

PATENT ASSIGNMENT COVER SHEET

Electronic Version v1.1
Stylesheet Version v1.2

EPAS ID: PAT3116784

SUBMISSION TYPE:	NEW ASSIGNMENT
NATURE OF CONVEYANCE:	SECURITY INTEREST
CONVEYING PARTY DATA	
Name	Execution Date
ZORAN MOMICH	11/13/2014
RECEIVING PARTY DATA	
Name:	LEADERS BANK, THE
Street Address:	2001 YORK ROAD, SUITE 150
City:	OAK BROOK
State/Country:	ILLINOIS
Postal Code:	60523
PROPERTY NUMBERS Total: 5	
Property Type	Number
Patent Number:	7540369
Patent Number:	7621109
Patent Number:	6912826
Patent Number:	7735296
Patent Number:	7497064
CORRESPONDENCE DATA	
Fax Number:	(312)444-9027
<i>Correspondence will be sent to the e-mail address first; if that is unsuccessful, it will be sent using a fax number, if provided; if that is unsuccessful, it will be sent via US Mail.</i>	
Phone:	3122013430
Email:	amoreland@chuhak.com
Correspondent Name:	ADAM R. MORELAND
Address Line 1:	30 S. WACKER DR., STE. 2600
Address Line 4:	CHICAGO, ILLINOIS 60606
NAME OF SUBMITTER:	ADAM R. MORELAND
SIGNATURE:	/ARM/
DATE SIGNED:	11/20/2014
Total Attachments: 7	
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SECURITY AGREEMENT

THIS SECURITY AGREEMENT ("Security Agreement") is made and entered into as of November 13, 2014, by and between Z AUTOMATION COMPANY, an Illinois corporation ("Borrower"), ZORAN MOMICH, an individual ("Guarantor" and, collectively with Borrower, "Debtors"), and THE LEADERS BANK, its successors and assigns (the "Secured Party").

RECITALS

WHEREAS, Secured Party has heretofore made Loans to Borrower and 3803 Ventura Associates, Inc., an Illinois corporation ("3803 Ventura"), as defined and further set forth in that certain Short Sale Settlement Agreement executed by and between Debtors and Secured Party, dated as of even date hereof ("Settlement Agreement"). Capitalized words and phrases not otherwise defined herein shall have the meanings assigned thereto in the Settlement Agreement;

WHEREAS, as evidence of the indebtedness under the Loans, Borrower and 3803 Ventura have executed and delivered to Secured Party the Note.

WHEREAS, the Settlement Agreement requires that Debtors grant to Secured Party an assignable first priority security interest and first lien in all of Debtors' Patents as security for the payment of the all obligations under the Note (the "Obligations"), pursuant to this Security Agreement;

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

1. Grant of Security Interest. Except as set forth in this Section 1, as security for the payment of the Obligations under the Loan Documents and Note, Debtors hereby do pledge, assign, transfer, deliver and grant to the Secured Party, a continuing, unconditional and assignable first priority security interest in and to any and all patents in the name of Debtors registered with the United States Patent and Trademark Office ("Patent Office"), including but not limited to the following (all of which, along with the products and proceeds therefrom, are individually and collectively referred to as the "Collateral"):

- (a) ZAC Patent Product Handling System Pouch Shingling Systems Patent # 7.540.369;
- (b) ZAC Patent Carrier Loading Cartoner Carry In Feature Patent #7.621.109;
- (c) ZAC Patent Carrier Loading Cartoner Dynamic Product Buckets Patent #6.912.826;
- (d) ZAC Patent Apparatus and Method for Carton Carrier (Dynamic Caron Cell Chain) Patent 7.735.296.B2; and
- (e) ZAC Patent Vertical Cartoner (Streaming Technology) Patent #7.497.064.

2. Warranties and Covenants of Debtors. Debtors warrant and covenant that, as of the date hereof:

(a) Debtors are lawfully possessed of and the sole owners of the Collateral owned by them, and such Collateral is free and clear of any security interest, lien, restriction, charge, or encumbrance of any kind or character, legal or equitable, except as otherwise disclosed to Secured Party in writing.

(b) No financing statement covering any of the Collateral or any proceeds thereof is presently on file in any public office. Debtors agree to execute and deliver to Secured Party such further agreements, assignments, instruments and documents and to do all such other things as Secured Party may deem reasonably necessary or appropriate to assure Secured Party its lien and security interest under this Security Agreement, including without limitation, such financing statements, and amendments thereof or supplements thereto, and such other instruments and documents as Secured Party may from time to time reasonably require in order to comply with the applicable Uniform Commercial Code ("UCC") and any requirements of the Patent Office. Debtors irrevocably hereby make, constitute and appoint Secured Party (and all persons designated by Secured Party for that purpose) as Debtors' true and lawful attorney and agent-in-fact to execute such financing statements, documents and other agreements and instruments and do such other acts and things as may be necessary to preserve and perfect Secured Party's security interest in the Collateral, as applicable. Debtors hereby agree that a carbon, photographic or other reproduction of this Security Agreement or any such financing statement is sufficient for filing as a financing statement by Secured Party. In the event for any reason the law of any jurisdiction other than Illinois becomes or is applicable to the Collateral or any part thereof, or to any of the Obligations under the Note, Debtors agree to execute and deliver all such instruments and documents and to do all such other things as Secured Party deems reasonably necessary or appropriate to preserve, protect and enforce the lien and security interest of Secured Party under the law of such other jurisdiction. Debtors agree to mark its books and records to reflect the lien and security interest of Secured Party in the Collateral.

(c) Debtors shall not change their names or transact business under any other names, without first giving thirty (30) days prior written notice of its intent to Secured Party.

(d) Debtors agree from time to time to deliver to Secured Party such evidence of the existence, identity and location of the Collateral and of its availability as collateral security pursuant hereto, in each case as Secured Party may reasonably request. Secured Party shall have the right, during normal business hours, to verify all or any part of the Collateral in any reasonable manner, and through any reasonable medium, and Debtors agree to furnish all assistance and information, and perform, during normal business hours, any acts, which Secured Party may reasonably require in connection therewith. Debtors shall promptly notify Secured Party of any Collateral which Debtors have determined to have been rendered obsolete, stating the prior book value of such Collateral, its type and location.

(e) Except as authorized under this Security Agreement, Debtors shall not pledge, mortgage or otherwise encumber, sell, assign, transfer or dispose of, or permit to exist any lien, security interest, restriction, charge or encumbrance of any kind or

character, legal or equitable, upon the Collateral at any time without the prior written consent of Secured Party. Without limiting the foregoing, except as authorized under this Security Agreement, Debtors shall not grant or permit to exist any setoff, counterclaim or deduction in relation to the Collateral or enter into any agreement to effect the same.

(f) Borrower is a duly incorporated, legally existing corporation in good standing under the laws of the State of Illinois, and is qualified to do business and is in good standing under the laws of any other state in which Borrower conducts its business.

(g) Debtors have the power and are duly authorized to enter into this Security Agreement and to execute and deliver to Secured Party, now and from time to time hereafter, this Security Agreement, and the Loan Documents relating to the Obligations under the Note. Debtors have, by proper action, authorized and empowered those persons whose signatures appear in this Security Agreement and any instruments and documents that have been delivered in connection herewith to execute the same for and on Debtors' behalf.

(h) Debtors will pay when due all taxes and license fees relating to the Collateral which, if unpaid, could result in a lien on the Collateral.

(i) The execution and delivery of this Security Agreement and the observance and performance of each of the matters and things herein set forth, will not contravene or constitute a default under any provision of law or any judgment, injunction, order or decree binding upon Debtors, or any provision of Borrower's Articles of Incorporation, or any covenant, indenture or agreement of or affecting Debtors or any of their property, or result in the creation or imposition of any lien or encumbrance on any property of Debtors, except for the lien and security interest granted to Secured Party hereunder.

3. Remedies.

(a) Unless modified pursuant to this Agreement, upon any Event of Default as set forth in the Settlement Agreement and at any time thereafter, Secured Party may, at its option, declare principal and accrued interest of all of the Obligations under the Note to be immediately due and payable, without presentation, demand, protest or notice of any kind, all of which are hereby expressly waived. In addition, unless modified pursuant to this Agreement, Secured Party shall have all the rights and remedies of a secured party under the UCC, including without limitation the right to take immediate and exclusive possession of the Collateral, or any part thereof, and, for that purpose, so far as Debtors can give authority therefor, with or without judicial process, and Secured Party shall be entitled to hold, maintain, preserve and prepare the Collateral for sale, until disposed of, or may propose to retain the Collateral subject to Debtors' right of redemption in satisfaction of the Obligations under the Note as provided in the UCC. Secured Party shall give Debtors at least Ten (10) Business Days' notice of the time and place of any public sale of the Collateral, or any part thereof, or of the time after which any private sale or any other intended disposition of the Collateral, or any part thereof, is to be made. The requirements of reasonable notice shall be met if such notice is mailed, postage prepaid, to Debtors' last known business address on file at least Ten (10) Business Days before the time of the sale or disposition of the Collateral. Secured Party may buy at any public sale. The net proceeds realized upon any such sale or disposition of the Collateral,

after deduction for the expenses of retaking, holding, preparing for sale, selling, and the like, and the reasonable attorneys' fees and legal expenses incurred by Secured Party, shall be applied in satisfaction of the Obligations under the Loan Documents and Note. Secured Party shall account to Debtors for any surplus realized on any such sale or disposition of the Collateral and Debtors shall remain liable for any deficiency.

(b) The remedies of Secured Party hereunder are cumulative in nature and the exercise of any one or more of the remedies provided for herein or under the UCC shall not be construed as a waiver of any of the other remedies of Secured Party, so long as any part of the Obligations under the Loan Documents and Note remain unsatisfied.

4. General.

(a) No waiver by Secured Party of any Event of Default shall operate as a waiver of any other Event of Default or of the same Event of Default on a future occasion. All rights of Secured Party hereunder shall inure to the benefit of its legal representatives, successors, and assigns and all obligations of Debtors shall bind their legal representatives, successors, and assigns.

(b) If any provision of this Security Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Security Agreement.

(c) This Security Agreement shall be governed by and interpreted in accordance with the laws of the State of Illinois.

(d) All Recitals set forth herein are incorporated herein by this reference as an integral part of this Security Agreement.

(e) This Security Agreement may be signed in any number of counterparts, each of which shall be deemed an original and all of which together shall be deemed one and the same agreement.

(f) The parties may sign and deliver this Agreement by facsimile transmission, or by e-mail with an attached scanned signature page image. Each party agrees that the delivery of this Agreement by facsimile, or by e-mail with an attached scanned signature page image, shall have the same force and effect as delivery of original signatures and that each party may use such signatures as evidence of the execution and delivery of this Agreement by all parties to the same extent that an original signature could be used.

(g) Any notice under this Security Agreement shall be addressed to the parties at their respective last known business address on file.

(h) Debtors shall be obligated to reimburse Secured Party, as part of the Obligations under the Loan Documents, for all costs and expenses incurred by Secured Party in the protection and preparation for sale of the Collateral, including without limitation, reasonable attorneys' fees, if allowable by law, and court costs.

5. Lender's Release. Upon Debtors' payment to Lender in accord with Paragraph 3 of the Settlement Agreement, Lender will release its lien on the Collateral, promptly file a UCC Termination Statement, and provide Debtors with such other documents as may be reasonably requested evidencing Lender's release of its lien on the Collateral.

6. Mandatory Arbitration. Any dispute, disagreement, claim, or controversy arising in connection with or relating to the Agreement or the validity, interpretation, performance, breach, or termination of the Agreement ("Dispute") must be resolved by binding arbitration and in accordance with this Section 5.

(a) A party may begin arbitration by filing a demand for arbitration in accordance with the Arbitration Rules and concurrently notifying the other party of that demand. The phrase "Arbitration Rules" means the Rules for Commercial Arbitration of the American Arbitration Association as in effect at the time of arbitration of a Dispute. If the parties are unable to agree upon an arbitrator within 10 Business Days after the demand for arbitration was filed (and do not agree to an extension of that 10-Business Day period), either party may request the Las Vegas, Nevada office (or if none, the Dover, Delaware office) office of the American Arbitration Association ("AAA") to appoint an arbitrator in accordance with the Arbitration Rules. Any arbitrator so appointed shall be deemed accepted by the parties as part of the arbitrator.

(b) The arbitration shall be conducted in Las Vegas, Nevada (or Dover, Delaware, if applicable) at a place and time agreed upon by the parties with the arbitrator, or if the parties cannot agree, as designated by the arbitrator. The arbitrator may, however, call and conduct hearings and meetings at such other places as the parties may agree or as the arbitrator may, on the motion of one party, determine to be necessary to obtain significant testimony or evidence.

(c) The arbitrator may authorize any and all forms of discovery upon a party's showing of need that the requested discovery is likely to lead to material evidence needed to resolve the Dispute and is not excessive in scope, timing, or cost.

(d) The arbitration shall be subject to the Federal Arbitration Act and conducted in accordance with the Arbitration Rules to the extent that they do not conflict with this Section 5. The parties and the arbitrator may, however, agree to vary to provisions of this Section 5 or the matters otherwise governed by the Arbitration Rules.

(e) Each party shall use its reasonable efforts to cause the arbitration hearing to be held within 60 days after the appointment of the arbitrator and the arbitrator's final decision or award to be made within 30 days after the hearing. That final decision or award shall be made by unanimous or majority vote or consent of the arbitrators constituting the arbitrator, and shall be deemed issued at the place of arbitration. The arbitrator's final decision or award shall be based on this Agreement and applicable law.

(f) The arbitrator's final decision or award may include injunctive relief in response to any actual or impending breach of this Agreement or any other actual or impending action or omission of a party under or in connection with this Agreement.

(g) The arbitrator's final decision or award shall be final and binding upon the parties, and judgment upon that decision or award may be entered in any court having

jurisdiction. The parties waive any right to apply or appeal to any court for relief from the preceding sentence or from any decision of the arbitrator made before the final decision or award.

(h) The arbitrator may proceed to an award notwithstanding the failure of any party to participate in such proceedings. The prevailing party in the arbitration proceeding may be entitled to an award of reasonable attorneys' fees incurred in connection with the arbitration in such amount, if any, as determined by the arbitrator in its discretion. The costs of the arbitration (other than the legal fees and costs of each party, which shall be borne by such party) shall be borne equally by Debtors and Lender unless otherwise determined by the arbitrator in its award.

(i) The arbitrator shall be empowered to impose sanctions and to take such other actions as it deems necessary to the same extent a judge could impose sanctions or take such other actions pursuant to the Federal Rules of Civil Procedure and applicable law. Each party agrees to keep all Disputes and arbitration proceedings strictly confidential except for disclosure of information required by applicable law which cannot be waived.

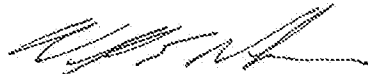
Nothing in this Section 5 limits the right of either party to apply to a court having jurisdiction to (i) enforce the agreement to arbitrate in accordance with this Section 5, or (ii) seek provisional or temporary injunctive relief, in response to an actual or threatened breach of the Agreement or otherwise so as to avoid an irreparable damage or maintain the status quo, until a final arbitration decision or award is rendered or the Dispute is otherwise resolved. In addition, nothing in this Section 5 prohibits the parties from resolving any Dispute (in whole or in part) by agreement, or from mutually agreeing to pursue non-binding mediation of a Dispute.

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IN WITNESS WHEREOF, the parties have executed this Security Agreement as of the date set forth above.


SECURED PARTY:

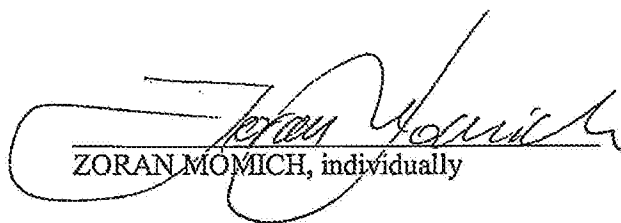
THE LEADERS BANK

By: 
Name: William E. Navolio
Its: Executive Vice President & General Counsel

DEBTORS:

Z AUTOMATION COMPANY

By: 
Name: Zoran Momich
Its: President


ZORAN MOMICH, individually