenders (the "Purchase Agreement").

WITNESSETH:

WHEREAS, as a condition to the Lenders entering into the Purchase Agreement and the other Loan Documents, the Lenders have required that each Grantor grant to the Secured Party, for the benefit of the Lenders, a security interest in all of each Grantor's right, title and interest in and to the Collateral (as defined herein).

NOW, THEREFORE, in consideration of the mutual agreements and covenants contained herein and in the other Loan Documents, 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.

(a) All the agreements or instruments herein defined shall mean such agreements or instruments as the same may from time to time be supplemented or amended or the terms thereof waived or modified to the extent permitted by, and in accordance with, the terms thereof and of this Agreement.

(b) The following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Collateral" means the Shares and the IP Collateral.

"Contract" means any contract, agreement, arrangement, license, lease, commitment or other instrument or understanding of any kind, whether written or oral, express or implied.

"Copyright" means any and all tangible and/or copyrightable works of authorship and copyrights therein, whether statutory or common law, registered or unregistered, now or hereafter existing or in force throughout the world including, without limitation, all of each Grantor's right, title and interest in, to and under all works of authorship, unregistered copyrights and all registered copyrights in the United States and throughout the world including, but not limited to, all treaty and convention rights, all applications, registrations, supplementary registrations, extensions and renewals of any thereof, licenses, together with the goodwill associated therewith and any other proprietary rights related to the foregoing, and the right to sue for past, present and future infringements of any thereof, and all past, present and future proceeds of the foregoing, including, without limitation, licenses, royalties, income, payment, claims, damages and proceeds of suit, including those copyrights listed on **Exhibit C** to this Agreement, as such exhibit may be amended, supplemented or otherwise modified from time to time.

"IP Collateral" means: (i) all of the Company's right, title and interest in and to all intellectual property, whether now owned or at any time hereafter acquired by the Company, and (ii) all of eLottery's right, title and interest in and to all intellectual property, whether now owned or at any time hereafter acquired by eLottery; including, without limitation, the following:

- (1) all Patents;
- (2) all Patent Licenses;
- (3) all Trademarks;
- (4) all Trademark Licenses;
- (5) all Copyrights;

(6) all Contracts, documents and general intangibles developed or acquired by each Grantor relating to any and all of the foregoing;

(7) all insurance policies to the extent they relate to the preceding items (1) through (6); and

(8) to the extent not otherwise included in the preceding items (1) through (7), all proceeds, products, rents, issues, profits and returns of and arising from any and all of the foregoing.

"Obligations" shall mean: (i) any and all obligations, liabilities and indebtedness of every kind, nature and description owing by the Company arising under the Loan Documents and (ii) any and all obligations, liabilities and indebtedness of every kind, nature and description owing by eLottery arising under the Loan Documents.

"Patent(s)" means all patents, patent applications and patent disclosures which are presently, or in the future may be, owned, issued, acquired or used (whether pursuant to a license or otherwise) anywhere in the world by each Grantor, in whole or in part, and all of each Grantor's right, title and interest in and to all patentable inventions and applications for patents under patent laws of the United States or of any other jurisdiction, including any and all extensions, reissues, substitutes, continuations, continuations-in-part, divisionals, patents of addition, re-examinations and renewals thereof, and patents issuing therefrom, and the goodwill associated therewith, and any other proprietary rights related to any of the foregoing (including, without limitation, remedies against infringements thereof and rights of protection of an interest therein under the laws of all jurisdictions) and any and all foreign counterparts of any of the foregoing, including those listed on **Exhibit A** to this Agreement, as such exhibit may be amended, supplemented or otherwise modified from time to time.

"Patent Licenses" means each license agreement to which one or both Grantors is a party, including each agreement identified in **Exhibit A** to this Agreement as such exhibit may be amended, supplemented or otherwise modified from time to time, and each license agreement relating to Patents hereafter granted to, used or acquired by each Grantor, in each case together with the right to use and rely upon the inventions and other intellectual property conveyed thereunder.

"Person" shall mean any individual, corporation, partnership, joint venture, limited liability company, association, joint-stock company, trust, unincorporated organization, or other entity.

"PTO" means the United States Patent and Trademark Office.

"Shares" means all of the issued and outstanding capital stock of eLottery and the certificates evidencing such shares, and all shares, options, warrants, dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of, or in exchange for, any or all of the capital stock of eLottery.

"Trademark License" means each license agreement to which one or both Grantors is a party, including each agreement identified in **Exhibit B** hereto as such exhibit may be amended, supplemented or otherwise modified from time to time, and each license agreement relating to Trademarks hereafter used, adopted or acquired by each Grantor.

"Trademarks" means (a) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos and other source or business identifiers of each Grantor adopted for use anywhere in the world or hereinafter adopted or acquired, whether currently in use or not, and the goodwill associated therewith, all registrations and recordings thereof, and all applications in connection therewith, including those identified in **Exhibit B** to this Agreement as such exhibit may be amended, supplemented or otherwise modified, from time to time, and (b) all renewals thereof by each such Grantor; and any other proprietary rights related to any of the foregoing (including, without limitation, remedies against infringements thereof and rights of protection of an interest therein under the laws of all jurisdictions).

2. Grant of Security Interest. As security for the prompt and complete payment and performance when due of all Obligations and for the other purposes provided in this Agreement: (i) the Company hereby grants, assigns, pledges and conveys to the Secured Party all of the Company's right, title and interest in and to the Collateral as security and hereby grants the Secured Party a continuing security interest therein, and (ii) eLottery

hereby grants, assigns, pledges and conveys to the Secured Party all of eLottery's right, title and interest in and to the Collateral as security and hereby grants the Secured Party a continuing security interest therein.

3. Representations and Warranties. Each Grantor hereby represents and warrants to the Secured Party, for the benefit of the Lenders, that:

(a) Description of IP Collateral. True and complete schedules setting forth all Patents, Patent Licenses, Trademarks, Trademark Licenses and Copyrights owned, held, controlled or used by each Grantor or to which each such Grantor is a party, are set forth on **Exhibit A** with respect to Patents and Patent Licenses, on **Exhibit B** with respect to Trademarks and Trademark Licenses, and on **Exhibit C** with respect to Copyrights, respectively, to this Agreement.

(b) Title; No Other liens. Except as set forth on Schedule 1 hereto: (i) the Collateral is free and clear of any and all liens or claims and (ii) no security agreement, financing statement or other public notice with respect to all or any part of the Collateral is on file or of record in any public office, except such as may have been filed in favor of the Secured Party pursuant to the Loan Documents.

(c) Perfected Liens. The liens granted pursuant to this Agreement will constitute, upon the completion of filings with the PTO or any foreign counterpart therewith, filings with the United States Copyright Office, and filings under the Uniform Commercial Code, valid and perfected liens on all Collateral in favor of the Secured Party, which, except as set forth on Schedule 1, are prior to all other liens on such Collateral.

(d) Consents under Contracts. No consent (other than consents that have been acquired) of any party (other than the Grantors) to any Contract is required, or purports to be required, in connection with the execution, delivery and performance of this Agreement or the exercise of the Secured Party's rights and remedies provided herein or at law.

(e) Chief Executive Office. Each Grantor's chief executive office and chief place of business is located at 3 Stamford Landing, Suite 300, Stamford, Connecticut 06902.

(f) Authority. Each Grantor has full power, authority and legal right to enter into this Agreement and grant the Secured Party the liens on the Collateral pursuant to this Agreement.

(g) Approvals, Filings, etc. No authorization, approval or consent of, or filing, registration, recording or other action with, any United States or foreign court, governmental body, regulatory agency, self-regulatory organization, or stock exchange or market, the shareholders of either Grantor or any other Person, including, without limitation, the PTO or any foreign counterpart thereof, is required to be obtained or made by either Grantor (1) for the grant of the liens on the Collateral pursuant to this Agreement, (2) to perfect the liens created by this Agreement, in each case except as has been obtained or made or (3) for the exercise of the Secured Party's rights and remedies provided herein, under the other Loan Documents or at law.

(h) No Claims. Each of the Patents, Trademarks and Copyrights existing on the date hereof is valid and enforceable, and neither Grantor is aware of any past, present or prospective claim by any third party that any of such Patents, Trademarks and Copyrights are invalid or unenforceable, or that the use of any Patents, Trademarks or Copyrights does or may violate the rights of any third person, or of any basis for any such claims.

(i) Certain Patent Matters. To the knowledge of each Grantor, it does not lack any rights or licenses to use the Patents or to make, have made, use, sell, or offer for sale the claimed subject matter of the Patents owned, held or controlled by it. To the knowledge of each Grantor, there are no facts which would form a basis for a finding that any of the claims of the Patents is unpatentable, unenforceable or invalid. To the knowledge of each Grantor, there are no pending U.S. or foreign patent applications which, if issued, would limit or prohibit the ability of such Grantor or the Secured Party to make, have made, use, sell, or offer for sale the claimed subject matter of the Patents.

(j) License Matters. Each Patent License and Trademark License is in full force and effect and is the legal, valid and binding obligation of each of the parties thereto. To the best knowledge of each Grantor, no party is

in default under any such Patent License or Trademark License and no event has occurred and no circumstances exist that would constitute or result in a default under such agreements.

(k) Shares. Each Grantor represents and warrants that: (i) the Company is the sole legal and beneficial owner of the Shares, free and clear of any lien, except for the security interest created by this Agreement; (ii) there are no restrictions upon the voting rights associated with, or upon the transfer of the Shares; and (iii) the Company has the sole right to vote, pledge and grant a security interest in or otherwise transfer such Shares.

4. Covenants. Each Grantor covenants and agrees with the Secured Party, for the benefit of the Lenders, that from and after the date of this Agreement until the payment and performance in full by each Grantor of all of the Obligations:

(a) Further Documentation. At any time and from time to time, upon the written request of the Secured Party, each Grantor shall, at the Grantors' expense, promptly and duly execute and deliver such further instruments and documents and take such further actions as the Secured Party may request for the purpose of obtaining or preserving the full benefits of this Agreement and the other Loan Documents, and of the rights and powers herein and therein granted, including, without limitation, any applicable filing with the PTO or any foreign counterpart, and the filing of any financing or continuation statements under the UCC or similar laws in effect in any such jurisdiction with respect to the liens created hereby. Each Grantor also hereby authorizes the Secured Party to file any such financing or continuation statement without the signature of such Grantor to the extent permitted by applicable law. A photographic or other reproduction of this Agreement shall be sufficient as a financing statement for filing in any jurisdiction.

(b) Maintenance of Records. Each Grantor will keep and maintain at its own cost and expense satisfactory and complete records of the Collateral. For the further security of the Secured Party, each Grantor hereby grants to the Secured Party a security interest in all of each such Grantor's books and records pertaining to the Collateral, in any form whatsoever, and each Grantor shall turn over any such books and records for inspection by the Secured Party or to its representatives during normal business hours at the request of the Secured Party.

(c) Limitation on Liens on Collateral. Each Grantor agrees that it (x) will not create, incur or permit to exist any lien on the Collateral, (y) will defend the Collateral against, and will take such other action as is necessary to remove, any lien or claim on or to the Collateral, other than the liens created hereby and by the other Loan Documents, and (z) will defend the right, title and interest of the Secured Party in and to any of the Collateral against the claims and demands of all Persons.

(d) Limitations on Dispositions of Collateral. Neither Grantor will sell, transfer, assign, grant any participation in, sublicense or otherwise dispose of any of the Collateral to any Persons, including, without limitation, any subsidiary or affiliate, or attempt, offer or contract to do so.

(e) Limitations on Modifications, Waivers, Extensions of Patent Licenses and Trademark Licenses. Neither Grantor will (i) amend, modify, terminate or waive any provision of any Patent License or Trademark License in any manner which could reasonably be expected to materially adversely affect the value of such Patent License or Trademark License, or (ii) fail to exercise promptly and diligently each and every material right and perform each material obligation which it may have under each Patent License and Trademark License. Within three (3) days of receipt thereof, each Grantor will deliver to the Secured Party a copy of each material demand, notice or document received by it relating in any way to each Patent License and Trademark License.

(f) Further Identification of Collateral. Each Grantor shall furnish to the Secured Party from time to time, upon the request of the Secured Party, statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Secured Party may reasonably request, all in reasonable detail.

(g) Notices. Each Grantor shall advise the Secured Party promptly, but in no event later than three (3) days after the occurrence thereof, in reasonable detail, at its address specified in accordance with Section 15 hereof, (i) of any lien on, or claim asserted against, any of the Collateral, other than as created hereby or as permitted hereby, (ii) of any Event of Default or any event which, with the giving of notice or the passage of time, or both,

would become an Event of Default and (iii) of the occurrence of any other event which could reasonably be expected to have a material adverse effect on the Collateral or the liens created hereunder or the rights of the Secured Party hereunder.

(h) Remedies as to Shares. After the occurrence and during the continuance of an Event of Default, Secured Party is hereby authorized and empowered to transfer and register in its name or in the name of its nominee the whole or any part of the Shares, to exercise all voting rights with respect thereto, to collect and receive all cash dividends and other distributions made thereon, and to otherwise act with respect to the Shares as though Secured Party were the owner thereof; *provided, however*, that Secured Party shall have no duty to exercise any such right or to preserve the same and shall not be liable for any failure to do so or for any delay in doing so.

(i) Patents.

(1) Each Grantor will notify the Secured Party immediately if it knows, or has reason to know, that any application relating to any Patent may become abandoned, or of any adverse determination or development (including, without limitation, the institution of, or any such determination or development in, any proceeding in the PTO or any foreign counterpart thereof, or any court or tribunal in any country) regarding such Grantor's ownership of or license rights or other rights with respect to any Patent.

(2) Each Grantor will, with respect to any Patent that such Grantor obtains after the date hereof or any Patent License that such Grantor obtains after the date hereof, promptly, but in no event later than three (3) days thereafter, (i) take all actions necessary so that the Secured Party shall obtain a perfected security interest in such Patent or Patent License and (ii) provide to the Secured Party a revised **Exhibit A**, listing all Patents and all Patent Licenses in which such Grantor has an interest.

(3) Upon request of the Secured Party, each Grantor shall execute and deliver any and all agreements, instruments, documents, and papers as the Secured Party may request to evidence the Secured Party's security interest in such Patents or Patent Licenses, and each Grantor hereby constitutes the Secured Party its attorney-in-fact to take all actions for the foregoing purposes, all acts of such attorney being hereby ratified and confirmed; such power being coupled with an interest is irrevocable until each Grantor shall have paid and performed in full all of the Obligations.

(4) Each Grantor will take all reasonable and necessary steps, including, without limitation, in any proceeding before the PTO or any foreign counterpart thereof to maintain and pursue each Patent including, without limitation, payment of maintenance fees.

(5) In the event that any Patent is infringed by a third party, each Grantor shall promptly notify the Secured Party after such Grantor learns thereof and shall, if appropriate, sue for infringement, seeking injunctive relief where appropriate and to recover any and all damages for such infringement, or take such other actions as each Grantor reasonably deems appropriate under the circumstances to protect such Patent.

(j) Trademarks.

(1) Each Grantor will, with respect to each Trademark (i) continue to use or have used such Trademark to the extent necessary to maintain such Trademark in full force free from any claim of abandonment for non-use, (ii) maintain as in the past the quality of products and services offered under such Trademark, (iii) employ such Trademark with the appropriate notice of registration, (iv) not adopt or use any mark which is confusingly similar or a colorable imitation of such Trademark unless the Secured Party shall obtain a first priority perfected security interest in such Grantor's interest in such mark pursuant to this Agreement, and (v) not (and not permit any licensee or sublicensee thereof to) do any act or knowingly omit to do any act whereby any such Trademark may become invalidated.

(2) Each Grantor will notify the Secured Party immediately if it knows, or has reason to know, that any application or registration relating to any Trademark may become abandoned, canceled or denied, or of any adverse determination or development (including, without limitation, the institution of, or any such determination or development in, any proceeding in the PTO or any foreign counterpart thereof, or any court or tribunal in any

country) regarding such Grantor's ownership interest in such Trademark or its right to register the same or to keep and maintain the same.

(3) Each Grantor will, with respect to any Trademark that such Grantor obtains or registers after the date hereof or any Trademark License that such Grantor obtains after the date hereof, promptly, but in no event later than three (3) days thereafter, (i) take all actions necessary so that the Secured Party shall obtain a perfected security interest in such Trademark or Trademark License and (ii) provide to the Secured Party a revised **Exhibit B** listing all Trademarks and all Trademark Licenses in which such Grantor has an interest.

(4) Upon request of the Secured Party, each Grantor shall execute and deliver any and all agreements, instruments, documents, and papers as the Secured Party may request to evidence the Secured Party's security interest in any Trademark and the goodwill and general intangibles of the Grantors relating thereto or represented thereby, and each Grantor hereby constitutes the Secured Party its attorney-in-fact to take all actions for the foregoing purposes, all acts of such attorney being hereby ratified and confirmed; such power being coupled with an interest is irrevocable until each Grantor shall have paid and performed in full all of the Obligations.

(5) Each Grantor will take all reasonable and necessary steps, including, without limitation, in any proceeding before the PTO or any foreign counterpart thereof, to maintain and pursue each application (and to obtain the relevant registration) and to maintain the registration of the Trademarks, including, without limitation, filing of applications for renewal, affidavits of use and affidavits of incontestability.

(6) In the event that any Trademark is infringed, misappropriated or diluted by a third party, the Grantors shall promptly notify the Secured Party and shall, if appropriate, sue for infringement, misappropriation or dilution, seeking injunctive relief where appropriate and to recover any and all damages for such infringement, misappropriation or dilution, or take such other action as each Grantor reasonably deems appropriate under the circumstances to protect such Trademark.

(k) Copyrights.

(1) Each Grantor will notify the Secured Party immediately if it knows, or has reason to know, of any adverse determination or development regarding such Grantor's ownership interest in any Copyright or its right to register the same or to keep and maintain the same.

(2) Each Grantor will, with respect to any Copyright that such Grantor obtains or registers after the date hereof or any Copyright that such Grantor obtains after the date hereof, promptly, but in no event later than three (3) days thereafter, (i) take all actions necessary so that the Secured Party shall obtain a perfected security interest in such Copyright and (ii) provide to the Secured Party a revised **Exhibit C** listing all Copyrights in which such Grantor has an interest.

(3) Upon request of the Secured Party, each Grantor shall execute and deliver any and all agreements, instruments, documents, and papers as the Secured Party may request to evidence the Secured Party's security interest in any Copyright and the goodwill and general intangibles of the Grantors relating thereto or represented thereby, and each Grantor hereby constitutes the Secured Party its attorney-in-fact to take all actions for the foregoing purposes, all acts of such attorney being hereby ratified and confirmed; such power being coupled with an interest is irrevocable until each Grantor shall have paid and performed in full all of the Obligations.

(4) Each Grantor will take all reasonable and necessary steps to maintain and pursue each application (and to obtain the relevant registration) and to maintain the registration of the Copyrights.

(5) In the event that any Copyright is infringed or misappropriated by a third party, each Grantor shall promptly notify the Secured Party and shall, if appropriate, sue for infringement or misappropriation, seeking injunctive relief where appropriate and to recover any and all damages for such infringement or misappropriation, or take such other action as each Grantor reasonably deems appropriate under the circumstances to protect such Copyright.

(l) Further Actions. Without limiting the foregoing provisions of this Section 4, each Grantor further agrees for itself and its successors and assigns to execute upon request any other lawful documents and likewise to perform any other lawful acts which may be necessary or desirable to secure fully for the Secured Party, all right, title and interest in and to the Collateral, including, but not limited to, the execution of substitution, reissue, divisional or continuation patent applications, and preliminary or other statement or the giving of testimony in any proceeding in which the Collateral may be involved.

(m) License Agreements. The Grantors shall comply with their obligations under each Patent License and Trademark License.

(n) Changes in Locations, Name, etc. Neither Grantor will change the location of its chief executive office/chief place of business from that specified in Section 3(e) or change its name, identity or corporate structure except as may be permitted under the Loan Documents and, prior to such action or event, shall have taken appropriate action satisfactory to the Secured Party to preserve and protect the Secured Party's security interest under this Agreement.

(o) Subsidiaries. Neither Grantor will permit any of its subsidiaries or affiliates to have any ownership or other rights in or to exercise any control over any of the Collateral, except as permitted under the Loan Documents.

(p) Indemnification. Each Grantor shall indemnify, protect, defend and hold harmless the Secured Party and its officers, trustees, employees, attorneys, managers, members, directors, affiliates, agents, shareholders and representatives (each, an "Indemnified Person") from and against any and all claims, demands, losses, judgments, damages, expenses or liabilities (including liabilities for penalties) of whatsoever kind or nature, and to reimburse the Secured Party for all costs and expenses, including, without limitation, reasonable attorneys' fees and expenses, caused by, relating to, arising out of, resulting from, or in any way connected with this Agreement or the transactions contemplated herein, including, without limitation, any breach hereof or Event of Default, or the exercise by the Secured Party of any right or remedy granted to it hereunder or under the other Loan Documents or under applicable law. In no event shall the Secured Party be liable, in the absence of a determination of gross negligence or willful misconduct on its part by final judgment (not subject to further appeal) of a court of competent jurisdiction, for any matter or thing in connection with this Agreement other than to account for moneys actually received by it in accordance with the terms hereof. If and to the extent that the obligations of each Grantor under this Section 4(o) are unenforceable for any reason, each Grantor hereby agrees to make the maximum contribution to the payment and satisfaction of such obligations which is permissible under applicable law.

5. Secured Party's Powers.

(a) Powers. Each Grantor hereby irrevocably constitutes and appoints the Secured Party (and any of its successors and assigns) and any officer or agent thereof with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of such Grantor and in the name of such Grantor or in its own name, from time to time in the Secured Party's discretion, during any period in which an Event of Default is continuing, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action, including, without limitation, the power to sell or assign the Collateral, and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement and the other Loan Documents. Each Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable until each Grantor shall have paid and performed in full all of the Obligations.

(b) Filing and Recordation. This Agreement or an instrument referring hereto may be filed and recorded in such public offices and with such governmental authorities, including the PTO or foreign counterpart thereof, as the Secured Party may determine from time to time. The Secured Party may so file and record this Agreement as a "security interest", "collateral assignment", "assignment" or similar designation as the Secured Party may determine and the Secured Party may from time to time rerecord and refile or take other action to change the designation under which this Agreement is filed or recorded.

(c) Other Powers. Each Grantor also authorizes the Secured Party, at any time and from time to time, to execute, in connection with the sale provided for herein, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral.

(d) No Duty on Secured Party's Part. The powers conferred on the Secured Party hereunder are solely to protect the Secured Party's interests in the Collateral and shall not impose any duty upon the Secured Party to exercise any such powers. The Secured Party shall be accountable only for amounts that it actually receives as a result of the exercise of such powers, and neither it nor any of its officers, directors, partners, managers, employees or agents shall be responsible to either Grantor for any act or failure to act hereunder, except for their own gross negligence or willful misconduct.

(e) Grantors Remain Liable under Contracts. Anything herein to the contrary notwithstanding, each Grantor shall remain liable under each of the Contracts that constitute part of the Collateral to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with and pursuant to the terms and provisions of each such Contract. The Secured Party shall not have any obligation or liability under any Contract that constitutes part of the Collateral by reason of or arising out of this Agreement or the receipt by the Secured Party of any payment relating to such Contract pursuant hereto, nor shall the Secured Party be obligated in any manner to perform any of the obligations of either Grantor under or pursuant to any such Contract, to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party under any such Contract, 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 it or to which it may be entitled at any time or times.

6. Performance by Secured Party of Grantor's Obligations. If either Grantor fails to perform or comply with any of its agreements contained herein, the Secured Party, following notice to such Grantor to the extent required under the Loan Documents, may itself perform or comply, or otherwise cause performance or compliance, with such agreement, and the expenses of the Secured Party incurred in connection with such performance or compliance shall be payable by each Grantor to the Secured Party on demand and shall constitute Obligations secured hereby in accordance with the provisions of the Loan Documents.

7. Remedies. If an Event of Default has occurred and is continuing, the Secured Party may exercise, in addition to all other rights and remedies granted to it in this Agreement, the other Loan Documents and in any other instrument or agreement securing, evidencing or relating to the Obligations, all rights and remedies of a secured party under the UCC and all other rights and remedies granted to it under the Loan Documents. Without limiting the foregoing, for the purpose of enabling the Secured Party to exercise its rights and remedies under this Agreement and the other Loan Documents, effective upon the occurrence and during the continuance of an Event of Default, each Grantor hereby grants the Secured Party an irrevocable, non-exclusive and assignable license (exercisable without payment or royalty or other compensation to such Grantor) to use, license or sublicense any of the IP Collateral.

8. Limitation on Duties Regarding Preservation of Collateral. Neither the Secured Party nor any of its affiliates, directors, managers, members, officers, employees, representatives or agents shall be liable for failure to demand, collect or realize upon all or any part of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of either Grantor or otherwise.

9. Powers Coupled with an Interest. All authorizations, agencies and powers of attorney herein contained with respect to the Collateral are irrevocable and powers coupled with an interest until each Grantor has paid and performed in full all of the Obligations.

10. 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 hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

11. Paragraph Headings, Captions, etc. The paragraph headings, the captions and the footers, used in this Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

12. No Waiver; Cumulative Remedies. The Secured Party shall not by any act, delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Event of Default or in any breach of any of the terms and conditions hereof. No failure to exercise, nor any delay in exercising, on the part of the Secured Party, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Secured Party of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Secured Party would otherwise have on any future occasion. The rights and remedies herein and in the other Loan documents provided are cumulative, may be exercised singly or concurrently and are not exclusive of any rights or remedies provided by law or in equity or by statute.

13. Waivers and Amendments; Successors and Assigns. None of the terms or provisions of this Agreement may be waived, amended, supplemented or otherwise modified except by a written instrument executed by the party to be charged with enforcement. This Agreement shall be binding upon the successors and assigns of each Grantor and shall inure to the benefit of the Secured Party and its successors and assigns. Neither Grantor may assign its rights or obligations under this Agreement without the prior written consent of the Secured Party, which may be withheld by the Secured Party in its sole and absolute discretion.

14. Termination of Security Interest; Release of Collateral.

(a) Upon the indefeasible payment and performance in full of the Obligations, all right, title and interest of the Secured Party in and to the Collateral, pursuant to this Agreement, shall terminate and all rights to the Collateral shall revert to each Grantor.

(b) Upon any such termination of the security interest, the Secured Party will, at the expense of the Grantors, execute and deliver to each Grantor such documents and take such other actions as each Grantor shall reasonably request to evidence the reassignment of the Collateral to each Grantor and the termination of the security interest. The Secured Party shall deliver to each Grantor the Collateral so released then in the Secured Party's possession.

15. Notices.

All notices, requests and demands to or upon the respective parties hereto shall be given in writing and either (a) delivered by hand or (b) delivered by national overnight courier service with next business day delivery, and shall be deemed to have been duly given or made on the date of delivery if delivered by hand, and on the next business day if delivered by national overnight courier service. All notices, requests and demands are to be given or made to the respective parties at the following addresses (or to such other addresses as either party may designate by notice in accordance with the provisions of this paragraph):

If to Grantors: eLOT, Inc.
3 Stamford Landing
Suite 300
Stamford, CT 06902
Attention: Edwin J. McGuinn, Jr.

With a copy to: Whitman Breed Abbott & Morgan LLC
500 West Putnam Avenue
Greenwich, CT 06830
Attention: Anthony M. Macleod, Esq.

If to Secured
Party: eLottery Collateral Agent, LLC
c/o Roger H. Goodspeed
10 East 85th Street
New York, NY 10028

With a copy to: The Nelson Law Firm, LLC
One North Broadway
Suite 712
White Plains, NY 10601
Attention: Scott M. Dubowsky, Esq.

16. Fees and Expenses. Each Grantor acknowledges and agrees that it shall be jointly and severally liable for the fees of the Secured Party in performing its services under this Agreement and all reasonable expenses (including but not limited to attorneys' fees and costs for legal services, costs of insurance and payments of taxes or other charges) of, or incidental to, the custody, care, sale or realization on any of the Collateral or in any way relating to the performance of the obligations or the enforcement or protection of the rights of the Secured Party hereunder.

17. Survival. All representations and warranties of each Grantor and of the Secured Party contained herein will survive the execution and delivery hereof and the release of any Collateral pursuant hereto and shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Secured Party or each Grantor or any person who controls the Secured Party or each such Grantor. All covenants and agreements set forth herein shall survive in accordance with their terms.

18. Grantors' Obligations Absolute, etc. Each Grantor acknowledges and agrees that it shall be jointly and severally liable for the performance of the obligations under this Agreement and that such obligations are absolute and unconditional and shall remain in full force and effect without regard to, and shall not be released, suspended, discharged, terminated or otherwise affected by, any circumstance or occurrence whatsoever, including, without limitation: (a) any renewal, extension, amendment or modification of or addition or supplement to or deletion from this Agreement or any Loan Documents or any other agreement or instrument referred to therein, or any assignment or transfer of any thereof; (b) any waiver, consent, extension, indulgence or other action or inaction under or in respect of any such agreement or instrument; (c) any furnishing of any additional security to the Secured Party or its assignees or any acceptance thereof or any release of any security by the Secured Party or its assignees; (d) any limitation on any party's liability or obligations under this Agreement or any Loan Document or other agreement or instrument or any invalidity or unenforceability, in whole or in part, of this Agreement or any Loan Document or other agreement or instrument or any term thereof; or (e) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceeding relating to a Grantor, or any action taken with respect to this Agreement or the Loan Documents by any trustee or receiver, or by any court, in any such proceeding, whether or not a Grantor shall have notice or knowledge of any of the foregoing.

19. Integration. This Agreement, together with the other agreements referenced herein, represents the entire agreement of each Grantor and the Secured Party with respect to the subject matter hereof, and there are no promises, undertakings, representations or warranties relative to the subject matter hereof not expressly set forth or referred to herein.

20. Counterparts; Execution. This Agreement may be executed in any number of counterparts and all the counterparts taken together shall be deemed to constitute one and the same instrument. This Agreement, once executed by a party, may be delivered to the other party hereto by electronic transmission of a copy of this Agreement bearing the signature of the party so delivering this Agreement.

21. APPLICABLE LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE, THE LAWS OF WHICH HEREBY EXPRESSLY ELECT TO APPLY TO THIS

AGREEMENT, WITHOUT GIVING EFFECT TO PROVISIONS FOR CHOICE OF LAW THEREUNDER.

22. WAIVER OF JURY TRIAL. THE PARTIES HERETO WAIVE ANY AND ALL RIGHTS THAT THEY MAY NOW OR HEREAFTER HAVE UNDER THE LAWS OF THE UNITED STATES OF AMERICA OR ANY STATE OR OTHER JURISDICTION TO A TRIAL BY JURY OF ANY AND ALL ISSUES ARISING EITHER DIRECTLY OR INDIRECTLY IN ANY ACTION OR PROCEEDING BETWEEN GRANTORS AND SECURED PARTY OR THEIR SUCCESSORS AND ASSIGNS, OUT OF OR IN ANY WAY CONNECTED WITH THIS AGREEMENT. IT IS INTENDED THAT SAID WAIVER SHALL APPLY TO ANY AND ALL DEFENSES, RIGHTS, AND/OR COUNTERCLAIMS IN ANY ACTION OR PROCEEDINGS BETWEEN GRANTORS AND SECURED PARTY. GRANTORS WAIVE ALL RIGHTS TO INTERPOSE ANY CLAIMS, DEDUCTIONS, SETOFFS OR COUNTERCLAIMS OF ANY KIND, NATURE OR DESCRIPTION IN ANY ACTION OR PROCEEDING INSTITUTED BY SECURED PARTY WITH RESPECT TO THIS AGREEMENT, THE OTHER LOAN DOCUMENTS, THE OBLIGATIONS, THE COLLATERAL OR ANY MATTER ARISING THEREFROM OR RELATING THERETO, EXCEPT COMPULSORY COUNTERCLAIMS.

23. CONSENT TO JURISDICTION. THE PARTIES HERETO HEREBY (a) IRREVOCABLY SUBMIT AND CONSENT TO THE EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS LOCATED IN THE STATE OF NEW YORK, NEW YORK COUNTY, WITH RESPECT TO ANY ACTION OR PROCEEDING ARISING OUT OF THIS AGREEMENT, THE LOAN DOCUMENTS, THE OBLIGATIONS AND/OR THE COLLATERAL OR ANY MATTER ARISING THEREFROM OR RELATING THERETO, AND (b) WAIVE ANY OBJECTION WHICH THEY MAY NOW OR HEREAFTER HAVE BASED ON VENUE OR FORUM NON CONVENIENS WITH RESPECT THERETO. IN ANY SUCH ACTION OR PROCEEDING, GRANTORS WAIVE PERSONAL SERVICE OF THE SUMMONS AND COMPLAINT OR OTHER PROCESS AND PAPERS THEREIN AND AGREE THAT THE SERVICE THEREOF MAY BE MADE BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, DIRECTED TO GRANTORS AT THEIR OFFICES SET FORTH HEREIN OR OTHER ADDRESS THEREOF OF WHICH SECURED PARTY HAS RECEIVED NOTICE AS PROVIDED IN THIS AGREEMENT. NOTWITHSTANDING THE FOREGOING, GRANTORS CONSENT TO THE COMMENCEMENT BY SECURED PARTY OF ANY ACTION OR PROCEEDING IN ANY OTHER JURISDICTION TO ENFORCE ITS RIGHTS IN AND TO THE COLLATERAL AND GRANTORS WAIVE ANY OBJECTION WHICH THEY MAY NOW OR HEREAFTER HAVE BASED ON VENUE AND/OR FORUM NON CONVENIENS OF ANY SUCH ACTION OR PROCEEDING.

[SIGNATURE PAGE FOLLOWS]


IN WITNESS WHEREOF, each Grantor and the Secured Party has caused this Agreement to be duly executed and delivered by its respective officers or other representatives thereunto duly authorized as of the date first above written.

GRANTORS:

eLOT, INC.

By: 
Name: Edwin J. McGuinn, Jr.
Title: Chief executive Officer

eLOTTERY, INC.

By: 
Name: Edwin J. McGuinn, Jr.
Title: Chief Executive Officer

SECURED PARTY:

eLOTTERY COLLATERAL AGENT, LLC

By: _____
Name: Roger H. Goodspeed
Title: Managing Member

[SIGNATURE PAGE TO SECURITY AGREEMENT]

IN WITNESS WHEREOF, each Grantor and the Secured Party has caused this Agreement to be duly executed and delivered by its respective officers or other representatives thereunto duly authorized as of the date first above written.

GRANTORS:

eLOT, INC.

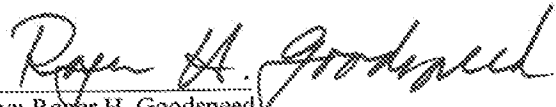
By: _____
Name: Edwin J. McGuinn, Jr.
Title: Chief executive Officer

eLOTTERY, INC.

By: _____
Name: Edwin J. McGuinn, Jr.
Title: Chief Executive Officer

SECURED PARTY:

eLOTTERY COLLATERAL AGENT, LLC

By: 
Name: Roger H. Goodspeed
Title: Managing Member

[SIGNATURE PAGE TO SECURITY AGREEMENT]

EXHIBIT A

eLottery

US Patent 6,383,078; Serial No. 09/528,487 (Attorney Ref. No. 208)
US Patent Application Serial No. 10/441,587 (Attorney Ref. No. 70 CIP II)
US Patent Application Serial No. 13/275,387 (Attorney Ref. No. 70 CIP II CON)
US Patent 6,322,446; Serial No. 09/458,326 (Attorney Ref. No. 209)
US Patent 6,869,358; Serial No. 10/000,795 (Attorney Ref. No. 209 CIP)
US Patent 7,931,529; Serial No. 11/071,607 (Attorney Ref. No. 209 CC)
US Patent 7,946,913; Serial No. 11/546,945 (Attorney Ref. No. 209 CCC)
PCT/US2007/080398 (Attorney Ref. No. 209 CCC)
US Patent Application Serial No. 12/192,820 (Attorney Ref. No. 209 CCC2)
PCT/US09/52479 (Attorney Ref. No. 209 CCC2 PCT)
US Patent Application Serial No. 12/361,258 (Attorney Ref. No. 209 CCC3)
CA 2655845 (Attorney Ref. No. 209 CCC3 CA)
MX/a/2009/001700 (Attorney Ref. No. 209 CCC3 MX)
US Patent Application Serial No. 13/234,910 (Attorney Ref. No. 234)

Company

US Patent 6,277,026; Serial No. 09/085,130
AU 2002236547 (Attorney Ref. No. 209 CIP PCT AU)
AU 2007221934 (Attorney Ref. No. 209 CIP PCT AU DIV)
AU 2012200030 (Attorney Ref. No. 209 CIP PCT AU DIV 2)
CA 2468279 (Attorney Ref. No. 209 CIP PCT CA)
CN 01823772.X (Attorney Ref. No. 209 CIP PCT CN)
EP 01986080.8 (Attorney Ref. No. 209 CIP PCT EP)
EP 10185214.3 (Attorney Ref. No. 209 CIP PCT EP DIV)
HK 11107102.7 (Attorney Ref. No. 209 CIP PCT EP DIV HK)
IN 01157/DELNP/2004 (Attorney Ref. No. 209 CIP PCT IN)
MX PA/a/2004/004,230 (Attorney Ref. No. 209 CIP PCT MX)
NO 2004-2268.1 (Attorney Ref. No. 209 CIP PCT NO)

EXHIBIT B

eLottery

MX 670995 (Attorney Ref. No. 227 MX)

MX 695569 (Attorney Ref. No. 228 MX)

Company

EP 001322049 (Attorney Ref. No. 220 EP)

AU 833152 (Attorney Ref. No. 252 AU)

EP 001630110 (Attorney Ref. No. 226 EP)

EXHIBIT C

None

Schedule 1
Third Party Liens

Liens on Collateral pursuant to the Security Agreement, dated as of June 16, 2011 (the "Agreement"), made by eLOT, Inc. and eLottery, Inc. in favor of eLottery Collateral Agent, LLC in its capacity as collateral agent.