
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 1 to Form 10-K)

FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO SECTIONS 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended March 31, 2003

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____

Commission file number 001-08762

ODETICS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation or Organization)

95-2588496
(I.R.S. Employer
Identification No.)

1515 South Manchester Avenue, Anaheim, California 92802
(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, Including Area Code: **(714) 774-5000**

Securities registered pursuant to Section 12(b) of the Act: **None**

Securities registered pursuant to Section 12(g) of the Act:

Class A common stock, \$.10 par value
Class B common stock, \$.10 par value
(Title of Class)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by a check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K ☒

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

Based on the closing sale price on Nasdaq SmallCap Market on September 30, 2002, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the voting stock held by nonaffiliates of the registrant was \$10,081,109. For the purposes of this calculation, shares owned by officers, directors and 10% stockholders known to the registrant have been deemed to be owned by affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

Odetics has two classes of common stock outstanding, the Class A common stock and the Class B common stock. The rights, preferences and privileges of each class of common stock are identical in all respects, except for voting rights. Each share of Class A common stock entitles its holder to one-tenth of one vote per share and each share of Class B common stock entitles its holder to one vote per share. As of July 25, 2003, there were 14,115,635 shares of Class A common stock and 1,001,120 shares of Class B common stock outstanding. Unless otherwise indicated, all references to common stock collectively refer to the Class A common stock and the Class B common stock.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents (or portions thereof) are incorporated by reference into this Form 10-K: None.



PORTIONS AMENDED/EXPLANATORY NOTE

Odetics is filing this amendment to its Annual Report on Form 10-K for the fiscal year ended March 31, 2003 (originally filed with the Securities and Exchange Commission on June 30, 2003) in order to amend Items 10, 11, 12 and 13 of Part III and Item 15 of Part IV. We previously anticipated providing the information required by Items 10, 11, 12 and 13 of the Annual Report on Form 10-K by incorporating the information by reference to the definitive proxy statement for our 2003 Annual Meeting of Stockholders which was to be filed with the Securities and Exchange Commission within 120 days after March 31, 2003. However, in accordance with General Instruction G(3) to Form 10-K, we hereby amend Items 10, 11, 12 and 13 of Part III contained in our Annual Report on Form 10-K to provide the additional required information relating to our directors and executive officers, executive compensation, security ownership of certain beneficial owners and management and related stockholder matters, and certain relationships and related transactions, as set forth below. In addition, we hereby amend Item 15 of Part IV contained in our Annual Report on Form 10-K to update the exhibit list and to file with the Securities and Exchange Commission certain documents indicated on such exhibit list. Except as set forth in Items 10, 11, 12, 13 and 15 below, no other changes are made to our Report on Form 10-K for the fiscal year ended March 31, 2003.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Directors and Executive Officers

The following table sets forth certain information regarding all directors and executive officers of Odetics as of July 15, 2003.

Name	Age	Position
Gregory A. Miner (3)	48	Chief Executive Officer, Chief Financial Officer and Director of Odetics, and Assistant Secretary Director, Chief Financial Officer and Secretary of MAXxess Director of Iteris Director, Chief Financial Officer and Secretary of Meyer, Mohaddes Associates
John E. Johnson	56	Vice President of Odetics, Director, President and Chief Executive Officer of Iteris, Director of Meyer, Mohaddes Associate
Gary W. Smith	46	Vice President, Controller and Secretary of Odetics, Assistant Secretary of Iteris, MAXxess and Meyer, Mohaddes Associates
Joel Slutzky (3)	64	Chairman of the Board of Odetics Chairman of the Board of MAXxess Systems, Inc. Chairman of the Board of Iteris, Inc. Director of Meyer, Mohaddes Associates, Inc.
Kevin C. Daly, Ph.D.(2)(3)	59	Director of Odetics
Crandall L. Gudmundson	72	Director of Odetics
Jerry F. Muench	68	Director and Assistant Secretary of Odetics
John W. Seazholtz (1)(2)	66	Director of Odetics
Thomas L. Thomas (1)(2)	54	Director of Odetics
Paul E. Wright (1)(3)	72	Director of Odetics, Director of Iteris

(1) Member of the Audit Committee.

(2) Member of the Compensation and Stock Option Committee.

(3) Member of the Finance Committee.

Gregory A. Miner has served as the Chief Executive Officer of Odetics since February 2002, as a director since 1998 and as a Vice President and Chief Financial Officer since January 1994 when he joined Odetics. From 1998 to 2002, Mr. Miner also served as Odetics' Chief Operating Officer. Mr. Miner served as the Vice President and Chief Financial Officer of ATL Products, Inc., a former subsidiary of Odetics, from 1994 to 1998 and currently serves as the Chief Financial Officer, Secretary and Director of MAXxess. Mr. Miner has also served in various capacities for the other subsidiaries of Odetics from time to time. From December 1984 until joining Odetics, Mr. Miner served as the Vice President and Chief Financial Officer and a Director of Laser Precision Corporation, a manufacturer of telecommunications test equipment. From 1979 to 1984, Mr. Miner was employed by Deloitte Haskins and Sells (now known as Deloitte & Touche LLP) in various capacities, the most recent of which was Audit Manager.

John E. Johnson has served as a Vice President of Odetics since 1986 and has served as the President, Chief Executive Officer and a director of Odetics' subsidiary, Iteris, Inc., since December 1999. Prior to that, he served as the General Manager of the Odetics ITS division (now Iteris, Inc.) from 1996 to 1998, prior to its incorporation. From 1990 to 1996, Mr. Johnson served as the General Manager of the Odetics Customer Service division. Mr. Johnson served in various other capacities with Odetics since joining Odetics in 1974, including the Vice President and General Manager of the Omutech division from 1986 to 1990, the Director of Contracts for the Space division from 1980 to 1986, the Controller of Infodetics, a former subsidiary of Odetics, from 1975 to 1980 and the Controller of Odetics from 1974 to 1975. Prior to joining Odetics, Mr. Johnson served as a certified public accountant with Peat Marwick.

Gary W. Smith has served as the Controller of Odetics since 1992, became a Vice President in August 1994 and the Secretary in 2002. Prior to that, Mr. Smith served as the Assistant Controller of Odetics from 1990 until 1992, Assistant Secretary from 1998 until 2002, and Senior Financial Analyst from 1986 until 1990.

Joel Slutzky has served as the Chairman of the Board of Directors since he co-founded Odetics in 1969. Mr. Slutzky served as the Chief Executive Officer of Odetics from 1975 to February 2002. Mr. Slutzky is also Chairman of Iteris and MAXxess, subsidiaries of Odetics. Mr. Slutzky also served on the Board of ATL Products, Inc. and on the Board of the American Electronics Association. Mr. Slutzky currently serves on the Board of KOCE, Future Scientists and Engineers of America, and the Orange County Business Council Workforce Task Group. Mr. Slutzky is also the Chairman of Project Tomorrow, an organization focused on improving Kindergarten through twelfth grade science education in Orange County.

Kevin C. Daly, Ph.D. has served as a director of Odetics since 1993. Since July 2002, Dr. Daly has been the Chief Executive Officer of Avamar Technologies, Inc., a provider of high availability storage software solutions. Dr. Daly was previously Chief Technical Officer of Quantum Corporation's Storage Solutions Group from October 2001 to July 2002 and, prior to that, he was Chief Executive Officer of ATL Products, Inc. from its foundation in 1993 until 2001. Dr. Daly also served as Chief Technical Officer of Odetics from 1985 until ATL's separation from Odetics in an initial public offering in 1997. Prior to Odetics, Dr. Daly was Director of the Control and Dynamics Division of the Charles Stark Draper Laboratory at MIT from 1974 through 1985. Dr. Daly is also a member of the Board of Directors of Danka Business Systems PLC.

Crandall L. Gudmundson is a co-founder of Odetics and served as its President from 1975 until his retirement in 1998. Mr. Gudmundson has served as a director of Odetics since 1979 and served as a director of ATL Products, Inc. from 1993 to 1998. Prior to co-founding Odetics, Mr. Gudmundson was the lead project engineer for Leach Corporation.

Jerry F. Muench is a co-founder of Odetics and has served as a director since 1969. From 1969 to 2002, Mr. Muench was also Odetics' Secretary. Mr. Muench served as the Vice President, Marketing of Odetics from 1975 until his retirement in December 1997. Prior to co-founding Odetics, Mr. Muench was the manager of applications engineering at Leach Corporation.

John W. Seazholtz has served as a director of Odetics since May 1998. He also served as a director of Mariner Networks, Inc., a subsidiary of Odetics that has been discontinued, from March 2000 to September 2001. From May 1998 to April 2000, Mr. Seazholtz served as the President and Chief Executive Officer of Telesoft America, Inc. He retired in April 1998 as the Chief Technology Officer of Bell Atlantic after 36 years of service with that company and its predecessor. Mr. Seazholtz was a senior officer of Bell Atlantic since 1986, serving in various positions, including the positions of Vice President, Operations and Engineering, Vice President, Marketing, Vice President of New Services, and Vice President, Technology and Information Systems. Mr. Seazholtz currently serves as the Chairman of the Board of Westell Technologies, Inc. and is a member of the Board of Directors of Advanced Switching Communications, Inc.

Thomas L. Thomas has served as a director of Odetics since May 1999. From January 2000 to September 2001, he also served as the Chairman of the Board of Mariner Networks, Inc. Mr. Thomas is the Chairman of the Board, President and Chief Executive Officer of HAHT Commerce, a provider of software applications that enable companies to use the Internet to conduct business. A veteran Silicon Valley executive, Mr. Thomas was previously the President and Chief Executive Officer of Ajuba Solutions, a provider of B2B integration solution software,

which was sold to Interwoven in October 2000. From April 1999 until January 2000, he served as the President, Chief Executive Officer and Chairman of the Board of Vantive Corporation, a leading customer relationship management software vendor which was acquired by Peoplesoft in January 2000. Prior to that, from September 1995 to April 1999, Mr. Thomas served as the Senior Vice President of e-Business and Information Services and Chief Information Officer at 3Com Corporation. From 1993 to 1995, Mr. Thomas served as a Vice President and the Chief Information Officer of Dell Computer Corporation. From 1987 to 1993, he served as the Vice President of Management Information Systems at Kraft General Foods, and at Sara Lee Corporation from 1981 to 1987. Mr. Thomas also serves on the Board of Directors of iManage, Inc.

Paul E. Wright has served as a director of Odetics since June 1993 and as a director of Iteris since January 1999. Mr. Wright is the President of Wright Associates—Engineering and Business Consultants, a company he formed in 1997. From 1988 until his retirement in 1997, Mr. Wright served as the Chairman of Chrysler Technologies Corp., the aerospace and defense electronics subsidiary of Chrysler Corporation. From 1986 to 1988, Mr. Wright served as the President and Chief Operating Officer of Fairchild Industries, Inc. Prior to joining Fairchild, he was employed for 28 years by RCA Corporation, where he last served as the Senior Vice President, responsible for planning RCA's merger into General Electric Corporation.

Officers are elected by and serve at the discretion of the Board of Directors.

Section 16(a) Beneficial Ownership Reporting Compliance

Under the federal securities laws, Odetics' directors and officers and any persons holding more than 10% of Odetics' common stock are required to report their ownership of Odetics' common stock and any changes in that ownership to the SEC. Specific due dates for these reports have been established, and Odetics is required to report in this proxy statement any failure to file by these dates. Based solely on its review of copies of the reports on Forms 3, 4 and 5 received by Odetics with respect to the fiscal year ended March 31, 2003, and the written representations received from the reporting persons that no other reports were required, Odetics believes that all directors, executive officers and persons who own more than 10% of Odetics' common stock have complied with the reporting requirements of Section 16(a) and have filed all reports required by such section.

ITEM 11. EXECUTIVE COMPENSATION

Summary of Cash and Certain Other Compensation

The following table provides certain summary information concerning the compensation earned by the Chief Executive Officer and each of the four other most highly compensated executive officers of Odetics whose total cash salary and bonus during the fiscal year ended March 31, 2003 exceeded \$100,000 (collectively, the "Named Executive Officers") for each of the three fiscal years ended March 31, 2001, 2002 and 2003. No other executive officers who would have otherwise been includable in such table on the basis of salary earned for the fiscal year ended March 31, 2003 has been excluded by reason of his or her termination of employment or change in executive status during that year. Other than the bonus paid to Mr. Johnson for the fiscal year ended March 31, 2002, no bonuses have been paid to the Named Executive Officers during the fiscal years ended March 31, 2001, 2002 and 2003.

SUMMARY COMPENSATION TABLE

Name and Principal Positions with Odetics	Fiscal Year	Annual Compensation		Long-Term Compensation Awards		All Other Compensation (\$)(3)
		Salary (\$)(1)	Bonus (\$)	Restricted Stock (\$)	Securities Underlying Options (#)(2)	
Gregory A. Miner	2003	284,169	—	—	310,000(4)	5,671
Chief Executive Officer, Chief Financial Officer and Director	2002	217,200	—	—	—	4,830
	2001	214,662	—	—	30,000	3,891
John E. Johnson(5)	2003	202,086	—	—	12,000(6)	4,263
Vice President	2002	185,958	21,000	—	—	4,164
	2001	185,958	—	—	—	2,831
Hugo Fruehauf(7)	2003	158,004	—	—	12,000(6)	4,741
Vice President	2002	172,206	—	—	—	5,100
	2001	174,969	—	—	—	3,875
Steven A. L'Heureux(8)	2003	170,682	—	—	10,000(6)	5,029
Vice President	2002	189,231	—	—	—	4,950
	2001	183,462	—	—	—	3,975
Gary W. Smith	2003	108,199	—	—	45,000(6)	3,056
Vice President, Controller and Secretary	2002	115,235	—	—	—	2,881
	2001	114,821	—	—	—	2,106

- (1) Represents all amounts earned from Odetics and its subsidiaries during the fiscal years shown, including amounts deferred under the Executive Deferral Plan and the Odetics 401(k) and Stock Ownership Plan.
- (2) Consists of options granted pursuant to Odetics' 1994 Long-Term Equity Incentive Plan and 1997 Stock Incentive Plan entitling the holder to purchase shares of Class A common stock of Odetics.
- (3) Consists solely of the matching contribution of Odetics to the respective accounts of the Named Executive Officers under the Odetics 401(k) and Stock Ownership Plan.
- (4) Includes 110,000 shares underlying the regrant option issued in May 2002 to replace options cancelled in November 2001. See "2001 Option Exchange Program."
- (5) In the year ended March 31, 2002, Mr. Johnson was granted an option to purchase 40,000 shares of common stock of Iteris.
- (6) Consists of shares underlying regrant options issued in May 2002 to replace options cancelled in November 2001. See "2001 Option Exchange Program."
- (7) In the year ended March 31, 2001, Mr. Fruehauf was granted an option to purchase 250,000 shares of common stock of Zyfer. Mr. Fruehauf resigned from his positions with Odetics effective as of May 9, 2003.
- (8) Mr. L'Heureux resigned from his positions with Odetics effective as of February 21, 2003.

Option Grants in Last Fiscal Year

The following table provides information regarding option grants made to our Named Executive Officers during the fiscal year ended March 31, 2003. No stock appreciation rights were granted to any of the Named Executive Officers during such fiscal year.

Name	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (3)	
	Number of Securities Underlying Options Granted (1)	Percent of Total Options Granted to Employees in Fiscal 2003	Exercise Price Per Share (2)	Expiration Date	5%	10%
Greg Miner	310,000	56.47%	\$ 1.40	05/20/12	272,940	691,684
John E. Johnson	12,000	2.19	\$ 1.40	05/20/12	10,565	26,775
Hugo Fruehauf(4)	12,000	2.19	\$ 1.40	05/20/12	10,565	26,775
Steven A. L'Heureux(5)	10,000	1.82	\$ 1.40	05/20/12	8,805	22,312
Gary W. Smith	45,000	8.20	\$ 1.40	05/20/12	39,620	100,406

- (1) Each option was granted pursuant to Odetics' 1997 Stock Incentive Plan (the "1997 Plan") and entitles the holder to purchase shares of Class A common stock of Odetics. Each option has a maximum term of ten years, subject to earlier termination in the event of the optionee's termination of employment with Odetics or its subsidiaries. Each option vests in three equal annual installment with the first installment vesting on the first year anniversary of the grant date, subject to acceleration of vesting in the event of the merger, consolidation or reorganization of Odetics if such option is not assumed or other wise continued in effect in such transaction. In addition, the Compensation and Stock Option Committee has the authority to provide for the accelerated vesting of the option whether or not the option is assumed or other wise continued in effect or upon the termination of the optionee's employment following such transaction.

Includes shares underlying regrant options issued in May 2002 to replace options cancelled in November 2001. See "2001 Option Exchange Program."

- (2) Odetics may also finance the option exercise by loaning the optionee sufficient funds to pay the exercise price for the purchased shares and the applicable federal and state withholding taxes to which the optionee becomes subject in connection with such exercise.
- (3) The 5% and 10% assumed rates of appreciation are prescribed by the rules and regulations of the SEC and do not represent management's estimate or projection of future trading prices of the Class A common stock. Unless the market price of the Class A common stock does in fact appreciate over the option term, no value will be realized from the option grants. Actual gains, if any, are dependent upon numerous factors, including, without limitation, the future performance of Odetics and its business units, overall business and market conditions, and the option holder's continued employment with Odetics throughout the entire vesting period and option term, which factors are not reflected in this table.
- (4) Mr. Fruehauf resigned from his positions with Odetics effective as of May 9, 2003.
- (5) Mr. L'Heureux resigned from his positions with Odetics effective as of February 21, 2003.

Aggregated Option Exercises and Fiscal Year End Values

The following table provides information with respect to the Named Executive Officers concerning the unexercised options held by them at of the end of the fiscal year ended March 31, 2003. None of the Named Officers exercised any options or stock appreciation rights during the fiscal year ended March 31, 2003 and no stock appreciation rights were held by the Named Executive Officers at the end of such fiscal year.

AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR AND FY-END OPTION/SAR VALUES

Name	Number of Securities Underlying Unexercised Options at Fiscal Year End (#) (1)		Value of Unexercised In-the-Money Options at Fiscal Year End (\$)	
	Exercisable	Unexercisable	Exercisable	Unexercisable
Gregory A. Miner Chief Executive Officer, Chief Financial Officer and Director	155,556	154,444	—	—
John E. Johnson Vice President	12,000	—	—	—
Hugo Fruehauf(2) Vice President	12,000	—	—	—
Steven A. L'Heureux(3) Vice President	—	—	—	—
Gary W. Smith Vice President, Controller and Secretary	45,000	—	—	—

(1) Includes both in-the-money and out-of-the money options.

(2) Mr. Fruehauf resigned from his positions with Odetics effective as of May 9, 2003.

(3) Mr. L'Heureux resigned from his positions with Odetics effective as of February 21, 2003.

2001 Option Exchange Program

In November 2001, Odetics implemented an option exchange program to address the substantial loss in value of the outstanding stock options held by Odetics' executive officers and the increasing inability of those options to serve as a meaningful incentive for optionees to remain employed with Odetics. Under the program, each executive officer who held outstanding stock options with an exercise price of \$4.00 or more per share under the 1997 Plan or the 1994 Long-Term Equity Plan (the "1994 Plan"), was given the opportunity to exchange that option for a new option under the 1997 Plan for the same number of shares that would be granted at least six months and one day after the completion of the option exchange program.

On November 16, 2001, Odetics accepted for exchange and cancellation options to purchase an aggregate of 349,000 shares of Odetics' Class A common stock representing 100% of the options eligible to be tendered under the option exchange program. On May 20, 2002, Odetics granted new options to purchase an aggregate of 349,000 shares of Class A common stock under the 1997 Plan to replace the eligible options that had been tendered and cancelled under the program.

In general, the exercise price per share for the new options was \$1.40, the last reported sales price of the Class A common stock on the grant date. In the case of Joel Slutzky, who is a holder of 10% or more of the common stock, the exercise price per share for the new options was \$1.54, or 110% of the last reported trading price of the Class A common stock on the grant date.

Each new option issued in exchange for a cancelled option will continue to vest and become exercisable for the option shares in accordance with the same vesting schedule in effect for the cancelled option.

Benefit Plans

Odetics maintains a 401(k) and Stock Ownership Plan (the “Stock Ownership Plan”) which qualifies for favorable tax treatment under Section 401(a) of the Internal Revenue Code. The Stock Ownership Plan is the result of the merger of the Odetics, Inc. Profit Sharing and 401(k) Plan and the Odetics Associates Stock Ownership Plan.

Employees become eligible to make pre-tax contributions to the Stock Ownership Plan pursuant to Internal Revenue Code Section 401(k) as of the January 1, April 1, July 1 or October 1 coincident with or next following the date on which they are hired. Participants may contribute an amount not in excess of \$11,000 for calendar year 2003. Employees become eligible to receive an allocation of employer contributions to the Stock Ownership Plan as of the January 1, April 1, July 1 or October 1 coincident with or next following the date on which they have completed six months of service with Odetics. These contributions may be made in the form of cash or Odetics stock. No contributions were made by Odetics to the Stock Ownership Plan for the fiscal years ended March 31, 2000, 2001 and 2003.

Contributions that are made to the Stock Ownership Plan are allocated to the separate accounts of participants and are held in a trust. Participant accounts are credited with investment gains and charged with investment losses. Participant contributions are always fully vested at all times, and the Odetics contributions on behalf of participants vest at the rate of 33 1/3 percent per year of service. Following termination of employment, the vested portion of the participant’s account balance is distributed in a lump sum payment.

Odetics also maintains an Executive Deferral Plan which allows designated executives to defer the receipt of some of their current compensation until a future year. These executives may elect to defer the receipt of up to 75% of their annual compensation, but in no event may they elect to defer less than \$5,000. Benefits are generally fully vested at all times, and are payable following termination of employment in the manner elected by the executive. The Executive Deferral Plan does not qualify for favorable income tax treatment under Section 401(a) of the Internal Revenue Code.

Employment Contracts, Termination of Employment Agreements and Change of Control Arrangements

Odetics does not currently have any employment contracts in effect with any of its Named Executive Officers. Odetics provides incentives such as salary, benefits and option grants to attract and retain executive officers and other key associates. The Compensation and Stock Option Committee, as Plan Administrator of the 1997 Plan, has the authority to provide for the accelerated vesting of outstanding options held by an individual, in connection with the termination of such individual’s employment following an acquisition in which these options are assumed or the repurchase rights with respect to the unvested shares are assigned or upon certain hostile changes in control of Odetics. Other than such accelerated vesting and the agreements described below in “Certain Transactions”, there is no agreement or policy which would entitle any executive officer to severance payments or any other compensation as a result of such officer’s termination.

Compensation of Directors

Directors who are not employees of Odetics or one of its subsidiaries receive an annual fee of \$12,000 per year, paid quarterly, in addition to \$1,500 for each Board meeting attended in person and \$250 for each telephone conference Board meeting. All directors are reimbursed for their out-of-pocket expenses incurred in attending meetings of the Board of Directors and its committees.

Non-employee directors are also eligible to receive periodic option grants pursuant to the Automatic Option Grant Program under Odetics’ 1997 Stock Incentive Plan. Under this plan, each non-employee director receives an option to purchase 20,000 shares of Class A common stock upon his initial appointment to the Board of Directors and an additional option to purchase 5,000 shares of Class A common stock on the date of each annual meeting after his appointment. Each option granted to non-employee directors under the Automatic Option Grant Program will have an exercise price equal to the fair market value of the Class A common stock on the grant date and will have a maximum term of ten years, subject to earlier termination following the optionee’s cessation of service as a Board member.

Compensation Committee Interlocks and Insider Participation

The members of the Compensation and Stock Option Committee of Odetics' Board of Directors during the fiscal year ended March 31, 2003 were Messrs. Daly, Seazholtz and Thomas. None of these individuals was an officer or employee of Odetics or its subsidiaries at any time during the fiscal year ended March 31, 2003.

No executive officer of Odetics has served on the Board of Directors or on the compensation committee of any other entity that has, or has had, one or more executive officers serving as a member of the Board of Directors or on the Compensation and Stock Option Committee of Odetics.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

As of March 31, 2003, Odetics had only one plan, the 1997 Stock Incentive Plan, pursuant to which equity securities of Odetics are authorized for issuance. The following table sets forth certain information regarding this plan:

	(a)	(b)	(c)
	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available under Equity Compensation Plans (excluding some securities reflected in column (a))
<i>Equity Compensation Plans Approved by Security Holders</i>			
1997 Stock Incentive Plan	961,920	\$ 3.73	689,000
<i>Equity Compensation Plans Not Approved by Security Holders</i>			
None			
Total	961,920		689,000

**PRINCIPAL STOCKHOLDERS AND COMMON STOCK OWNERSHIP
OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth, as of July 1, 2003, the number and percentage ownership of the Class A common stock and Class B common stock of Odetics by (i) all persons known to Odetics to beneficially own more than 5% of either class of outstanding common stock (based upon reports filed by such persons with the SEC), (ii) each of the Named Executive Officers in the Summary Compensation Table which appears elsewhere herein, (iii) each director of Odetics, and (iv) all executive officers and directors of Odetics as a group. To the knowledge of Odetics, except as otherwise indicated, each of the persons named in this table has sole voting and investment power with respect to the common stock shown as beneficially owned, subject to community property and similar laws, where applicable.

Name and Address of Beneficial Owner(1)	Class A Common Stock		Class B Common Stock		Total Percent of Voting Power
	Amount and Nature of Beneficial Ownership(2)(3)	Percent of Class(2)	Amount and Nature of Beneficial Ownership(2)(3)	Percent of Class(2)	
Joel Slutzky	894,509(4)	6.3%	261,622(4)	26.1%	14.4%
Gerald A. Weber	393,841(5)	2.8	187,885	18.7	9.4
Austin W. Marx and David M. Greenhouse	5,302,353(6)	31.9	—	—	19.9
Kevin C. Daly, Ph.D.	26,850(7)	*	—	—	0.1
Crandall L. Gudmundson	121,682(8)	*	69,743	6.9	3.4
Gregory A. Miner	245,847(9)	1.7	—	—	1.0
Jerry F. Muench	117,808(10)	*	61,537(11)	6.1	3.0
John W. Seazholtz	60,297(12)	*	—	—	*
Thomas L. Thomas	42,750(13)	*	—	—	*
Paul E. Wright	75,044(14)	*	—	—	*
Hugo Fruehauf	50,435(15)	*	—	—	*
John E. Johnson	68,351(16)	*	—	—	*
Steven A. L'Heureux(17)	—	—	—	—	—
Gary W. Smith	97,030(18)	*	296	*	*
All executive officers and directors as a group (10 persons)	1,750,168(19)	12.0%	393,198	39.2%	23.0%

* Represents less than 1%.

- (1) The address for Gerald A. Weber is 222 North LaSalle, Suite 899, Chicago, Illinois 60601. The address for Messrs. Marx and Greenhouse is 153 E. 53rd St., 51st Floor, New York, New York 10022. The address of all other persons named in the table is 1515 South Manchester Avenue, Anaheim, California 92802.
- (2) Based on 14,112,823 shares of the Class A common stock and 1,003,932 shares of Class B common stock outstanding as of July 1, 2003. Shares of each class of common stock subject to options or warrants which are exercisable within 60 days of July 1, 2003 are deemed to be beneficially owned by the person holding such options or warrants for the purpose of computing the percentage of ownership of such person but are not treated as outstanding for the purpose of computing the percentage of any other person. Other than as described in the preceding sentence, shares issuable upon exercise of outstanding options and warrants are not deemed to be outstanding for purposes of this calculation.
- (3) In addition to the shares held in the individual's name, this column also includes shares held for the benefit of the named person under Odetics' 401(k) and Stock Ownership Plan.
- (4) Includes 160,000 shares of Class A common stock issuable upon exercise of options that are currently exercisable or will become exercisable within 60 days after July 1, 2003. Excludes 349,508 shares of Class A common stock and 140,802 shares of Class B common stock held in trust for the benefit of the children and relatives of Mr. Slutzky as to which Mr. Slutzky has no investment or voting power and disclaims any beneficial ownership. See note 5.

- (5) All of such shares are owned beneficially of record by various trusts with respect to which Mr. Weber serves as trustee or co-trustee. Mr. Weber shares investment and voting power as to 35,333 shares of Class A common stock and 48,049 shares of Class B common stock. Mr. Weber exercises sole investment and voting power over the remaining 358,808 shares of Class A common stock and 139,836 shares of Class B common stock. The shares shown include an aggregate of 349,508 shares of Class A common stock and 140,802 shares of Class B common stock held in trust for the benefit of the children and relatives of Mr. Slutzky, as to which shares Mr. Slutzky has no investment or voting power and disclaims any beneficial ownership.
- (6) Includes 2,500,000 shares issuable upon exercise of warrants that were issued to Special Situations Cayman Fund, L.P., Special Situations Fund III, L.P. and Special Situations Private Equity Fund, L.P. (collectively, the "Special Situations Funds"). Pursuant to a Schedule 13D/A filed on March 4, 2003 with the SEC, Messrs. Marx and Greenhouse reported that they had shared voting power and shared dispositive power over the shares of common stock (including the 2,500,000 shares issuable upon exercise of warrants) held by the Special Situations Funds. Messrs. Marx and Greenhouse are the controlling principals of AWM Investment Company, Inc. ("AWM"), the general partner of Special Situations Cayman Fund, L.P. AWM is the general partner of MGP Advisers Limited Partnership, the general partner of Special Situations Fund III, L.P. In addition, Messrs. Marx and Greenhouse are members of MG Advisers L.L.C., the general partner of Special Situations Private Equity Fund, L.P.
- (7) Includes 100 shares held by Dr. Daly's spouse. Also includes 10,750 shares issuable upon exercise of options that are currently exercisable or will become exercisable within 60 days after July 1, 2003.
- (8) Includes 4,500 shares held by Mr. Gudmundson's IRA and 10,750 shares issuable upon exercise of options that are currently exercisable or will become exercisable within 60 days after July 1, 2003.
- (9) Includes 187,778 shares issuable upon exercise of options held by Mr. Miner that are currently exercisable or will become exercisable within 60 days after July 1, 2003.
- (10) Includes 31,114 shares held by Mr. Muench's spouse and 10,750 shares issuable upon exercise of options that are currently exercisable or will become exercisable within 60 days after July 1, 2003.
- (11) Includes 23,235 shares held by Mr. Muench's spouse.
- (12) Includes 26,750 shares issuable upon exercise of options held by Mr. Seasholtz that are currently exercisable or will become exercisable within 60 days after July 1, 2003.
- (13) Includes 23,750 shares issuable upon exercise of options held by Mr. Thomas that are currently exercisable or will become exercisable within 60 days after July 1, 2003.
- (14) Includes 25,750 shares issuable upon exercise of options held by Mr. Wright that are currently exercisable or will become exercisable within 60 days after July 1, 2003.
- (15) Includes 12,000 shares issuable upon exercise of options held by Mr. Fruehauf that are currently exercisable or will become exercisable within 60 days after July 1, 2003. Mr. Fruehauf resigned from his positions with Odetics effective as of May 9, 2003.
- (16) Includes 12,000 shares issuable upon exercise of options held by Mr. Johnson that are currently exercisable or will become exercisable within 60 days after July 1, 2003.
- (17) Includes 45,000 shares issuable upon exercise of options that are currently exercisable or will become exercisable within 60 days after July 1, 2003.
- (18) Includes 525,278 shares issuable upon exercise of options that are currently exercisable or will become exercisable within 60 days after July 1, 2003.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In February 2002, Odetics obtained a \$1.25 million line of credit from Technology Lending Partners, L.L.C. ("TLP"), a California limited liability company that is controlled by Joel Slutzky, Odetics' Chairman of the Board of Directors. Interest is payable on this line of credit monthly and accrues at the prime rate of interest designated by Bank of America from time to time plus 4% (8.5% as of March 31, 2003). As of March 31, 2003, \$1.25 million was outstanding under this line of credit. In May 2003, in connection with Odetics' sale of the assets of its Zyfer, Inc. subsidiary, Odetics entered into a release of lien with TLP, pursuant to which Odetics repaid TLP \$850,000 under this line of credit to obtain a release of TLP's security interest in the assets relating to the Zyfer business.

In October 2002, Odetics entered into a Receivables Purchase Agreement with TLP, pursuant to which TLP advanced Odetics an aggregate of \$923,672 against certain of Odetics' accounts receivable in exchange for certain fees. As of March 31, 2003, the total fees earned by TLP in connection with this agreement were \$111,248. Of the total amounts advanced, \$232,347 remained outstanding and payable to TLP as of March 31, 2003. In May 2003, in connection with the Zyfer sale, Odetics entered into an agreement with TLP, pursuant to which Odetics repurchased the receivables remaining outstanding under this agreement, all of which related to the Zyfer business, for an aggregate repurchase price of \$227,689. As of the date of this report, there are no outstanding factored receivables between TLP and Odetics.

In May 2003, Odetics entered into change in control agreements with each of Greg Miner, the Chief Executive Officer and Chief Financial Officer of Odetics, and John E. Johnson, a Vice President of Odetics and the President and Chief Executive Officer and a Director of Iteris. In the event of an involuntary termination of the officer's employment within three months prior to or twenty-four months after a change in control, the agreement provides for a severance payment to such officer of 200% of such officer's annual base pay plus target bonus for the current fiscal year. In addition, such officer and his dependents are entitled to all insurance benefits for up to twenty-four months or until such officer obtains new employment with comparable benefits, whichever is earlier.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) Documents filed as part of this report:

1. *Financial Statements.* The following financial statements of Odetics are included in a separate section of this Annual Report on Form 10-K commencing on the pages referenced below:

	Page
Report of Independent Auditors	F-2
Consolidated Balance Sheets as of March 31, 2002 and 2003	F-3
Consolidated Statements of Operations for the years ended March 31, 2001, 2002 and 2003	F-4
Consolidated Statements of Stockholders' Equity for the years ended March 31, 2001, 2002 and 2003	F-5
Consolidated Statements of Cash Flows for the years ended March 31, 2001, 2002 and 2003	F-6
Notes to Consolidated Financial Statements	F-7

2. *Financial Statement Schedules.*

Schedule II— Valuation and Qualifying Accounts	S-1
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All other schedules have been omitted because they are not required or the required information is included in our consolidated financial statements and notes thereto.

3. Exhibits.
- 3.1 Certificate of Incorporation of Odetics, as amended (incorporated by reference to Exhibit 19.2 to Odetics' Quarterly Report on Form 10-Q for the quarter ended September 30, 1987).
- 3.2** Certificates of Amendment to the Certificate of Incorporation of Odetics, as filed on September 28, 1988 and November 7, 2001; Certificate of Designation as filed on April 29, 1998.
- 3.3 Bylaws of Odetics, as amended (incorporated by reference to Exhibit 4.2 to Odetics' Registration Statement on Form S-1 (Reg. No. 033-67932) as filed with the SEC on July 6, 1993).
- 3.4** Certificates of Amendment to Bylaws of Odetics dated April 24, 1998 and August 10, 2001.
- 4.1 Specimen of Class A common stock and Class B common stock certificates (incorporated by reference to Exhibit 4.3 to Amendment No. 1 to Odetics' Registration Statement on Form S-1 (Reg. No. 033-67932) as filed with the SEC on September 30, 1993).
- 4.2 Form of rights certificate for Odetics' preferred stock purchase rights (incorporated by reference to Exhibit A of Exhibit 4 to Odetics' Current Report on Form 8-K as filed with the SEC on May 1, 1998).
- 10.1 Profit Sharing Plan and Trust (incorporated by reference to Exhibit 10.3 to Odetics' Amendment No. 2 to the Registration Statement on Form S-8 (Reg. No. 002-98656) as filed with the SEC on May 5, 1988).
- 10.2 Form of Executive Deferral Plan between Odetics and certain employees of Odetics (incorporated by reference to Exhibit 10.4 to Odetics' Annual Report on Form 10-K for the year ended March 31, 1988).
- 10.3 Form of Indemnity Agreement entered into by Odetics and certain of its officers and directors (incorporated by reference to Exhibit 19.4 to Odetics' Quarterly Report on Form 10-Q for the quarter ended September 30, 1988).
- 10.4 Amendment Nos. 3 and 4 to the Profit Sharing Plan and Trust (incorporated by reference to Exhibits 4.3.1 and 4.3.2, respectively, to Amendment No. 3 to Odetics' Registration Statement on Form S-3 (Reg. No. 002-86220) as filed with the SEC on June 13, 1990)
- 10.5 1997 Stock Incentive Plan of Odetics (as amended on May 3, 2002).
- 10.6 Form of Notice of Grant of Stock Option (incorporated by reference to Exhibit 99.2 to Odetics' Registration Statement on Form S-8 (File No. 333-30396) as filed with the SEC on February 14, 2000)
- 10.7 Form of Stock Option Agreement (incorporated by reference to Exhibit 99.3 to Odetics' Registration Statement on Form S-8 (File No. 333-30396) as filed with the SEC on February 14, 2000).
- 10.8 Form of Addendum to Stock Option Agreement-Involuntary Termination Following Corporate Transaction or Change in Control (incorporated by reference to Exhibit 99.4 to Odetics' Registration Statement on Form S-8 (File No. 333-30396) as filed with the SEC on February 14, 2000).
- 10.9 Form of Addendum to Stock Option Agreement-Limited Stock Appreciation Rights (incorporated by reference to Exhibit 99.5 to Odetics' Registration Statement on Form S-8 (File No. 333-30396) as filed with the SEC on February 14, 2000).
- 10.10 Form of Stock Issuance Agreement (incorporated by reference to Exhibit 99.6 to Odetics' Registration Statement on Form S-8 (File No. 333-30396) as filed with the SEC on February 14, 2000)

- 10.11 Form of Addendum to Stock Issuance Agreement-Involuntary Termination Following Corporate Transaction/Change in Control (incorporated by reference to Exhibit 99.7 to Odetics' Registration Statement on Form S-8 (File No. 333-30396) as filed with the SEC on February 14, 2000).
- 10.12 Form of Notice of Grant of Automatic Stock Option-Initial Grant filed as Exhibit 99.8 filed as Exhibit (incorporated by reference to Exhibit 99.8 to Odetics' Registration Statement on Form S-8 (File No. 333-30396) as filed with the SEC on February 14, 2000).
- 10.13 Form of Notice of Grant of Automatic Stock Option-Annual Grant (incorporated by reference to Exhibit 99.9 to Odetics' Registration Statement on Form S-8 (File No. 333-30396) as filed with the SEC on February 14, 2000).
- 10.14 Form of Automatic Stock Option Agreement filed as Exhibit 99.10 to the (incorporated by reference to Exhibit 99.10 to Odetics' Registration Statement on Form S-8 (File No. 333-30396) as filed with the SEC on February 19, 2000).
- 10.15 Rights Agreement dated April 24, 1998 between Odetics and BankBoston, N.A., which includes the form of Certificate of Designation for the junior participating preferred stock as Exhibit A, the form of rights certificate as Exhibit B and the summary of rights to purchase Series A preferred shares as Exhibit C (incorporated by reference to Exhibit 4 to Odetics' Current Report on Form 8-K as filed with the SEC on May 1, 1998).
- 10.16 1994 Long-Term Equity Plan of Odetics (incorporated by reference to Exhibit 4.3 to Odetics' Registration Statement on Form S-8 (File No. 333-05735) as filed with the SEC on June 11, 1996).
- 10.17 Amendment to Rights Agreement, dated May 21, 2001, by and between Odetics and Fleet National Bank (a.k.a. Bank Boston, N.A.) (incorporated by reference to Exhibit 99.4 to Odetics' Current Report on Form 8-K as filed with the SEC on June 1, 2001).
- 10.18 Amended and Restated Agreement of Purchase and Sale and Escrow Instructions, dated February 19, 2002, by and between Odetics, Inc. and 1515 South Manchester, LLC (incorporated by reference to Exhibit 2.1 to Odetics' Current Report on Form 8-K as filed with the SEC on June 12, 2002).
- 10.19 Sublease Agreement dated May 7, 2003 by and between Odetics, Inc. and FEI-Zyfer, Inc.
- 10.20** Loan and Security Agreement dated February 22, 2002 by and between Odetics, Inc. and Technology Lending Partners, L.L.C.
- 10.21** Receivables Purchase Agreement dated October 18, 2002 by and between Odetics, Inc. and Technology Lending Partners, L.L.C., as amended by Amendment Number One dated November 27, 2002 and Amendment Number Two dated January 7, 2003.
- 21 Subsidiaries of Odetics.
- 23.1 Consent of Independent Auditors.
- 31.1** Section 302 Certification as furnished by the Principal Executive and Principal Financial Officer.
- 32.1** Section 906 Certification, as furnished by the Chief Executive Officer and Chief Financial Officer pursuant to SEC Release No. 33-8212, 34-47551.

** Filed herewith

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended March 31, 2003.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Anaheim, State of California, on July 29, 2003.

ODETICS, INC.

By: /s/ GREGORY A. MINER

Gregory A. Miner,
Chief Executive Officer
and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ GREGORY A. MINER</u> Gregory A. Miner (principal executive officer and principal financial officer)	Director, Chief Executive Officer and Chief Financial Officer	July 29, 2003
<u>/s/ JOEL SLUTZKY</u> Joel Slutzky	Chairman of the Board	July 29, 2003
<u>*</u> Kevin C. Daly, Ph.D	Director	July 29, 2003
<u>*</u> Crandall Gudmundson	Director	July 29, 2003
<u>*</u> Jerry Muench	Director	July 29, 2003
<u>*</u> John Seazholtz	Director	July 29, 2003
<u>/s/ GARY SMITH</u> Gary Smith	Vice President and Controller (principal accounting officer)	July 29, 2003
<u>*</u> Thomas L. Thomas	Director	July 29, 2003
<u>*</u> Paul E. Wright	Director	July 29, 2003

* By /s/ GREGORY A. MINER
Gregory A. Miner as Attorney-in-Fact.

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
ODETICS, INC.

Joel Slutzky hereby certifies as follows:

1. He is the Chairman of the Board of Directors of Odetics, Inc., a Delaware corporation.
2. Paragraph 1 of Article FOURTH of the Certificate of Incorporation of this corporation is hereby amended and restated in its entirety to read as follows:

“FOURTH:

1. The total number of shares of stock which the Corporation shall have authority to issue is 14,600,000, consisting of 10,000,000 shares of Class A Common Stock, par value \$.10 per share (the “Class A Common Stock”), 2,600,000 shares of Class B Common Stock, par value \$.10 per share (the “Class B Common Stock”), and 2,000,000 shares of Preferred Stock, par value \$1.00 per share (the “Preferred Stock”).”

3. The foregoing amendment of the Certificate of Incorporation has been duly adopted in accordance with Section 242 of the Delaware General Corporation Law.

/S/ JOEL SLUTZKY

Joel Slutzky
Chairman of the Board of Directors

ATTEST:

/S/ JERRY MUENCH

Jerry Muench, Secretary

CERTIFICATE OF DESIGNATION

of

JUNIOR PARTICIPATING PREFERRED STOCK

of

ODETICS, INC.

(Pursuant to Section 151 of the
Delaware General Corporation Law)

Odetics, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (hereinafter called the "Corporation"), hereby certifies that the following resolution was adopted by the Board of Directors of the Corporation as required by Section 151 of the General Corporation Law at a meeting duly called and held on April 24, 1998;

RESOLVED, that pursuant to the authority granted to and vested in the Board of Directors of the Corporation (hereinafter called the "Board of Directors" or the "Board") in accordance with the provisions of the Certificate of Incorporation, the Board of Directors hereby creates two series of Preferred Stock, par value \$1.00 per share (together, the "Preferred Stock"), of the Corporation and hereby states the designation and number of shares, and fixes the relative rights, preferences, and limitations thereof as follows:

Junior Participating Preferred Stock:

Section 1. Designation and Amount. The Corporation shall have the authority to issue two series of junior participating preferred stock, to be designated Series A Preferred Stock and Series B Preferred Stock (together, the "Preferred Stock"), which shall have identical rights, preferences, privileges and limitations as set forth herein, except with respect to voting rights as set forth in Section 3 hereof. The number of shares constituting the Series A Preferred Stock shall be Five Hundred Thousand (500,000), and the number of shares constituting the Series B Preferred Stock shall be One Hundred Thousand (100,000). Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, that no decrease shall reduce the number of shares of Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Preferred Stock.

Section 2. Dividends and Distributions.

(A) Subject to the rights of the holders of any shares of any series of Preferred Stock (or any similar stock) ranking prior and superior to the Preferred Stock with respect to dividends, each holder of a share of Preferred Stock, in preference to

the holders of shares of Common Stock, par value \$0.10 per share (the "Common Stock"), of the Corporation, and of any other junior stock, shall be entitled to receive, when declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the last day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Preferred Stock, in an amount per share (rounded to the nearest cent) equal to, subject to the provision for adjustment hereinafter set forth, One Thousand (1,000) times the aggregate per share amount of all cash dividends, and One Thousand (1,000) times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of a share or fraction of Preferred Stock. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the shares of Preferred Stock as provided in paragraph (A) of this Section immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided, however, that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Distribution Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$1 per share of Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on each outstanding share of Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such share of Preferred Stock, unless the date of issue of such share is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such share shall begin to accrue from the date of issue of such share, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall

begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series A Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series A Preferred Stock shall entitle the holder thereof to One Hundred (100) votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event. Except as otherwise provided herein, in any other Certificate of Designations creating a series of Preferred Stock or any similar stock, or by law, the holders of shares of Series A Preferred Stock and the holders of shares of Class A Common Stock shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(B) Subject to the provision for adjustment hereinafter set forth, each share of Series B Preferred Stock shall entitle the holder thereof to One Thousand (1,000) votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series B Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event. Except as otherwise provided herein, in any other Certificate of Designations creating a series of Preferred

Stock or any similar stock, or by law, the holders of shares of Series B Preferred Stock and the holders of shares of Class B Common Stock shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) Except as set forth herein, or as otherwise provided by law, holders of Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Preferred Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Preferred Stock, except dividends paid ratably on the shares of Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Preferred Stock; or

(iv) redeem or purchase or otherwise acquire for consideration any shares of Preferred Stock, or any shares of stock ranking on a parity with the Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the

Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein, in the Certificate of Incorporation, or in any other Certificate of Designation creating a series of Preferred Stock or any similar stock or as otherwise required by law.

Section 6. Liquidation, Dissolution or Winding Up.

(A) Upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Preferred Stock unless, prior thereto, the holders of shares of Preferred Stock shall have received One Thousand Dollars (\$1,000) per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, provided that the holders of shares of Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1,000 times the aggregate amount to be distributed per share to holders of shares of Common Stock, or (2) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Preferred Stock, except distributions made ratably on the Preferred Stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Preferred Stock were entitled immediately prior to such event under the proviso in clause (1) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) In the event, however, that there are not sufficient assets available to permit payment in full to the Liquidation Preference and the liquidation preferences of all other series of Preferred Stock, if any, which rank on a parity with the Preferred Stock, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences.

(C) In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction the

numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to One Thousand (1,000) times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. No Redemption. The shares of Preferred Stock shall not be redeemable.

Section 9. Rank. The Preferred Stock shall rank, with respect to the payment of dividends and the distribution of assets, junior to all series of any other class of the Corporation's preferred stock.

Section 10. Amendment. The Certificate of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least a majority of the outstanding shares of each series of Preferred Stock, each voting as a separate class.

IN WITNESS WHEREOF, this Certificate of Designation is executed on behalf of the Corporation by its President and its corporate seal attested by its Secretary this 24th day of April, 1998.

Name: Joel Slutzky
Title: Chairman of the Board and
Chief Executive Officer

Attest:

Name: Jerry Muench
Title: Secretary

**CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
ODETICS, INC.
(a Delaware corporation)**

Odetics, Inc., a Delaware corporation, does hereby certify that:

1. Paragraph 1 of Article FOURTH of the Certificate of Incorporation of said corporation is hereby amended and restated in its entirety to read as follows:

“FOURTH:

1. The total number of shares of stock which the Corporation shall have authority to issue is Fifty-four Million Six Hundred Thousand (54,600,000), consisting of Fifty Million (50,000,000) shares of Class A Common Stock, par value \$0.10 per share (the “Class A Common Stock”), Two Million Six Hundred Thousand (2,600,000) shares of Class B Common Stock, par value \$.10 per share (the “Class B Common Stock”), and Two Million (2,000,000) shares of Preferred Stock, par value \$1.00 per share (the “Preferred Stock”).”

2. The foregoing amendment has been duly adopted in accordance with Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Amendment on this 6th day of November 2001.

/S/ JOEL SLUTZKY

Joel Slutzky
Chairman of the Board and Chief Executive Officer

CERTIFICATE OF SECRETARY

**AMENDMENT TO THE BYLAWS OF
ODETICS, INC.**

The undersigned does hereby certify that:

- (1) He is the duly elected and acting secretary of Odetics, Inc., a Delaware corporation (the "Corporation"); and
- (2) The first sentence of Section 1 of Article III of the Bylaws of the Corporation has been amended to read in full as follows:

"The Board of Directors shall consist of not less than five nor more than nine members, the exact number of which shall be nine until changed, within the limits specified above by a bylaw amending this Section 1, duly adopted by the Board of Directors or by the stockholders."

- (3) The foregoing amendment to the Bylaws of the Corporation was duly adopted by the Board of Directors at a meeting held on April 23, 1998 and continued on April 24, 1998.

IN WITNESS WHEREOF, the undersigned has executed this Certificate to be effective as of the 24th day of April 1998.

/S/ JERRY MUENCH

Jerry Muench, Secretary

CERTIFICATE OF SECRETARY

**AMENDMENT TO THE BYLAWS OF
ODETICS, INC.**

The undersigned does hereby certify that:

- (1) He is the duly elected and acting assistant secretary of Odetics, Inc., a Delaware corporation (the "Corporation"); and
- (2) The first sentence of Section 1 of Article III of the Bylaws of the Corporation shall be amended and restated to read in full as

follows:

"The Board of Directors shall consist of not less than five nor more than nine members, the exact number of which shall be eight until changed, within the limits specified above by a bylaw amending this Section 1, duly adopted by the Board of Directors or by the stockholders."

- (3) The foregoing amendment to the Bylaws of the Corporation was duly adopted by the Board of Directors by unanimous written consent dated August 10, 2001.

IN WITNESS WHEREOF, the undersigned has executed this Certificate to be effective as of the 10th day of August 2001.

/S/ GARY SMITH

Gary Smith, Assistant Secretary

LOAN AND SECURITY AGREEMENT

by and between

TECHNOLOGY LENDING PARTNERS, L.L.C.
(as the Lender)

and

ODETICS, INC.
(as the Borrower)

DATED AS OF
February 22, 2002

LOAN AND SECURITY AGREEMENT

This LOAN AND SECURITY AGREEMENT, dated as of February 22, 2002 (this "Agreement"), is entered into by and between ODETICS, INC., a Delaware corporation (the "Borrower"), and TECHNOLOGY LENDING PARTNERS, L.L.C., a California limited liability company (the "Lender").

RECITALS

WHEREAS, the Borrower has requested that the Lender make available Advances (as hereinafter defined), in an aggregate principal amount not to exceed \$1,250,000 at any time outstanding, to allow the Borrower to fund general working capital requirements; and

WHEREAS, the Lender is willing to make such Advances available upon and subject to the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the mutual covenants and undertakings herein contained, the Borrower and the Lender hereby agree as follows:

I. DEFINITIONS.

1.1 Accounting Terms. As used in this Agreement or any certificate, report or other document made or delivered pursuant to this Agreement, accounting terms not defined in Section 1.2 or elsewhere in this Agreement and accounting terms partly defined in Section 1.2 to the extent not defined, shall have the respective meanings given to them under GAAP.

1.2 General Terms. For purposes of this Agreement the following terms shall have the following meanings:

"Account Debtor" means any Person who is or who may become obligated under, with respect to, or on account of, an Account.

"Accounts" means all of the Borrower's now owned or hereafter acquired right, title, and interest with respect to "accounts" (as that term is defined in the California Uniform Commercial Code), and any and all supporting obligations in respect thereof. Without limiting the generality of the foregoing, the term "Accounts" shall further include all presently existing and hereafter arising accounts, contract rights, and all other forms of obligations owing to Borrower arising out of the sale or lease of goods (including, without limitation, the licensing of software and other technology) or the rendering of services by Borrower, whether or not earned by performance.

"Additional Amounts" shall have the meaning set forth in Section 3.6(a).

"Advances" shall have the meaning set forth in Section 2.1.

"Affiliate" of any Person shall mean any Person that owns or controls directly or indirectly such Person, any Person that controls or is controlled by or is under common control with such Person, and each of such Person's senior executive officers, directors, partners and, for any Person that is a limited liability company, such Persons, managers and members.

"Availability" means, as of any date of determination, if such date is a Business Day, and determined at the close of business on the immediately preceding Business Day, if such date of determination is not a Business Day, the amount that Borrower is entitled to borrow as Advances under Section 2.1, after giving effect to all then outstanding Obligations.

"Borrower" is defined in the Introduction hereto and shall extend to all permitted successors and assigns.

"Borrower's Account" shall have the meaning set forth in Section 2.9.

"Borrower Parties" means the Borrower and its Subsidiaries other than Iteris, Inc.

"Borrowing Base" shall mean, as of any date of determination, 85% of the amount of Eligible Accounts.

"Borrower's Books" means all of Borrower's books and records including without limitation: ledgers, records concerning Borrower's assets or liabilities, the Collateral, business operations or financial condition; and all computer programs or tape files, and the equipment containing such information.

"Borrowing Base Certificate" shall have the meaning set forth in Section 8.2.

"Business Day" shall mean any day other than Saturday or Sunday or a legal holiday on which commercial banks are authorized or required by law to be closed for business in California.

"Charges" shall mean all taxes, charges, fees, imposts, levies or other assessments, including, without limitation, all net income, gross income, gross receipts, sales, use, ad valorem, value added, transfer, franchise, profits, inventory, capital stock, license, withholding, payroll, employment, social security, unemployment, excise, severance, stamp, occupation and property taxes, custom duties, fees, assessments, liens, claims and charges of any kind whatsoever, together with any interest and any penalties, additions to tax or additional amounts, imposed by any taxing or other authority, domestic or foreign, upon the Borrower or any of its Affiliates.

"Closing Date" shall mean February 22, 2002, or such other date as may be agreed to by the parties hereto.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time and the regulations promulgated thereunder.

"Collateral" means all of the Borrower's property, other than the Real Property, whether now owned or hereafter acquired or arising and wherever located, including, without limitation, the following types or items of property:

- (a) Accounts;
- (b) Chattel Paper;
- (c) Contracts;
- (d) Investment Property;

- (e) Inventory;
- (f) Equipment;
- (g) Inventory;
- (h) General Intangibles and Intellectual Property Collateral;
- (i) Goods;
- (j) Instruments and letters of credit;
- (k) Deposit Accounts;
- (l) money, cash or cash equivalents;
- (m) money, cash, cash equivalents and other assets of Borrower that now or hereafter come into the possession, custody, or control of any member of the Lender;
- (n) the Pledged Stock, and
- (o) to the extent not otherwise included, all of the proceeds and products, whether tangible or intangible, of any of the foregoing, including proceeds of insurance covering any or all of the foregoing and all accessions to, substitutions and replacements for, and rents and profits of each of the foregoing, and any and all Accounts, Investment Property, Inventory, Equipment, General Intangibles, money or other tangible or intangible property resulting from the sale, exchange, collection, or other disposition of any of the foregoing, or any portion thereof or interest therein, and the proceeds thereof.

“Consents” shall mean all filings and all licenses, permits, consents, approvals, authorizations, qualifications and orders of Governmental Bodies and other third parties, domestic or foreign, necessary to carry on the Borrower’s business, including, without limitation, any Consents required under all applicable federal, state or other applicable law.

“Copyrights” means any and all copyright rights, copyright applications, copyright registrations and like protections in each work or authorship and derivative work thereof, whether published or unpublished and whether or not the same also constitutes a trade secret, now or hereafter existing, created, acquired or held.

“Default” shall mean an event which, with the giving of notice or passage of time or both, would constitute an Event of Default.

“Default Rate” shall mean the Interest Rate plus four percent (4%).

“Dollar” and the sign “\$” shall mean lawful money of the United States of America.

“Eligible Accounts” means those Accounts created by the Borrower Parties in the ordinary course of their businesses that arise out of the Borrower Parties’ sale of goods or rendition of services, and that are not excluded as ineligible by virtue of one or more of the criteria set forth below. In determining the amount to be included, Eligible Accounts shall be calculated net of

customer deposits and unapplied cash remitted to the Borrower Parties. Eligible Accounts shall not include the following:

- (a) Accounts that the Account Debtor has failed to pay within the later of (i) 90 days of the original invoice date, or (ii) 90 days of installation of the product described in an invoice, not to exceed 120 days of original invoice date;
- (b) Accounts with respect to which the Account Debtor is a creditor of Borrower, has or has asserted a right of setoff, has disputed its liability, or has made any claim with respect to its obligation to pay the Account, to the extent of such claim, right of setoff, or dispute;
- (c) Accounts with respect to which the Account Debtor is subject to an Insolvency Proceeding, is insolvent, has gone out of business, or as to which a Borrower Party has received notice of an imminent insolvency proceeding or a material impairment of the financial condition of such Account Debtor.
- (d) Accounts with respect to an Account Debtor, including Affiliates, whose total obligations to Borrower exceed twenty percent (20%) of all Accounts, to the extent such obligations exceed the aforementioned percentage, except as approved in writing by Lender;
- (e) Accounts owed by any single Account Debtor on which over twenty five percent (25%) of the aggregate account owing has not been paid for within the later of (i) 90 days of the original invoice date, or (ii) 90 days of installation of the product described in an invoice, not to exceed 120 days from the date of the invoice;
- (f) Accounts with respect to which the Account Debtor does not have its principal place of business in the United States except for Eligible Foreign Accounts;
- (g) Accounts generated by demonstration or promotional equipment, or with respect to which goods are placed on consignment, guaranteed sale, sale or return, sale on approval, bill and hold, or other terms by reason of which the payment by the Account Debtor may be conditional;
- (h) Accounts with respect to which the Account Debtor is an Affiliate, officer, employee, or agent of Borrower;
- (i) Accounts with respect to which the Account Debtor disputes liability or makes any claim with respect thereto as to which Lender believes, in its sole discretion, that there may be a basis for dispute (but only to the extent of the amount subject to such dispute or claim); and
- (j) Accounts the collection of which Lender reasonably determines after reasonable inquiry and reasonable consultation with Borrower to be doubtful.

“Eligible Foreign Accounts” means Accounts with respect to which the Account Debtor does not have its principal place of business in the United States and that are: (1) covered by credit insurance in form and amount, and by an insurer satisfactory to Lender less the amount of any deductible(s) which may be or become owing thereon; or (2) supported by one or more letters of

credit either advised or negotiated through Lender or in favor of Lender as beneficiary, in an amount and of a tenor, and issued by a financial institution, acceptable to Lender; or (3) that Lender approves on a case-by-case basis.

“ERISA” means the Employment Retirement Income Security Act of 1974, as amended, and the regulations thereunder.

“Event of Default” shall mean the occurrence of any of the events set forth in Article IX hereof.

“GAAP” shall mean generally accepted accounting principles in the United States of America in effect from time to time.

“Governmental Body” shall mean any nation or government, any state, province or other political subdivision thereof or any entity exercising the legislative, judicial, regulatory or administrative functions of or pertaining to a government.

“Indebtedness” of a Person at a particular date shall mean all obligations of such Person which in accordance with GAAP would be classified upon a balance sheet as liabilities (except capital stock and surplus earned or otherwise) and in any event, without limitation by reason of enumeration, shall include all indebtedness, debt and other similar monetary obligations of such Person whether direct or guaranteed, and all premiums, if any, due at the required prepayment dates of such indebtedness, and all indebtedness secured by a Lien on assets owned by such Person, whether or not such indebtedness actually shall have been created, assumed or incurred by such Person. Any indebtedness of such Person resulting from the acquisition by such Person of any assets subject to any Lien shall be deemed, for the purposes hereof, to be the equivalent of the creation, assumption and incurring of the indebtedness secured thereby, whether or not actually so created, assumed or incurred.

“Interest Rate” shall mean the Prime Rate plus four percent (4.0%).

“Insolvency Proceeding” means any proceeding commenced by or against any person or entity under any provision of the United States Bankruptcy Code, as amended, or under any other bankruptcy or insolvency law, including assignments for the benefit of creditors, formal or informal moratoria, compositions, extension generally with its creditors, or proceedings seeking reorganization, arrangement, or other relief.

“Intellectual Property Collateral” means all of Borrower’s right, title and interest in and to the following:

- (a) Copyrights, Trademarks, Patents, and Mask Works;
- (b) Any and all trade secrets, and any and all intellectual rights in computer software and computer software products now or hereafter existing, created, acquired or held;
- (c) Any and all design rights which may be available to Borrower now or hereafter existing, created, acquired or held;
- (d) Any and all claims for damages by way of past, present and future infringement of any of the rights included above, with the right, but not the obligation, to sue for and collect

such damages for said use or infringement of the intellectual property rights identified above;

- (e) All licenses or other rights to use any of the Copyrights, Patents, Trademarks, or Mask Works, and all license fees and royalties arising from such use to the extent permitted by such license or rights;
- (f) All amendments, renewals and extensions of any of the Copyrights, Trademarks, Patents or Mask Works; and
- (g) All proceeds and products of the foregoing, including without limitation all payments under insurance or any indemnity or warranty payable in respect of any of the foregoing.

“Investment” means any beneficial ownership of (including stock, partnership interest or other securities) any Person, or any loan, advance or capital contribution to any Person.

“Lender” is defined in the Introduction and shall include each Person which becomes a transferee, successor or assign of any Lender.

“Lien” shall mean any mortgage, deed of trust, pledge, hypothecation, assignment, security interest, lien (whether statutory or otherwise), Charge, claim or encumbrance, or preference, priority or other security agreement or preferential arrangement held or asserted in respect of any asset of any kind or nature whatsoever including, without limitation, any conditional sale or other title retention agreement, any lease having substantially the same economic effect as any of the foregoing, and the filing of, or agreement to give, any financing statement under the Uniform Commercial Code or comparable law of any jurisdiction.

“Loan Documents” means, collectively, this Agreement, any note or notes executed by Borrower, and any Other Documents, all as amended, extended or restated from time to time.

“Mask Works” means all mask works or similar rights available for the protection of semiconductor chips, now owned or hereafter acquired.

“Material Adverse Effect” shall mean a material adverse effect on (a) the condition, operations, assets or business of the Borrower and its Subsidiaries, taken as a whole, (b) the Borrower’s ability to pay the Obligations in accordance with the terms thereof, or (c) the practical realization of the benefits of the Lender’s rights and remedies under this Agreement and the Other Documents.

“Maximum Commitment” shall mean \$1,250,000; however, Lender, in its sole discretion may elect to increase (the “Increase”) the Maximum Commitment from \$1,250,000 to \$3,000,000 subject to and conditioned upon the following: (a) the Increase shall be effective only upon Lender’s written notice to Borrower and upon execution and delivery by Borrower to Lender of an amendment to the Note in a form acceptable to Lender; (b) receipt by Lender in a form acceptable to Lender of a written consent from Castle Creek Technology Partners, LLC (“Castle Creek”) which provides for Castle Creek’s consent to this Agreement including consent with regard to a Maximum Commitment of \$3,000,000; and (c) Lender shall not be obligated under any circumstances to elect to make the Increase notwithstanding receipt of the above described consent from Castle Creek.

“Note” shall mean the promissory note attached hereto as Exhibit A.

“Obligations” shall mean and include any and all loans, advances, debts, liabilities, obligations, covenants and duties owing by the Borrower to the Lender or to any other direct or indirect subsidiary or affiliate of the Lender of any kind or nature, present or future (including, without limitation, any interest accruing thereon after maturity, or after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding), whether or not evidenced by any note, guaranty or other instrument, whether arising under any agreement, instrument or document, (including, without limitation, this Agreement and the Other Documents) whether or not for the payment of money, whether arising by reason of an extension of credit, opening of a letter of credit, loan, equipment lease or guarantee, under any interest or currency swap, future, option or other similar agreement, or in any other manner, whether arising out of overdrafts or deposit or other accounts or electronic funds transfers (whether through automated clearing houses or otherwise) or out of the Lender’s non-receipt of or inability to collect funds or otherwise not being made whole in connection with depository transfer check or other similar arrangements, whether direct or indirect (including those acquired by assignment or participation), absolute or contingent, joint or several, due or to become due, now existing or hereafter arising, contractual or tortious, liquidated or unliquidated, regardless of how such indebtedness or liabilities arise or by what agreement or instrument they may be evidenced or whether evidenced by any agreement or instrument, including, but not limited to, any and all of the Borrower’s Indebtedness and/or liabilities under this Agreement, the Other Documents or under any other agreement between the Lender and the Borrower and any amendments, extensions, renewals or increases and all costs and expenses of the Lender incurred in the documentation, negotiation, modification, enforcement, collection or otherwise in connection with any of the foregoing, including but not limited to reasonable attorneys’ fees and expenses and all obligations of the Borrower to the Lender to perform acts or refrain from taking any action.

“Other Documents” shall mean the Note and any and all other agreements, instruments and documents, including, without limitation, guaranties, control agreements, pledgholder agreements, pledges, powers of attorney, consents, and all other writings heretofore, now or hereafter executed by the Borrower or the other Borrower Parties and/or delivered to the Lender in respect of the transactions contemplated by this Agreement.

“Patents” means all patents, patent applications and like protections, including without limitation improvements, divisions, continuations, renewals, reissues, extensions and continuations-in-part of the same.

“Payment Office” shall mean such office of the Lender which it may designate by notice to the Borrower to be the Payment Office.

“Permitted Encumbrances” shall mean (a) Liens in favor of the Lender; (b) Liens for taxes, assessments or other governmental charges not delinquent or being contested in good faith and by appropriate proceedings and with respect to which proper reserves have been taken by the Borrower; provided, that, the Lien shall have no effect on the priority of the Liens in favor of the Lender or the value of the assets in which the Lender has such a Lien and a stay of enforcement of any such Lien shall be in effect; (c) Liens disclosed to the Lender in writing prior to the date hereof as set forth in the **Schedule**; (d) deposits or pledges to secure obligations under worker’s compensation, social security or similar laws, or under unemployment insurance; (e) deposits or

pledges to secure bids, tenders, contracts (other than contracts for the payment of money), leases, statutory obligations, surety and appeal bonds and other obligations of like nature arising in the ordinary course of the Borrower's business; and (f) judgment Liens that have been stayed or bonded and mechanics', workers,' materialmen's or other like Liens arising in the ordinary course of the Borrower's business with respect to obligations which are not due or which are being contested in good faith by the Borrower.

"Permitted Indebtedness" means:

- (a) Indebtedness of Borrower in favor of Lender arising under this Agreement or any other Loan Document;
- (b) Indebtedness existing on the Closing Date and disclosed in the **Schedule**;
- (c) Indebtedness to trade creditors and with respect to surety bonds and similar obligations incurred in the ordinary course of business;
- (d) Subordinated Debt;
- (e) Indebtedness of Borrower to any Subsidiary and contingent obligations of any Subsidiary with respect to obligations of Borrower (provided that the primary obligations are not prohibited hereby), and indebtedness of any Subsidiary to any other Subsidiary and Contingent Obligations of any Subsidiary with respect to obligations of any other Subsidiary (provided that the primary obligations are not prohibited hereby);
- (f) Indebtedness secured by Permitted Encumbrances;
- (g) Capital leases and indebtedness incurred solely to purchase equipment which is not in excess of the lesser of the purchase price of such equipment or the fair market value of such equipment on the date of acquisition provided that the Lien is confined solely to the property so acquired and improvements thereon, and the proceeds of such property; and provided that the total aggregate amount of such capital leases and indebtedness shall not exceed \$200,000 in any fiscal year;
- (h) Indebtedness incurred in the ordinary course of business and not exceeding \$200,000 in the aggregate outstanding at any one time;
- (i) Indebtedness owed to officers, employees and directors for compensation incurred in the ordinary course of business; and
- (j) Extensions, refinancings, modifications, amendments and restatements of any of items of Permitted Indebtedness (a) through (g) above, provided that the principal amount thereof is not increased or the terms thereof are not modified to impose more burdensome terms upon Borrower or its Subsidiary, as the case may be.

"Permitted Investment" shall mean:

- (a) Investments existing on the Closing Date disclosed in the **Schedule** and Investments in Subsidiaries;
- (b) (i) marketable direct obligations issued or unconditionally guaranteed by the United States of America or any agency or any State thereof maturing within one (1) year from the date of acquisition thereof, (ii) commercial paper maturing no more than one (1) year from the date of creation thereof and currently having the highest rating obtainable from either Standard & Poor's Corporation or Moody's Investors Service, Inc., and (iii) certificates of deposit maturing no more than one (1) year from the date of investment therein issued by Lender, and (iv) any Investments permitted by Borrower's investment policy, as amended from time to time, provided that such investment policy (and such amendments thereto) has been approved by Lender;

- (c) Investments consisting of the endorsement of negotiable instruments for deposit or collection or similar transaction in the ordinary course of business;
- (d) Investments accepted in connection with Transfers permitted by Section 6.1;
- (e) Investments consisting of (i) compensation of employees, officers and directors of Borrower or its Subsidiaries so long as the Board of Directors of Borrower determines that such compensation is in the best interests of Borrower, (ii) travel advances, employee relocation loans and other employee loans and advances in the ordinary course of business, and (iii) loans to employees, officers or directors relating to the purchase of equity securities of Borrower or its Subsidiaries pursuant to employee stock purchase plans or agreements approved by Borrower's Board of Directors;
- (f) Investments (including debt obligations) received in connection with the bankruptcy or reorganization of customers or suppliers and in settlement of delinquent obligations of, and other disputes with, customers or suppliers arising in the ordinary course of business;
- (g) Investments pursuant to or arising under currency agreements or interest rate agreements entered into in the ordinary course of business;
- (h) Investments consisting of notes receivable of, or prepaid, royalties and other credit extensions to, customers and suppliers who are not Affiliates, in the ordinary course of business; provided that this paragraph (i) shall not apply to investments by Borrower in any Subsidiary;
- (i) Investments constituting acquisitions permitted under Section 6.2;
- (j) Deposit accounts of Borrower in which Lender has a Lien prior to any other Lien;
- (k) Deposit accounts of any Subsidiaries maintained in the ordinary course of business;
- (l) Investments made in the ordinary course of business not exceeding \$100,000 in the aggregate in any fiscal year; and
- (m) Other Investments approved by Borrower's board of directors not exceeding \$200,000 in the aggregate in any fiscal year.

"Person" shall mean any individual, sole proprietorship, partnership, corporation, business trust, joint stock company, trust, unincorporated organization, association, limited liability company, institution, public benefit corporation, joint venture, entity or Government Body.

"Pledged Stock" means all of the issued and outstanding capital stock of Maxxess Systems, Incorporated, a California corporation, Mariner Networks, Inc., a Delaware corporation, Iteris, Inc., a Delaware corporation, Zyfer, Inc., a Delaware corporation, and Broadcast, Inc., a Delaware corporation (collectively, the "Issuers"), owned from time to time by the Borrower. Capital stock as referred to the preceding sentence shall include, without limitation, all outstanding common stock, preferred stock, and warrants issued by the Issuers, and owned from time to time by the Borrower.

"Prime Rate" shall mean that rate of interest designated as such by Bank of America, or any successor thereto, as the same may from time to time fluctuate, such rate to be adjusted automatically, without notice, on the effective date of any change in such rate.

"Real Property" means the real property of the Borrower and related property described in the Deed of Trust, Assignment of Rents and Leases, Security Agreement and Fixture Filing made by Borrower for the benefit of Castle Creek Technology Partners, LLC ("Beneficiary"),

dated May 29, 2001, securing a loan made by Beneficiary to Borrower in the principal amount of \$16,000,000.

“Receiver” shall have the meaning set forth in Section 10.1.

“Responsible Officer” means the Chief Executive Officer of Borrower.

“Schedule” means the schedule of exceptions attached hereto, if any.

“Subordinated Debt” means any debt incurred by Borrower that is subordinated to the debt owing by Borrower to Lender on terms acceptable to Lender (and identified as being such by Borrower and Lender).

“Subsidiary” shall mean a corporation or other entity of whose shares of stock or other ownership interests having ordinary voting power (other than stock or other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the directors of such corporation, or other Persons performing similar functions for such entity, are owned, directly or indirectly, by such Person.

“Total Liabilities” means, as of any applicable date, all obligations that should, in accordance with GAAP, be classified as liabilities on the consolidated balance sheet of Borrower, including in any event all indebtedness, but specifically excluding Subordinated Debt.

“Tangible Net Worth” means, as of any applicable date, the consolidated total assets of Borrower and its Subsidiaries minus, without duplication, (i) the sum of any amounts attributable to (a) goodwill, (b) intangible items such as unamortized debt discount and expense, patents, trade and service marks and names, copyrights and research and development expenses, except prepaid expenses, and (c) all reserves not already deducted from assets, and (ii) Total Liabilities.

“Taxes” shall mean all taxes, surtaxes, duties, levies, imposts, rates, fees, assessments, withholdings, dues and other charges of any nature imposed by any Governmental Body (including income, capital (including large corporations), withholding, consumption, sales, use, transfer, goods and services or other value-added, excise, customs, anti-dumping, countervail, net worth, stamp, registration, franchise, payroll, employment, health, education, business, school, property, local improvement, development, education development and occupation taxes, surtaxes, duties, levies, imposts, rates, fees, assessments, withholdings, dues and charges) together with all fines, interest, penalties on or in respect of, or in lieu of or for non-collection of, those taxes, surtaxes, duties, levies, imposts, rates, fees, assessments, withholdings, dues and other charges (excluding taxes imposed on the net income or capital of the Lender); excluding, however, the following: taxes imposed on the net income or capital of the Lender by the jurisdiction under the laws of which the Lender is organized or is resident or carrying on business or any political subdivision thereof and taxes imposed on its net income or capital by the jurisdiction the Lender’s applicable lending office or any political subdivision thereof

“Term” shall have the meaning set forth in Section 12.1 hereof.

“Trademarks” means any trademark and servicemark rights, whether registered or not, applications to register and registrations of the same and like protections and the entire goodwill connected with and symbolized by such trademarks.

1.3 Uniform Commercial Code Terms. All terms used herein and defined in the Uniform Commercial Code as in effect from time to time in the State of California shall have the meaning given therein unless otherwise defined herein.

1.4 Certain Matters of Construction. In this Agreement and in the Other Documents, unless otherwise indicated, (a) the term “or” shall not be exclusive, (b) the term “including” shall mean “including, but not limited to,” and (c) the terms “below,” “above,” “herein,” “hereof,” “hereto,” “hereunder” and other terms similar to such terms shall refer to the subject document as a whole and not merely to the specific section, subsection, paragraph or clause where such terms may appear. Any pronoun used shall be deemed to cover all genders. Wherever appropriate in the context, terms used herein in the singular also include the plural and vice versa. All references to statutes and related regulations shall include any amendments of same and any successor statutes and regulations. Unless otherwise provided, all references to any instruments or agreements to which the Lender is a party, including, without limitation, references to any of the Other Documents, shall include any and all modifications or amendments thereto and any and all extensions or renewals thereof.

II. LOAN AND PAYMENT.

2.1 Advances. Subject to the terms and conditions of this Agreement, during the Term of this Agreement, and so long as an Event of Default has not occurred and is continuing, the Lender agrees to make advances (“Advances”) to the Borrower in an amount at any one time outstanding not to exceed an amount equal to the lesser of (i) the Maximum Commitment, and (ii) the Borrowing Base; provided, however, that Lender shall not be obligated to make advances to the Borrower whenever the sum of all Obligations owed to Lender exceeds either the Borrowing Base or the Maximum Commitment. Further, Borrower promises to pay to the order of Lender, in lawful money of the United States of America, the aggregate unpaid principal amount of all Advances made by Lender to Borrower hereunder. Borrower shall also pay interest on the unpaid principal amount of such Advances at rates in accordance with the terms hereof.

2.2 Procedure for Borrowing Advances. The Borrower may notify the Lender prior to 3:00 p.m. (California time) five Business Days in advance of the requested date of the Advance of Borrower’s request to incur, on such day, an Advance hereunder. A form of request for the initial Advance hereunder is attached hereto as Exhibit B.

2.3 Deemed Advances. Should any amount required to be paid as interest hereunder, or as fees or other charges under this Agreement or any other agreement with the Lender, or with respect to any other Obligation, become due, same shall be deemed a request for an Advance as of the date such payment is due, in the amount required to pay in full such interest, fee, charge or Obligation under this Agreement or any other agreement with the Lender, and such request shall be irrevocable.

2.4 Disbursement of Advance Proceeds. All Advances shall be disbursed from whichever office or other place the Lender may designate from time to time and, together with any and all other Obligations of the Borrower to the Lender, shall be charged to the Borrowers’ Account. The proceeds of each Advance requested by the Borrower under Section 2.2 hereof or deemed to have been requested by the Borrower under Section 2.3 hereof shall, with respect to requested Advances to the extent the Lender makes such Advances, be made available to the Borrower on the day so requested in immediately available funds or, with respect to Advances deemed to have been

requested by the Borrower, be disbursed to the Lender to be applied to the outstanding Obligations giving rise to such deemed request.

2.5 Maximum Commitment. The aggregate balance of Advances outstanding at any time shall not exceed the Maximum Commitment.

2.6 Repayment of Advances.

(a) The Advances shall be due and payable in full on the last day of the Term subject to earlier prepayment as herein provided.

(b) All payments of principal, interest and other amounts payable hereunder, or under any of the Other Documents shall be made to the Lender at the Payment Office not later than 1:00 P.M. (California time) on the due date therefor in lawful money of the United States of America in funds immediately available to the Lender.

(c) The Borrower shall pay principal, interest, and all other amounts payable hereunder, or under any related agreement, without any deduction whatsoever, including, but not limited to, any deduction for any setoff or counterclaim.

2.7 Repayment of Excess Advances. The aggregate balance of Advances outstanding at any time in excess of the Availability shall be immediately due and payable without the necessity of any demand, at the Payment Office, whether or not a Default or Event of Default has occurred.

2.8 Prepayment.

(a) Voluntary Prepayment. The Borrower may not prepay any Advance hereunder, whether in whole or in part, without the consent of the Lender, which consent may be given or withheld in the Lender's sole discretion.

(b) Mandatory Prepayment. If, at any time during the term, the aggregate Advances outstanding hereunder exceed the Borrowing Base (as evidenced by a Borrowing Base Certificate delivered to the Lender in accordance with Section 8.2 below), the Borrower shall immediately repay to the Lender an amount at least equal to such excess. Amounts repaid in accordance with this clause (b) shall be applied first to accrued interest and then to reduce the principal balance of the Advances outstanding hereunder in reverse chronological order (i.e., first to the last Advance taken by the Borrower, then to the immediately preceding Advance, and so on until expended), and interest thereafter shall only accrue against the principal balance of Advances remaining outstanding after such mandatory prepayment expended).

2.9 Statement of Account. The Borrower, on the Lender's behalf, shall maintain a loan account ("**Borrower's Account**") in the name of the Borrower in which shall be recorded the date and amount of each Advance made by the Lender and the date and amount of each payment in respect thereof; provided, however, that the failure by the Borrower to record the date and amount of any Advance or to accurately record such information shall not adversely affect the Lender. In accordance with Section 8.2, the Borrower shall send to the Lender a monthly statement showing the accounting for the Advances made, interest accruing thereon, payments made or credited in respect thereof, and other transactions between the Lender and the Borrower during the Term. Such monthly

statements shall be subject to Lender's review and approval and deemed correct and binding upon the Lender in the absence of manifest error unless the Borrower receives a written statement of the Lender's specific exceptions thereto within thirty (30) days after such statement is received by the Lender; provided that the foregoing shall not limit Lender's ability to contest the calculation of the Borrowing Base set forth in a Borrowing Base Certificate.

2.10 Additional Payments. Any sums expended by the Lender due to the Borrower's failure to perform or comply with its obligations under this Agreement or any Other Document may at Lender's request be charged to Borrower's Account and added to the Obligations.

2.11 Manner of Payment. All payments (including prepayments) to be made by the Borrower on account of principal, interest and fees shall be made without set off or counterclaim and shall be made to the Lender at the Payment Office, in each case on or prior to 1:00 p.m., California time, in Dollars and in immediately available funds.

2.12 Use of Proceeds. The Borrower shall apply the proceeds of the Advances to provide for its general working capital requirements; however, Borrower shall not directly or indirectly apply any of the proceeds of the Advances against any obligations owed to any of Borrower's lenders from time to time except for obligations owed to Lender. Notwithstanding any term in this Agreement to the contrary, a breach of this Section 2.12 by Borrower shall be deemed an Event of Default and shall not be subject to any cure rights.

2.13 Extended Credit Facility. Upon the written agreement between Borrower and Lender, the Availability under this Agreement and the Note may be increased by such amount as is mutually agreed; provided that the Collateral is extended to include the real property owned by Borrower described in Section 4.11(b) pursuant to a first trust deed securing the additional Obligations. In the event of any such extension, the parties shall amend this Agreement, the Note and such other Loan Documents as Borrower and Lender deem reasonably necessary to evidence such extension.

III. INTEREST AND FEES.

3.1 Interest. Interest on the outstanding principal balance of each Advance shall accrue and be payable on the third day of each month until the Obligations are satisfied in full. Interest charges shall be computed at a rate per annum equal to the Interest Rate. Whenever, subsequent to the date of this Agreement, the Prime Rate is increased or decreased, the Interest Rate shall be similarly changed without notice or demand of any kind by an amount equal to the amount of such change in the Prime Rate during the time such change or changes remain in effect. Upon and after the occurrence of an Event of Default, and during the continuation thereof, the Obligations shall bear interest at the Default Rate.

3.2 Computation of Interest and Fees. Interest and fees hereunder shall be computed on the basis of a year of 360 days and for the actual number of days elapsed. If any payment to be made hereunder becomes due and payable on a day other than a Business Day, the due date thereof shall be extended to the next succeeding Business Day and interest thereon shall be payable at the Interest Rate during such extension.

3.3 Maximum Charges. In no event whatsoever shall interest and other charges charged hereunder exceed the highest rate permissible under law. In the event interest and other

charges as computed hereunder would otherwise exceed the highest rate permitted under law, such excess amount shall be first applied to any unpaid principal balance owed by the Borrower, and if the then remaining excess amount is greater than the previously unpaid principal balance, the Lender shall promptly refund such excess amount to the Borrower and the provisions hereof shall be deemed amended to provide for such permissible rate.

3.4 Increased Costs. In the event that any applicable law, treaty or governmental regulation, or any change therein or in the interpretation or application thereof, or compliance by the Lender with any request or directive (whether or not having the force of law) from any financial, monetary or other authority, shall:

(a) subject the Lender to any tax of any kind whatsoever with respect to this Agreement or any Other Document or change the basis of taxation of payments to the Lender of principal, fees, interest or any other amount payable hereunder or under any Other Documents (except for changes in the rate of tax on the overall net income the Lender by the jurisdiction in which it maintains its principal office); or

(b) impose, modify or hold applicable any reserve, special deposit, assessment or similar requirement against assets held by, or deposits in or for the account of, advances or loans by, or other credit extended by, any office of the Lender;

and the result of any of the foregoing is to increase the cost to the Lender of making, renewing or maintaining its Advances hereunder by an amount that the Lender deems to be material or to reduce the amount of any payment (whether of principal, interest or otherwise) in respect of any of the Advances by an amount that the Lender deems to be material, then, in any case the Borrower shall promptly pay the Lender, upon its demand, such additional amount as will compensate the Lender for such additional cost or such reduction, as the case may be. The Lender shall certify the amount of such additional cost or reduced amount to the Borrower, and such certification shall be conclusive absent manifest error.

3.5 Fees. The Borrower shall pay to the Lender the following fees and charges, which fees and charges shall be non-refundable and deemed earned when paid (irrespective of whether this Agreement is terminated thereafter):

(a) Commitment Fee. A one-time fee equal to Thirty Thousand Dollars (\$30,000), payable in immediately available funds on the Closing Date; and

(b) Collateral Management Fee. For the separate account of the Lender, a Collateral management fee equal to Two Thousand Dollars (\$2,000) per month during the Term, payable in arrears no later than the third Business Day of the following month.

(c) Expenses. Upon demand from the Lender, including, without limitation, upon the date hereof, all expenses to which Lender is entitled pursuant to Section 13.9.

3.6 Taxes.

(a) Any and all payments or reimbursements made by the Borrower hereunder shall be made free and clear of and without deduction for any and all present and future Taxes. If the Borrower shall be required by law or by the interpretation or administration thereof to

deduct or withhold any such Taxes from or in respect of any sum payable hereunder or under this Agreement or any Other Document to the Lender, then the Borrower will pay such additional amounts ("Additional Amounts") as may be necessary so that every net payment under this Agreement (including Additional Amounts) after withholding or deduction for or on account of such Taxes will not be less than the amount the Lender would have received if such Taxes had not been withheld or deducted. The Borrower will also (i) make such withholding or deduction and (ii) remit the full amount deducted or withheld to the relevant authority in accordance with applicable law. The Borrower will furnish to the Lender, within 15 days after the date the payment of any Taxes is due pursuant to applicable law, certified copies of tax receipts evidencing such payment by the Borrower. The Borrower will indemnify and hold the Lender harmless against and upon written request shall reimburse the Lender for the amount of (i) any Taxes levied or imposed and paid by the Lender as a result of payments in respect of any Obligations (including any such Taxes imposed with respect to such reimbursement) and (ii) any liability (including penalties, interest and expenses) arising from or with respect to such Taxes described above.

(b) In the event that, after the date hereof, (i) any changes in any existing law, regulation, treaty or directive or in the interpretation or application thereof, (ii) any new law, regulation, treaty or directive enacted or any interpretation or application thereof, or (iii) compliance by the Lender with any request or directive (whether or not having the force of law) from any Governmental Body does or shall subject the Lender to any tax of any kind whatsoever or causes the withdrawal or termination of a previously granted tax exemption with respect to this Agreement, the Other Documents or any Obligations, or change the basis of taxation of payments to the Lender of principal, fees, interest or any other amount payable hereunder (except for net income taxes or capital taxes, or franchise taxes imposed in lieu of net income taxes or capital taxes, or changes in the rate of tax on the overall net income or capital of the Lender) and the result of any of the foregoing is to increase the cost to the Lender of making the Advances or to reduce any amount receivable hereunder; then, in any such case, the Borrower shall promptly pay to the Lender, upon its demand, any additional amounts necessary to compensate the Lender, on an after-tax basis, for such additional cost or reduced amount receivable, as determined by the Lender with respect to this Agreement or the Other Documents. If the Lender becomes entitled to claim any additional amounts pursuant to this subsection, it shall promptly notify the Borrower of the event by reason of which the Lender has become so entitled. A certificate as to any additional amounts payable pursuant to the foregoing sentence submitted by the Lender to the Borrower shall, absent manifest error, be final, conclusive and binding for all purposes.

(c) Without prejudice to the survival of any other provision of this Agreement or the Other Documents, the agreements and obligations of the Borrower contained in this Section shall survive the expiration of the Term.

IV. SECURITY AGREEMENT.

4.1 Security Interest in the Collateral. To secure the prompt payment and performance to the Lender of the Obligations, the Borrower hereby assigns, pledges and grants to the Lender for its benefit a continuing security interest in and to all of the Collateral, whether now owned or existing or hereafter acquired or arising and wheresoever located. The Borrower shall mark its books and records as may be necessary or appropriate to evidence, protect and perfect the Lender's security interest and shall cause its financial statements to reflect such security interest. Except as set forth in the **Schedule**, such security interest constitutes a valid, first priority security interest in the presently existing Collateral, and will constitute a valid, first priority security interest in Collateral

acquired after the date hereof, in each case, to the extent that a security interest in such Collateral can be perfected by the filing of a financing statement or, in the case of Collateral consisting of instruments, documents, chattel paper or certificated securities, to the extent that Lender takes possession of such Collateral. Borrower acknowledges that Lender may place a "hold" on any deposit account pledged as Collateral to secure the Obligations. Notwithstanding termination of this Agreement, Lender's Lien on the Collateral shall remain in effect for so long as any Obligations are outstanding.

4.2 Perfection of Security Interest. The Borrower shall take all action that may be necessary or desirable, or that the Lender may request, so as at all times to maintain the validity, perfection, enforceability and priority of the Lender's security interest in the Collateral or to enable the Lender to protect, exercise or enforce its rights hereunder and in the Collateral, including, but not limited to, (i) delivering to the Lender, endorsed or accompanied by such instruments of assignment as the Lender may specify, and stamping or marking, in such manner as the Lender may specify, any and all chattel paper, instruments, letters of credits and advices thereof and documents evidencing or forming a part of the Collateral, (ii) entering into warehousing, lockbox and other custodial arrangements satisfactory to the Lender, and (iii) executing and delivering financing statements, instruments of pledge, mortgages, hypothecs notices and assignments, in each case in form and substance satisfactory to the Lender, relating to the creation, validity, perfection, maintenance or continuation of the Lender's security interest under the Uniform Commercial Code or other applicable law. The Lender is hereby authorized to file financing statements without the signature of Borrower in accordance with the Uniform Commercial Code or any other applicable law. All charges, expenses and fees the Lender may incur in doing any of the foregoing, and any taxes relating thereto, shall, at Lender's request, be charged to Borrower's Account and added to the Obligations, or, at the Lender's option, shall be paid to the Lender immediately upon demand. Lender agrees to execute and deliver to Borrower from time to time such subordination agreements as Borrower may request and as are necessary to give to other lenders which finance equipment for Borrower a first priority security interest in the equipment financed so long as the Liens and the indebtedness incurred with respect to such equipment financing are permitted under this Agreement. Within 21 days after the Closing, Borrower shall cause execution and delivery of control agreements with Borrower's deposit accounts in forms reasonably acceptable to Lender, subject to delays if caused by such banks, and take such other action as is necessary to perfect Lender's first lien security interest in Borrower's deposit accounts with all of its banks (collectively "**Control Account Perfection**"), and Borrower further agrees to obtain Control Account Perfection within 21 days after any new deposit accounts are established with any of its banks from time to time. Borrower's failure to obtain the Control Account Perfection within 21 days after the Closing and, with respect to new deposit accounts that are subsequently established, within 21 days after such account or accounts are established, shall in either event constitute an Event of Default except to the extent delays are caused by or due to the acts or delay of the applicable banks. Within 14 days of the Closing, Borrower shall file all necessary filings with the U.S. Patent and Trademark office, in forms reasonably acceptable to Lender, to evidence and effectuate Lender's first lien security interest in the Borrower's registered Patents and registered Trademarks.

4.3 Preservation of Collateral. During the continuance of a Default or Event of Default, in addition to the rights and remedies set forth in Section 10.1 hereof, the Lender may at any time take such steps as the Lender deems necessary to protect its interest in and to preserve the Collateral and shall have, and is hereby granted, a right of ingress and egress to the places where the Collateral is located, and may proceed over and through any of Borrower's owned or leased property. The Borrower shall cooperate fully with all of the Lender's efforts to preserve the Collateral and will

take such actions to preserve the Collateral as the Lender may direct. All of the Lender's expenses of preserving the Collateral shall, at Lender's request, be charged to Borrower's Account and added to the Obligations.

4.4 Ownership of Collateral. With respect to the Collateral, at the time the Collateral becomes subject to the Lender's security interest: (a) the Borrower shall be the sole owner of and fully authorized and able to sell, transfer, pledge and/or grant a first priority security interest in each and every item of the Collateral to the Lender; (b) each document and agreement executed by the Borrower or delivered to the Lender in connection with this Agreement shall be true and correct in all respects; and (c) all signatures and endorsements of the Borrower that appear on such documents and agreements shall be genuine and the Borrower shall have full capacity to execute same.

4.5 Defense of Lenders' Interests. Until (a) payment and performance in full of all of the Obligations and (b) termination of this Agreement, the Lender's interests in the Collateral shall continue in full force and effect. During such period the Borrower shall not, without the Lender's prior written consent, pledge, sell, assign, transfer, create or suffer to exist a Lien upon or encumber or allow or suffer to be encumbered in any way, any part of the Collateral. The Borrower shall defend the Lender's interests in the Collateral against any and all Persons whatsoever. At any time during the continuance of an Event of Default, the Lender shall have the right to take possession of the indicia of the Collateral and the Collateral in whatever physical form contained, including without limitation, labels, stationery, documents, instruments and advertising materials. If the Lender exercises this right to take possession of the Collateral, the Borrower shall, upon demand, assemble it in the best manner possible and make it available to the Lender at a place reasonably convenient to the Lender. In addition, with respect to all Collateral, the Lenders shall be entitled to all of the rights and remedies set forth herein and further provided by the Uniform Commercial Code or other applicable law. The Borrower shall, and the Lender may, at its option, instruct all suppliers, carriers, forwarders, warehousemen or others receiving or holding cash, checks, documents or instruments in which the Lender holds a security interest to deliver same to the Lender and/or subject to the Lender's order and if they shall come into any Borrower Party's possession, they, and each of them, shall be held by such Borrower Party in trust as the Lender's trustee, and such Borrower Party will immediately deliver them to the Lender in their original form together with any necessary endorsement.

4.6 Books and Records. The Borrower shall keep proper books of record and account in which full, true and correct entries will be made of all dealings or transactions of or in relation to its business and affairs, and set up on its books accruals with respect to all taxes, assessments, charges, levies and claims. All determinations pursuant to this subsection shall be made in accordance with, or as required by, GAAP consistently applied in the opinion of such independent public accountant as shall then be regularly engaged by the Borrower.

4.7 Compliance with Laws. The Borrower shall comply with all acts, rules, regulations and orders of any legislative, administrative or judicial body or official applicable to the Collateral or any part thereof or to the operation of the Borrower's business the non-compliance with which could reasonably be expected to have a Material Adverse Effect on the Borrower. The Borrower may, however, contest or dispute any acts, rules, regulations, orders and directions of those bodies or officials in any reasonable manner, provided that any related Lien is inchoate or stayed and sufficient reserves are established to the reasonable satisfaction of the Lender to protect the Lender's Lien on or security interest in the Collateral. The assets of the Borrower at all times shall be

maintained in accordance with the requirements of all insurance carriers which provide insurance with respect to the assets of the Borrower so that such insurance shall remain in full force and effect.

4.8 Inspection of Premises. At all reasonable times the Lender shall have full access to and the right to audit, check, inspect and make abstracts and copies from the Borrower's books, records, audits, correspondence and all other papers relating to the Collateral and the operation of the Borrower's business. The Lender and its agents may enter upon any of the Borrower Parties' premises at any time during business hours and at any other reasonable time, and from time to time, for the purpose of inspecting the Collateral and any and all records pertaining thereto and the operation of such Borrower Party's business.

4.9 Insurance. The Borrower shall bear the full risk of any loss of any nature whatsoever with respect to the Collateral. At the Borrower's own cost and expense in amounts and with carriers acceptable to the Lender, the Borrower shall keep all its insurable properties and properties in which each Borrower Party has an interest insured against the hazards of fire, flood, sprinkler leakage, those hazards covered by extended coverage insurance and such other hazards, and for such amounts, as is customary in the case of companies engaged in businesses similar to such Borrower Party's including, without limitation, business interruption insurance. If the Borrower fails to obtain insurance as hereinabove provided, or to keep the same in force, the Lender may, if it so elects, obtain such insurance and pay the premium therefor on behalf of the Borrower, and charge Borrower's Account therefor and such expenses so paid shall be part of the Obligations. All such policies of insurance shall be in such form, with such companies, and in such amounts as are reasonably satisfactory to Lender. So long as no Event of Default has occurred and is continuing, Borrower shall have the option of applying the proceeds of any casualty policy to the replacement or repair of destroyed or damaged property; provided, that after the occurrence and during the continuance of an Event of Default, all proceeds payable under any such policy shall, at the option of Lender, be payable to Lender to be applied on account of the Obligations.

4.10 Payment of Taxes. The Borrower will pay, when due, (or, if contested as set forth below, provide for payment of) all Taxes, assessments and other Charges lawfully levied or assessed upon the Borrower or any of the Collateral. If any tax by any Governmental Body is or may be imposed on or as a result of any transaction between the Borrower and the Lender and the Lender may be required to withhold or pay, or if any Taxes, assessments, or other Charges remain unpaid after the date fixed for their payment, or if any claim shall be made which, in the Lender's opinion, may possibly create a valid Lien on the Collateral, the Lender may, without notice to the Borrower, pay the Taxes, assessments or other Charges and the Borrower hereby indemnifies and holds the Lender harmless in respect thereof. The Lender will not pay any taxes, assessments or Charges to the extent that the Borrower has contested or disputed those taxes, assessments or Charges in good faith, by expeditious protest, administrative or judicial appeal or similar proceeding provided that any related tax lien is stayed and sufficient reserves are established to the reasonable satisfaction of the Lender to protect the Lender's security interest in or Lien on the Collateral. The amount of any payment by the Lender under this Section shall be charged to Borrowers' Account and added to the Obligations and, until the Borrower shall furnish the Lender with an indemnity therefor (or supply the Lender with evidence satisfactory to the Lender that due provision for the payment thereof has been made), the Lender may hold without interest any balance standing to the Borrower's credit and the Lender shall retain its security interest in any and all Collateral held by the Lender.

4.11 Accounts.

(a) Nature of Accounts. Each of the Accounts shall be a bona fide and valid account representing a bona fide indebtedness incurred by the customer therein named, for a fixed sum as set forth in the invoice relating thereto (provided immaterial or unintentional invoice errors shall not be deemed to be a breach hereof) with respect to an absolute sale or lease and delivery of goods upon stated terms, or work, labor or services theretofore rendered by a Borrower Party as of the date each Account is created. Same shall be due and owing in accordance with the Borrower's standard terms of sale.

(b) Locations of Borrower. The Borrower's chief executive office is located at 1515 S. Manchester Avenue, Anaheim, California. Until written notice is given to the Lender by the Borrower of any other office at which any Borrower Party keeps its records pertaining to Accounts, all such records shall be kept at such executive office.

(c) Notification of Assignment of Accounts. At any time following the occurrence and continuance of an Event of Default past any applicable cure period, the Lender shall have the right to send notice of the assignment of, and the Lender's security interest in, the Accounts to any and all customers or any third party holding or otherwise concerned with any of the Collateral. Thereafter, the Lender shall have the sole right to collect the Accounts, take possession of the Collateral, or both. The Lender's actual collection expenses, including, but not limited to, stationery and postage, telephone and telegraph, secretarial and clerical expenses and the salaries of any collection personnel used for collection, may be charged to Borrower's Account and added to the Obligations.

(d) Power of Lender to Act on Borrower's Behalf. At any time following the occurrence and continuance of an Event of Default past any applicable cure period, the Lender shall have the right to receive, endorse, assign and/or deliver in the name of the Lender or any Borrower Party any and all checks, drafts and other instruments for the payment of money relating to the Accounts, and the Borrower, on behalf of the Borrower Parties, hereby waives notice of presentment, protest and non-payment of any instrument so endorsed. At any time following the occurrence and continuance of an Event of Default, the Borrower hereby constitutes the Lender or its designee as the Borrower Parties' attorney with power (i) to endorse any Borrower Party's name upon any notes, acceptances, checks, drafts, money orders or other evidences of payment or Collateral; (ii) to sign any Borrower Party's name on any invoice or bill of lading relating to any of the Accounts, drafts against customers, assignments and verifications of Accounts; (iii) to send verifications of Accounts to any customer; (iv) to demand payment of the Accounts; (v) to enforce payment of the Accounts by legal proceedings or otherwise; (vi) to exercise all of the Borrower Parties' rights and remedies with respect to the collection of the Accounts and any other Collateral; (vii) to settle, adjust, compromise, extend or renew the Accounts; (viii) to settle, adjust or compromise any legal proceedings brought to collect Accounts; (ix) to prepare, file and sign any Borrower Party's name on a proof of claim in bankruptcy or similar document against any customer; (x) to prepare, file and sign any Borrower Party's name on any notice of Lien, assignment or satisfaction of Lien or similar document in connection with the Accounts; (xi) to transfer the Intellectual Property Collateral into the name of Lender; and (xii) to do all other acts and things necessary to carry out this Agreement. All acts of said attorney or designee are hereby ratified and approved, and said attorney or designee shall not be liable for any acts of omission or commission nor for any error of judgment or mistake of fact or of law, unless done maliciously or with gross (not mere) negligence; this power being coupled with an interest is irrevocable while any of the Obligations remain unpaid. The Lender shall have the right at any time following the occurrence of an Event of Default or Default, to change the address for delivery of mail addressed to any Borrower

Party to such address as the Lender may designate and to receive, open and dispose of all mail addressed to any Borrower Party.

(e) No Liability. The Lender shall not, under any circumstances or in any event whatsoever, have any liability for any error or omission or delay of any kind occurring in the settlement, collection or payment of any of the Accounts or any instrument received in payment thereof, or for any damage resulting therefrom. Following the occurrence of an Event of Default or Default, the Lender may, without notice or consent from any Borrower Party, sue upon or otherwise collect, extend the time of payment of, compromise or settle for cash, credit or upon any terms any of the Accounts or any other securities, instruments or insurance applicable thereto and/or release any obligor thereof. The Lender is authorized and empowered to accept following the occurrence of an Event of Default or Default the return of the goods represented by any of the Accounts, without notice to or consent by any Borrower Party, all without discharging or in any way affecting the Borrower's liability hereunder.

(f) Lockbox Account. Borrower agrees to amend its lockbox service agreement with City National Bank or such other banks that Borrower may utilize for lock box services (the "Bank") to provide that upon written notice from Lender the Bank will direct all lock box collections to Lender's bank account to be established at the Bank, to the extent of outstanding Obligations then due.

4.12 Exculpation of Liability. Nothing herein contained shall be construed to constitute the Lender as any Borrower Party's agent for any purpose whatsoever, nor shall the Lender be responsible or liable for any shortage, discrepancy, damage, loss or destruction of any part of the Collateral wherever the same may be located and regardless of the cause thereof. The Lender, whether by anything herein or in any assignment or otherwise, shall not assume any of the Borrower Parties' obligations under any contract or agreement assigned to the Lender, and the Lender shall not be responsible in any way for the performance by any Borrower Party of any of the terms and conditions thereof.

V. REPRESENTATIONS AND WARRANTIES.

The Borrower represents and warrants as follows:

5.1 Authority; Conflict; Default. The Borrower has full power, authority and legal right to enter into this Agreement and the Other Documents and to perform all its respective Obligations hereunder and thereunder. This Agreement and the Other Documents constitute the legal, valid and binding obligation of the Borrower enforceable in accordance with their terms, except as such enforceability may be limited by any applicable bankruptcy, insolvency, moratorium or similar laws affecting creditors' rights generally. The execution, delivery and performance of this Agreement and of the Other Documents (a) are within the Borrower's corporate powers, have been duly authorized, are not in contravention of law or the terms of the Borrower's by-laws, certificate of incorporation or other applicable documents relating to the Borrower's formation or to the conduct of the Borrower's business or of any material agreement or undertaking to which the Borrower is a party or by which the Borrower is bound, and (b) will not conflict with nor result in any breach in any of the provisions of or constitute a default under or result in the creation of any Lien upon any asset of the Borrower Parties under the provisions of any agreement, charter document, constating documents, instrument, by-law, or other instrument to which any Borrower Party is a party or by which it or its property may be bound.

5.2 **Due Organization and Qualification.** Borrower and each Subsidiary is a corporation duly existing and in good standing under the laws of its state of incorporation and qualified and licensed to do business in, and is in good standing in, any state in which the conduct of its business or its ownership of property requires that it be so qualified, except for states as to which any failure to so qualify would not have a Material Adverse Effect.

5.3 **No Default.** Except as set forth in the **Schedule**, Borrower is not in default under any agreement to which it is a party or by which it is bound, which default could reasonably be expected to have a Material Adverse Effect.

5.4 **No Prior Encumbrances.** Borrower has good and marketable title to the Collateral, free and clear of Liens, except for Permitted Encumbrances.

5.5 **Bona Fide Eligible Accounts.** The Eligible Accounts are bona fide existing obligations. The service or property giving rise to such Eligible Accounts has been performed or delivered to the Account Debtor or to the Account Debtor's agent for immediate shipment to and unconditional acceptance by the Account Debtor. Borrower has not received notice of actual or imminent Insolvency Proceeding of any Account Debtor whose accounts are included in any Borrowing Base Certificate as an Eligible Account.

5.6 **Merchantable Inventory.** All inventory is in all material respects of good and marketable quality, free from all material defects, except for damaged, obsolete or slow-moving inventory, for which reserve accounts have been established.

5.7 **Intellectual Property.** Borrower is the sole owner of the Intellectual Property Collateral owned by it, except for nonexclusive licenses granted by Borrower to its customers in the ordinary course of business and has valid and enforceable licenses to all Intellectual Property Collateral licensed to Borrower. Each of the Patents owned by Borrower is valid and enforceable, and no part of the Intellectual Property Collateral has been judged invalid or unenforceable, in whole or in part, and to the Borrower's knowledge, no claim has been made that any part of the Intellectual Property Collateral violates the rights of any third party.

5.8 **Name; Location of Chief Executive Office.** Except as disclosed in the **Schedule**, Borrower has not done business and will not without at least thirty (30) days prior written notice to Lender, do business under any name other than that specified on the signature page hereof. The chief executive office of Borrower is located at the address indicated in Section 4.11(b) hereof.

5.9 **Litigation.** Except as set forth in the **Schedule**, there are no actions or proceedings pending or, to Borrower's knowledge, threatened by or against Borrower or any Subsidiary before any court or administrative agency in which an adverse decision could reasonably be expected to have a Material Adverse Effect or a material adverse effect on Borrower's interest or Lender's security interest in the Collateral.

5.10 **No Material Adverse Change in Financial Statements.** All consolidated financial statements related to Borrower and any Subsidiary that have been delivered by Borrower to Lender fairly present in all material respects Borrower's consolidated financial condition as of the date thereof and Borrower's consolidated results of operations for the period then ended. There has not been a material adverse change in the consolidated financial condition of Borrower since the date of the most recent of such financial statements submitted to Lender on or about the Closing Date.

5.11 Solvency. The fair saleable value of Borrower's assets (including goodwill minus disposition costs) exceeds the fair value of its liabilities; the Borrower is not left with unreasonably small capital after the transactions contemplated by this Agreement; and Borrower is able to pay its debts (including trade debts) as they mature.

5.12 Regulatory Compliance. Borrower and each Subsidiary has met the minimum funding requirements of ERISA with respect to any employee benefit plans subject to ERISA. No event has occurred resulting from Borrower's failure to comply with ERISA that is reasonably likely to result in Borrower's incurring any liability that could reasonably be expected to have a Material Adverse Effect. Borrower is not an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940. Borrower is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation G, T and U of the Board of Governors of the Federal Reserve System). Borrower has complied with all the provisions of the Federal Fair Labor Standards Act. Borrower has not violated any statutes, laws, ordinances or rules applicable to it, violation of which could have a Material Adverse Effect.

5.13 Environmental Condition. None of Borrower's or any Subsidiary's properties or assets has ever been used by Borrower or any Subsidiary or, to the best of Borrower's knowledge, by previous owners or operators, in the disposal of, or to produce, store, handle, treat, release, or transport, any hazardous waste or hazardous substance other than in accordance with applicable law; to the best of Borrower's knowledge, none of Borrower's properties or assets has ever been designated or identified in any manner pursuant to any environmental protection statute as a hazardous waste or hazardous substance disposal site, or a candidate for closure pursuant to any environmental protection statute; no lien arising under any environmental protection statute has attached to any revenues or to any real or personal property owned by Borrower or any Subsidiary; and neither Borrower nor any Subsidiary has received a summons, citation, notice, or directive from the Environmental Protection Agency, or any other federal, state or other governmental agency concerning any action or omission by Borrower or any Subsidiary resulting in the release or other disposition of hazardous waste or hazardous substances into the environment.

5.14 Taxes. Borrower and each Subsidiary has filed or caused to be filed all tax returns required to be filed on timely basis, and has paid, or has made adequate provision for the payment of, all taxes reflected therein, except those being contested in good faith by proper proceedings with adequate reserves under GAAP.

5.15 Subsidiaries. Borrower does not own any stock, partnership interest or other equity securities of any Person, except for Permitted Investments.

5.16 Government Consents. Borrower and each Subsidiary has obtained all consents, approvals and authorizations of, made all declarations or filings with and given all notices to all governmental authorities that are necessary for the continued operation of Borrower's business as currently conducted except where the failure to obtain any such consent, approval or authorization, to make any such declaration or filing, or to be given any such notice could not reasonably be expected to have a Material Adverse Effect.

5.17 Disclosure. No representation or warranty made by the Borrower in this Agreement or in any financial statement, report, certificate or any other document furnished in connection herewith contains any untrue statement of a material fact or omits to state any material

fact necessary to make the statements herein or therein not misleading. There is no fact known to the Borrower or which reasonably should be known by the Borrower which the Borrower has not disclosed to the Lender in writing which could reasonably be expected to have a Material Adverse Effect on the Borrower and its Subsidiaries, taken as a whole.

VI. COVENANTS.

6.1 Affirmative Covenants. The Borrower shall, until payment in full of the Obligations and termination of this Agreement:

(a) Conduct of Business and Maintenance of Existence and Assets. (i) Conduct continuously and operate actively its business according to good business practices and maintain all of its properties useful or necessary in its business in good working order and condition (reasonable wear and tear excepted and except as may be disposed of in accordance with the terms of this Agreement), including, without limitation, all licenses, patents, copyrights, design rights, tradenames, trade secrets and trademarks and take all actions necessary to enforce and protect the validity of any intellectual property right or other right included in the Collateral; (b) keep in full force and effect its existence and comply in all material respects with the laws and regulations governing the conduct of its business where the failure to do so could reasonably be expected to have a Material Adverse Effect on the Borrower; and (c) make all such reports and pay all such franchise and other taxes and license fees and do all such other acts and things as may be lawfully required to maintain its rights, licenses, leases, powers and franchises under the laws of the United States and Canada or any political subdivision thereof where the failure to do so could reasonably be expected to have a Material Adverse Effect on the Borrower.

(b) Violations. Promptly notify the Lender in writing of any violation of any law, statute, regulation or ordinance of any Governmental Body, or of any agency thereof, applicable to any Borrower which could reasonably be expected to have a Material Adverse Effect on the Borrower and its Subsidiaries, taken as a whole.

(c) Execution of Supplemental Instruments. Execute and deliver to the Lender from time to time, upon demand, such supplemental agreements, statements, assignments and transfers, or instructions or documents relating to the Collateral, and such other instruments as the Lender may request, in order that the full intent of this Agreement may be carried into effect, including, without limitation, control agreements with Borrower's banks with respect to perfecting Lender's first lien security interest in Borrower's deposit accounts, sinking fund account, and other bank accounts.

(d) Sinking Fund. By no later than the six month anniversary of the Note, the Borrower shall have established a segregated deposit account with a federally insured financial institution (the "Sinking Fund Account"). The Borrower shall thereafter commence making monthly cash deposits into the Sinking Fund Account in an amount, determined on the date of such deposit, sufficient so that the aggregate deposits made through the expiration of the Term shall be at least equal to two-thirds of the aggregate Advances outstanding at the expiration of the Term.

EXAMPLE: The initial Advance is \$1,000,000. In July, the Borrower establishes the Sinking Fund Account. In each of August and September, the Borrower deposits \$111,117 in the Sinking Fund Account (the amount which, if aggregated on a straight line basis over the last six months of the Term would result

in \$666,667, or two-thirds of the outstanding Advances, being deposited in the Sinking Fund Account). Later in September, the Lender makes another Advance of \$1,000,000. In October, the Borrower deposits \$444,667 in the Sinking Fund Account (\$222,233, or the amount which, if aggregated on a straight line basis over the last six months of the Term would result in \$1,334,000, or two-thirds of the outstanding Advances, being deposited in the Sinking Fund Account, plus another \$222,233, making whole the two earlier deposits based on the new total of the outstanding Advances).

The funds on deposit in the Sinking Fund Account shall be immediately available to the Lender upon the expiration of the Term to pay off the unpaid balance of the Obligations. The Borrower shall retain complete control over the Sinking Fund Account, and all interest accruing therefrom shall belong to the Borrower. In the event the amount on deposit in the Sinking Fund Account is less than the amount required hereunder (an “**Underfunded Event**”), no Event of Default shall be deemed to have occurred hereunder, but all outstanding Advances shall accrue interest at the Default Rate during the period the Sinking Fund Account is underfunded. Borrower agrees to provide monthly reports to Lender by no later than the first day of each month during the occurrence of an Underfunded Event describing the duration of such event, which report shall be subject to Lender’s review and approval.

(e) Good Standing. Borrower shall maintain its and each of its Subsidiaries’ corporate existence and good standing in its jurisdiction of incorporation and maintain qualification in each jurisdiction in which the failure to so qualify could reasonably be expected to have a Material Adverse Effect. Borrower shall maintain, and shall cause each of its Subsidiaries to maintain, to the extent consistent with prudent management of Borrower’s business, in force all licenses, approvals and agreements, the loss of which could reasonably be expected to have a Material Adverse Effect.

(f) Government Compliance. Borrower shall meet, and shall cause each Subsidiary to meet, the minimum funding requirements of ERISA with respect to any employee benefit plans subject to ERISA. Borrower shall comply, and shall cause each Subsidiary to comply, with all statutes, laws, ordinances and government rules and regulations to which it is subject, noncompliance with which could reasonably be expected to have a Material Adverse Effect or a material adverse effect on the Collateral or the priority of Lender’s Lien on the Collateral.

(g) Financial Covenants. Borrower shall maintain the financial covenants set forth on Exhibit D attached hereto, which covenants may be amended from time to time as agreed between the Borrower and Lender.

6.2 Negative Covenants. Borrower covenants and agrees that, so long as any Advance or other amounts are owed to Lender by Borrower hereunder and until payment in full of the outstanding Obligations or for so long as Lender may have any commitment to make any Advances, Borrower will not do any of the following:

(a) Liens. The Borrower shall not, until satisfaction in full of the Obligations and termination of this Agreement, create or suffer to exist any Lien or transfer upon or against any of the Collateral, whether now owned or hereafter acquired, or on the Sinking Fund Account, except Permitted Encumbrances.

(b) Indebtedness. The Borrower shall not incur any Indebtedness (other than Permitted Indebtedness) without the Lender's prior written consent, which consent may be given or withheld at the Lender's sole discretion and which may be conditioned upon extending to the Lender additional security for the Obligations.

(c) Sinking Fund Account. The Borrower shall not sell, transfer or assign any interest in the Sinking Fund Account, and shall comply with all of the terms of the account imposed by the financial institution holding such account.

(d) Dispositions. The Borrower shall not dispose convey, sell, lease, transfer or otherwise dispose of (collectively a "Transfer"), or permit any of its Subsidiaries to Transfer, all or any part of its business or property, other than Transfers (i) of inventory in the ordinary course of business, (ii) of non-exclusive licenses and similar arrangements for the use of the property of Borrower or its Subsidiaries in the ordinary course of business, (iii) Transfers of worn-out or obsolete Equipment or Equipment financed by other vendors, (iv) Transfers which constitute liquidation of Investments permitted under Section 6.2 herein, and (v) other Transfers not otherwise permitted by this Section 6.2 not exceeding One Hundred Thousand Dollars (\$100,000) in the aggregate in any fiscal year.

(e) Changes in Business, Ownership, Management or Business Locations The Borrower shall not engage in any business or permit any of its Subsidiaries to engage in any business, other than the businesses currently engaged in by Borrower and any business substantially similar or related thereto (or incidental thereto). Borrower will not, without at least thirty (30) days prior written notification to Lender, relocate its chief executive office or add any new offices or business locations.

(f) Mergers or Acquisitions. Without prior consent of Lender which will not be unreasonably withheld, the Borrower shall not merge or consolidate, or permit any of its Subsidiaries to merge or consolidate, with or into any other business organization, or acquire, or permit any of its Subsidiaries to acquire, all or substantially all of the capital stock or property of another Person.

(g) Distributions. The Borrower shall not pay any dividends or make any other distribution or payment on account of or in redemption, retirement or purchase of any capital stock, provided that (i) Borrower may declare and make any dividend payment or other distribution payable in its equity securities (ii) Borrower may convert any of its convertible securities into other securities pursuant to the terms of such convertible securities or otherwise in exchange therefor and (iii) for so long as an Event of Default has not occurred, or if an Event of Default has occurred, it has

been cured, Borrower may repurchase stock from former employees of Borrower in accordance with the terms of repurchase or similar agreements between Borrower and such employees.

(h) Investments. The Borrower shall not directly or indirectly acquire or own, or make any Investment in or to any Person, or permit any of its Subsidiaries so to do, other than Permitted Investments.

(i) Transactions with Affiliates. The Borrower shall not directly or indirectly enter into or permit to exist any material transaction with any Affiliate of Borrower except for transactions that are in the ordinary course of Borrower's business, upon fair and reasonable terms that are no less favorable to Borrower than would be obtained in an arm's length transaction with a non-affiliated Person and except for transactions with a Subsidiary that are upon fair and reasonable terms and transactions constituting Permitted Investments.

(j) Intellectual Property Agreements. The Borrower shall not permit the inclusion in any material contract to which it becomes a party of any provisions that could or might in any way prevent the creation of a security interest in Borrower's rights and interests in any property included within the definition of the Intellectual Property Collateral acquired under such contracts.

(k) Subordinated Debt. The Borrower shall not make any payment in respect of any Subordinated Debt, or permit any of its Subsidiaries to make any such payment, except in compliance with the terms of such Subordinated Debt, or amend any provision contained in any documentation relating to the Subordinated Debt without Lender's prior written consent.

(l) Inventory. The Borrower shall not store the Inventory with a bailee, warehouseman, or similar party unless Lender has received a pledge of any warehouse receipt covering such Inventory. Except for Inventory sold in the ordinary course of business and except for such other locations as Lender may approve in writing, Borrower shall keep the Inventory only at the location set forth in Section 4.11 hereof or as provided for in the **Schedule** hereof and such other locations of which Borrower gives Lender prior written notice and as to which Borrower signs and files a financing statement where needed to perfect Lender's security interest.

(m) Compliance. The Borrower shall not become an "investment company" or a company controlled by an "investment company," within the meaning of the Investment Company Act of 1940, or become principally engaged in, or undertake as one of its important activities, the business of extending credit for the purpose of purchasing or carrying margin stock, or use the proceeds of any Advance for such purpose; fail to meet the minimum funding requirements of ERISA, permit a Reportable Event or Prohibited Transaction, as defined in ERISA, to occur; fail to comply with the Federal Fair Labor Standards Act or violate any other law or regulation, which violation could have a Material Adverse Effect or a material adverse effect on the Collateral or the priority of Lender's Lien on the Collateral, or permit any of its Subsidiaries to do any of the foregoing.

VII. CONDITIONS PRECEDENT

7.1 Conditions to Initial Advance. The agreement of the Lender to make the initial Advance requested to be made on the Closing Date is subject to the satisfaction, or waiver by

the Lender, immediately prior to or concurrently with the making of such Advance, of the following conditions precedent:

- (a) Note. The Lender shall have received the Note and this Agreement duly executed and delivered by an authorized officer of the Borrower;
- (b) Filings, Registrations and Recordings. Each document (including, without limitation, any Uniform Commercial Code financing statement) required by this Agreement, any related agreement or under law or reasonably requested by the Lender to be executed and delivered, filed, registered or recorded, in a form acceptable to Lender, including, without limitation, any filings with the U.S. Patent and Trademark Office to evidence Lender's security interest in the Intellectual Property Collateral, in order to create, in favor of the Lender, a perfected first priority security interest in or Lien upon the Collateral shall have been executed and delivered, properly filed, registered or recorded in each jurisdiction in which the filing, registration or recordation thereof is so required or requested, and the Lender shall have received an acknowledgment copy, or other evidence satisfactory to it, of each such filing, registration or recordation and satisfactory evidence of the payment of any necessary fee, tax or expense relating thereto;
- (c) Pledged Stock. Stock certificates representing the Pledged Stock, each accompanied by a stock power duly executed in blank, and a pledgeholder agreement in a form acceptable to Lender;
- (d) Corporate Proceedings of Borrower. The Board of Directors of the Borrower shall have authorized: (i) the execution, delivery and performance of this Agreement, and the Other Documents and (ii) the granting by the Borrower of the security interests in and Liens upon the Collateral contemplated hereunder;
- (e) No Litigation. (i) No litigation, investigation or proceeding before or by any arbitrator or Governmental Body shall be continuing or threatened against the Borrower or its officers or directors (A) in connection with this Agreement or the Other Documents or any of the transactions contemplated thereby and which, in the opinion of the Lender, is deemed material or (B) which could, in the opinion of the Lender, have a Material Adverse Effect; and (ii) no injunction, writ, restraining order or other order of any nature materially adverse to the Borrower or the conduct of its business or inconsistent with the due consummation of the transactions contemplated hereby shall have been issued by any Governmental Body;
- (f) Payment Instructions. The Lender shall have received written instructions from the Borrower in the form attached hereto as Exhibit B directing the application of proceeds of the initial Advance made pursuant to this Agreement;
- (g) Consents. The Lender shall have received any and all Consents necessary to permit the effectuation of the transactions contemplated by this Agreement and the Other Documents; and such Consents and waivers of such third parties as might assert claims with respect to the Collateral as the Lender shall deem necessary, including, without limitation, waivers executed by landlords and mortgagees of any real property on which any Collateral is located;
- (h) Commitment Fee. The Lender shall have received the Commitment fee and Lender expenses then due as described in Section 3.5(a) and 3.5(c); and

(i) Other. All corporate and other proceedings, and all documents, instruments and other legal matters in connection with the transactions contemplated hereby shall be satisfactory in form and substance to the Lender.

(j) Legal Opinion. The Lender shall have received a legal opinion from Borrower's counsel in a form acceptable to Lender.

7.2 Conditions to Each Advance. The agreement of the Lender to make any Advance requested to be made on any date (including, without limitation, the initial Advance), is subject to the satisfaction of the following conditions precedent as of the date such Advance is made:

(a) Representations and Warranties. Each of the representations and warranties made by the Borrower in or pursuant to this Agreement and any related agreements to which it is a party, and each of the representations and warranties contained in any certificate, document or financial or other statement furnished at any time under or in connection with this Agreement or any related agreement shall be true and correct in all material respects on and as of such date as if made on and as of such date;

(b) No Default. No Event of Default or Default shall have occurred and be continuing on such date, or would exist after giving effect to the Advances requested to be made, on such date; provided, however, that the Lender, in its sole discretion, may continue to make Advances notwithstanding the existence of an Event of Default or Default and that any Advances so made shall not be deemed a waiver of any such Event of Default or Default; and

(c) Maximum Advances. In the case of any Advances requested to be made, after giving effect thereto, the aggregate Advances shall not exceed the Maximum Commitment.

Each request for a Advance by the Borrower hereunder shall constitute a representation and warranty by the Borrower as of the date of such Advance that the conditions contained in this subsection shall have been satisfied.

VIII. INFORMATION AS TO BORROWER.

The Borrower shall, until satisfaction in full of the Obligations and the termination of this Agreement:

8.1 Disclosure of Material Matters. Immediately upon learning thereof, report to the Borrower all matters materially affecting the value, enforceability or collectibility of any portion of the Collateral including, without limitation, any Borrower Party's reclamation or repossession of, or the return to any Borrower Party of, a material amount of goods or claims or disputes asserted by any customer or other obligor.

8.2 Reporting Requirements. The Borrower shall provide the Lender with the following documents at the following times in form satisfactory to the Lender and certified by an officer of the Borrower:

Monthly (not later than the 3 rd day of the following month)	(a)	the statement of Borrower's Account referenced in Section 2.9
Monthly (not later than the 15 th day of the following month)	(a)	a detailed calculation of the Borrowing Base (including detail regarding those Accounts that are not Eligible Accounts) substantially in the form of <u>Exhibit C</u> hereto (the " <u>Borrowing Base Certificate</u> "), and
	(b)	a detailed aging, by total, of the Accounts, together with a reconciliation to the detailed calculation of the Borrowing Base previously provided to Lender, plus a detailed aging of accounts payable.
Monthly (not later than the 25 th day of the following month)	(a)	financial statements as of and for the previous month, consisting of a balance sheet, and income statement and a cash flow statement, prepared in accordance with GAAP consistent with past practices
Monthly (not later than the 3 rd Business Day after receipt of the relevant account statement) after July , 2002	(a)	the Sinking Fund Account statement
Annually (not later than the 90 th day of following fiscal year)	(a)	the Borrower's Annual Report on Form 10-K, as filed with the U.S. Securities and Exchange Commission, and
	(b)	audited financial statements as of and for the previous fiscal year, consisting of a balance sheet, and income statement and a cash flow statement, prepared in accordance with GAAP

In addition to the above, Borrower shall provide Lender: (a) within five (5) days after request from the Lender, copies of all statements, reports and notices sent or made available generally by Borrower to any holders of Subordinated Debt and all reports on Form 10-Q and 8-K filed with the Securities and Exchange Commission; (b) promptly upon receipt of notice thereof, a report of any legal actions pending or threatened against Borrower or any Subsidiary that would be reasonably likely to result in damages or costs to Borrower or any Subsidiary of One Hundred Thousand Dollars (\$100,000).

8.3 Material Occurrences. Promptly notify the Lender in writing upon the occurrence of (a) any Event of Default or Default; (b) any event, development or circumstance whereby any financial statements or other reports furnished to the Lender fail in any material respect to present fairly, in accordance with GAAP consistently applied, the financial condition or operating results of the Borrower as of the date of such statements; (c) each and every default by any Borrower

Party which might result in the acceleration of the maturity of any Indebtedness, including the names and addresses of the holders of such Indebtedness with respect to which there is a default existing or with respect to which the maturity has been or could be accelerated, and the amount of such Indebtedness; and (d) any other development in the business or affairs of any Borrower Party which could reasonably be expected to have a Material Adverse Effect; in each case describing the nature thereof and the action the Borrower propose to take with respect thereto.

8.4 Additional Information. Furnish the Lender with such additional information as the Lender shall reasonably request in order to enable the Lender to determine whether the terms, covenants, provisions and conditions of this Agreement have been complied with by the Borrower.

8.5 Additional Documents. Execute and deliver to the Lender, upon request, such documents and agreements as the Lender may, from time to time, reasonably request to carry out the purposes, terms or conditions of this Agreement.

IX. EVENTS OF DEFAULT.

The occurrence of any one or more of the following events shall constitute an “Event of Default”:

9.1 failure by the Borrower to pay any principal on the Obligations within three days after the due date, whether at maturity or by reason of acceleration pursuant to the terms of this Agreement or by required prepayment;

9.2 failure by the Borrower to pay any interest on the Obligations within three days after the due date, or failure to pay any other liabilities or make any other payment, fee or charge provided for herein or in any Other Document within three days after the due date;

9.3 any representation or warranty made or deemed made by the Borrower in this Agreement or any related agreement or in any certificate, document or financial or other statement furnished at any time in connection herewith or therewith shall prove to have been incorrect, untrue, or misleading in any material respect on the date when made or deemed to have been made; provided, however, that the Borrower shall have ten Business Days from notice of default to cure any such failure that is capable of cure before an Event of Default shall be deemed to have occurred under this Section;

9.4 failure by the Borrower to perform any of the covenants imposed by this Agreement or the Other Documents (except for the covenants described in Section 9.1, 9.2, 9.3 herein, and except as to the balance maintained in the Sinking Fund Account, which is not an Event of Default and the remedy for which is contained in Section 6.1(d)); provided, however, that the Borrower shall have three Business Days from notice of the default to cure any such failure that is capable of cure before an Event of Default shall be deemed to have occurred under this Section;

9.5 the Borrower shall (i) apply for, consent to or suffer the appointment of, or the taking of possession by, a receiver, receiver-manager, custodian, trustee, liquidator or similar fiduciary of itself or of all or a substantial part of its property, (ii) make a general assignment for the benefit of creditors, (iii) commence a voluntary case under any state, provincial or federal bankruptcy, insolvency, reorganization or other similar law of any jurisdiction (or any readjustment of debt, arrangement, moratorium, dissolution or liquidation law or statute) (as now or hereafter in

effect), (iv) be adjudicated a bankrupt or insolvent, (v) file a petition seeking to take advantage of any other law providing for the relief of debtors, (vi) acquiesce to, or fail to have dismissed, within thirty (30) days, any petition filed against it in any involuntary case under such bankruptcy laws, or (vii) take any action for the purpose of effecting any of the foregoing;

9.6 the Borrower shall admit in writing its inability, or be generally unable, to pay its debts as they become due or cease operations of its present business;

9.7 any Lien created hereunder or provided for hereby or under any related agreement for any reason ceases to be or is not a valid and perfected Lien having a first priority interest; or

9.8 any material provision of this Agreement or any of the Other Agreements shall, for any reason, cease to be valid and binding on the Borrower, or the Borrower shall so claim in writing to the Lender.

9.9 If there (i) occurs a material adverse change in the business, operations, or condition (financial or otherwise) of Borrower or (ii) is a material impairment of the prospect of repayment of any portion of the Obligations or (iii) is a material impairment of the value or priority of Lender's security interests in the Collateral; provided, however, that Borrower shall have ten Business Days from notice of default to cure any such change or impairment that is capable of cure before an Event of Default shall be deemed to have occurred under this Section.

9.10 If any material portion of Borrower's assets is attached, seized, subjected to a writ or distress warrant, or is levied upon, or comes into the possession of any trustee, receiver or person acting in a similar capacity and such attachment, seizure, writ or distress warrant or levy has not been removed, discharged or rescinded within ten (10) days, or if Borrower is enjoined, restrained, or in any way prevented by court order from continuing to conduct all or any material part of its business affairs, or if a judgement or other claim becomes a lien or encumbrance upon any material portion of Borrower's assets, or if a notice of lien, levy, or assessment is filed of record with respect to any of Borrower's assets by the United States Government, or any department, agency, or instrumentality thereof, or by any state, county, municipal, or governmental agency, and the same is not paid within ten (10) days after Borrower receives notice thereof, provided that none of the foregoing shall constitute an Event of Default where such action or event is stayed or an adequate bond has been posted pending a good faith contest by Borrower (provided that no Advances will be required to be made during such cure period) and the imposition of a Permitted Lien shall not cause an Event of Default;

9.11 If there is a default in any agreement to which Borrower is a party with a third party or parties resulting in a right by such third party or parties, whether or not exercised, to accelerate the maturity of any Indebtedness in an amount in excess of One Hundred Thousand Dollars (\$100,000) or that could reasonably be expected to have a Material Adverse Effect;

9.12 If a judgment or judgments for the payment of money in an amount, individually or in the aggregate, of at least One Hundred Thousand Dollars (\$100,000) shall be rendered against Borrower and shall remain unsatisfied and unstayed for a period of ten (10) days (provided that no Advances will be made prior to the satisfaction or stay of such judgment).

9.13 If any proceeding is filed or commenced by or against Borrower or its Subsidiaries for Borrower's or any of its Subsidiaries dissolution or liquidation.

9.14 Notwithstanding any term in this Agreement or any related disclosure schedule to the contrary, if for any reason, including, without limitation, the consummation of the loan contemplated by this Agreement, (i) there is a default under that certain Senior Convertible Promissory Note Secured by Deed of Trust dated May 29, 2001 in the principal sum of \$16 million held by Castle Creek Technology Partners LLC ("Holder"), and/or any amendments thereto (collectively, the "Castle Creek Loan"), resulting in a right by Holder or Holder's assignee, transferee or successor to accelerate the maturity of such Castle Creek Loan and (ii) such Holder or successor notifies in writing Borrower of such default or accelerates the obligations thereunder or commences foreclosure proceedings.

X. LENDER'S RIGHTS AND REMEDIES AFTER DEFAULT.

10.1 Rights and Remedies. Upon the occurrence and continuance of an Event of Default pursuant to Article IX, Lender may, at its election, without notice of its election and without demand, do any one or more of the following, all of which are authorized by Borrower:

(a) Declare all Obligations immediately due and payable (provided, however, that if Borrower is insolvent or is the subject of an Insolvency Proceeding and such action is not dismissed or stayed within thirty (30) days then all Obligations shall become immediately due and payable without any action by Lender);

(b) Terminate this Agreement and the obligation of the Lender to make Advances shall be deemed terminated;

(c) Exercise any and all other rights and remedies provided for herein, under the Uniform Commercial Code and at law or equity generally (all without notice to or consent by the Borrower except as such notice or consent as expressly provided for hereunder or required by applicable law), including, without limitation, the right to foreclose the security interests granted herein and to realize upon any Collateral by any available judicial procedure and/or to take possession of and sell any or all of the Collateral with or without judicial process;

(d) Lender may enter any of any Borrower Party's premises or other premises without legal process and without incurring liability to any Borrower Party therefor, and the Lender may thereupon, or at any time thereafter, in its discretion without notice or demand, take the Collateral and remove the same to such place as the Lender may deem advisable and the Lender may require the Borrower to make the Collateral available to the Lender at a convenient place;

(e) With or without having the Collateral at the time or place of sale, the Lender may sell the Collateral, or any part thereof, at public or private sale, at any time or place, in one or more sales, at such price or prices, and upon such terms, either for cash, credit or future delivery, as the Lender may elect. Except as to that part of the Collateral which is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, the Lender shall give the Borrower reasonable notification of such sale or sales, it being agreed that in all events written notice mailed to the Borrower at least five (5) days prior to such sale or sales is reasonable notification. At any public sale, the Lender may credit bid for and become the purchaser,

and the Lender or any other purchaser at any such sale thereafter shall hold the Collateral sold absolutely free from any claim or right of whatsoever kind, including any equity of redemption and such right and equity are hereby expressly waived and released by the Borrower. The proceeds realized from the sale of any Collateral shall be applied as follows: first, to the reasonable costs, expenses and attorneys' fees and expenses incurred by the Lender for collection and for acquisition, completion, protection, removal, storage, sale and delivery of the Collateral; second, to interest due upon any of the Obligations and any fees payable under this Agreement; and, third, to the principal of the Obligations. If any deficiency shall arise, the Borrower shall remain liable to the Lender therefor and immediately pay such deficiency upon demand;

(f) During the continuance of an Event of Default, the Lender may appoint, remove and reappoint any person or persons, including any employee or agent of the Lender to be a receiver (the "Receiver") which term shall include a receiver and manager of, or agent for, all or any part of the Collateral. Any such Receiver shall, as far as concerns responsibility for his acts, be deemed to be the agent of the Borrower and not of the Lender, and the Lender shall not in any way be responsible for any misconduct, negligence or non-feasance of such Receiver, its employees or agents. Except as otherwise directed by the Lender, all money received by such Receiver shall be received in trust for and paid to the Lender. Such Receiver shall have all of the powers and rights of the Lender described in this Section. The Lender may, either directly or through its agents or nominees, exercise any or all powers and right of a Receiver; and

(g) Lender shall have a non-exclusive, royalty-free license to use the Intellectual Property Collateral to the extent reasonably necessary to permit Lender to exercise its rights and remedies upon the occurrence and continuance of an Event of Default.

10.2 Lender's Discretion. The Lender shall have the right in its sole discretion to determine which rights, Liens, security interests or remedies the Lender may at any time pursue, relinquish, subordinate, or modify or to take any other action with respect thereto and such determination will not in any way modify or affect any of the Lender's rights hereunder.

10.3 Setoff. In addition to any other rights which the Lender may have under applicable law, upon the occurrence of an Event of Default hereunder, the Lender shall have a right to apply any Borrower Party's property held by the Lender to reduce the Obligations.

10.4 Rights and Remedies not Exclusive. The enumeration of the foregoing rights and remedies is not intended to be exhaustive and the exercise of any right or remedy shall not preclude the exercise of any other right or remedies provided for herein or otherwise provided by law, all of which shall be cumulative and not alternative.

XI. WAIVERS AND JUDICIAL PROCEEDINGS.

11.1 Waiver of Notice. The Borrower hereby waives notice of non-payment of any of the Accounts, demand, presentment, protest and notice thereof with respect to any and all instruments, notice of acceptance hereof, notice of loans or advances made, credit extended, Collateral received or delivered, or any other action taken in reliance hereon, and all other demands and notices of any description, except such as are expressly provided for herein.

11.2 Delay. No delay or omission on the Lender's part in exercising any right, remedy or option shall operate as a waiver of such or any other right, remedy or option or of any default.

11.3 Jury Waiver. EACH PARTY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (A) ARISING UNDER THIS AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith, OR (B) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO THIS AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith, OR THE TRANSACTIONS RELATED HERETO OR THERETO IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE AND EACH PARTY HEREBY CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENTS OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

XII. EFFECTIVE DATE AND TERMINATION.

12.1 Term. This Agreement shall become effective on the date hereof and shall continue in full force and effect until February 22, 2003 (the "Term"), unless sooner terminated as herein provided.

12.2 Termination. The termination of the Agreement shall not affect the Borrower's or the Lender's rights, or any of the Obligations having their inception prior to the effective date of such termination, and the provisions hereof shall continue to be fully operative until all transactions entered into, rights or interests created or Obligations have been fully disposed of, concluded or liquidated. The security interests, Liens and rights granted to the Lenders hereunder and the financing statements filed hereunder shall continue in full force and effect until all of the Obligations have been paid or performed in full after the termination of this Agreement or the Borrower has furnished the Lender with an indemnification satisfactory to the Lenders with respect thereto. All representations, warranties, covenants, waivers and agreements contained herein shall survive termination hereof until all Obligations are paid or performed in full.

XIII. MISCELLANEOUS.

13.1 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California applied to contracts to be performed wholly within the State of California. Any judicial proceeding brought by or against the Borrower with respect to any of the Obligations, this Agreement or any related agreement may be brought in any court of competent jurisdiction in the County of Orange in the State of California (unless otherwise specified in any Other Document), and, by execution and delivery of this Agreement, the Borrower accepts for itself and in connection with its properties, generally and unconditionally, the non-exclusive jurisdiction of the aforesaid courts, and irrevocably agrees to be bound by any judgment rendered thereby in connection with this Agreement. The Borrower hereby waives personal service

of any and all process upon it and consents that all such service of process may be made by registered mail (return receipt requested) directed to the Borrower at its address set forth in Section 13.6 and service so made shall be deemed completed five (5) days after the same shall have been so deposited in the mails of the United States of America, or, at the Lender's option, by service upon the Borrower. Nothing herein shall affect the right to serve process in any manner permitted by law or shall limit the right of the Lender to bring proceedings against the Borrower in the courts of any other jurisdiction. The Borrower waives any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon forum non conveniens. Any judicial proceeding by the Borrower against the Lender involving, directly or indirectly, any matter or claim in any way arising out of, related to or connected with this Agreement or any related agreement, shall be brought only in a federal or state court located in the County of Orange, State of California.

13.2 Entire Understanding. This Agreement and the documents executed concurrently herewith contain the entire understanding between the Borrower and the Lender and supersedes all prior agreements and understandings, if any, relating to the subject matter hereof. Any promises, representations, warranties or guarantees not herein contained and hereinafter made shall have no force and effect unless in writing, signed by the Borrower and the Lender. Neither this Agreement nor any portion or provisions hereof may be changed, modified, amended, waived, supplemented, discharged, cancelled or terminated orally or by any course of dealing, or in any manner other than by an agreement in writing, signed by the party to be charged. The Borrower acknowledges that it has been advised by counsel in connection with the execution of this Agreement and Other Documents and is not relying upon oral representations or statements inconsistent with the terms and provisions of this Agreement.

13.3 Successors and Assigns: Participation.

(a) This Agreement shall be binding upon and inure to the benefit of the Borrowers, the Lender, all future holders of the Obligations and their respective successors and assigns, except that the Borrower may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the Lender, which consent may be granted or withheld in Lender's sole discretion.

(b) Lender shall have the right without the consent of or notice to Borrower to sell, transfer, negotiate, or grant participations in all or any part of, or any interest in, Lender's obligations, rights, and benefits hereunder, subject to the provisions of this Section 13.3. Lender may sell, negotiate or grant participations to other parties in all or part of the obligations of the Borrower outstanding under the Loan Documents, without notice to or the approval of Borrower; provided that any such sale, negotiation or participation shall be in compliance with the applicable federal and state securities laws and the other requirements of this Section 13.3. Notwithstanding the sale, negotiation or grant of participations, Lender shall remain solely responsible for the performance of its obligations under this Agreement, and Borrower shall continue to deal solely and directly with Lender in connection with this Agreement and the other Loan Documents. The grant of a participation interest shall be on such terms as Lender determines are appropriate, provided only that the holder of such a participation interest shall not have any of the rights of Lender under this Agreement except, if the participation agreement so provides, rights to demand the payment of costs of the type described in Section 3.4, provided that the aggregate amount that the Borrower shall be required to pay under Section 3.4 with respect to any ratable share of the Maximum Commitment or

any Advance (including amounts paid to participants) shall not exceed the amount that Borrower would have had to pay if no participation agreements had been entered into.

13.4 Application of Payments. The Lender shall have the continuing and exclusive right to apply or reverse and re-apply any payment and any and all proceeds of Collateral to any portion of the Obligations. To the extent that the Lender receives any payment or proceeds of the Collateral for the Borrower's benefit which are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, debtor in possession, receiver, custodian or any other party under any bankruptcy law, common law or equitable cause, then, to such extent, the Obligations or part thereof intended to be satisfied shall be revived and continue as if such payment or proceeds had not been received by the Lender.

13.5 Indemnity. The Borrower shall indemnify the Lender, and each of its officers, directors, Affiliates, members, managers, employees and agents, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses and disbursements of any kind or nature whatsoever (including, without limitation, fees and disbursements of counsel) which may be imposed on, incurred by, or asserted against the Lender in any litigation, proceeding or investigation instituted or conducted by any Governmental Body or any other Person with respect to any aspect of, or any transaction contemplated by, or referred to in, or any matter related to, this Agreement or the Other Documents, whether or not the Lender is a party thereto, except to the extent that any of the foregoing arises out of the willful misconduct of the party being indemnified.

13.6 Notice. Any notice or request hereunder may be given to the Borrower or to the Lender at their respective addresses set forth below or at such other address as may hereafter be specified in a notice designated as a notice of change of address under this Section. Any notice or request hereunder shall be given by (a) hand delivery, (b) overnight courier, (c) registered or certified mail, return receipt requested, (d) telex or telegram, subsequently confirmed by registered or certified mail, or (e) telecopy to the number set out below (or such other number as may hereafter be specified in a notice designated as a notice of change of address) with electronic confirmation of its receipt. Any notice or other communication required or permitted pursuant to this Agreement shall be deemed given (a) when personally delivered to any officer of the party to whom it is addressed, (b) on the earlier of actual receipt thereof or three (3) days following posting thereof by certified or registered mail, postage prepaid, or (c) upon actual receipt thereof when sent by a recognized overnight delivery service or (d) upon actual receipt thereof when sent by telecopier to the number set forth below with electronic confirmation of its receipt, in each case addressed to each party at its address set forth below or at such other address as has been furnished in writing by a party to the other by like notice:

(A)	If to the Lender:	Technology Lending Partners, L.L.C. 424 Via Lido Nord Newport Beach, CA 92663 Attention: Joel Slutzky Telecopier: (949) 673-5224
(B)	If to Borrower:	Odetics, Inc. 1515 S. Manchester Avenue Anaheim, CA 92802 Attention: Chief Financial Officer

13.7 Survival. The obligations of Borrowers under Sections 4.10, 4.12 and Articles X, XI, XII, and XIII shall survive termination of this Agreement and the Other Documents and payment in full of the Obligations.

13.8 Severability. If any part of this Agreement is contrary to, prohibited by, or deemed invalid under applicable laws or regulations, such provision shall be inapplicable and deemed omitted to the extent so contrary, prohibited or invalid, but the remainder hereof shall not be invalidated thereby and shall be given effect so far as possible.

13.9 Expenses. All costs and expenses including, without limitation, reasonable legal or attorneys' fees and disbursements incurred by the Lender (a) in all efforts made to enforce payment of any Obligation or effect collection of any Collateral, or (b) in connection with the modification, amendment, administration and enforcement of this Agreement or any consents or waivers hereunder and all related agreements, documents and instruments, or (c) in instituting, maintaining, preserving, enforcing and foreclosing on the Lender's security interest in or Lien on any of the Collateral, whether through judicial proceedings or otherwise, or (d) in defending or prosecuting any actions or proceedings arising out of or relating to the Lender's transactions with any Borrower Party, or (e) in connection with any advice given to the Lender with respect to its rights and obligations under this Agreement and all related agreements, may be charged to Borrower's Account and shall be part of the Obligations.

13.10 Injunctive Relief. The Borrower recognizes that, in the event the Borrower fails to perform, observe or discharge any of its obligations or liabilities under this Agreement, any remedy at law may prove to be inadequate relief to the Lender; therefore, the Lender shall be entitled to temporary and permanent injunctive relief in any such case without the necessity of proving that actual damages are not an adequate remedy.

13.11 Consequential Damages. Neither the Lender nor its agents or attorneys shall be liable to any Borrower Party for consequential damages arising from any breach of contract, tort or other wrong relating to the establishment, administration or collection of the Obligations.

13.12 Captions. The captions at various places in this Agreement are intended for convenience only and do not constitute and shall not be interpreted as part of this Agreement.

13.13 Counterparts; Telecopied Signatures. This Agreement may be executed in any number of and by different parties hereto on separate counterparts, all of which, when so executed, shall be deemed an original, but all such counterparts shall constitute one and the same agreement. Any signature delivered by a party by facsimile transmission shall be deemed to be an original signature hereto.

13.14 Construction. The parties acknowledge that each party and its counsel have reviewed this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any amendments, schedules or exhibits thereto.

13.15 Attachment. The security interest created hereby is intended to attach when this Agreement is executed by the Borrower and delivered to the Lender.

13.16 Representations Regarding Usury. Lender and Borrower represent and warrant that the officers, directors, controlling persons or managers of Lender and Borrower, respectively, have a preexisting personal or business relationship with the officers, directors, controlling persons or managers of the other party and that each has the capacity to protect its own interests in connection with the Loan Documents. Borrower further represents and warrants, that the Obligations evidenced by this Agreement and the Note are not guaranteed by an individual, a revocable trust having one or more individuals as trustors, or partnership in which, at the time of issuance of the Note, one or more individuals are general partners.

Each of the parties has signed this Agreement as of the day and year first above written.

ODETICS, INC.,
a Delaware corporation

By: _____ /s/ GREG A. MINER
Name: _____ Greg A. Miner
Title: _____ CEO

TECHNOLOGY LENDING PARTNERS, L.L.C.
a California limited liability company

By: _____ /s/ JOEL SLUTZKY
Name: _____ Joel Slutzky
Title: _____ Manager

Exhibit A

ODETICS, INC.

SECURED PROMISSORY NOTE

\$1,250,000

February 22, 2002

FOR VALUE RECEIVED, ODETICS, INC., a Delaware corporation (the "Company"), promises to pay to the order of TECHNOLOGY LENDING PARTNERS, L.L.C., a California limited liability company (the "LLC"), or holder (either, the "Holder"), on the Maturity Date (as defined below), unless sooner paid as provided in Section 4 hereof, the principal sum of One Million Two Hundred and Fifty Thousand Dollars (\$1,250,000.00), or such lesser amount as shall equal the aggregate of the Advances made or deemed made by the Holder to the Company hereunder, plus accrued unpaid interest thereon. The outstanding principal balance of each Advance made pursuant to this Note shall bear interest at the Interest Rate, as set forth below, from the date of such Advance to the date the principal sum of such Advance is paid in full. Payments of interest shall be due no later than the third Business Day of each month that this Note is outstanding. All payments under this Note shall be made without right of offset, deduction or counterclaim, shall be made to the order of the Holder at the Payment Office, or such other address as Holder may designate in writing to the Company, and shall be applied first to late charges and costs, then accrued unpaid interest, if any, and then to principal,

1. Loan and Security Agreement. This Note is issued and secured pursuant to that certain Loan and Security Agreement, dated February 22, 2002 (the "Loan Agreement"), by and between the Company and the LLC, a copy of which may be obtained by the Holder from the Company without charge. Any Holder, by taking possession hereof, shall be entitled to the benefits and bound by the obligations set forth in the Loan Agreement. Capitalized terms used herein without definition shall have the meanings given them in the Loan Agreement. This Note is secured by the security agreement provisions contained in the Loan Agreement. In the event of any conflict between any provision of the Loan Agreement and any provision of this Note, the provision of the Loan Agreement shall control.
 2. Advances. The Company may make draw-downs ("Advances") under this Note from time to time in an aggregate amount not to exceed the lesser of the principal amount of this Note and the Borrowing Base. Such Advances shall be recorded by the Company on the Borrower's Account as provided in the Loan and Security Agreement.
 3. Maturity Date. The date that this Note shall mature, and the principal amount outstanding hereunder, plus accrued unpaid interest thereon and any charges pertaining thereto, shall become due and payable (the "Maturity Date") shall be February 22, 2003.
 4. Interest Rate. (a) The Interest Rate shall accrue at a floating rate of four percent (4.0%) per annum in excess of the prime rate of interest as designated as such by Bank of America, or any successor thereto, as the same may from time to time fluctuate, such rate to be adjusted automatically, without notice, on the effective date of any change in such rate. Such prime
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rate represents an index above, at, or below which the interest rate to be charged on certain loans is determined. Said Interest Rate is to be adjusted on the day the prime rate changes and is to be computed on the basis of a 360-day year, but accrued on the actual number of days elapsed. In the event that Bank of America or its successor ceases to publish its "prime rate", then, for purposes of this Note, the "prime rate" shall then be deemed to be the average prime interest rate (or equivalent interest rate, however designated) for each calendar month of the three largest (total assets) banking institutions in the continental United States then publishing a prime interest rate (or equivalent interest rate, however designated).

(b) The Interest Rate shall increase to the sum of the prime rate plus Eight Percent (8%) upon and after the occurrence of an Event of Default, and during the continuation thereof, and during the period of time that there is an Underfunded Event, as defined in Section 6.1(d) of the Loan Agreement.

5. Prepayments. The Company may not voluntarily prepay this Note, either in whole or in part. Under certain circumstances set forth in the Loan Agreement, the Borrower may have to make mandatory prepayments of all or part of the Advances. Such repayments shall be recorded by the Borrower on the Borrower's Account pursuant to the Loan Agreement.
6. Waivers. The Company hereby waives diligence, presentment for payment, demand, protest, notice of non-payment, notice of dishonor, notice of protest, and any and all other notices and demands whatsoever. The Company shall remain bound under this Note until all principal and interest and any other amounts that are payable hereunder have been paid in full, notwithstanding any extensions or renewals granted with respect to this Note or the release of any party liable hereunder. The Company, and any and all endorsers hereof, also waive the right to plead any and all statutes of limitations as a defense to any demand on this Note or any and all obligations or liabilities arising out of or in connection with this Note, to the fullest extent permitted by law.
7. Events of Default. Upon the occurrence of any Event of Default, as defined in the Loan Agreement, at Holder's option, Holder may declare immediately due and payable, and on any such declaration there shall become immediately due and payable, the entire unpaid principal balance of this Note, together with all accrued and unpaid interest under this Note and any other sums owing at the time of such declaration pursuant to this Note, and Holder shall be entitled to exercise all rights and remedies available to Holder hereunder and under applicable law, all of which rights and remedies shall be cumulative.
8. No Waiver by Holder. Any delay or omission on the part of Holder to exercise any of Holder's rights or remedies hereunder or under applicable law, including, without limitation, the right to accelerate amounts owing under this Note, shall not be deemed a waiver of that right or remedy or of any other right or remedy of Holder in respect thereof. The acceptance by Holder of any payment pursuant to the terms of this Note which is less than payment in full of all amounts due and payable at the time of such payment shall not constitute a waiver of the right to exercise any of the Holder's rights or remedies under this Note or under applicable law at that time or at any subsequent time or nullify any prior exercise of any such rights or remedies without the express written consent of Holder, except as and to the extent provided to the contrary by applicable law.

9. Governing Law. This Note shall be governed by and construed according to and enforced under the internal laws of the State of California without giving effect to its choice of laws rules.
10. Binding Nature. The provisions of this Note shall be binding on the Company and shall inure to the benefit of the Holder.
11. Usury Savings Provisions. In the event Holder receives any sums under this Note which constitute interest in an amount in excess of that permitted by any applicable law, then, all such sums constituting interest in excess of that permitted to be paid under applicable law shall, at Holder's option, either be credited to the payment of principal owing hereunder or returned to the Company.
12. Severability. If, but only to the extent that, any provision of this Note shall be invalid or unenforceable, then, such offending provision shall be deleted from this Note, but only to the extent necessary to preserve the validity and effectiveness of this Note to the fullest extent permitted by applicable law.

ODETICS, INC.

By:
Its:

REQUEST FOR ADVANCE

Date

TECHNOLOGY LENDING PARTNERS, LLC
424 Via Lido Nord
Newport Beach, CA. 92663

Ladies and Gentlemen:

The undersigned, Odetics, Inc., refers to that certain Loan and Security Agreement, dated as of February 22, 2002 (as amended from time to time, the "Loan Agreement," the terms defined therein being used herein as therein defined), by and between the undersigned and you, and hereby gives you notice pursuant to Section 2.2 of the Loan Agreement, that the undersigned hereby requests an Advance under the Loan Agreement, and in that connection sets forth below the information relating to such Advance (the "Proposed Advance").

- (i) The Business Day of the Proposed Advance is _____, 200 .
- (ii) The aggregate principal amount of the Proposed Advance is \$ _____ .

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Advance:

(A) the representations and warranties of the undersigned contained in the Loan Agreement are correct as though made on and as of such date (except to the extent that such representations and warranties are made as of a specified earlier date); and

(B) no Default or Event of Default has occurred and is continuing, or would result from such Proposed Advance or from the application of the proceeds thereof.

Very truly yours,

Odetics, Inc.

By: _____
Title: _____

Exhibit C

ODETICS, INC.

Borrowing Base Certificate

Pursuant to that certain Loan and Security Agreement, dated as of February 22, 2002 (the "Loan Agreement"), between ODETICS, INC. a Delaware corporation (the "Borrower"), and TECHNOLOGY LENDING PARTNERS, L.L.C., a California limited liability company, the undersigned does hereby certify as follows (capitalized terms used herein without definition shall have the meanings ascribed thereto in the Loan Agreement).

- (a) The undersigned is the duly appointed and acting _____ of the Borrower.
- (b) Attached hereto as Schedule A is a true and complete copy of:
 - (i) the calculation of the Borrowing Base as at the close of business on the last Business Day of _____, 200 ,
 - (ii) an aged trial balance of all Accounts of Borrower as of such date, indicating which Accounts are current, up to 90 days from the invoice date or installation date, if later (not to exceed 120 days from invoice date), and 90 days or more past the invoice date or installation date, if later (not to exceed 120 days from invoice date), and
 - (iii) calculations demonstrating that the aggregate outstanding principal amount of the Advances does not exceed the Availability.

IN WITNESS WHEREOF, I have signed my name and executed this Certificate on this _____ day of _____, 200 .

ODETICS, INC.

By:
Title:

Exhibit D

Financial Covenants

Borrower shall maintain the financial covenants set forth below:

(a) Debt to Equity Ratio. Borrower shall maintain a ratio of Total Liabilities to stockholder's equity of (i) not more than 28 to 1 as of the last day of each calendar month if the real property upon which Borrower maintains its chief executive offices is not sold and the debt secured by such property is not retired prior to the measurement date, or (ii) not more than 19 to 1 as of the last day of each calendar month if the real property upon which Borrower maintains its chief executive offices is sold and the debt secured by such property is retired prior to the measurement date, measured on a consolidated basis.

(b) Quarterly Tangible Net Worth. Borrower shall maintain, as of the last day of each calendar quarter, a Tangible Net Worth of (i) not less than negative \$1.3 million if the real property upon which Borrower maintains its chief executive offices is sold and the debt secured by such property is retired prior to the measurement date, or (ii) not less than negative \$7.3 million if the real property upon which Borrower maintains its chief executive offices is not sold and the debt secured by such property is not retired prior to the measurement date, measured on a consolidated basis.

(c) Monthly Tangible Net Worth. Borrower shall maintain, as of the last day of each calendar month, a Tangible Net Worth of (i) not less than negative \$2.5 million if the real property upon which Borrower maintains its chief executive offices is sold and the debt secured by such property is retired prior to the measurement date, or (ii) not less than negative \$8.5 million if the real property upon which Borrower maintains its chief executive offices is not sold and the debt secured by such property is not retired prior to the measurement date, measured on a consolidated basis.

Schedule A

Borrowing Base Certificate

Odetics, Inc.
Accounts Receivable Collateral:
Balance as of:

		TOTAL
A/R Aging Totals:		\$ (1)
Less Ineligible Calculations:		
1.	Accounts Over 90 days from invoice date or installation date, if later, but not to exceed 120 days from invoice date:	
2.	Contra-accounts	
3.	Intercompany	
4.	Insolvency	
Total - Ineligible		\$
Eligible A/R Collateral		\$
Advance Rate		85%
Borrowing Base		\$

(1) - Supported by fiscal month end Accounts Receivable Aging

RECEIVABLES PURCHASE AGREEMENT

Dated as of October 18, 2002

among

Odetics, Inc.,

and

TECHNOLOGY LENDING PARTNERS, LLC,

as the Buyer

RECEIVABLES PURCHASE AGREEMENT

THIS RECEIVABLES PURCHASE AGREEMENT ("Agreement"), dated as of October 18, 2002, is by and among Odetics, Inc., a Delaware corporation ("Seller"), and Technology Lending Partners, LLC, a California limited liability company ("Buyer"). Unless defined elsewhere herein, capitalized terms used in this Agreement shall have the meanings assigned to such terms in Exhibit I hereto.

PRELIMINARY STATEMENTS

A. The parties hereto intend that all transfers of Receivables hereunder, be true sales to the Buyer by the Seller of the Receivables originated by it, providing the Buyer with the full benefits of ownership of such Receivables, and the Seller and the Buyer do not intend these transactions to be, or for any purpose to be characterized as loans from the Buyer to the Seller.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual agreements herein contained and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I
AMOUNTS AND TERMS OF THE PURCHASE

Section 1.1 Purchase of Receivables.

(a) Effective on the Closing Date, in consideration for the Purchase Price to be paid to the Seller and upon the terms and subject to the conditions set forth herein, the Seller does hereby sell, assign, transfer, set-over and otherwise convey to the Buyer, and the Buyer does hereby purchase from the Seller, all of the Seller's right, title and interest in and to the Receivables, together, in each case, with all Related Security relating thereto. In accordance with the preceding

sentence, on the Closing Date, the Buyer shall acquire all of the Seller's right, title and interest in and to the Receivables, together with all of the Seller's rights in and to all Related Security relating thereto. The Buyer shall be obligated to pay the Purchase Price for the Receivables purchased hereunder from the Seller in accordance with Section 1.2.

(b) On each Monthly Reporting Date, the Buyer shall submit a report to Seller which reflects the details of the Collections received since the Closing Date.

(c) It is the intention of the parties hereto that the Purchase of Receivables from Seller made hereunder shall constitute a sale, which sale is absolute and irrevocable and provides the Buyer with the full benefits of ownership of the Receivables originated by the Seller. The sale of Receivables hereunder by the Seller is made with recourse to Seller as described herein, and this sale does not constitute and is not intended to result in an assumption by the Buyer or any assignee thereof of any obligation of the Seller or any Person arising in connection with the Receivables, the related Contracts and /or other Related Security or any other obligations of the Seller. In view of the intention of the parties hereto that the Purchase of Receivables hereunder shall constitute a sale of such Receivables rather than loans secured thereby, the Seller agrees that it will, on or prior to the date hereof and in accordance with Section 4.1 (e)(ii), mark its master data processing records relating to the Receivables originated by it with a legend properly evidencing that the Buyer has purchased such Receivables as provided in this Agreement and to note in its financial statements that its Receivables have been sold to the Buyer. Upon the request of the Buyer, the Seller will execute and file such financing or continuation statements, or amendments thereto or assignments thereof, and such other instruments or notices, as may be necessary or appropriate perfect and maintain the perfection of the Buyer's ownership interest in the Receivables originated by such Seller and the Related Security with respect thereto, or as the Buyer may reasonably request.

Section 1.2 Payment for the Purchase.

(a) The Purchase Price in the amount of \$438,444.38 for the Purchase from the Seller of the Receivables, as described in Exhibit I attached hereto, shall be payable in full at the Closing by the Buyer to the Seller in immediately available funds, less legal fees incurred by Buyer in connection with the drafting and execution of this Agreement ("**Legal Fees**").

(b) The Purchase Price reflects in part a 20% discount (the "**Discount**") from the Original Balance of the Receivables. A portion of the Discount expressed as a percentage of the Original Balance of the Receivable in question shall be rebated ("Rebate") and paid to Seller as described below:

Days until Receivable is collected (commencing on the Closing Date)	Rebate of Discount	Net Discount
10 or less	19.5%	.5%
11-20 days	19%	1%
21-30 days	18.5%	1.5%
31-40	18%	2%
41-50	17.5%	2.5%
51-60	17%	3.0%
61-70	16.5%	3.5%
71-80	16%	4%
81-90	15.5%	4.5%
each 10 days thereafter	subtract an additional ½%	add an additional ½%

For example, assuming the Purchase Price is \$450,000 (net of the original 20% Discount and the 5% Collection Fee), and assuming that the Original Balance was \$600,000, and assuming \$400,000 of the total Original Balance of the Receivables was outstanding for 25 days before it was collected and received by Buyer, and the balance of the Original Balance in the amount of \$200,000 was outstanding for 120 days before it was collected and received by Buyer, then:

$\$400,000 \times 18.5\% = \$74,000$

$\$200,000 \times 14\% = \$28,000$

Total Rebate: \$102,000 less offsets and claims for other amounts owed, if any, as described below.

The Rebate shall be determined by Buyer and paid to Seller within 5 days after the earlier of (a) Buyer has received Collections equal to 100% of the Original Balance of Receivables, or (b) Buyer receives Collections from Receivables equal to the sum of the following: \$438,444.38 plus the Collection Fee of \$29,229.62 plus the Net Discount then due and applicable as of the date in question plus Legal Fees. In the case of subparagraph (b) in the preceding sentence, the Rebate would not be paid in cash but would be payable solely in the form of an assignment by Buyer of the uncollected Receivables to Seller without recourse. For example, the Rebate would be due and payable, in the form of uncollected Receivables, by the 65th day after the Closing if Buyer received from Collections of Receivables on the 60th day after the Closing Date: (i) \$438,444.38; plus (ii) the Collection Fee; plus (iii) \$17,537.78 (i.e. 3% times the Original Balance of the Receivables) based on the Net Discount that applies if the Receivables are outstanding for 51 to 60 days since the Closing Date; plus (iv) Legal Fees. The amount of the applicable Rebate, if any, shall be reduced by the amount of the accrued unpaid interest, if any, and all costs and expenses and indemnification obligations owed by Seller under the terms of this Agreement. Upon payment in full of all amounts owed to Buyer under this Agreement, Buyer shall assign the remaining uncollected Receivables, if any, to Seller without recourse and on an as is basis and without any warranties and representations.

(c) If for any reason and to the extent Buyer does not receive Collections equal to 100% of the Original Balance by the date that is **120 days** after the Closing Date, upon written demand by Buyer (the “**Buy Back Notice**”), which demand made be made by Buyer at any time on or after such 120 day period, Seller agrees to purchase the applicable remaining uncollected Receivables (the “**Sold Back Receivables**”) from Buyer upon demand and in accordance with the following: (1) the purchase price for such Sold Back Receivables shall equal (1) the Outstanding Balance of the Sold Back Receivables, less the original 20% Discount, and plus the Net Discount that would have applied if the Sold Back Receivables were collected on the Sold Back Closing Date, plus accrued interest at the Default Rate on such purchase price amount accruing commencing on the 120th day after the Closing Date (2) the closing (“**Sold Back Closing Date**”) of the purchase by Seller of the Sold Back Receivables shall occur by no later than 5 days after Buyer sends the Buy Back Notice to Seller; (3) the purchase price shall be paid by Seller without offset or deduction and in good funds at the Sold Back Closing Date by wire transfer to Buyer’s designated account; (4) Upon receipt by Buyer of the purchase price in good funds as described above in this paragraph, Buyer shall execute and deliver to Seller such documents as are reasonably necessary to terminate Buyer’s security interest in such Sold Back Receivables and to transfer, assign and sell the Sold Back Receivables and Related Security, without recourse, to

Seller, and without any warranties or representations, express or implied, except that Buyer shall warrant that such Sold Back Receivables have not been liened or encumbered or assigned by Buyer except as provided for in this Agreement.

An example of the calculation of the purchase price for Sold Back Receivables that Seller will be required to pay as described above in paragraph 1.2(c) above is as follows:

If the Sold Back Closing Date is 145 days from the Closing Date and assuming the Outstanding Balance of the Sold Back Receivables is \$100,000 as of the Sold Back Closing Date, then the purchase price would be:

$$\begin{aligned} 150/10 \times .5\% &= 7.5\% \times \$100,000 = \$7,500 \text{ (Net Discount)} \\ 80\% \times \$100,000 &= \$80,000 \text{ (original purchase price net of Discount)} \\ \hline \$87,500 &\text{ (total purchase price to be paid by Seller)} \end{aligned}$$

Section 1.3 Other Buy Back Rights. If on any day:

- (a) the Outstanding Balance of a Receivable purchased is:
 - (i) reduced as a result of any defective or rejected or returned goods or services, any discount or any adjustment or
 - (ii) otherwise by the Seller (other than to reflect cash Collections on account of such Receivable), or
 - (iii) reduced or canceled as a result of a setoff in respect of any claim by any Person (whether such claim arises out of the same or a related transaction or an unrelated transaction), or
- (b) any of the representations and warranties set forth in Section 2.1(i), (l), (p), (q), (r), (s) or (t) hereof is not true when made or deemed made with respect to any Receivable, or
- (c) It is determined by Buyer in its sole discretion that any portion of the Receivables cannot be collected for any reason, including, without limitation, the inability or the unwillingness of the Obligor to pay the amount owed with respect to the Receivable in question

then, in each such event, the Buyer may elect by written notice to Seller, at any time thereafter, with respect to the Receivable in question, to cause Seller to purchase from Buyer within 5 days of written demand such Receivable for cash equal to: the Outstanding Balance of the Receivable in question, less the original 20% Discount, and plus the Net Discount that would have applied if the Receivable in question were collected on the date that the sale back of such Receivable occurs. An example of the calculation of the purchase price as described in the preceding sentence is provided in Section 1.2(c) above except that the closing date would be the date that is 5 days after written demand from Buyer. Buyer shall, at the time of payment from Seller of the purchase price in good funds, execute such documents as reasonably necessary to assign back to Seller the Outstanding Balance of the Receivable in question without recourse and in its as —is condition, and otherwise without any warranties or representations, express or implied except that Buyer has not liened or encumbered or assigned such returned Receivables except as provided for in this Agreement.

Section 1.4 Payments and Computations. Etc. All amounts to be paid or deposited by the Buyer hereunder shall be paid or deposited in accordance with the terms hereof on the day when due in immediately available funds to the account of the Seller designated by the Seller or as otherwise directed by the Seller. In the event that any payment owed by any Person hereunder becomes due on a day that is not a Business Day, then such payment shall be made on the next succeeding Business Day. If Seller fails to pay any amount hereunder when due, Seller agrees to pay, on demand, the Default Rate in respect thereof until paid in full; provided, however, that such Default Rate shall not at any time exceed the maximum rate permitted by applicable law. All computations of interest payable hereunder shall be made on the basis of a year of 360 days for the actual number of days elapsed.

Section 1.5 Transfer of Collection Records; License of Software; Access to Contracts. In connection with, and in consideration of, the Purchase from the Seller of Receivables originated by it, the Seller, upon written request by Buyer, will deliver to the Buyer originals or copies (in written, photostatic, electronic or other mutually acceptable form) of such Seller's Collection Records relating to the Receivables. The Seller shall permit the Buyer during such Seller's normal business hours, at the expense of the Seller, to inspect and copy all such collection Records and other books and records regarding the Receivables and the Contracts solely for purposes of administering and collecting the Receivables hereunder. In order to facilitate such administration, collection and servicing of such Receivables, the Seller hereby grants to each of the Buyer an irrevocable, non-exclusive license to use, without royalty or payment of any kind, all software used by the Seller to account for such Receivables, to the extent necessary to administer such Receivables, whether such software is owned by the Seller or is owned by others and used by the Seller under license agreements with respect thereto, provided that should the consent of any licensor of such software be required for the grant of the license described herein, to be effective, the Seller hereby agrees that upon the request of the Buyer, the Seller will use its reasonable efforts to obtain the consent of such third-party licensor. The license granted hereby shall be irrevocable until date on which this Agreement terminates in accordance with its terms.

Section 1.6 Characterization. If, notwithstanding the intention of the parties expressed in Section 1.1(c), any sale by an Seller to the Buyer of Receivables hereunder shall be characterized as a secured loan and not a sale or such sale shall for any reason be ineffective or unenforceable, then this Agreement shall be deemed to constitute a security agreement under the UCC and other applicable law. For this purpose and without being in derogation of the parties' intention that the sale of Receivables by the Seller hereunder shall constitute a true sale thereof, the Seller hereby grants to the Buyer a duly perfected security interest in all of the Seller's right, title and interest in and to all Receivables of the Seller which exist as of the date hereof, together with all Related Security with respect thereto, all other rights and payments relating to such Receivables and all proceeds of the foregoing, to secure the prompt and complete payment of a loan deemed to have been made in an amount equal to the Purchase Price of the Receivables purchased from such Seller together with any Purchase Interest applicable thereto and all other obligations of the Seller hereunder, which security interest shall be prior to all other Adverse Claims thereto. Upon the occurrence of a Event of Default, the Buyer shall have, in addition to the rights and remedies which it may have under this Agreement, all other rights and remedies provided to a secured creditor upon default under the UCC and other applicable law, which rights and remedies shall be cumulative.

Section 1.7 Security Agreement for Seller's Obligations

(a) **Security Interest in the Collateral.** To secure the prompt payment and performance to the Buyer of the Obligations, the Seller hereby assigns, pledges and grants to the Buyer for its benefit a continuing security interest in and to all of the Collateral, whether now owned or existing or hereafter acquired or arising and wheresoever located. The Seller shall mark its books and records as may be necessary or appropriate to evidence, protect and perfect the Buyer's security interest and shall cause its financial statements to reflect such security interest. Such security interest constitutes a valid, first priority security interest in the presently existing Collateral, and will constitute a valid, first priority security interest in Collateral acquired after the date hereof, in each case, to the extent that a security interest in such Collateral can be perfected by the filing of a financing statement or, in the case of Collateral consisting of instruments, documents, chattel paper or certificated securities, to the extent that Buyer takes possession of such Collateral. Seller acknowledges that Buyer may place a "hold" on any deposit account pledged as Collateral to secure the Obligations. Notwithstanding termination of this Agreement, Buyer's Lien on the Collateral shall remain in effect for so long as any Obligations are outstanding. Further, Buyer agrees that any security interest or Lien held in favor of Buyer with respect to assets of Seller in connection with and/or as security for the repayment of any other amounts or obligations owed by Seller to Buyer under any other agreements shall also secured the obligations of Seller under this Agreement, and Seller agrees to execute such further documents as are reasonably necessary to further evidence such security interest of Buyer, and that notwithstanding any prior agreement between Seller and Buyer to the contrary, Buyer's security interest in Seller's assets shall not terminate until all obligations owed to Buyer by Seller under this Agreement or any other agreements are fully satisfied.

(b) **Perfection of Security Interest.** The Seller shall take all action that may be necessary or desirable, or that the Buyer may request, so as at all times to maintain the validity, perfection, enforceability and priority of the Buyer's security interest in the Collateral or to enable the Buyer to protect, exercise or enforce its rights hereunder and in the Collateral, including, but not limited to, (i) delivering to the Buyer, endorsed or accompanied by such instruments of assignment as the Buyer may specify, and stamping or marking, in such manner as the Buyer may specify, any and all chattel paper, instruments, letters of credits and advices thereof and documents evidencing or forming a part of the Collateral, (ii) entering into warehousing, lockbox and other custodial arrangements satisfactory to the Buyer, and (iii) executing and delivering financing statements, instruments of pledge, mortgages, hypothecs notices and assignments, in each case in form and substance satisfactory to the Buyer, relating to the creation, validity, perfection, maintenance or continuation of the Buyer's security interest under the Uniform Commercial Code or other applicable law. The Buyer is hereby authorized to file financing statements without the signature of Seller in accordance with the Uniform Commercial Code or any other applicable law. All charges, expenses and fees the Buyer may incur in doing any of the foregoing, and any taxes relating thereto, shall, at Buyer's request, be charged to Seller's Account and added to the Obligations, or, at the Buyer's option, shall be paid to the Buyer immediately upon demand. Buyer agrees to execute and deliver to Seller from time to time such subordination agreements as Seller may request and as are necessary to give to other Buyers which finance equipment for Seller a first priority security interest in the equipment financed so long as the Liens and the indebtedness incurred with respect to such equipment financing are permitted under this Agreement. Within 21 days after demand, Seller shall cause execution and delivery of control agreements with Seller's deposit accounts in forms reasonably acceptable to Buyer, subject to delays if caused by such banks, and take such other action as is necessary to perfect Buyer's first lien security interest in Seller's deposit accounts with all of its banks (collectively "**Control Account Perfection**"), and, upon request by Buyer, Seller further agrees to obtain Control Account Perfection within 21 days after any new deposit accounts are established with any of its banks from time to time. Seller's failure to obtain the Control Account Perfection within 21 days

after the Closing and, with respect to new deposit accounts that are subsequently established, within 21 days after such account or accounts are established, shall in either event constitute an Event of Default except to the extent delays are caused by or due to the acts or delay of the applicable banks. Within 14 days of the Closing, , Seller shall file all necessary filings with the U.S. Patent and Trademark office, in forms reasonably acceptable to Buyer, to evidence and effectuate Buyer's first lien security interest in the Seller's registered Patents and registered Trademarks.

(c) **Preservation of Collateral.** During the continuance of a Default or Event of Default, in addition to the rights and remedies set forth in this Agreement, the Buyer may at any time take such steps as the Buyer deems necessary to protect its interest in and to preserve the Collateral and shall have, and is hereby granted, a right of ingress and egress to the places where the Collateral is located, and may proceed over and through any of Seller's owned or leased property. The Seller shall cooperate fully with all of the Buyer's efforts to preserve the Collateral and will take such actions to preserve the Collateral as the Buyer may direct. All of the Buyer's expenses of preserving the Collateral shall, at Buyer's request, be charged to Seller, bear interest at the Default Rate and be added to the Obligations.

(d) **Ownership of Collateral.** With respect to the Collateral, at the time the Collateral becomes subject to the Buyer's security interest: (a) the Seller shall be the sole owner of and fully authorized and able to sell, transfer, pledge and/or grant a first priority security interest in each and every item of the Collateral to the Buyer; (b) each document and agreement executed by the Seller or delivered to the Buyer in connection with this Agreement shall be true and correct in all respects; and (c) all signatures and endorsements of the Seller that appear on such documents and agreements shall be genuine and the Seller shall have full capacity to execute same.

(e) **Defense of Buyers' Interests.** Until (a) payment and performance in full of all of the Obligations and (b) termination of this Agreement, the Buyer's interests in the Collateral shall continue in full force and effect. During such period the Seller shall not, without the Buyer's prior written consent, pledge, sell, assign, transfer, create or suffer to exist a Lien upon or encumber or allow or suffer to be encumbered in any way, any part of the Collateral. The Seller shall defend the Buyer's interests in the Collateral against any and all Persons whatsoever. At any time during the continuance of an Event of Default, the Buyer shall have the right to take possession of the indicia of the Collateral and the Collateral in whatever physical form contained, including without limitation, labels, stationery, documents, instruments and advertising materials. If the Buyer exercises this right to take possession of the Collateral, the Seller shall, upon demand, assemble it in the best manner possible and make it available to the Buyer at a place reasonably convenient to the Buyer. In addition, with respect to all Collateral, the Buyer shall be entitled to all of the rights and remedies set forth herein and further provided by the Uniform Commercial Code or other applicable law. The Seller shall, and the Buyer may, at its option, instruct all suppliers, carriers, forwarders, warehousemen or others receiving or holding cash, checks, documents or instruments in which the Buyer holds a security interest to deliver same to the Buyer and/or subject to the Buyer's order and if they shall come into any Seller's possession, they, and each of them, shall be held by Seller in trust as the Buyer's trustee, and Seller will immediately deliver them to the Buyer in their original form together with any necessary endorsement.

(f) **Books and Records.** The Seller shall keep proper books of record and account in which full, true and correct entries will be made of all dealings or transactions of or in relation to its business and affairs, and set up on its books accruals with respect to all taxes, assessments, charges, levies and claims. All determinations pursuant to this subsection shall be made in accordance with, or as required by, GAAP consistently applied in the opinion of such independent public accountant as shall then be regularly engaged by the Seller.

(g) Compliance with Laws. The Seller shall comply with all acts, rules, regulations and orders of any legislative, administrative or judicial body or official applicable to the Collateral or any part thereof or to the operation of the Seller's business the non-compliance with which could reasonably be expected to have a Material Adverse Effect on the Seller. The Seller may, however, contest or dispute any acts, rules, regulations, orders and directions of those bodies or officials in any reasonable manner, provided that any related Lien is inchoate or stayed and sufficient reserves are established to the reasonable satisfaction of the Buyer to protect the Buyer's Lien on or security interest in the Collateral. The assets of the Seller at all times shall be maintained in accordance with the requirements of all insurance carriers which provide insurance with respect to the assets of the Seller so that such insurance shall remain in full force and effect.

(h) Inspection of Premises. At all reasonable times the Buyer shall have full access to and the right to audit, check, inspect and make abstracts and copies from the Seller's books, records, audits, correspondence and all other papers relating to the Collateral and the operation of the Seller's business. The Buyer and its agents may enter upon any of the Seller Parties' premises at any time during business hours and at any other reasonable time, and from time to time, for the purpose of inspecting the Collateral and any and all records pertaining thereto and the operation of such Seller's business.

(i) Insurance. The Seller shall bear the full risk of any loss of any nature whatsoever with respect to the Collateral. At the Seller's own cost and expense in amounts and with carriers acceptable to the Buyer, the Seller shall keep all its insurable properties and properties in which each Seller has an interest insured against the hazards of fire, flood, sprinkler leakage, those hazards covered by extended coverage insurance and such other hazards, and for such amounts, as is customary in the case of companies engaged in businesses similar to such Seller's including, without limitation, business interruption insurance. If the Seller fails to obtain insurance as hereinabove provided, or to keep the same in force, the Buyer may, if it so elects, obtain such insurance and pay the premium therefor on behalf of the Seller, and charge Seller's Account therefor and such expenses so paid shall be part of the Obligations. All such policies of insurance shall be in such form, with such companies, and in such amounts as are reasonably satisfactory to Buyer. So long as no Event of Default has occurred and is continuing, Seller shall have the option of applying the proceeds of any casualty policy to the replacement or repair of destroyed or damaged property; provided, that after the occurrence and during the continuance of an Event of Default, all proceeds payable under any such policy shall, at the option of Buyer, be payable to Buyer to be applied on account of the Obligations.

(j) Payment of Taxes. The Seller will pay, when due, (or, if contested as set forth below, provide for payment of) all Taxes, assessments and other Charges lawfully levied or assessed upon the Seller or any of the Collateral. If any tax by any Governmental Body is or may be imposed on or as a result of any transaction between the Seller and the Buyer and the Buyer may be required to withhold or pay, or if any Taxes, assessments, or other Charges remain unpaid after the date fixed for their payment, or if any claim shall be made which, in the Buyer's opinion, may possibly create a valid Lien on the Collateral, the Buyer may, without notice to the Seller, pay the Taxes, assessments or other Charges and the Seller hereby indemnifies and holds the Buyer harmless in respect thereof. The Buyer will not pay any taxes, assessments or Charges to the extent that the Seller has contested or disputed those taxes, assessments or Charges in good faith, by expeditious protest, administrative or judicial appeal or similar proceeding provided that any related tax lien is stayed and sufficient reserves are established to the reasonable satisfaction of the Buyer to protect the Buyer's security interest in or Lien on the Collateral. The amount of any payment by the Buyer under this Section shall be charged to Sellers' Account and added to the Obligations and, until the Seller shall furnish the Buyer with an indemnity therefor (or supply the Buyer with evidence satisfactory to the Buyer that due provision for the payment thereof has been

made), the Buyer may hold without interest any balance standing to the Seller's credit and the Buyer shall retain its security interest in any and all Collateral held by the Buyer.

(k) Accounts.

i. Nature of Accounts. Each of the Accounts shall be a bona fide and valid account representing a bona fide indebtedness incurred by the customer therein named, for a fixed sum as set forth in the invoice relating thereto (provided immaterial or unintentional invoice errors shall not be deemed to be a breach hereof) with respect to an absolute sale or lease and delivery of goods upon stated terms, or work, labor or services theretofore rendered by Seller as of the date each Account is created. Same shall be due and owing in accordance with the Seller's standard terms of sale.

ii. Locations of Seller. The Seller's chief executive office is located at 1515 S. Manchester Avenue, Anaheim, California. Until written notice is given to the Buyer by the Seller of any other office at which Seller keeps its records pertaining to Accounts, all such records shall be kept at such executive office.

iii. Notification of Assignment of Accounts. At any time following the occurrence and continuance of an Event of Default past any applicable cure period, the Buyer shall have the right to send notice of the assignment of, and the Buyer's security interest in, the Accounts to any and all customers or any third party holding or otherwise concerned with any of the Collateral. Thereafter, the Buyer shall have the sole right to collect the Accounts, take possession of the Collateral, or both. The Buyer's actual collection expenses, including, but not limited to, stationery and postage, telephone and telegraph, secretarial and clerical expenses and the salaries of any collection personnel used for collection, may be charged to Seller's Account and added to the Obligations.

iv. Power of Buyer to Act on Seller's Behalf. At any time following the occurrence and continuance of an Event of Default past any applicable cure period, the Buyer shall have the right to receive, endorse, assign and/or deliver in the name of the Buyer or Seller any and all checks, drafts and other instruments for the payment of money relating to the Accounts, and the Seller hereby waives notice of presentment, protest and non-payment of any instrument so endorsed. At any time following the occurrence and continuance of an Event of Default, the Seller hereby constitutes the Buyer or its designee as the Seller Parties' attorney with power (i) to endorse Seller's name upon any notes, acceptances, checks, drafts, money orders or other evidences of payment or Collateral; (ii) to sign Seller's name on any invoice or bill of lading relating to any of the Accounts, drafts against customers, assignments and verifications of Accounts; (iii) to send verifications of Accounts to any customer; (iv) to demand payment of the Accounts; (v) to enforce payment of the Accounts by legal proceedings or otherwise; (vi) to exercise all of the Seller's rights and remedies with respect to the collection of the Accounts and any other Collateral; (vii) to settle, adjust, compromise, extend or renew the Accounts; (viii) to settle, adjust or compromise any legal proceedings brought to collect Accounts; (ix) to prepare, file and sign any Seller's name on a proof of claim in bankruptcy or similar document against any customer; (x) to prepare, file and sign Seller's name on any notice of Lien, assignment or satisfaction of Lien or similar document in connection with the Accounts; (xi) to transfer the Intellectual Property Collateral into the name of Buyer; and (xii) to do all other acts and things necessary to carry out this Agreement. All acts of said attorney or designee are hereby ratified and approved, and said attorney or designee shall not be liable for any acts of omission or commission nor for any error of judgment or mistake of fact or of law, unless done maliciously or with gross (not mere) negligence; this power being coupled with an interest is irrevocable while any of the Obligations remain unpaid. The Buyer shall have the right at any time following the occurrence

of an Event of Default or Default, to change the address for delivery of mail addressed to Seller to such address as the Buyer may designate and to receive, open and dispose of all mail addressed to Seller.

v. No Liability. The Buyer shall not, under any circumstances or in any event whatsoever, have any liability for any error or omission or delay of any kind occurring in the settlement, collection or payment of any of the Accounts or any instrument received in payment thereof, or for any damage resulting therefrom. Following the occurrence of an Event of Default or Default, the Buyer may, without notice or consent from any Seller, sue upon or otherwise collect, extend the time of payment of, compromise or settle for cash, credit or upon any terms any of the Accounts or any other securities, instruments or insurance applicable thereto and/or release any obligor thereof. The Buyer is authorized and empowered to accept following the occurrence of an Event of Default or Default the return of the goods represented by any of the Accounts, without notice to or consent by any Seller, all without discharging or in any way affecting the Seller's liability hereunder.

vi. Lockbox Account. Upon request by Buyer, Seller agrees to amend its lockbox service agreement with its primary banks or such other banks that Seller may utilize for lock box services (the "Bank") to provide that upon written notice from Buyer the Bank will direct all lock box collections to Buyer's bank account to be established at the Bank, to the extent of outstanding Obligations then due.

(l) Exculpation of Liability. Nothing herein contained shall be construed to constitute the Buyer as any agent of Seller for any purpose whatsoever, nor shall the Buyer be responsible or liable for any shortage, discrepancy, damage, loss or destruction of any part of the Collateral wherever the same may be located and regardless of the cause thereof. The Buyer, whether by anything herein or in any assignment or otherwise, shall not assume any of the Seller's obligations under any contract or agreement assigned to the Buyer, and the Buyer shall not be responsible in any way for the performance by Seller of any of the terms and conditions thereof.

ARTICLE II REPRESENTATIONS AND WARRANTIES

Section 2.1 Representations and Warranties of Seller. The Seller hereby represents and warrants to the Buyer on the date hereof and on the Closing Date that:

(a) Existence and Power. The Seller is a corporation, duly organized, validly existing and in good standing under the laws of the state set forth after its name in the preamble to this Agreement, and are duly qualified to do business and are in good standing as a foreign entity, and have and hold all organizational power, and all governmental licenses, authorizations, consents and approvals required to carry on its business in each jurisdiction in which its business is conducted except where the failure to so qualify or so hold is not reasonably likely to have a Material Adverse Effect.

(b) Power and Authority; Due Authorization, Execution and Delivery. The execution and delivery by the Seller of this Agreement and each other Transaction Document to which it is a party, and the performance of its obligations hereunder and thereunder, and the Seller's use of the proceeds of the Purchase made from it hereunder, are within its corporate powers and authority and have been duly authorized by all necessary corporate action on its part. This Agreement and each other Transaction Document to which such Seller is a party has been duly executed and delivered by the Seller.

(c) No Conflict. The execution and delivery by the Seller of this Agreement and each other Transaction Document to which it is a party, and the performance of its obligations hereunder and thereunder do not contravene or violate (i) its Organizational Documents, (ii) any law, rule or regulation applicable to it, (iii) any restrictions under any agreement, contract or instrument to which it is a party or by which it or any of its property is bound, or (iv) any order, writ, judgment, award, injunction or decree applicable to it, and do not result in the creation or imposition of any Adverse Claim on assets of the Seller or its Subsidiaries (except as created hereunder) except, in any case, where such contravention or violation is not reasonably likely to have a Material Adverse Effect; and no transaction contemplated hereby requires compliance with any bulk sales act or similar law.

(d) Governmental Authorization. Other than the filing of the financing statements required hereunder, no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution and delivery by the Seller of this Agreement and each other Transaction Document to which it is a party and the performance of its obligations hereunder and thereunder.

(e) Actions, Suits. There are no actions, suits or proceedings pending, or to the best of the Seller's knowledge, threatened, before any court, arbitrator or other body, that could reasonably be expected to have a Material Adverse Effect, except as previously disclosed or for which reserves in reasonable amounts have been established. The Seller is not in default with respect to any order of any court, arbitrator or governmental body.

(f) Binding Effect. This Agreement and each other Transaction Document to which the Seller is a party constitute the legal, valid and binding obligations of the Seller and, with respect to Article VII of this Agreement, enforceable against the Seller (as applicable) in accordance with their respective terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(g) Accuracy of Information. All written information heretofore furnished by the Seller or any of its Affiliates to the Buyer for purposes of or in connection with this Agreement, any of the other Transaction Documents or any transaction contemplated hereby or thereby is, and all such information hereafter furnished by the Seller or any of its Affiliates to the Buyer, as of the date thereof, does not and will not contain any material misstatement of fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

(h) Use of Proceeds. No payment made to Seller hereunder will be used for a purpose that violates Regulation T, U or X of the Board of Governors of the Federal Reserve System.

(i) Good Title. Each Receivable which is sold to the Buyer hereunder shall be owned by the Seller, free and clear of any Adverse Claim, except as provided herein or except as may be granted by the Buyer. Whenever the Buyer makes a purchase hereunder, it shall have acquired and shall continue to have maintained a valid ownership interest (free and clear of any Adverse Claim) in the respective Seller's entire right, title and interest in and to each Receivable and the Related Security with respect thereto. There have been duly filed all financing statements or other similar instruments or documents necessary under the UCC of all appropriate jurisdictions to

perfect the Buyer's ownership interest in such Receivables and the Related Security to the extent such interest can be perfected by filing a financing statement under the UCC.

(j) **Places of Business and Locations of Collection Records.** The principal places of business and chief executive office of the Seller and the offices where it keeps its Collection Records are located at the address(es) listed on **Exhibit II** or such other locations of which the Buyer has been notified in accordance with Section 4.2(a) in jurisdictions where all action required by Section 4.2(a) has been taken and completed.

(k) **Collections.** Seller has directed the Obligors to send all payments for the Receivables to the Buyer's address as indicated in the Notice section of this Agreement, and Seller agrees to promptly and on demand endorse such checks and other payments in favor of Buyer, in the form requested by Buyer so that Buyer can deposit such Collections into Buyer's bank account. The Seller irrevocably authorizes the Buyer at any time and from time to time in the sole discretion of the Buyer, and appoints the Buyer as its attorney(ies)-in-fact, to act on behalf of the Seller (i) endorse and pay over all checks and other forms of Collection payments to Buyer and to deposit such payments into Buyer's bank account. This appointment is coupled with an interest.

(l) **Material Adverse Effect.** Since **September 30, 2002**, no event has occurred that would have a Material Adverse Effect with respect to Seller.

(m) **Names.** In the 5 years ending on the date of this Agreement, Seller has not used any corporate name in which a financing statement naming the Seller (or any entity which has merged with and into the Seller) as a debtor may be properly recorded and effective to grant a security interest under the UCC as in effect in any applicable jurisdiction other than (i) the name in which it has executed this Agreement, and (ii) as listed on Exhibit II.

(n) **Not a Holding Company or an Investment Company.** The Seller is not a "holding company" or a "subsidiary holding company" of a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended, or any successor statute. The Seller is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or any successor statute.

(o) **Compliance with Law.** Each Receivable together with the Invoice related thereto, does not violate any laws, rules or regulations applicable thereto (including, without limitation, laws, rules and regulations relating to truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy), except where such violation is not reasonably likely to have a Material Adverse Effect.

(p) **Compliance with Credit and Collection Policy.** The Seller has complied in all material respects with the Credit and Collection Policy with regard to each Receivable originated by it and the related Contract, and has not made any change since the Closing Date to such Credit and Collection Policy, except such material change as to which the Buyer has been notified and has consented, as required, in accordance with Section 4.1 (a)(vi).

(q) **Payments to the Seller.** With respect to each Receivable the Purchase Price and the Collection Fees received by the Seller constitutes fair and reasonably equivalent value in consideration therefor.

(r) Enforceability of Receivables. Each Receivable is a legal, valid and binding obligation of the related Obligor to pay the Outstanding Balance of the Receivable created thereunder and accrued Finance Charges (if any) thereon, enforceable against the Obligor in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(s) Eligible Receivables. Each Receivable was an Eligible Receivable on the date of its acquisition by the Buyer hereunder.

(t) Accounting. The manner in which the Seller accounts for the transactions contemplated by this Agreement does not jeopardize the characterization of the transactions contemplated herein as being true sales.

(u) Environmental Condition. None of Seller's or any of its Affiliates' properties or assets has ever been used by Seller or any Subsidiary or, to the best of Seller's knowledge, by previous owners or operators, in the disposal of, or to produce, store, handle, treat, release, or transport, any hazardous waste or hazardous substance other than in accordance with applicable law; to the best of Seller's knowledge, none of Seller's properties or assets has ever been designated or identified in any manner pursuant to any environmental protection statute as a hazardous waste or hazardous substance disposal site, or a candidate for closure pursuant to any environmental protection statute; no lien arising under any environmental protection statute has attached to any revenues or to any real or personal property owned by Seller or any Subsidiary; and neither Seller nor any Subsidiary has received a summons, citation, notice, or directive from the Environmental Protection Agency, or any other federal, state or other governmental agency concerning any action or omission by Seller or any Subsidiary resulting in the release or other disposition of hazardous waste or hazardous substances into the environment.

(v) Taxes. Seller and each Subsidiary have each filed or caused to be filed all tax returns required to be filed on timely basis, and has paid, or has made adequate provision for the payment of, all taxes reflected therein, except those being contested in good faith by proper proceedings with adequate reserves under GAAP.

ARTICLE III CONDITIONS OF PURCHASE

Section 3.1 Conditions Precedent to Purchase. The Purchase from Seller under this Agreement is subject to the conditions precedent that the Buyer shall have received on or before the date thereof the documents listed on **Schedule A**.

Notwithstanding the foregoing conditions precedent, and subject to the Seller's receipt of payment of the Purchase Price for any Receivable, all of the Seller's right, title and interest in and under such Receivable and the Related Security with respect thereto shall vest in the Buyer, whether or

not the conditions precedent to the Buyer's obligation to pay for such Receivable were in fact satisfied. The failure of the Seller to satisfy any of the foregoing conditions precedent may, however, give rise to a claim for indemnity under Article VI of this Agreement.

ARTICLE IV COVENANTS

Section 4.1 Affirmative Covenants of Seller. Until the date on which this Agreement terminates in accordance with its terms, the Seller hereby covenants as set forth below:

(a) Financial Reporting. The Seller will maintain, for itself and each of its Subsidiaries, a system of accounting established and administered in accordance with GAAP, and furnish to the Buyer:

(i) Annual Reporting. Promptly upon the filing thereof, and within 90 days after the close of each of Parent's fiscal years, audited, unqualified consolidated financial statements (which shall include balance sheets, statements of earnings and stockholders' equity and cash flows) for Parent and its consolidated Subsidiaries (which include the Seller) for such fiscal year, accompanied by an opinion of independent public accountants of recognized national or regional standing.

(ii) Monthly Reporting. Promptly upon the filing thereof, and within 30 days after the close of the first three (3) quarterly periods of Parent's fiscal years, consolidated balance sheets of Parent and its consolidated Subsidiaries (including the Seller) as at the close of each such period and consolidated statements of earnings and stockholders' equity and cash flows for Parent and its consolidated Subsidiaries for the period from the beginning of such fiscal year to the end of such quarter, all certified by a Responsible Financial Officer of Parent.

(iii) Compliance Certificate. Together with the financial statements required hereunder, a **compliance certificate** in substantially the form of **Exhibit IV** signed by an Authorized Officer of Parent and dated the date of such annual financial statement or such quarterly financial statement, as the case may be.

(iv) Shareholders' Statements and Reports. Promptly upon the furnishing thereof generally to the shareholders of Parent, copies of all financial statements, reports and proxy statements so furnished.

(v) S.E.C. Filings. Promptly upon the filing thereof, copies of all registration statements (other than registration statements on Forms S-8 or S-3 covering benefit or compensation plans, stock purchase or dividend repurchase plans, or for purposes of resales of securities by holders) and annual, quarterly or other periodic reports which Parent or any of its Subsidiaries files with the Securities and Exchange Commission.

(vi) Other Information. Promptly, from time to time, such other information, documents, records or reports relating to the Receivables originated by the Seller or the condition or operations, financial or otherwise, of the Seller as the Buyer may from time to time reasonably request in order to protect the interests of the Buyer under or as contemplated by this Agreement; provided, however, that the Buyer shall keep all such information which is not otherwise in the public domain confidential and require a confidentiality agreement from any third party that may properly request such information.

(b) Notices. The Seller will notify the Buyer in writing of any of the following promptly upon learning of the occurrence thereof, describing the same and, if applicable, the steps being taken with respect thereto:

(i) Event of Defaults or Unmatured Event of Defaults. The occurrence of each Event of Default and each Unmatured Event of Default, by a statement of an Authorized Officer of the Seller.

(ii) Material Adverse Effect. The occurrence of any event or condition that has had, or is reasonably likely to have, a Material Adverse Effect.

(iii) ERISA Events. The occurrence of any ERISA Event.

(c) Compliance with Laws and Preservation of Existence. Such Seller will comply in all respects with all applicable laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject, except where the failure to so comply is not reasonably likely to have a Material Adverse Effect. The Seller will preserve and maintain its legal existence, rights, franchises and privileges in the jurisdiction of its organization, and qualify and remain qualified in good standing as a foreign entity in each jurisdiction where its business is conducted, except where the failure to so qualify or remain in good standing is not reasonably likely to have a Material Adverse Effect.

(d) Audits. The Seller will furnish to the Buyer from time to time such information with respect to it and the Receivables sold by it as the Buyer may reasonably request; provided, however, that prior to receipt of such information, Buyer shall deliver to Seller a signed nondisclosure agreement in a form reasonably satisfactory to Seller and Buyer shall require any third party, to the extent allowed by law, to sign a similar nondisclosure agreement in a form reasonably acceptable to Seller with respect to any information about Seller or the Receivables. The Seller will, from time to time during regular business hours as requested by the Buyer upon not less than two (2) Business Days' prior written notice unless a Event of Default has occurred, permit the Buyer or their respective agents or representatives: (i) to examine and make copies of and abstracts from all Other Records in the possession or under the control of the Seller relating to the Receivables and the Related Security, including, without limitation, the related Contracts to the extent permitted by Section 1.5, and (ii) to visit the offices and properties of the Seller for the purpose of examining such materials described in clause (i) above, and to discuss, on a confidential basis, matters relating to the Seller's financial condition or the Receivables and the Related Security or the Seller's performance under any of the Transaction Documents or the Seller's performance under the Contracts and, in each case, with any of the officers or employees of such Seller having knowledge of such matters.

(e) Keeping and Marking of Records and Books.

(i) The Seller will maintain administrative and operating procedures (including, without limitation, an ability to recreate records evidencing Receivables in the event of the destruction of the originals thereof), and keep and maintain all documents, books, records and other information reasonably necessary or advisable for the collection of all Receivables (including, without limitation, records adequate to permit the immediate identification of all Collections of and adjustments to each existing Receivable). Such Seller will give the Buyer notice of any material change in the administrative and operating procedures referred to in the previous sentence.

(ii) The Seller will (A) on or prior to the date hereof, mark its master data processing records and other books and records relating to the Receivables with a legend or code describing the Buyer's ownership interests in the Receivables and (B) upon the request of the Buyer following the occurrence of a Event of Default, mark each Invoice applicable to any Receivable sold by the Seller to the Buyer hereunder with a legend or code describing the Buyer's ownership thereof.

(f) Compliance with Contracts and Credit and Collection Policy. The Seller will timely (i) perform and comply in all material respects with all provisions, covenants and other promises required to be observed by it under the Contracts related to the Receivables originated by it, and (ii) comply in all material respects with the Credit and Collection Policy in regard to each such Receivable and the related Contract.

(g) Ownership. The Seller will take all necessary action to establish and maintain, irrevocably, the Buyer's right, title and interest in and to the Receivables, and to keep the Receivables and associated Related Security and Collateral, in each case, free and clear of any Adverse Claims other than Adverse Claims in favor of the Buyer (including, without limitation, the filing of all financing statements, continuation statements and/or financing statement amendments necessary under the UCC of all appropriate jurisdictions to perfect the Buyer's interest in such Receivables and Related Security and Collateral to the extent such interest can be perfected by filing any of the foregoing under the UCC and such other action to perfect, protect or more fully evidence the interest of the Buyer as the Buyer may reasonably request).

(h) Taxes. To the extent not handled by Parent, the Seller will file all tax returns and reports required by law to be filed by it and promptly pay all taxes and governmental charges at any time owing, except any such taxes which are not yet delinquent or are being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books. The Seller will pay when due any taxes payable in connection with the Receivables originated by it, exclusive of taxes on or measured by income or gross receipts of the Buyer and its assigns.

(i) Inventory. The Seller shall not store the Inventory with a bailee, warehouseman, or similar party unless Seller has received a pledge of any warehouse receipt covering such Inventory. Except for Inventory sold in the ordinary course of business and except for such other locations as Seller may approve in writing, Seller shall keep the Inventory only its current location and such other locations of which Seller gives Seller prior written notice and as to which Seller signs and files a financing statement where needed to perfect Seller's security interest.

(j) Execution of Supplemental Instruments. Execute and deliver to the Seller from time to time, upon demand, such supplemental agreements, statements, assignments and transfers, or instructions or documents relating to the Receivables and the Collateral, and such other instruments as the Seller may request, in order that the full intent of this Agreement may be carried into effect, including, without limitation, control agreements with Seller's banks with respect to perfecting Seller's first lien security interest in Seller's deposit accounts, sinking fund account, and other bank accounts

(k) If there is an Event of Default under this Agreement, upon written request by Buyer, the Seller shall directed all Obligors on the Receivables existing on or after the date hereof to make payments thereon directly to a Collection Account or Lock-Box of the Buyer which is listed on **Exhibit III** hereto as the same may be amended from time to time by the Buyer.

Section 4.2 Negative Covenants of Seller. Until the date on which this Agreement terminates in accordance with its terms, the Seller hereby covenants that:

(a) Name Change, Offices and Collection Records. The Seller will not (i) change its state of organization, (ii) change its legal name, or (iii) change its identity or corporate structure (within the meaning of Section 9-402(7) of any applicable enactment of the UCC), (iv) relocate its chief executive office (so long as its chief executive office determines the place of perfection of the Buyer's ownership interest in the Receivables), or (v) relocate any office where Collection Records are kept by or on behalf of the Seller unless, in each of the foregoing cases, it shall have: (A) given the Buyer at least 30 days' prior written notice thereof and (B) delivered to the Buyer all financing statements, instruments and other documents requested by the Buyer in connection with such change or relocation.

(b) Change in Payment Instructions to Obligors. The Seller will not direct any Obligor on the Receivables sold by it to the Buyer hereunder to make payments to any location other than to one of the Buyer's Lock-Boxes or Collection Accounts listed on Exhibit III hereto as the same may be amended from time to time by the Buyer upon not less than 30 days' prior written notice to the Seller.

(c) Modifications to Credit and Collection Policy. Seller will not, and will not make any material change to the Credit and Collection Policy that would materially decrease the collectibility of the Receivables generally.

(d) Sales, Liens. The Seller will not sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, or create or suffer to exist any Adverse Claim upon (including, without limitation, the filing of any financing statement) or with respect to, any Receivable or the Related Security, or upon or with respect to any Contract under which any Receivable arises, or assign any right to receive income with respect thereto (other than, in each case, the creation of the interests therein in favor of the Buyer provided for herein), and the Seller will defend the right, title and interest of the Buyer in, to and under any of the foregoing property, against all claims of third parties claiming through or under such Seller.

(e) Accounting for Purchases. The Seller will not account for the transactions contemplated hereby in any manner other than the sale for financial accounting purposes by the Seller to the Buyer of the Receivables sold and transferred by the Seller herein, together with the associated Related Security, except to the extent that such transactions are not recognized on account of consolidated financial reporting in accordance with generally accepted accounting principles.

ARTICLE V EVENT OF DEFAULTS

Section 5.1 Event of Defaults. The occurrence of any one or more of the following events shall constitute a Event of Default:

(a) The Seller shall fail to make any payment required hereunder when due, or to perform or observe any term, covenant or agreement hereunder or under any other Transaction Document to which it is a party and such failure shall continue for 20 days after written notice of such failure is given.

(b) The Seller fails to perform or observe in any material respect, within 15 days after written notice thereof, any other material term, covenant or agreement contained in this Agreement or any Transaction Document on its part to be performed or observed;

(c) the Buyer shall fail to have a valid and enforceable first priority, perfected (i) ownership interest in, or (ii) security interest in, each Receivable and the associated Related Security, and in the Collateral, in each case free and clear of any Adverse Claim;

(d) there shall have occurred any event not otherwise covered by this definition which has or will have a Material Adverse Effect.

(e) Any representation, warranty, certification or statement made by the Seller in this Agreement, any other Transaction Document to which it is a party, or in any other document delivered pursuant hereto or thereto shall prove to have been incorrect in any material respect when made or deemed made; provided that the materiality threshold in the preceding clause shall not be applicable with respect to any representation or warranty which itself contains a materiality threshold.

(f) Failure of Seller to pay any Indebtedness when due in excess of **\$50,000** ("Material Debt"); or the default by Seller in the performance of any term, provision or condition contained in any agreement under which any Material Debt was created or is governed, the effect of which is to cause, or to permit the holder or holders of such Material Debt to cause, such Indebtedness to become due prior to its stated maturity; or any Material Debt of Seller shall be declared to be due and payable or required to be prepaid (other than by a regularly scheduled payment) prior to the date of maturity thereof.

(g) (i) Seller or any of its Material Subsidiaries shall generally not pay its debts as such debts become due or shall admit in writing its inability to pay its debts generally or shall make a general assignment for the benefit of creditors; or (ii) any proceeding shall be instituted by or against Seller or any of its Material Subsidiaries seeking to adjudicate it bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or any substantial part of its property or (iii) Seller or any of its Material Subsidiaries shall take any corporate action to authorize any of the actions set forth in the foregoing clauses (i) or (ii) of this subsection (g).

(h) A Change of Control shall occur.

(i) One or more final judgments for the payment of money in an amount in excess of **\$50,000**, individually or in the aggregate, shall be entered against Seller on claims not covered by insurance or as to which the insurance carrier has denied its responsibility, and such judgment shall continue unsatisfied and in effect for thirty (30) consecutive days without a stay of execution.

(j) The California Franchise Tax Board or Internal Revenue Service shall file any notice of lien on any of the Receivables or the Related Security.

(k) The Seller shall admit in writing its inability, or be generally unable, to pay its debts as they become due or cease operations of its present business;

(l) any Lien created hereunder or provided for hereby or under any related agreement for any reason ceases to be or is not a valid and perfected Lien having a first priority interest; or

(m) any material provision of this Agreement shall, for any reason, cease to be valid and binding on the Seller, or the Seller shall so claim in writing to Buyer.

(n) If there (i) occurs a material adverse change in the business, operations, or condition (financial or otherwise) of Seller or (ii) is a material impairment of the prospect of repayment of any portion of the Obligations or (iii) is a material impairment of the value or priority of Buyer's security interests in the Collateral; provided, however, that Seller shall have ten Business Days from notice of default to cure any such change or impairment that is capable of cure before an Event of Default shall be deemed to have occurred under this Section.

(o) If any material portion of Seller's assets is attached, seized, subjected to a writ or distress warrant, or is levied upon, or comes into the possession of any trustee, receiver or person acting in a similar capacity and such attachment, seizure, writ or distress warrant or levy has not been removed, discharged or rescinded within ten (10) days, or if Seller is enjoined, restrained, or in any way prevented by court order from continuing to conduct all or any material part of its business affairs, or if a judgment or other claim becomes a lien or encumbrance upon any material portion of or Seller's assets, or if a notice of lien, levy, or assessment is filed of record with respect to any of or Seller's assets by the United States Government, or any department, agency, or instrumentality thereof, or by any state, county, municipal, or governmental agency, and the same is not paid within ten (10) days after the applicable or Seller receives notice thereof, provided that none of the foregoing shall constitute an Event of Default where such action or event is stayed or an adequate bond has been posted pending a good faith contest by Seller, as applicable;

(p) If any proceeding is filed or commenced by or against Seller or Seller's Subsidiaries or Seller's or any of its Subsidiaries dissolution or liquidation.

(q) There shall have occurred an Event of Default under any loan or other agreement between Buyer and Seller.

Section 5.2 Remedies.

(a) Upon the occurrence and during the continuation of an Event of Default, the Buyer may take any of the following actions: to the fullest extent permitted by applicable law, declare that the **Default Rate** shall accrue with respect to any amounts then due and owing by the Seller to the Buyer. The aforementioned rights and remedies shall be without limitation and shall be in addition to all other rights and remedies of the Buyer otherwise available under any other provision of this Agreement, by operation of law, at equity or otherwise, all of which are hereby expressly preserved, including, without limitation, the following:

(i) Exercise any and all other rights and remedies provided for herein, under the Uniform Commercial Code and at law or equity generally (all without notice to or consent by the Seller except as such notice or consent as expressly provided for hereunder or required by applicable law), including, without limitation, the right to foreclose the security interests granted herein and to realize upon any Collateral by any available judicial procedure and/or to take possession of and sell any or all of the Collateral with or without judicial process;

(ii) Buyer may enter any of any Seller's premises or other premises without legal process and without incurring liability to any Seller therefor, and the Buyer may thereupon, or at any time thereafter, in its discretion without notice or demand, take the Collateral and remove the same to such place as the Buyer may deem advisable and the Buyer may require the Seller to make the Collateral available to the Buyer at a convenient place;

(iii) With or without having the Collateral at the time or place of sale, the Buyer may sell the Collateral, or any part thereof, at public or private sale, at any time or place, in one or more sales, at such price or prices, and upon such terms, either for cash, credit or future delivery, as the Buyer may elect. Except as to that part of the Collateral which is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, the Buyer shall give the Seller reasonable notification of such sale or sales, it being agreed that in all events written notice mailed to the Seller at least five (5) days prior to such sale or sales is reasonable notification. At any public sale, the Buyer may credit bid for and become the purchaser, and the Buyer or any other purchaser at any such sale thereafter shall hold the Collateral sold absolutely free from any claim or right of whatsoever kind, including any equity of redemption and such right and equity are hereby expressly waived and released by the Seller. The proceeds realized from the sale of any Collateral shall be applied as follows: first, to the reasonable costs, expenses and attorneys' fees and expenses incurred by the Buyer for collection and for acquisition, completion, protection, removal, storage, sale and delivery of the Collateral; second, to interest due upon any of the Obligations and any fees payable under this Agreement; and, third, to the principal of the Obligations. If any deficiency shall arise, the Seller shall remain liable to the Buyer therefor and immediately pay such deficiency upon demand;

(iv) During the continuance of an Event of Default, the Buyer may appoint, remove and reappoint any person or persons, including any employee or agent of the Buyer to be a receiver (the "Receiver") which term shall include a receiver and manager of, or agent for, all or any part of the Collateral. Any such Receiver shall, as far as concerns responsibility for his acts, be deemed to be the agent of the Seller and not of the Buyer, and the Buyer shall not in any way be responsible for any misconduct, negligence or non-feasance of such Receiver, its employees or agents. Except as otherwise directed by the Buyer, all money received by such Receiver shall be received in trust for and paid to the Buyer. Such Receiver shall have all of the powers and rights of the Buyer described in this Section. The Buyer may, either directly or through its agents or nominees, exercise any or all powers and right of a Receiver; and

(v) Buyer shall have a non-exclusive, royalty-free license to use the Intellectual Property Collateral to the extent reasonably necessary to permit Buyer to exercise its rights and remedies upon the occurrence and continuance of an Event of Default.

(b) Buyer's Discretion. The Buyer shall have the right in its sole discretion to determine which rights, Liens, security interests or remedies the Buyer may at any time pursue, relinquish, subordinate, or modify or to take any other action with respect thereto and such determination will not in any way modify or affect any of the Buyer's rights hereunder.

(c) Setoff. In addition to any other rights which the Buyer may have under applicable law, upon the occurrence of an Event of Default hereunder, the Buyer shall have a right to apply any Seller's property held by the Buyer to reduce the Obligations.

(d) Rights and Remedies not Exclusive. The enumeration of the foregoing rights and remedies is not intended to be exhaustive and the exercise of any right or remedy shall not

preclude the exercise of any other right or remedies provided for herein or otherwise provided by law, all of which shall be cumulative and not alternative.

ARTICLE VI INDEMNIFICATION

Section 6.1 Indemnities, by Seller. Without limiting any other rights that the Buyer may have hereunder or under applicable law, the Seller hereby agrees to indemnify (and pay upon demand to) the Buyer and its assigns, officers, directors, agents and employees (each an "Indemnified Party") from and against any and all damages, losses, claims, taxes, liabilities, costs, expenses and for all other amounts payable, including reasonable attorneys' fees and disbursements (all of the foregoing being collectively referred to as "Indemnified Amounts") awarded against and actually paid or actually incurred by any of them arising out of or as a result of this Agreement or the purchase, either directly or indirectly, by the Buyer of any interest in the Receivables, excluding, however:

(a) Indemnified Amounts to the extent a final judgment of a court of competent jurisdiction holds that such Indemnified Amounts resulted from gross negligence or willful misconduct on the part of the Indemnified Party seeking indemnification; or

(b) taxes imposed by the jurisdiction in which such Indemnified Party's principal executive office is located, on or measured by the overall net income or gross receipts of such Indemnified Party; provided, however, that nothing contained in this sentence shall limit the liability of the Seller or limit the recourse of the Buyer to such Seller for amounts otherwise specifically provided to be paid by such Seller under the terms of this Agreement.

Without limiting the generality of the foregoing indemnification, but subject in each case to clauses (a) and (b) above, the Seller shall indemnify the Buyer for Indemnified Amounts relating to or resulting from:

(i) any representation or warranty made by the Seller (or any officers of the Seller) under or in connection with this Agreement, any other Transaction Document or any other information or report delivered by the Seller pursuant hereto or thereto;

(ii) the failure by the Seller, to comply with any applicable law, rule or regulation with respect to any Receivable or Contract related thereto or any Collateral, or the nonconformity of any Receivable or Contract included therein or any Collateral with any such applicable law, rule or regulation or any failure of the Seller to keep or perform any of its obligations, express or implied, with respect to any Contract;

(iii) any failure of the Seller to perform its duties, covenants or other obligations in accordance with the provisions of this Agreement or any other Transaction Document;

(iv) any products liability, personal injury or damage, suit or other similar claim arising out of or in connection with goods or services that are the subject of any Contract or any Receivable or Collateral;

(v) any dispute, claim, offset or defense (including a discharge in bankruptcy of the Obligor) of the Obligor to the payment of any Receivable (including, without limitation, a defense based on such Receivable or the related Contract not being a legal, valid and binding

obligation of such Obligor enforceable against it in accordance with its terms), or any other claim resulting from the sale of the goods or service related to such Receivable or the furnishing or failure to furnish such goods or services;

(vi) any Collections received, directly or indirectly by the Seller (or its agent) which are not promptly remitted to Buyer;

(vii) any investigation, litigation or proceeding related to or arising from this Agreement or any other Transaction Document, the transactions contemplated hereby, the Seller's use of the proceeds of the Purchase from it hereunder, the ownership of the Receivables originated by the Seller or any other investigation, litigation or proceeding relating to the Seller in which any Indemnified Party becomes involved as a result of any of the transactions contemplated hereby;

(viii) any inability to litigate any claim against any Obligor in respect of any Receivable reflected in any Purchase Report as being an Eligible Receivable as a result of such Obligor being immune from civil and commercial law and suit on the grounds of sovereignty or otherwise from any legal action, suit or proceeding;

(ix) any Event of Default described in Section 5.1(d);

(x) any failure to vest and maintain vested in the Buyer, or to transfer to the Buyer, ownership of the Receivables originated by the Seller and purported to be conveyed to the Buyer hereunder, together with the associated Related Security, in each case, free and clear of any Adverse Claim;

(xi) the failure to have filed, or any delay in filing, financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction with respect to any Receivable and the Related Security with respect thereto, and the proceeds of any thereof, whether at the time of the Purchase from the Seller hereunder or at any subsequent time;

(xii) any action or omission by the Seller which impairs the rights of the Buyer with respect to any Receivable or reduces the value of any such Receivable (for any reason other than the application of Collections thereto); and

(xiii) the failure of any Receivable to be an Eligible Receivable at the time acquired by the Buyer.

Section 6.2 Other Costs and Expenses. The Seller shall pay to the Buyer on demand all reasonable costs and out-of-pocket expenses actually incurred in connection with the preparation, execution and delivery of this Agreement, the transactions contemplated hereby and the other documents to be delivered hereunder. In addition to the foregoing, the Seller shall pay, on demand, any and all reasonable costs and expenses, including reasonable counsel fees and expenses, actually incurred by the Buyer in connection with (i) any amendment to or waiver of this Agreement, and/or (ii) the enforcement of this Agreement and the other documents delivered hereunder following a Event of Default.

ARTICLE VII
MISCELLANEOUS

Section 7.1 Waivers and Amendments.

(a) No failure or delay on the part of the Buyer in exercising any power, right or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or remedy preclude any other further exercise thereof or the exercise of any other power, right or remedy. The rights and remedies herein provided shall be cumulative and nonexclusive of any rights or remedies provided by law. Any waiver of this Agreement shall be effective only in the specific instance and for the specific purpose for which given.

(b) No provision of this Agreement may be amended, supplemented, modified or waived except in writing signed by the Seller and the Buyer.

Section 7.2 Notices. All communications and notices provided for hereunder shall be in writing (including bank wire, telecopy or electronic facsimile transmission or similar writing) and shall be given to the other parties hereto at their respective addresses or telecopy numbers set forth on the signature pages hereof or at such other address or telecopy number as such Person may hereafter specify for the purpose of notice to each of the other parties hereto. Each such notice or other communication shall be effective (a) if given by telecopy, upon the receipt thereof, (b) if given by mail, three (3) Business Days after the time such communication is deposited in the mail with first class postage prepaid or (c) if given by any other means, when received at the address specified in this Section 7.2.

Section 7.3 Protection of Ownership Interests of the Buyer.

(a) The Seller agrees that from time to time, at its expense, it will promptly execute and deliver all instruments and documents, and take all actions, that may be necessary or desirable, or that the Buyer may request, to perfect, protect or more fully evidence the interest of the Buyer hereunder, or to enable the Buyer to exercise and enforce their rights and remedies hereunder. At any time following a Event of Default, the Buyer may, at the Seller's sole cost and expense, direct the Seller to notify the Obligors of Receivables of the ownership interests of the Buyer under this Agreement and may also direct that payments of all amounts due or that become due under any or all Receivables be made directly to the Buyer's designee.

(b) If Seller fails to perform any of its obligations hereunder, the Buyer may (but shall not be required to) perform, or cause performance of, such obligations, and the Buyer's (or such assigns') costs and expenses incurred in connection therewith shall be payable by the Seller as provided in Section 6.2. The Seller irrevocably authorizes the Buyer at any time and from time to time in the sole discretion of the Buyer, and appoints the Buyer as its attorney(ies)-in-fact, to act on behalf of the Seller (i) to execute on behalf of the Seller as debtor, in the event the Seller fails to timely execute, and to file financing statements necessary in the Buyer's reasonable opinion to perfect and to maintain the perfection and priority of the interest in the Receivables and (ii) in the event the Seller fails to deliver any financing statement requested pursuant to the preceding clause (i), to file a carbon photographic or other reproduction of this Agreement or any financing statement with respect to receivables as a financing statement in such offices as the Buyer in its sole discretion deem necessary or desirable to perfect and to maintain the perfection and priority of the Buyer's interest in the Receivables. This appointment is coupled with an interest and is able.

Section 7.4 CHOICE OF LAW. THIS AGREEMENT SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (AND NOT THE LAW OF CONFLICTS) OF THE STATE OF CALIFORNIA.

Section 7.5 CONSENT TO JURISDICTION. SELLER HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR CALIFORNIA STATE COURT SITTING IN ORANGE COUNTY, CALIFORNIA IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY DOCUMENT EXECUTED BY SELLER PURSUANT TO THIS AGREEMENT AND SELLER HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF BUYER (OR ITS ASSIGNS) TO BRING PROCEEDINGS AGAINST SELLER IN THE COURTS OF ANY OTHER JURISDICTION.

Section 7.6 WAIVER OF JURY TRIAL. TO THE FULLEST EXTENT PERMITTED APPLICABLE LAW, EACH PARTY HERETO HEREBY WAIVES TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT, ANY DOCUMENT EXECUTED BY SELLER PURSUANT TO THIS AGREEMENT OR THE RELATIONSHIP ESTABLISHED HEREUNDER OR THEREUNDER.

Section 7.7 Integration; Binding Effect; Survival of Terms.

(a) The Transaction Documents contain the final and complete integration of all prior expressions by the parties hereto with respect to the sale and collection of the Receivables and Related Security and shall constitute the entire agreement among the parties hereto with respect to such subject matter, superseding all prior oral or written understandings with respect to the sale and collection of the Receivables and Related Security.

(b) Nothing contained herein or in any other Transaction Document shall be deemed to prohibit or limit any merger or consolidation of Seller with another Seller so long as any necessary financing statements are filed, promptly after the effectiveness of such merger or consolidation, under the UCC in all jurisdictions necessary to make the representations and warranties contained in this Agreement true and correct after giving effect to such merger or consolidation. This Agreement shall be binding upon and inure to the benefit of the Seller, the Buyer and their respective successors and permitted assigns (including any trustee in bankruptcy). No Seller may assign any of its rights and obligations hereunder or any interest herein without the prior written consent of the Buyer; provided, however, that no consent of the Buyer shall be required in connection with an assignment by operation of law to the surviving Seller in a merger or consolidation described in the first sentence of this Section 8.9(b). The Buyer may pledge or assign at any time its rights and obligations hereunder and interests herein to any other Person without the consent of Seller. This Agreement shall create and constitute the continuing obligations of the parties hereto in accordance with its terms and shall remain in full force and effect until terminated in accordance with its terms; provided, however, that the rights and remedies with respect to (i) any breach of any representation and warranty made by Seller pursuant to Article II; (ii) the indemnification and payment provisions of Article VI; and (iii) Section 8.4 shall be continuing and shall survive any assignment or termination of this Agreement.

Section 7.8 Counterparts; Severability; Section References. This Agreement may be executed in any number of counterparts and by facsimile (and each party agrees to deliver original signature pages to each other within 2 days of the Closing Date) by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same Agreement. Any provisions of this Agreement which are 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. Unless otherwise expressly indicated, all references herein to "Article," "Section," "Schedule" or "Exhibit" shall mean articles and sections of, and schedules and exhibits to, this Agreement.

Section 7.9 Attachment. The security interest created hereby is intended to attach when this Agreement is executed by the Seller and delivered to the Buyer.

Section 7.10 Representations Regarding Usury. Buyer and Seller represent and warrant that the officers, directors, controlling persons or managers of Buyer and Seller, respectively, have a preexisting personal or business relationship with the officers, directors, controlling persons or managers of the other party and that each has the capacity to protect its own interests in connection with this Agreement. Seller further represents and warrants, that the Obligations evidenced by this Agreement are not guaranteed by an individual, a revocable trust having one or more individuals as trustees, or partnership in which, at the time of this Agreement, one or more individuals are general partners.

7.11 Confidentiality. The Buyer (and, accordingly, each of its assigns) shall maintain, and shall cause each of its employees, officers and agents to maintain, the confidentiality of any information obtained by it regarding the Seller and in respect of the Receivables (including, without limitation, credit losses and delinquency levels) and any other proprietary or confidential information with respect to the Obligors, the Receivables, and the Seller in communications with third parties; provided, however, such information may be disclosed to third parties to the extent such disclosure is (i) required to comply with any applicable law (including federal and state securities laws) or order of any judicial or administrative proceeding, or (ii) required in response to any summons or subpoena or in connection with any litigation.

(Signature pages follows)

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their duly authorized officers as of the date hereof in Anaheim, California.

Odetics, Inc., a Delaware corporation

By: /s/ GREGORY A. MINER
Name: Gregory A. Miner
Title: CEO

Address: Odetics, Inc.
1515 S. Manchester Avenue
Anaheim, CA 92802
Attention: Chief Financial Officer
Telecopier: (714) 780-7857

TECHNOLOGY LENDING PARTNERS, LLC,
a California limited liability company

By: /s/ JOEL SLUTZKY
Name: Joel Slutzky, Manager

Address: Technology Lending Partners, LLC
424 Via Lido Nord
Newport Beach, CA 92663
Attention: Joel Slutzky
Telecopier: (949) 673-5224

Exhibit I

Definitions

This is Exhibit I to the Agreement (as hereinafter defined). As used in the Agreement and the Exhibits and Schedules thereto, capitalized terms have the meanings set forth in this Exhibit I (such meanings to be equally applicable to the singular and plural forms thereof).

“Accounts” means all of the Seller’s now owned or hereafter acquired right, title, and interest with respect to “accounts” (as that term is defined in the California Uniform Commercial Code), and any and all supporting obligations in respect thereof. Without limiting the generality of the foregoing, the term “Accounts” shall further include all presently existing and hereafter arising accounts, contract rights, and all other forms of obligations owing to Seller arising out of the sale or lease of goods (including, without limitation, the licensing of software and other technology) or the rendering of services by Seller, whether or not earned by performance.

“Accrued Interest” means the interest accruing under Section 1.2(d).

“Adverse Claim” means a lien, security interest, charge or encumbrance, or other right or claim in, of or on any Person’s assets or properties in favor of any other Person.

“Affiliate” of any Person shall mean any Person that owns or controls directly or indirectly such Person, any Person that controls or is controlled by or is under common control with such Person, and each of such Person’s senior executive officers, directors, partners and, for any Person that is a limited liability company, such Persons, managers and members

“Agreement” means the Receivables Purchase Agreement, dated as of October 18, 2002, among Seller and the Buyer, as the same may be amended, restated or otherwise modified.

“Business Day” means any day on which banks are not authorized or required to close in California.

“Buyer” has the meaning set forth in the preamble to the Agreement.

“Calculation Period” means each fiscal month of the Buyer or portion thereof which elapses during the term of the Agreement. The first Calculation Period shall commence on the date of the Purchases hereunder and the final Calculation Period shall terminate on the Termination Date. For purposes of the use of this term in other definitions in Exhibit I to this Agreement, Calculation Periods occurring prior to the date of the Purchases hereunder shall mean a fiscal month of the Buyer.

“Change of Control” means the acquisition by any Person, or two or more Persons acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of 30% or more of the outstanding shares of voting stock of Parent, or Parent ceases to own, directly or indirectly, all of the outstanding shares of voting stock of the Seller.

“Charges” shall mean all taxes, charges, fees, imposts, levies or other assessments, including, without limitation, all net income, gross income, gross receipts, sales, use, ad valorem,

value added, transfer, franchise, profits, inventory, capital stock, license, withholding, payroll, employment, social security, unemployment, excise, severance, stamp, occupation and property taxes, custom duties, fees, assessments, liens, claims and charges of any kind whatsoever, together with any interest and any penalties, additions to tax or additional amounts, imposed by any taxing or other authority, domestic or foreign, upon the Seller or any of its Affiliates.

“Collateral” means all of the Seller’s property, whether now owned or hereafter acquired or arising and wherever located, including, without limitation, the following types or items of property:

- i. Accounts;
- ii. Chattel Paper;
- iii. Contracts;
- iv. Investment Property;
- v. Inventory;
- vi. Equipment;
- vii. General Intangibles and Intellectual Property Collateral;
- viii. Goods;
- ix. Instruments and letters of credit;
- x. Deposit Accounts;
- xi. money, cash or cash equivalents;
- xii. money, cash, cash equivalents and other assets of Seller that now or hereafter come into the possession, custody, or control of any member of the Seller; and

(m) to the extent not otherwise included, all of the proceeds and products, whether tangible or intangible, of any of the foregoing, including proceeds of insurance covering any or all of the foregoing and all accessions to, substitutions and replacements for, and rents and profits of each of the foregoing, and any and all Accounts, Investment Property, Inventory, Equipment, General Intangibles, money or other tangible or intangible property resulting from the sale, exchange, collection, or other disposition of any of the foregoing, or any portion thereof or interest therein, and the proceeds thereof.

“Collection Accounts” means those accounts shown on Exhibit III, as the same may be amended from time to time by the Buyer in accordance with the terms hereof.

“Collection Records” means, with respect to any Receivable, all Invoices and all other documents, books, records and other information (including, without limitation, computer programs, tapes, disks, punch cards, data processing software and related property and rights) relating to amounts paid on or owing in respect of such Receivable.

“Collections” means, with respect to any Receivable, all cash collections and other cash proceeds in respect of such Receivable, including, without limitation, all Finance Charges or other related amounts accruing in respect thereof and all cash proceeds of Related Security with respect to such Receivable.

“Collection Fee” means the fee charged by Seller to advance the Purchase Price and to collect the Receivables, which fee shall equal five percent (5%) of the Original Balance.

“Contingent Obligation” of a Person means any agreement, undertaking or arrangement by which such Person assumes, guarantees, endorses, contingently agrees to purchase or provide funds for the payment of, or otherwise becomes or is contingently liable upon, the obligation or liability of any other Person, or agrees to maintain the net worth or working capital or other financial condition of any other Person, or otherwise assures any creditor of such other Person against loss, including, without limitation, any comfort letter, operating agreement, take-or-pay contract or application for a letter of credit.

“Contract” means, with respect to any Receivable, any and all instruments and agreements, if any, pursuant to which such Receivable arises but excluding any Invoice.

“Copyrights” means any and all copyright rights, copyright applications, copyright registrations and like protections in each work or authorship and derivative work thereof, whether published or unpublished and whether or not the same also constitutes a trade secret, now or hereafter existing, created, acquired or held.

“Credit and Collection Policy” means the Seller’s credit and collection policies and practices relating to Contracts and Receivables existing on and as administered historically prior to the date hereof and summarized in **Exhibit V**, as modified from time to time in accordance with the Agreement.

“Default Rate” means a per annum rate of interest equal to 15% per annum; provided, however, that such Default Rate shall not at any time exceed the maximum rate permitted by applicable law.

“Defaulted Receivable” means a Receivable: (i) as to which the Obligor thereof has suffered an Event of Bankruptcy; (ii) which, consistent with the Credit and Collection Policy, would be written off Seller’s books as uncollectible; or (iii) as to which any payment, or part thereof, remains unpaid for **91** days or more from the original due date for such payment.

“Delinquent Receivable” means a Receivable as to which any payment, or part thereof, remains unpaid for **31-60** days from the original due date for such payment.

“Eligible Receivable” means, at any time, a Receivable:

(i) the Obligor of which (a) if a natural person, is a resident of the United States or, if a corporation or other business organization, is organized under the laws of the United States or any political subdivision of the United States and has its chief executive office in the United States; (b) is not an Affiliate of any of the parties hereto; and (c) is not a government or a governmental subdivision or agency,

(ii) which is not a Defaulted Receivable,

- (iii) which was not a Delinquent Receivable on the Closing Date.
- (iv) which (A) by its terms is due and payable within **30** days of the original billing date therefor, and (B) has not had its payment terms extended more than once.
- (v) which is an “account,” a “general intangible” or “chattel paper” within the meaning of Article 9 of the UCC in the applicable jurisdiction, and is not evidenced by an “instrument” within the meaning of Article 9 of the UCC,
- (vi) which is denominated and payable only in United States Dollars in the United States,
- (vii) which is in full force and effect and constitutes the legal, valid and binding obligation of the related Obligor enforceable against such Obligor in accordance with its terms,
- (viii) which (A) does not require the Obligor’s consent to the transfer, sale, pledge or assignment of the rights of the Seller under the applicable Contract or Invoice and (B) does not contain a confidentiality provision that purports to restrict the ability of the Buyer to exercise its rights under this Agreement, including, without limitation, its right to review the Contract or Invoice applicable thereto,
- (ix) which represents an obligation to pay a specified sum of money, contingent only upon (A) the sale of goods or the provision of services by the applicable Seller (which sale has been consummated or services have been performed), and (B) satisfaction by the Seller of any applicable warranty claims which have not yet been made or asserted,
- (x) which does not contravene any law, rule or regulation applicable thereto (including, without limitation, any law, rule and regulation relating to truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy),
- (xi) which satisfies all applicable requirements of the applicable Credit and Collection Policy,
- (xii) which was generated in the ordinary course of the applicable Seller’s business,
- (xiii) which arises solely from the sale (and not the lease) of goods or the provision of services to the related Obligor by the applicable Seller or a predecessor to the Seller, and not by any other Person(in whole or in part),
- (xiv) which is not the subject of, to the Seller’s knowledge, any dispute, counterclaim, right of rescission, set-off, counterclaim or any other defense (including defenses arising out of violations of usury laws) of the applicable Obligor against the applicable Seller or any other Adverse Claim, and the Obligor thereon holds no right as against such Seller to cause the Seller to repurchase the goods or merchandise the sale of which shall have given rise to such Receivable (except with respect to sale discounts effected pursuant to the Contract, or defective goods returned in accordance with the terms of the Contract); provided, however, that if such dispute, offset, counterclaim or defense affects only a portion of the Outstanding Balance of such Receivable, then such Receivable may be deemed an Eligible Receivable to the extent of the portion of such Outstanding Balance which is not so affected, and provided, further, that Receivables of any Obligor which has any accounts payable by the Seller or by a wholly-owned Subsidiary of such Seller (thus giving rise to a potential offset against such Receivables) may be treated as Eligible Receivables to the extent that the Obligor of such Receivables has agreed

pursuant to a written agreement in form and substance satisfactory to the Buyer, that such Receivables shall not be subject to such offset,

(xv) as to which the applicable Seller has satisfied and fully performed all obligations on its part with respect to such Receivable required to be fulfilled by it, and no further action is required to be performed by any Person with respect thereto other than payment thereon by the applicable Obligor, and

(xvi) as to which each of the representations and warranties contained in Sections 2.1(i), (1) and (s) is true and correct.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any rule or regulation issued thereunder.

“ERISA Affiliate” means any trade or business (whether or not incorporated) under common control with Seller within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code).

“ERISA Event” means (a) a Reportable Event with respect to a Pension Plan; (b) a withdrawal by Seller or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001 (a) (2) of ERISA) or a cessation of operations which is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by Seller or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (d) the filing of a notice of intent to terminate, the treatment of a Plan amendment as a termination under Section 4041 or 404 IA of ERISA, or the commencement of proceedings by the PBGC to terminate a Pension Plan or Multiemployer Plan; (e) an event or condition which might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or Multiemployer Plan; or (f) the imposition of any liability under Title IV of ERISA, other than PBGC premiums due but not delinquent under Section 4007 of ERISA, upon any Seller or any ERISA Affiliate.

“Event of Default” has the meaning set forth in Section 5.1 of the Agreement.

“Finance Charges” means, with respect to any Contract, any finance, interest, late payment charges or similar charges owing by an Obligor pursuant to such Contract.

“Governmental Body” shall mean any nation or government, any state, province or other political subdivision thereof or any entity exercising the legislative, judicial, regulatory or administrative functions of or pertaining to a government.

“Indebtedness” of a Person means such Person’s (i) obligations for borrowed money, (ii) obligations representing the deferred purchase price of property or services (other than accounts payable arising in the ordinary course of such Person’s business payable on terms customary in the trade), (iii) obligations, whether or not assumed, secured by liens or payable out of the proceeds or production from property now or hereafter owned or acquired by such Person, (iv) obligations which are evidenced by notes, acceptances, or other instruments, (v) capitalized lease obligations, (vi) net liabilities under interest rate swap, exchange or cap agreements, (vii) Contingent Obligations and (viii) liabilities in respect of unfunded vested benefits under plans covered by Title IV of ERISA.

“Closing Date” means the day that this Agreement is executed by all of the parties hereto as reflected on the signature page of this Agreement.

“Intellectual Property Collateral” means all of Seller’s right, title and interest in and to the following:

- (a) Copyrights, Trademarks, Patents, and Mask Works;
- (b) Any and all trade secrets, and any and all intellectual rights in computer software and computer software products now or hereafter existing, created, acquired or held;
- (c) Any and all design rights which may be available to Seller now or hereafter existing, created, acquired or held;
- (d) Any and all claims for damages by way of past, present and future infringement of any of the rights included above, with the right, but not the obligation, to sue for and collect such damages for said use or infringement of the intellectual property rights identified above;
- (e) All licenses or other rights to use any of the Copyrights, Patents, Trademarks, or Mask Works, and all license fees and royalties arising from such use to the extent permitted by such license or rights;
- (f) All amendments, renewals and extensions of any of the Copyrights, Trademarks, Patents or Mask Works; and
- (g) All proceeds and products of the foregoing, including without limitation all payments under insurance or any indemnity or warranty payable in respect of any of the foregoing.

“Invoice” means any paper or electronic invoice evidencing any Receivable.

“Lien” shall mean any mortgage, deed of trust, pledge, hypothecation, assignment, security interest, lien (whether statutory or otherwise), Charge, claim or encumbrance, or preference, priority or other security agreement or preferential arrangement held or asserted in respect of any asset of any kind or nature whatsoever including, without limitation, any conditional sale or other title retention agreement, any lease having substantially the same economic effect as any of the foregoing, and the filing of, or agreement to give, any financing statement under the Uniform Commercial Code or comparable law of any jurisdiction.

“Lock-Boxes” means those lock-boxes shown on Exhibit III, as the same may be amended from time to time by the Buyer in accordance with the terms hereof.

“Mask Works” means all mask works or similar rights available for the protection of semiconductor chips, now owned or hereafter acquired.

“Material Adverse Effect” means a material adverse effect on (i) the financial condition or results of operations of Parent and its Subsidiaries, considered as a whole, (ii) the ability of Seller to perform its obligations under this Agreement or any other Transaction Document to which such Seller is a party, (iii) the legality, validity or enforceability of this Agreement or any other Transaction Document to which the Seller is a party, (iv) Seller’s, the Buyer’s interest in the Receivables generally or in any significant portion of the Receivables or the Related Security with respect thereto, or (v) the collectibility of the Receivables generally or of any material portion of the Receivables.

“Material Subsidiary” means, as of the date of any determination thereof, any Subsidiary that either: (a) owns assets having a book value equal to or greater than 5% of the consolidated total assets shown on the consolidated balance sheet of Parent and its consolidated subsidiaries, or (b) had net income for any prior period of four consecutive fiscal quarters equal to or greater than 5% of the Parent’s and its consolidated subsidiaries consolidated net income shown on the statements of earnings for the same four fiscal quarter period.

“Monthly Reporting Date” means the 10th business day of each calendar month hereafter (or if any such day is not a Business Day, the next succeeding Business Day thereafter).

“Multiemployer Plan” means a “multiemployer plan,” within the meaning of Section 4001(a)(3) of ERISA, to which Seller or any ERISA Affiliate makes, is making, or is obligated to make contributions or, during the preceding three calendar years, has made, or been obligated to make, contributions.

“Obligor” means a Person obligated to make payments on a Receivable.

“Obligations” shall mean and include any and all loans, advances, debts, liabilities, obligations, covenants and duties owing by the Seller to the Buyer or to any other direct or indirect subsidiary or affiliate of the Buyer of any kind or nature, present or future (including, without limitation, any interest accruing thereon after maturity, or after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding relating to the Seller, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding), whether or not evidenced by any note, guaranty or other instrument, whether arising under any agreement, instrument or document, (including, without limitation, this Agreement) whether or not for the payment of money, whether arising by reason of an extension of credit, opening of a letter of credit, loan, equipment lease or guarantee, under any interest or currency swap, future, option or other similar agreement, or in any other manner, whether arising out of overdrafts or deposit or other accounts or electronic funds transfers (whether through automated clearing houses or otherwise) or out of the Buyer’s non-receipt of or inability to collect funds or otherwise not being made whole in connection with depository transfer check or other similar arrangements, whether direct or indirect (including those acquired by assignment or participation), absolute or contingent, joint or several, due or to become due, now existing or hereafter arising, contractual or tortious, liquidated or unliquidated, regardless of how such indebtedness or liabilities arise or by what agreement or instrument they may be evidenced or whether evidenced by any agreement or instrument, including, but not limited to, any and all of the Seller’s obligations under Section 1.2(e) and Section 1.3 of this Agreement to purchase certain Receivables from Buyer, and/or liabilities under this Agreement, or under any other agreement between the Buyer and the Seller and any amendments, extensions, renewals or increases and all costs and expenses of the Buyer incurred in the documentation, negotiation, modification, enforcement, collection or otherwise in connection with any of the foregoing, including but not limited to reasonable attorneys’ fees and expenses and all obligations of the Seller to the Buyer to perform acts or refrain from taking any action.

“Organizational Documents” means, for any Person, the documents for its formation and organization, which, for example, (a) for a corporation are its corporate charter and bylaws, (b) for a partnership are its certificate of partnership (if applicable) and partnership agreement, (c) for a limited liability company are its certificate of formation or organization and its operating agreement, regulations or the like and (d) for a trust is the trust agreement, declaration of trust, indenture or bylaws under which it is created.

“Original Balance” means **\$584,592.50** which is the sum of the outstanding balance of the Receivables owed to Seller as of the Closing Date.

“Seller” has the meaning set forth in the preamble to the Agreement.

“Other Records” means, with respect to any Receivable: (a) all Contracts and (b) all other documents, books, records and other information (including, without limitation, computer programs, tapes, disks, punch cards, data processing software and related property and rights) relating to the creditworthiness of any Obligor in respect thereof.

“Outstanding Balance” of any Receivable at any time means then outstanding principal balance thereof.

“Patents” means all patents, patent applications and like protections, including without limitation improvements, divisions, continuations, renewals, reissues, extensions and continuations-in-part of the same.

“Parent” means **Odetics, Inc.**, a Delaware corporation, and its successors.

“PBGC” means the Pension Benefit Guaranty Corporation, or any successor thereto.

“Pension Plan” means a pension plan (as defined in Section 3(2) of ERISA) subject to Title IV of ERISA which Seller sponsors or maintains, or to which it makes, is making, or is obligated to make contributions, or in the case of a multiple employer plan (as described in Section 4064(a) of ERISA) has made contributions at any time during the immediately preceding five plan years.

“Person” means an individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

“Plan” means an employee benefit plan (as defined in Section 3(3) of ERISA) which Seller or any of its ERISA Affiliates sponsors or maintains or to which Seller or any of its ERISA Affiliates makes, is making, or is obligated to make contributions and includes any Pension Plan, other than a Plan maintained outside the United States primarily for the benefit of Persons who are not U.S. residents.

“Purchase” means the purchase by the Buyer from Seller pursuant to Section 1.1(a) of the Agreement of the Receivables originated by the Seller and the Related Security related thereto, together with all related rights in connection therewith.

“Purchase Price” means, with respect to the Purchase from the Seller, the aggregate price to be paid by the Buyer to the Seller for the Purchase in accordance with Section 1.2 of the Agreement, which price is further described in **Exhibit VI**.

“Receivables” means the indebtedness and other obligations owed to Seller as of the date of this Agreement as described in the **attached Schedule I** which schedule reflects a copy of each invoice and the balance owed by the customer with respect to such invoices, together with the obligation, if any, to pay any Finance Charges with respect thereto and all proceeds thereof. The individual invoices and any amounts owed with respect to a particular invoice may be referred to in this Agreement as a “**Receivable**” and all of the invoices collectively as the “**Receivables**.” For

purposes of this Agreement, indebtedness and other rights and obligations arising from any one transaction, including, without limitation, indebtedness and other rights and obligations represented by an individual invoice, shall constitute a Receivable separate from a Receivable consisting of the indebtedness and other rights and obligations arising from any other transaction; provided, further, that any indebtedness, rights or obligations referred to in the immediately preceding sentence shall be a Receivable regardless of whether the account debtor or the Seller treats such indebtedness, rights or obligations as a separate payment obligation.

“Related Security” means, with respect to any Receivable:

- (i) all of the applicable Seller’s interest, if any, in the goods (including returned or repossessed goods), the sale of which by the Seller gave rise to such Receivable,
- (ii) all other security interests or liens and property subject thereto from time to time, if any, purporting to secure payment of such Receivable, together with all financing statements and security agreements describing any collateral securing such Receivable,
- (iii) all guaranties, letters of credit, credit insurance and other agreements or arrangements of whatever character from time to time supporting payment of such Receivable,
- (iv) all service contracts and agreements, if any, associated with such Receivable,
- (v) all Collections, and
- (vi) all other proceeds and insurance proceeds of any of the foregoing or of any Receivable.

“Reportable Event” means any of the events set forth in Section 4043(c) of ERISA or the regulations thereunder.

“Responsible Financial Officer” means chief financial officer.

“Subsidiary” shall mean a corporation or other entity of whose shares of stock or other ownership interests having ordinary voting power (other than stock or other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the directors of such corporation, or other Persons performing similar functions for such entity, are owned, directly or indirectly, by such Person.

“Taxes” means all taxes, surtaxes, duties, levies, imposts, rates, fees, assessments, withholdings, dues and other charges of any nature imposed by any Governmental Body (including income, capital (including large corporations), withholding, consumption, sales, use, transfer, goods and services or other value-added, excise, customs, anti-dumping, countervail, net worth, stamp, registration, franchise, payroll, employment, health, education, business, school, property, local improvement, development, education development and occupation taxes, surtaxes, duties, levies, imposts, rates, fees, assessments, withholdings, dues and charges) together with all fines, interest, penalties on or in respect of, or in lieu of or for non-collection of, those taxes, surtaxes, duties, levies, imposts, rates, fees, assessments, withholdings, dues and other charges (excluding taxes imposed on the net income or capital of the Seller); excluding, however, the following: taxes imposed on the net income or capital of the Seller by the jurisdiction under the laws of which the Seller is organized or is resident or carrying on business

or any political subdivision thereof and taxes imposed on its net income or capital by the jurisdiction the Seller's applicable lending office or any political subdivision thereof

"Transaction Documents" means, collectively, this Agreement and all exhibits and schedules relating thereto.

"Uniform Commercial Code" means the California Uniform Commercial Code in effect from time to time.

"Uniform Commercial Code Terms." All terms used herein and defined in the Uniform Commercial Code as in effect from time to time in the State of California shall have the meaning given therein unless otherwise defined herein.

"Unmatured Event of Default" means an event which, with the passage of time or the giving of notice, or both, would constitute a Event of Default.

All accounting terms not specifically defined herein shall be construed in accordance with GAAP. All terms used in Article 9 of the Uniform Commercial Code in the State of CALIFORNIA, and not specifically defined herein, are used herein as defined in such Article 9.

Exhibit II

Places of Business; Locations of Collection Records

Places of Business and Location of Collection Records:

Odetics, Inc.
1515 S. Manchester Avenue
Anaheim, CA 92802
Attention: Chief Financial Officer
Telecopier: (714) 780-7857

Legal, Trade and Assumed Names: Zyfer, Inc.

EXHIBIT III

Lock-Boxes and Collection Accounts

LOCK-BOX: none at this time.

BUYER'S COLLECTION ACCOUNT:

Bank: City National Bank
Account No. 402 136 685

ABA No.

The foregoing may be changed by the Buyer at any time upon 15 days prior written notice to the Seller.

Exhibit IV

Form of Compliance Certificate

This Compliance Certificate is furnished pursuant to that certain Receivables Purchase Agreement dated as of October 18, 2002, between Odetics, Inc. and TECHNOLOGY LENDING PARTNERS, LLC (as amended, restated or otherwise modified from time to time in accordance with the Transaction Documents, the "Agreement"). Capitalized terms used and not otherwise defined herein are used with the meanings attributed thereto in the Agreement.

THE UNDERSIGNED HEREBY CERTIFIES:

1. I am the duly elected _____ and, accordingly, a Responsible Financial Officer, of Odetics, Inc., a Delaware corporation (the "Parent").
2. I have reviewed the terms of the Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of Parent and its Subsidiaries during the accounting period covered by the attached financial statements.
3. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or event which constitutes a Event of Default or an Unmatured Event of Default, as each such term is defined under the Agreement, during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate.
4. Described below are the exceptions, if any, to paragraph 3 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which Parent and its Subsidiaries have taken, is taking, or proposes to take with respect to each such condition or event: see below.

The foregoing certifications, together with the computations set forth in Schedule I hereto and the financial statements delivered with this Certificate in support hereof, are made and delivered this _____ day of October, 2002.

Name: _____
Title: _____

Exhibit V

Credit and Collection Policy

[see Schedule A]

Exhibit VI

Purchase Price

Aggregate Outstanding Balance of Receivables as of the date hereof:	\$	584,592.50
Less: Collection Fee(5%)	\$	29,229.62
Equals: Gross Purchase Price Payable:	\$	555,362.88
Less Discount: (20% of Outstanding Balance):	\$	[116,918.50]
Equals: Net Cash Purchase Price:	\$	438,444.38

Schedule A

DOCUMENTS TO BE DELIVERED TO BUYER
ON OR PRIOR TO THE CLOSING

1. Executed copies of the Receivables Purchase Agreement, duly executed by the parties thereto.
2. **Credit and Collection Policy:** Seller intends to pursue prompt collection per its normal collection procedures and a written copy of such procedures is waived.
3. A certificate of the Seller's Secretary certifying:
 - (a) A copy of the Resolutions of the Board of Directors of such Seller, authorizing Seller's execution, delivery and performance of the Receivables Purchase and Sale Agreement and the other documents to be delivered by it thereunder;
 - (b) A copy of the Organizational Documents of the Seller (also certified, to the extent that such documents are filed with any governmental authority, by the Secretary of State of the jurisdiction of organization of the Seller on or within thirty (30) days prior to closing);
 - (c) Good Standing Certificates for the Seller issued by the Secretaries of State of its state of incorporation and the State of CALIFORNIA; and

(d) The names and signatures of the officers authorized on its behalf to execute the Receivables Purchase Agreement and any other documents to be delivered by it thereunder.

4. Duly executed UCC financing statements, in form appropriate for filing in all jurisdictions as may be necessary or, in the opinion of the Buyer desirable, under the UCC of all appropriate jurisdictions or any comparable law in order to perfect the transfer of the ownership interests contemplated by the Receivables Purchase Agreement.

6. Duly executed UCC termination statements, in form suitable for filing, if any, necessary to release all security interests and other rights of any Person in the Receivables, Contracts Related Security previously granted by the Seller.

7. A Certificate of a Responsible Financial Officer of the Seller certifying that, as of the Closing date, no Event of Default or Unmatured Event of Default exists and is continuing.

8. Executed copies of (i) all consents from and authorizations by any Persons and (ii) all waivers and amendments to existing credit facilities, that are necessary in connection with the Receivables Purchase Agreement.

SCHEDULE I

List of Receivables:

Zyfer, Inc. invoice number 140-945, 140 944, 140 936, 140 938.

AMENDMENT NUMBER ONE TO
RECEIVABLES PURCHASE AGREEMENT

Dated as of November 27, 2002

among

Odetics, Inc.,

and

TECHNOLOGY LENDING PARTNERS, LLC,

as the Buyer

AMENDMENT NUMBER ONE TO RECEIVABLES PURCHASE AGREEMENT

THIS AMENDMENT NUMBER ONE TO RECEIVABLES PURCHASE AGREEMENT ("Agreement"), dated as of November 27, 2002, is by and among Odetics, Inc., a Delaware corporation ("Seller"), and Technology Lending Partners, LLC, a California limited liability company ("Buyer"). This Agreement is intended to amend and modify the terms of that certain Receivables Purchase Agreement ("**Original Agreement**") dated October 18, 2002 among Seller and Buyer as described herein. Unless defined elsewhere herein, capitalized terms used in this Agreement shall have the meanings assigned to such terms in **Exhibit I** of the Original Agreement.

PRELIMINARY STATEMENTS

A. The parties hereto intend to amend the Original Agreement to provide for an additional purchase of specific accounts receivables (the "Receivables"), which are listed in **Schedule I** attached hereto, and that all transfers of such Receivables hereunder, be true sales to the Buyer by the Seller of the Receivables originated by it, providing the Buyer with the full benefits of ownership of such Receivables, and the Seller and the Buyer do not intend these transactions to be, or for any purpose to be characterized as loans from the Buyer to the Seller. Reference to "**Receivables**" in this Agreement shall mean the accounts receivable that are described in **Schedule I** attached hereto

B. The parties intend that the purchase of the Receivables herein shall be governed by all of the terms and conditions of the Original Agreement except as specifically provided for herein.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual agreements herein contained and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. Purchase of Receivables.

(a) Effective on the Closing Date, in consideration for the purchase price to be paid to the Seller and upon the terms and subject to the conditions set forth herein, the Seller does hereby sell, assign, transfer, set-over and otherwise convey to the Buyer, and the Buyer does hereby purchase from the Seller, all of the Seller's right, title and interest in and to the Receivables, together, in each case, with all Related Security relating thereto. In accordance with the preceding sentence, on the Closing Date, the Buyer shall acquire all of the Seller's right, title and interest in and to the Receivables, together with all of the Seller's rights in and to all Related Security relating thereto. The Buyer shall be obligated to pay the purchase price for the Receivables purchased hereunder from the Seller in accordance with Section 2 herein.

(b) On each Monthly Reporting Date, the Buyer shall submit a report to Seller which reflects the details of the Collections relating to the Receivables received since the Closing Date.

(c) It is the intention of the parties hereto that the purchase of Receivables from Seller made hereunder shall constitute a sale, which sale is absolute and irrevocable and

provides the Buyer with the full benefits of ownership of the Receivables originated by the Seller. The sale of Receivables hereunder by the Seller is made with recourse to Seller as described herein, and this sale does not constitute and is not intended to result in an assumption by the Buyer or any assignee thereof of any obligation of the Seller or any Person arising in connection with the Receivables, the related Contracts and /or other Related Security or any other obligations of the Seller. In view of the intention of the parties hereto that the purchase of Receivables hereunder shall constitute a sale of such Receivables rather than loans secured thereby, the Seller agrees that it will, on or prior to the date hereof and in accordance with Section 4.1 (e)(ii) of the Original Agreement, mark its master data processing records relating to the Receivables originated by it with a legend properly evidencing that the Buyer has purchased such Receivables as provided in this Agreement and to appropriately disclose in its financial statements that its Receivables have been sold to the Buyer. Upon the request of the Buyer, the Seller will execute and file such financing or continuation statements, or amendments thereto or assignments thereof, and such other instruments or notices, as may be necessary or appropriate perfect and maintain the perfection of the Buyer's ownership interest in the Receivables originated by such Seller and the Related Security with respect thereto, or as the Buyer may reasonably request.

2. Payment for the Purchase.

(a) The purchase price ("**Purchase Price**") in the amount of \$300,252.35 for the Purchase from the Seller of the Receivables, as described in Exhibit I attached hereto, shall be payable in full at the Closing by the Buyer to the Seller in immediately available funds, less legal fees incurred by Buyer in connection with the drafting and execution of this Agreement ("**Legal Fees**").

(b) The Purchase Price reflects in part a 20% discount (the "**Discount**") from the Original Balance of the Receivables. A portion of the Discount expressed as a percentage of the Original Balance of the Receivable in question shall be rebated ("**Rebate**") and paid to Seller as described below:

Days until Receivable is collected (commencing on the Closing Date)	Rebate of Discount	Net Discount
10 or less	19.5%	.5%
11-20 days	19%	1%
21-30 days	18.5%	1.5%
31-40	18%	2%
41-50	17.5%	2.5%
51-60	17%	3.0%
61-70	16.5%	3.5%
71-80	16%	4%
81-90	15.5%	4.5%
each 10 days thereafter	subtract an additional ½%	add an additional ½%

The manner of determining the applicable Rebate and when it shall be paid is described in Section 1.2(b) of the Original Agreement.

(c) The Rebate shall be determined by Buyer and paid to Seller within 5 days after the earlier of (a) Buyer has received Collections equal to 100% of the Original Balance of

Receivables, or (b) Buyer receives Collections from Receivables equal to the sum of the following: \$300,252.35 plus the Collection Fee of \$20,016.82 plus the Net Discount then due and applicable as of the date in question plus Legal Fees. In the case of subparagraph (b) in the preceding sentence, the Rebate would not be paid in cash but would be payable solely in the form of an assignment without recourse by Buyer of the uncollected Receivables to Seller. An example of the foregoing is described in Section 1.2(b) of the Original Agreement.

(d) The amount of the applicable Rebate, if any, shall be reduced by the amount of the accrued unpaid interest, if any, and all costs and expenses and indemnification obligations owed by Seller under the terms of this Agreement. Upon payment in full of all amounts owed to Buyer under this Agreement, Buyer shall assign the remaining uncollected Receivables, if any, to Seller without recourse and on an as is basis and without any warranties and representations.

(e) If for any reason and to the extent Buyer does not receive Collections equal to 100% of the Original Balance by the date that is **120 days** after the Closing Date, upon written demand by Buyer (the “**Buy Back Notice**”), which demand made be made by Buyer at any time on or after such 120 day period, Seller agrees to purchase the applicable remaining uncollected Receivables (the “**Sold Back Receivables**”) from Buyer upon demand and in accordance with the following: (1) the purchase price for such Sold Back Receivables shall equal (1) the Outstanding Balance of the Sold Back Receivables, less the original 20% Discount, and plus the Net Discount that would have applied if the Sold Back Receivables were collected on the Sold Back Closing Date (defined below), plus accrued interest at the Default Rate on such purchase price amount accruing commencing on the 120th day after the Closing Date (2) the closing (“**Sold Back Closing Date**”) of the purchase by Seller of the Sold Back Receivables shall occur by no later than 5 days after Buyer sends the Buy Back Notice to Seller; (3) the purchase price shall be paid by Seller without offset or deduction and in good funds at the Sold Back Closing Date by wire transfer to Buyer’s designated account; (4) Upon receipt by Buyer of the purchase price in good funds as described above in this paragraph, Buyer shall execute and deliver to Seller such documents as are reasonably necessary to terminate Buyer’s security interest in such Sold Back Receivables and to transfer, assign and sell the Sold Back Receivables and Related Security, without recourse, to Seller, and without any warranties or representations, express or implied, except that Buyer shall warrant that such Sold Back Receivables have not been liened or encumbered or assigned by Buyer except as provided for in this Agreement.

(f) An example of the calculation of the purchase price for Sold Back Receivables that Seller will be required to pay as described above in paragraph 2(e) above is described in the Original Agreement.

3. The Purchase from Seller under this Agreement is subject to the conditions precedent that the Buyer shall have received on or before the date thereof the documents listed on **Schedule A** attached hereto.

4. Notwithstanding the foregoing conditions precedent, and subject to the Seller’s receipt of payment of the Purchase Price for any Receivable, all of the Seller’s right, title and interest in and under such Receivable and the Related Security with respect thereto shall vest in the Buyer, whether or not the conditions precedent to the Buyer’s obligation to pay for such Receivable were

in fact satisfied. The failure of the Seller to satisfy any of the foregoing conditions precedent may, however, give rise to a claim for indemnity under Article VI of the Original Agreement.

5. Article V (Event of Default) of the Original Agreement is hereby amended for clarification as follows::

- (a) Section 5.1(a) of the Original Agreement is hereby restated as follows: “ (a) The Seller shall fail to make any payment required hereunder **(and/or under any amendments to this Agreement)** when due, or to perform or observe any term, covenant or agreement hereunder or under any other Transaction Document to which it is a party and such failure shall continue for 20 days after written notice of such failure is given.”
 - (b) Section 5.1(b) of the Original Agreement is hereby restated as follows: “The Seller fails to perform or observe in any material respect, within 15 days after written notice thereof, any other material term, covenant or agreement contained in this Agreement **or any amendment to this Agreement that may be entered into from time to time** or any Transaction Document on its part to be performed or observed;”
 - (c) Section 5.1(c) of the Original Agreement is hereby restated as follows: “The Buyer shall fail to have a valid and enforceable first priority, perfected (i)ownership interest in, or (ii) security interest in, each Receivable herein **as well as each Receivable purchased by Buyer pursuant to any amendments to this Agreement** and the associated Related Security, and in the Collateral, in each case free and clear of any Adverse Claim;
- 6. If there is an Event of Default under the Original Agreement, as modified by this Agreement, including, without limitation, the failure of Seller to perform any obligations under this Agreement, then all or Buyer's rights and remedies under Section 5.2 (Remedies) shall apply.
 - 7. Reference to “Receivables” in Section 1.3 through the end of Article VII of the Original Agreement shall mean the Receivables that were purchased under the Original Agreement plus the Receivables that are purchased under this Agreement, as defined in Schedule I, plus any other accounts receivables of Seller that are purchased by Buyer pursuant to any other agreements between Seller and Buyer, if any.
 - 8. The Seller shall pay to the Buyer on demand all reasonable costs and out-of-pocket expenses actually incurred in connection with the preparation, execution and delivery of this Agreement, the transactions contemplated hereby and the other documents to be delivered hereunder. In addition to the foregoing, the Seller shall pay, on demand, any and all reasonable costs and expenses, including reasonable counsel fees and expenses, actually incurred by the Buyer in connection with (i) any amendment to or waiver of this Agreement, and/or (ii) the enforcement of this Agreement and the other documents delivered hereunder following an Event of Default.
 - 9. Reference to “Obligations” of Seller in the Original Agreement shall include, in addition to all of Seller's obligations under the Original Agreement, all obligations of Seller under this Agreement and all obligations of Seller under all other agreements, if any, to be entered into between Seller and Buyer from time to time. Further, the Original Agreement shall not terminate until all obligations of Seller under the Original Agreement and this Agreement are fully satisfied.
 - 10. With respect to the Receivables and as otherwise provided for in the Original Agreement, the Seller's warranties and representations contained in Article II of the Original Agreement and the Seller's indemnity obligations contained in Article VI of the Original Agreement,

are hereby incorporated herein by reference, and such warranties and representations plus the warranties and representation made herein, are being made by Seller as of the date hereof and as of the Closing Date to induce Buyer to enter into this Agreement, and Buyer has relied, and will continue to rely, upon such representations and warranties from and after the date hereof and on the Closing Date and thereafter.

11. Reference to "Agreement" in the Original Agreement shall mean the Original Agreement as modified by this Agreement.
12. Reference to "Purchase" in the Original Agreement means: (a) with respect to the accounts receivables that are purchased by the Buyer under the Original Agreement, the purchase by the Buyer from Seller pursuant to Section 1.1(a) of the Agreement of the Receivables originated by the Seller and the Related Security related thereto, together with all related rights in connection therewith; and (b) with respect to the Receivables that are purchased by the Buyer under this Agreement, the purchase by the Buyer from Seller pursuant to Section 1 of this Agreement of the Receivables originated by the Seller and the Related Security related thereto, together with all related rights in connection therewith.
13. The terms of Section 1.3 through the end of Article 7 of the Original Agreement are hereby incorporated herein by reference and shall apply with respect to the Receivables that are the subject of this Agreement.
14. Seller hereby affirms its obligations to Buyer under the Original Agreement, as amended herein and with respect to the Receivables as described herein, and Seller agrees to perform all of its obligations under the Original Agreement, as amended pursuant to this Agreement.
15. Within two (2) days of the Closing Date, the Seller send notice ("Notice") to the Obligors of the assignment to Buyer of the Receivables and Seller shall instruct such Obligors to (a) make all payments directly to Buyer with regard to the Receivables; and (b) to send all such payments to Buyer's address as indicated in the signature block of this Agreement. Such Notice shall be in a form reasonably acceptable to Buyer. In addition, if any payments from Obligors are received by Seller, Seller agrees to immediately: (i) notify Buyer in writing of such receipt, and (ii) endorse such payments over to Buyer and/or to take such other actions as requested by Buyer to cause such payments to be deposited into Buyer's bank account, as directed by Buyer.
16. Except as expressly provided for in this Agreement, all of the terms of the Original Agreement as amended herein hereby shall continue to apply and shall remain in full force and effect.

17. MISCELLANEOUS

- (a) No failure or delay on the part of the Buyer in exercising any power, right or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or remedy preclude any other further exercise thereof or the exercise of any other power, right or remedy. The rights and remedies herein provided shall be cumulative and nonexclusive of any rights or remedies provided by law. Any waiver of this Agreement shall be effective only in the specific instance and for the specific purpose for which given.
- (b) No provision of this Agreement may be amended, supplemented, modified or waived except in writing signed by the Seller and the Buyer.
- (c) The Original Agreement as modified by this Agreement contain the final and complete integration of all prior expressions by the parties hereto with respect to the sale and collection of the Receivables as defined in Schedule I attached hereto and the Related Security with respect to such Receivables and shall constitute the entire

agreement among the parties hereto with respect to such subject matter, superseding all prior oral or written understandings with respect to the sale and collection of such Receivables and Related Security.

- (d) This Agreement shall be binding upon and inure to the benefit of the Seller, the Buyer and their respective successors and permitted assigns (including any trustee in bankruptcy). No Seller may assign any of its rights and obligations hereunder or any interest herein without the prior written consent of the Buyer. The Buyer may pledge or assign at any time its rights and obligations hereunder and interests herein to any other Person without the consent of Seller. This Agreement shall create and constitute the continuing obligations of the parties hereto in accordance with its terms and shall remain in full force and effect until terminated in accordance with its terms; provided, however, that the rights and remedies with respect to (i) any breach of any representation and warranty made by Seller herein; and (ii) the indemnification and payment provisions made herein and under the Original Agreement shall be continuing and shall survive any assignment or termination of this Agreement.
- (e) This Agreement may be executed in any number of counterparts and by facsimile (and each party agrees to deliver original signature pages to each other within 2 days of the Closing Date) by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same Agreement. Any provisions of this Agreement which are 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. Unless otherwise expressly indicated, all references herein to "Article," "Section," "Schedule" or "Exhibit" shall mean articles and sections of, and schedules and exhibits to, this Agreement.
- (f) Buyer and Seller represent and warrant that the officers, directors, controlling persons or managers of Buyer and Seller, respectively, have a preexisting personal or business relationship with the officers, directors, controlling persons or managers of the other party and that each has the capacity to protect its own interests in connection with this Agreement. Seller further represents and warrants, that the Obligations evidenced by this Agreement are not guaranteed by an individual, a revocable trust having one or more individuals as trustees, or partnership in which, at the time of this Agreement, one or more individuals are general partners.
- (g) The Buyer (and, accordingly, each of its assigns) shall maintain, and shall cause each of its employees, officers and agents to maintain, the confidentiality of any information obtained by it regarding the Seller and in respect of the Receivables (including, without limitation, credit losses and delinquency levels) and any other proprietary or confidential information with respect to the Obligors, the Receivables, and the Seller in communications with third parties; provided, however, such information may be disclosed to third parties to the extent such disclosure is (i) required to comply with any applicable law (including federal and state securities laws) or order of any judicial or administrative proceeding, or (ii) required in response to any summons or subpoena or in connection with any litigation.

(Signature pages follows)

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their duly authorized officers as of the date hereof in Anaheim, California.

Odetics, Inc., a Delaware corporation

By: _____

Name: _____

Title: _____

Date: _____

Address: Odetics, Inc.

1515 S. Manchester Avenue

Anaheim, CA 92802

Attention: Chief Executive Officer

Telecopier: (714) 780-7857

TECHNOLOGY LENDING PARTNERS, LLC, a

California limited liability company

By: _____

Name: Joel Slutzky, Manager

Date: _____

Address: Technology Lending Partners, LLC

424 Via Lido Nord

Newport Beach, CA 92663

Attention:

Joel Slutzky

Telecopier:

(949) 673-5224

Exhibit I

Definitions

This is Exhibit I to the attached Agreement (as defined therein). As used in the Agreement and the Exhibits and Schedules thereto, capitalized terms have the meanings set forth in Exhibit I of the Original Agreement except for the definitions listed below. (such meanings to be equally applicable to the singular and plural forms thereof). It is intended that any reference to "Receivables" for purposes of this Agreement shall mean the Receivables listed on Schedule I and in all other respects the definitions of Exhibit I of the Original Agreement shall apply to this Agreement except as specifically provided for otherwise in this Exhibit I or in the attached Agreement.

"Closing Date" means the day that this Agreement is executed by all of the parties hereto as reflected on the signature page of this Agreement.

"Collection Fee" means the fee charged by Seller to advance the Purchase Price and to collect the Receivables, which fee shall equal five percent (5%) of the Original Balance.

"Original Balance" means **\$400,336.46** which is the sum of the outstanding balance of the Receivables owed to Seller as of the Closing Date.

"Outstanding Balance" of any Receivable at any time means then outstanding principal balance thereof.

"Purchase Price" means, with respect to the Purchase from the Seller, the aggregate price to be paid by the Buyer to the Seller for the purchase in accordance with Section 1 and 2 of the Agreement, which price is further described in **Exhibit III**.

"Receivables" means the indebtedness and other obligations owed to Seller as of the date of this Agreement as described in the **attached Schedule I** which schedule reflects a copy of each invoice and the balance owed by the customer with respect to such invoices, together with the obligation, if any, to pay any Finance Charges with respect thereto and all proceeds thereof. The individual invoices and any amounts owed with respect to a particular invoice may be referred to in this Agreement as a "**Receivable**" and all of the invoices collectively as the "**Receivables**." For purposes of this Agreement, indebtedness and other rights and obligations arising from any one transaction, including, without limitation, indebtedness and other rights and obligations represented by an individual invoice, shall constitute a Receivable separate from a Receivable consisting of the indebtedness and other rights and obligations arising from any other transaction; provided, further, that any indebtedness, rights or obligations referred to in the immediately preceding sentence shall be a Receivable regardless of whether the account debtor or the Seller treats such indebtedness, rights or obligations as a separate payment obligation.

Exhibit II

Form of Compliance Certificate

This Compliance Certificate is furnished pursuant to that certain Amendment Number One to Receivables Purchase Agreement dated as of **November 27, 2002**, between Odetics, Inc. and TECHNOLOGY LENDING PARTNERS, LLC (as amended, restate or otherwise modified from time to time in accordance with the Transaction Documents, the "Agreement"). Capitalized terms used and not otherwise defined herein are used with the meanings attributed thereto in the Agreement.

THE UNDERSIGNED HEREBY CERTIFIES:

1. I am the duly elected _____ and, accordingly, a Responsible Financial Officer, of Odetics, Inc., a Delaware corporation (the "Parent").
2. I have reviewed the terms of the Agreement and the Original Agreement, I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of Parent and its Subsidiaries during the accounting period covered by the attached financial statements.
3. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or event which constitutes a Event of Default or an Unmatured Event of Default, as each such term is defined under the Original Agreement, during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate.
4. Described below are the exceptions, if any, to paragraph 3 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which Parent and its Subsidiaries have taken, is taking, or proposes to take with respect to each such condition or event:

(write "none" if no exceptions).

The foregoing certifications, together with the computations set forth in Schedule I hereto and the financial statements delivered with this Certificate in support hereof, are made and delivered this _____ day of _____, 2002.

Name: _____
Title: _____

Attachment: financial statements.

Exhibit III
Purchase Price

Aggregate Outstanding Balance of Receivables as of the date hereof:	\$	400,336.46
Less: Collection Fee(5%)	\$	20,016.82
Equals: Gross Purchase Price Payable:	\$	380,319.64
Less Discount: (20% of Outstanding Balance):	\$	[80,067.29]
Equals: Net Cash Purchase Price:	\$	300,252.35

Schedule A

**DOCUMENTS TO BE DELIVERED TO BUYER
ON OR PRIOR TO THE CLOSING**

1. Executed copies of **Amendment Number One to Receivables Purchase Agreement**, duly executed by the parties thereto.
2. A certificate of the Seller's Secretary certifying:
 - (a) A copy of the Resolutions of the Board of Directors of such Seller, authorizing Seller's execution, delivery and performance of the Receivables Purchase and Sale Agreement and the other documents to be delivered by it thereunder; and
 - (d) The names and signatures of the officers authorized on its behalf to execute the **Amendment Number One to Receivables Purchase Agreement** and any other documents to be delivered by it thereunder.
4. Duly executed UCC financing statements, in form appropriate for filing in all jurisdictions as may be necessary or, in the opinion of the Buyer desirable, under the UCC of all appropriate jurisdictions or any comparable law in order to perfect the transfer of the ownership interests contemplated by **Amendment Number One to Receivables Purchase Agreement**.
6. Duly executed UCC termination statements, in form suitable for filing, if any, necessary to release all security interests and other rights of any Person in the Receivables, Contracts Related Security previously granted by the Seller.
7. A Certificate of a Responsible Financial Officer of the Seller certifying that, as of the Closing date, no Event of Default or Unmatured Event of Default exists and is continuing.
8. Executed copies of (i) all consents from and authorizations by any Persons and (ii) all waivers and amendments to existing credit facilities, that are necessary in connection with this **Amendment Number One to Receivables Purchase Agreement**.

SCHEDULE I**List and description of Receivables:**

Invoice Listing

<u>Customer</u>	<u>Customer P.O. #</u>	<u>Invoice Date</u>	<u>Invoice #</u>	<u>Amount</u>
The Boeing Company	Prime Cont # NAS10-11500, Sub P.O. # M5P7XXW-482082	9/4/2002	I40-879	82,489.64
The Boeing Company	Prime Cont # NAS10-12200, Sub P.O. # RR95K0000024	9/4/2002	I40-880	31,792.82
United Space Alliance	6000075510 C/O #1	11/20/2002	I40-1000	80,654.00
Harris Corporation	2938900	11/14/2002	I40-977	41,080.00
Harris Corporation	2938900	11/16/2002	I40-980	164,320.00
				<u>400,336.46</u>
				<u>@ .80 320,269.17</u>

[ATTACH COPIES OF INVOICES]

AMENDMENT NUMBER TWO TO
RECEIVABLES PURCHASE AGREEMENT

Dated as of January 7, 2003

among

Odetics, Inc.,

and

TECHNOLOGY LENDING PARTNERS, LLC,

as the Buyer

AMENDMENT NUMBER TWO TO RECEIVABLES PURCHASE AGREEMENT

THIS AMENDMENT NUMBER TWO TO RECEIVABLES PURCHASE AGREEMENT ("Agreement"), dated as of January 7, 2003, is by and among Odetics, Inc., a Delaware corporation ("Seller"), and Technology Lending Partners, LLC, a California limited liability company ("Buyer"). This Agreement is intended to amend and modify the terms of that certain Receivables Purchase Agreement ("**Original Agreement**") dated October 18, 2002 among Seller and Buyer as described herein. Unless defined elsewhere herein, capitalized terms used in this Agreement shall have the meanings assigned to such terms in **Exhibit I** of the Original Agreement.

PRELIMINARY STATEMENTS

A. The parties hereto intend to amend the Original Agreement to provide for an additional purchase of specific accounts receivables (the "Receivables"), which are listed in **Schedule I** attached hereto, and that all transfers of such Receivables hereunder, be true sales to the Buyer by the Seller of the Receivables originated by it, providing the Buyer with the full benefits of ownership of such Receivables, and the Seller and the Buyer do not intend these transactions to be, or for any purpose to be characterized as loans from the Buyer to the Seller. Reference to "**Receivables**" in this Agreement shall mean the accounts receivable that are described in **Schedule I** attached hereto

B. The parties intend that the purchase of the Receivables herein shall be governed by all of the terms and conditions of the Original Agreement except as specifically provided for herein.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual agreements herein contained and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. Purchase of Receivables.

(a) Effective on the Closing Date, in consideration for the purchase price to be paid to the Seller and upon the terms and subject to the conditions set forth herein, the Seller does hereby sell, assign, transfer, set-over and otherwise convey to the Buyer, and the Buyer does hereby purchase from the Seller, all of the Seller's right, title and interest in and to the Receivables, together, in each case, with all Related Security relating thereto. In accordance with the preceding sentence, on the Closing Date, the Buyer shall acquire all of the Seller's right, title and interest in and to the Receivables, together with all of the Seller's rights in and to all Related Security relating thereto. The Buyer shall be obligated to pay the purchase price for the Receivables purchased hereunder from the Seller in accordance with Section 2 herein.

(b) On each Monthly Reporting Date, the Buyer shall submit a report to Seller which reflects the details of the Collections relating to the Receivables received since the Closing Date.

(c) It is the intention of the parties hereto that the purchase of Receivables from Seller made hereunder shall constitute a sale, which sale is absolute and irrevocable and

provides the Buyer with the full benefits of ownership of the Receivables originated by the Seller. The sale of Receivables hereunder by the Seller is made with recourse to Seller as described herein, and this sale does not constitute and is not intended to result in an assumption by the Buyer or any assignee thereof of any obligation of the Seller or any Person arising in connection with the Receivables, the related Contracts and /or other Related Security or any other obligations of the Seller. In view of the intention of the parties hereto that the purchase of Receivables hereunder shall constitute a sale of such Receivables rather than loans secured thereby, the Seller agrees that it will, on or prior to the date hereof and in accordance with Section 4.1 (e)(ii) of the Original Agreement, mark its master data processing records relating to the Receivables originated by it with a legend properly evidencing that the Buyer has purchased such Receivables as provided in this Agreement and to appropriately disclose in its financial statements that its Receivables have been sold to the Buyer. Upon the request of the Buyer, the Seller will execute and file such financing or continuation statements, or amendments thereto or assignments thereof, and such other instruments or notices, as may be necessary or appropriate perfect and maintain the perfection of the Buyer's ownership interest in the Receivables originated by such Seller and the Related Security with respect thereto, or as the Buyer may reasonably request.

2. Payment for the Purchase.

(a) The purchase price ("**Purchase Price**") in the amount of \$184,975.22 for the Purchase from the Seller of the Receivables, as described in Exhibit I attached hereto, shall be payable in full at the Closing by the Buyer to the Seller in immediately available funds, less legal fees incurred by Buyer in connection with the drafting and execution of this Agreement ("**Legal Fees**").

(b) The Purchase Price reflects in part a 20% discount (the "**Discount**") from the Original Balance of the Receivables. A portion of the Discount expressed as a percentage of the Original Balance of the Receivable in question shall be rebated ("**Rebate**") and paid to Seller as described below:

Days until Receivable is collected (commencing on the Closing Date)	Rebate of Discount	Net Discount
10 or less	19.5%	.5%
11-20 days	19%	1%
21-30 days	18.5%	1.5%
31-40	18%	2%
41-50	17.5%	2.5%
51-60	17%	3.0%
61-70	16.5%	3.5%
71-80	16%	4%
81-90	15.5%	4.5%
each 10 days thereafter	subtract an additional ½%	add an additional ½%

The manner of determining the applicable Rebate and when it shall be paid is described in Section 1.2(b) of the Original Agreement.

(c) The Rebate shall be determined by Buyer and paid to Seller within 5 days after the earlier of (a) Buyer has received Collections equal to 100% of the Original Balance of

Receivables, or (b) Buyer receives Collections from Receivables equal to the sum of the following: \$300,252.35 plus the Collection Fee of \$12,331.68 plus the Net Discount then due and applicable as of the date in question plus Legal Fees. In the case of subparagraph (b) in the preceding sentence, the Rebate would not be paid in cash but would be payable solely in the form of an assignment without recourse by Buyer of the uncollected Receivables to Seller. An example of the foregoing is described in Section 1.2(b) of the Original Agreement.

(d) The amount of the applicable Rebate, if any, shall be reduced by the amount of the accrued unpaid interest, if any, and all costs and expenses and indemnification obligations owed by Seller under the terms of this Agreement. Upon payment in full of all amounts owed to Buyer under this Agreement, Buyer shall assign the remaining uncollected Receivables, if any, to Seller without recourse and on an as is basis and without any warranties and representations.

(e) If for any reason and to the extent Buyer does not receive Collections equal to 100% of the Original Balance by the date that is **120 days** after the Closing Date, upon written demand by Buyer (the “**Buy Back Notice**”), which demand made be made by Buyer at any time on or after such 120 day period, Seller agrees to purchase the applicable remaining uncollected Receivables (the “**Sold Back Receivables**”) from Buyer upon demand and in accordance with the following: (1) the purchase price for such Sold Back Receivables shall equal (1) the Outstanding Balance of the Sold Back Receivables, less the original 20% Discount, and plus the Net Discount that would have applied if the Sold Back Receivables were collected on the Sold Back Closing Date (defined below), plus accrued interest at the Default Rate on such purchase price amount accruing commencing on the 120th day after the Closing Date (2) the closing (“**Sold Back Closing Date**”) of the purchase by Seller of the Sold Back Receivables shall occur by no later than 5 days after Buyer sends the Buy Back Notice to Seller; (3) the purchase price shall be paid by Seller without offset or deduction and in good funds at the Sold Back Closing Date by wire transfer to Buyer’s designated account; (4) Upon receipt by Buyer of the purchase price in good funds as described above in this paragraph, Buyer shall execute and deliver to Seller such documents as are reasonably necessary to terminate Buyer’s security interest in such Sold Back Receivables and to transfer, assign and sell the Sold Back Receivables and Related Security, without recourse, to Seller, and without any warranties or representations, express or implied, except that Buyer shall warrant that such Sold Back Receivables have not been lien or encumbered or assigned by Buyer except as provided for in this Agreement.

(f) An example of the calculation of the purchase price for Sold Back Receivables that Seller will be required to pay as described above in paragraph 2(e) above is described in the Original Agreement.

3. The Purchase from Seller under this Agreement is subject to the conditions precedent that the Buyer shall have received on or before the date thereof the documents listed on **Schedule A** attached hereto.

4. Notwithstanding the foregoing conditions precedent, and subject to the Seller’s receipt of payment of the Purchase Price for any Receivable, all of the Seller’s right, title and interest in and under such Receivable and the Related Security with respect thereto shall vest in the Buyer, whether or not the conditions precedent to the Buyer’s obligation to pay for such Receivable were

in fact satisfied. The failure of the Seller to satisfy any of the foregoing conditions precedent may, however, give rise to a claim for indemnity under Article VI of the Original Agreement.

5. Article V (Event of Default) of the Original Agreement is hereby amended for clarification as follows::

- (a) Section 5.1(a) of the Original Agreement is hereby restated as follows: “ (a) The Seller shall fail to make any payment required hereunder **(and/or under any amendments to this Agreement)** when due, or to perform or observe any term, covenant or agreement hereunder or under any other Transaction Document to which it is a party and such failure shall continue for 20 days after written notice of such failure is given.”
 - (b) Section 5.1(b) of the Original Agreement is hereby restated as follows: “The Seller fails to perform or observe in any material respect, within 15 days after written notice thereof, any other material term, covenant or agreement contained in this Agreement **or any amendment to this Agreement that may be entered into from time to time** or any Transaction Document on its part to be performed or observed;”
 - (c) Section 5.1(c) of the Original Agreement is hereby restated as follows: “The Buyer shall fail to have a valid and enforceable first priority, perfected (i) ownership interest in, or (ii) security interest in, each Receivable herein **as well as each Receivable purchased by Buyer pursuant to any amendments to this Agreement** and the associated Related Security, and in the Collateral, in each case free and clear of any Adverse Claim;
- 6. If there is an Event of Default under the Original Agreement, as modified by this Agreement, including, without limitation, the failure of Seller to perform any obligations under this Agreement, then all or Buyer's rights and remedies under Section 5.2 (Remedies) shall apply.
 - 7. Reference to “Receivables” in Section 1.3 through the end of Article VII of the Original Agreement shall mean the Receivables that were purchased under the Original Agreement plus the Receivables that are purchased under this Agreement, as defined in Schedule I, plus any other accounts receivables of Seller that are purchased by Buyer pursuant to any other agreements between Seller and Buyer, if any.
 - 8. The Seller shall pay to the Buyer on demand all reasonable costs and out-of-pocket expenses actually incurred in connection with the preparation, execution and delivery of this Agreement, the transactions contemplated hereby and the other documents to be delivered hereunder. In addition to the foregoing, the Seller shall pay, on demand, any and all reasonable costs and expenses, including reasonable counsel fees and expenses, actually incurred by the Buyer in connection with (i) any amendment to or waiver of this Agreement, and/or (ii) the enforcement of this Agreement and the other documents delivered hereunder following an Event of Default.
 - 9. Reference to “Obligations” of Seller in the Original Agreement shall include, in addition to all of Seller's obligations under the Original Agreement, all obligations of Seller under this Agreement and all obligations of Seller under all other agreements, if any, to be entered into between Seller and Buyer from time to time. Further, the Original Agreement shall not terminate until all obligations of Seller under the Original Agreement and this Agreement are fully satisfied.
 - 10. With respect to the Receivables and as otherwise provided for in the Original Agreement, the Seller's warranties and representations contained in Article II of the Original Agreement and the Seller's indemnity obligations contained in Article VI of the Original Agreement,

are hereby incorporated herein by reference, and such warranties and representations plus the warranties and representation made herein, are being made by Seller as of the date hereof and as of the Closing Date to induce Buyer to enter into this Agreement, and Buyer has relied, and will continue to rely, upon such representations and warranties from and after the date hereof and on the Closing Date and thereafter.

11. Reference to "Agreement" in the Original Agreement shall mean the Original Agreement as modified by this Agreement.
12. Reference to "Purchase" in the Original Agreement means: (a) with respect to the accounts receivables that are purchased by the Buyer under the Original Agreement, the purchase by the Buyer from Seller pursuant to Section 1.1(a) of the Agreement of the Receivables originated by the Seller and the Related Security related thereto, together with all related rights in connection therewith; and (b) with respect to the Receivables that are purchased by the Buyer under this Agreement, the purchase by the Buyer from Seller pursuant to Section 1 of this Agreement of the Receivables originated by the Seller and the Related Security related thereto, together with all related rights in connection therewith.
13. The terms of Section 1.3 through the end of Article 7 of the Original Agreement are hereby incorporated herein by reference and shall apply with respect to the Receivables that are the subject of this Agreement.
14. Seller hereby affirms its obligations to Buyer under the Original Agreement, as amended herein and with respect to the Receivables as described herein, and Seller agrees to perform all of its obligations under the Original Agreement, as amended pursuant to this Agreement.
15. Within two (2) days of the Closing Date, the Seller send notice ("Notice") to the Obligors of the assignment to Buyer of the Receivables and Seller shall instruct such Obligors to (a) make all payments directly to Buyer with regard to the Receivables; and (b) to send all such payments to Buyer's address as indicated in the signature block of this Agreement. Such Notice shall be in a form reasonably acceptable to Buyer. In addition, if any payments from Obligors are received by Seller, Seller agrees to immediately: (i) notify Buyer in writing of such receipt, and (ii) endorse such payments over to Buyer and/or to take such other actions as requested by Buyer to cause such payments to be deposited into Buyer's bank account, as directed by Buyer.
16. Except as expressly provided for in this Agreement, all of the terms of the Original Agreement as amended herein hereby shall continue to apply and shall remain in full force and effect.

17. MISCELLANEOUS

- (a) No failure or delay on the part of the Buyer in exercising any power, right or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or remedy preclude any other further exercise thereof or the exercise of any other power, right or remedy. The rights and remedies herein provided shall be cumulative and nonexclusive of any rights or remedies provided by law. Any waiver of this Agreement shall be effective only in the specific instance and for the specific purpose for which given.
- (b) No provision of this Agreement may be amended, supplemented, modified or waived except in writing signed by the Seller and the Buyer.
- (c) The Original Agreement as modified by this Agreement contain the final and complete integration of all prior expressions by the parties hereto with respect to the sale and collection of the Receivables as defined in Schedule I attached hereto and the Related Security with respect to such Receivables and shall constitute the entire

agreement among the parties hereto with respect to such subject matter, superseding all prior oral or written understandings with respect to the sale and collection of such Receivables and Related Security.

- (d) This Agreement shall be binding upon and inure to the benefit of the Seller, the Buyer and their respective successors and permitted assigns (including any trustee in bankruptcy). No Seller may assign any of its rights and obligations hereunder or any interest herein without the prior written consent of the Buyer. The Buyer may pledge or assign at any time its rights and obligations hereunder and interests herein to any other Person without the consent of Seller. This Agreement shall create and constitute the continuing obligations of the parties hereto in accordance with its terms and shall remain in full force and effect until terminated in accordance with its terms; provided, however, that the rights and remedies with respect to (i) any breach of any representation and warranty made by Seller herein; and (ii) the indemnification and payment provisions made herein and under the Original Agreement shall be continuing and shall survive any assignment or termination of this Agreement.
- (e) This Agreement may be executed in any number of counterparts and by facsimile (and each party agrees to deliver original signature pages to each other within 2 days of the Closing Date) by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same Agreement. Any provisions of this Agreement which are 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. Unless otherwise expressly indicated, all references herein to "Article," "Section," "Schedule" or "Exhibit" shall mean articles and sections of, and schedules and exhibits to, this Agreement.
- (f) Buyer and Seller represent and warrant that the officers, directors, controlling persons or managers of Buyer and Seller, respectively, have a preexisting personal or business relationship with the officers, directors, controlling persons or managers of the other party and that each has the capacity to protect its own interests in connection with this Agreement. Seller further represents and warrants, that the Obligations evidenced by this Agreement are not guaranteed by an individual, a revocable trust having one or more individuals as trustees, or partnership in which, at the time of this Agreement, one or more individuals are general partners.
- (g) The Buyer (and, accordingly, each of its assigns) shall maintain, and shall cause each of its employees, officers and agents to maintain, the confidentiality of any information obtained by it regarding the Seller and in respect of the Receivables (including, without limitation, credit losses and delinquency levels) and any other proprietary or confidential information with respect to the Obligors, the Receivables, and the Seller in communications with third parties; provided, however, such information may be disclosed to third parties to the extent such disclosure is (i) required to comply with any applicable law (including federal and state securities laws) or order of any judicial or administrative proceeding, or (ii) required in response to any summons or subpoena or in connection with any litigation.

(Signature pages follow)

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their duly authorized officers as of the date hereof in Anaheim, California.

Odetics, Inc., a Delaware corporation

By: _____
Name: _____
Title: _____
Date: _____

Address: Odetics, Inc.
1515 S. Manchester Avenue
Anaheim, CA 92802
Attention: Chief Executive Officer
Telecopier: (714) 780-7857

TECHNOLOGY LENDING PARTNERS, LLC, a California limited liability company

By: _____
Name: Joel Slutzky, Manager
Date: _____

Address: Technology Lending Partners, LLC

424 Via Lido
Nord
Newport Beach,
CA 92663
Attention: Joel
Slutzky
Telecopier: (949)
673-5224

Exhibit I

Definitions

This is Exhibit I to the attached Agreement (as defined therein). As used in the Agreement and the Exhibits and Schedules thereto, capitalized terms have the meanings set forth in Exhibit I of the Original Agreement except for the definitions listed below. (Such meanings to be equally applicable to the singular and plural forms thereof). It is intended that any reference to "Receivables" for purposes of this Agreement shall mean the Receivables listed on Schedule I and in all other respects the definitions of Exhibit I of the Original Agreement shall apply to this Agreement except as specifically provided for otherwise in this Exhibit I or in the attached Agreement.

"Closing Date" means the day that this Agreement is executed by all of the parties hereto as reflected on the signature page of this Agreement.

"Collection Fee" means the fee charged by Seller to advance the Purchase Price and to collect the Receivables, which fee shall equal five percent (5%) of the Original Balance.

"Original Balance" means **\$246,633.63** which is the sum of the outstanding balance of the Receivables owed to Seller as of the Closing Date.

"Outstanding Balance" of any Receivable at any time means then outstanding principal balance thereof.

"Purchase Price" means, with respect to the Purchase from the Seller, the aggregate price to be paid by the Buyer to the Seller for the purchase in accordance with Section 1 and 2 of the Agreement, which price is further described in **Exhibit III**.

"Receivables" means the indebtedness and other obligations owed to Seller as of the date of this Agreement as described in the **attached Schedule I** which schedule reflects a copy of each invoice and the balance owed by the customer with respect to such invoices, together with the obligation, if any, to pay any Finance Charges with respect thereto and all proceeds thereof. The individual invoices and any amounts owed with respect to a particular invoice may be referred to in this Agreement as a "**Receivable**" and all of the invoices collectively as the "**Receivables**." For purposes of this Agreement, indebtedness and other rights and obligations arising from any one transaction, including, without limitation, indebtedness and other rights and obligations represented by an individual invoice, shall constitute a Receivable separate from a Receivable consisting of the indebtedness and other rights and obligations arising from any other transaction; provided, further, that any indebtedness, rights or obligations referred to in the immediately preceding sentence shall be a Receivable regardless of whether the account debtor or the Seller treats such indebtedness, rights or obligations as a separate payment obligation.

Exhibit II

Form of Compliance Certificate

This Compliance Certificate is furnished pursuant to that certain Amendment Number Two to Receivables Purchase Agreement dated as of January 7, 2003, between Odetics, Inc. and TECHNOLOGY LENDING PARTNERS, LLC (as amended, restate or otherwise modified from time to time in accordance with the Transaction Documents, the "Agreement"). Capitalized terms used and not otherwise defined herein are used with the meanings attributed thereto in the Agreement.

THE UNDERSIGNED HEREBY CERTIFIES:

1. I am the duly elected _____ and, accordingly, a Responsible Financial Officer, of Odetics, Inc., a Delaware corporation (the "Parent").
2. I have reviewed the terms of the Agreement and the Original Agreement, I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of Parent and its Subsidiaries during the accounting period covered by the attached financial statements.
3. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or event which constitutes a Event of Default or an Unmatured Event of Default, as each such term is defined under the Original Agreement, during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate.
4. Described below are the exceptions, if any, to paragraph 3 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which Parent and its Subsidiaries have taken, is taking, or proposes to take with respect to each such condition or event:

(write "none" if no exceptions).

The foregoing certifications, together with the computations set forth in Schedule I hereto and the financial statements delivered with this Certificate in support hereof, are made and delivered this _____ day of _____, 2003.

Name: _____
Title: _____

Attachment: financial statements.

Exhibit III
Purchase Price

Aggregate Outstanding Balance of Receivables as of the date hereof:	\$	246,633.63
Less: Collection Fee (5%)	\$	12,331.68
Equals: Gross Purchase Price Payable:	\$	234,301.95
Less Discount: (20% of Outstanding Balance):	\$	[61,658.41]
Equals: Net Cash Purchase Price:	\$	184,975.22

Schedule A

**DOCUMENTS TO BE DELIVERED TO BUYER
ON OR PRIOR TO THE CLOSING**

1. Executed copies of **Amendment Number Two to Receivables Purchase Agreement**, duly executed by the parties thereto.
2. A certificate of the Seller's Secretary certifying:
 - (a) A copy of the Resolutions of the Board of Directors of such Seller, authorizing Seller's execution, delivery and performance of the Receivables Purchase and Sale Agreement and the other documents to be delivered by it thereunder; and
 - (d) The names and signatures of the officers authorized on its behalf to execute the **Amendment Number Two to Receivables Purchase Agreement** and any other documents to be delivered by it thereunder.
4. Duly executed UCC financing statements, in form appropriate for filing in all jurisdictions as may be necessary or, in the opinion of the Buyer desirable, under the UCC of all appropriate jurisdictions or any comparable law in order to perfect the transfer of the ownership interests contemplated by **Amendment Number Two to Receivables Purchase Agreement**.
6. Duly executed UCC termination statements, in form suitable for filing, if any, necessary to release all security interests and other rights of any Person in the Receivables, Contracts Related Security previously granted by the Seller.
7. A Certificate of a Responsible Financial Officer of the Seller certifying that, as of the Closing date, no Event of Default or Unmatured Event of Default exists and is continuing.
8. Executed copies of (i) all consents from and authorizations by any Persons and (ii) all waivers and amendments to existing credit facilities, that are necessary in connection with this **Amendment Number Two to Receivables Purchase Agreement**.

SCHEDULE I

List and description of Receivables:

Invoice Listing

<u>Customer</u>	<u>Contract/PO#</u>	<u>Invoice Date</u>	<u>Invoice #</u>	<u>Amount</u>
United Space Alliance	RR96K0180	10/8/2002	I40-937	93,975.43
Lockheed Martin Shared Services	605725, ALT# 11	12/20/2002	I40-1054	83,447.00
Spawar	GS-24F-1448C	12/16/2002	I40-1038	35,769.60
Spawar	GS-24F-1448C	12/16/2002	I40-1039	33,441.60
				<u>246,633.63</u>
				<u>@ .80 184,975.22</u>

[ATTACH COPIES OF INVOICES]

CERTIFICATION

I, Gregory A. Miner, certify that:

1. I have reviewed this annual report on Form 10-K/A of Odetics, Inc.
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in the annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in the annual report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the original filing date of the annual report (the "Evaluation Date"); and
 - c. presented in the annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. I have indicated in the annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: July 29, 2003

/s/ GREGORY A. MINER

Gregory A. Miner,

Chief Executive Officer and Chief Financial Officer

(Principal Executive Officer and Principal Financial Officer)

This certification accompanies this report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934 or incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

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

In connection with the Annual Report of Odetics, Inc. (the "Company") on Form 10-K/A for the fiscal year ended March 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gregory A. Miner, Chief Executive Officer and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ GREGORY A. MINER

Gregory A. Miner
Chief Executive Officer and Chief Financial Officer

July 29, 2003

A signed original of this written statement required by Section 906, or any other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.
