

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT PURSUANT
TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported) – March 21, 2011

VUZIX CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation)

000-53846

(Commission File Number)

04-3392453

(IRS Employer Identification No.)

75 Town Centre Drive, Rochester, New York 14623

(Address of Principal Executive Offices) (Zip Code)

(585) 359-5900

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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SECTION 1 REGISTRANT'S BUSINESS AND OPERATIONS

ITEM 1.01. Entry into a Material Definitive Agreement.

On March 21, 2011, Vuzix Corporation ("Vuzix ") entered into a Loan and Security Agreement dated as of March 21, 2011 ("Loan Agreement") with Bridge Bank National Association (the "Lender") pursuant to which the Lender extended a revolving line of credit to Vuzix of up to \$2,000,000 (the "Loan"). The Loan may be drawn and repaid from time to time for a period of up to 24 months from the date of the Loan Agreement. Advances under the Loan Agreement cannot exceed the lesser of \$2,000,000 or the Borrowing Base. The Borrowing Base is eighty percent (80%) of Vuzix' Eligible Accounts, as determined by the Lender. Eligible Accounts are domestic accounts receivable arising in the ordinary course of Vuzix' business, excluding (a) certain categories of accounts that are set forth in the Loan Agreement and (b) accounts due from the United States Government except as set forth in the Loan Agreement. The Borrowing Base includes foreign accounts receivable that are supported by letters of credit or are approved by the Lender.

The Loan is due on March 21, 2013. Advances in excess of the Borrowing base must be repaid immediately.

The Loan bears interest at a variable rate per annum, equal to the greater of 4.5% or 1.25% above the rate announced from time to time by the Lender as its "prime rate". Interest is payable monthly.

The Loan is secured by a security interest in all of the assets of Vuzix. The security interest in all of the assets of Vuzix other than its Intellectual Property and its accounts receivable is subordinate to the security interest granted to LC Capital Master Fund Ltd. ("LC Fund"), as described by Vuzix in its form 8-K filed with the Securities and Exchange Commission on December 30, 2010.

The Loan Agreement contains certain covenants, including covenants to meet certain EBITDA targets for each of its calendar quarters while the Loan is outstanding, and includes certain defaults including, but not limited to, payment defaults, defaults in the observance of covenants contained in the Loan Agreement or in other agreements between Vuzix and the Lender, insolvency and certain judgments being entered against Vuzix.

Vuzix and the Lender entered into a separate Intellectual Property Security Agreement that supplements the provisions of the Loan Agreement and grants the Lender a security interest in all of Vuzix's right, title and interest in its intellectual property.

The Lender and LC Fund entered into an Intercreditor Agreement dated as of March 21, 2011, pursuant to which each of them agreed, among other things, to subordinate certain of its security interest in the assets of Vuzix to the security interest of the other.

In connection with the Loan Agreement, Paul Travers, John Burtis, Kopin Corporation and Vast Corporation, each agreed to subordinate their security interests in the assets of Vuzix to their security interests in the assets of Vuzix.

The Loan Agreement, the Intellectual Property Security Agreement, the Intercreditor Agreement between the Lender and LC Fund and the subordination agreements between the Lender and Paul Travers and John Burtis, Kopin Corporation and Vast Corporation, respectively, have been included as exhibits 10.1, 10.2, 10.3, 10.4, 10.5 and 10.6, respectively, in this Current Report on Form 8-K. Please review these documents for additional information regarding the terms of these agreements.

SECTION 2 – FINANCIAL INFORMATION

ITEM 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant

- (a) (1) On March 21, 2011, Vuzix entered into the Loan Agreement with the Lender.
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(2) Pursuant to the Loan Agreement, the Lender agreed to extend to Vuzix a revolving line of credit or up to \$2,000,000 (the "Loan"). Interest on the Loan is payable monthly. The Loan is payable in full on March 21, 2013. Repayment of the Loan can be accelerated upon the occurrence of an Event of Default, as described in the Loan Agreement. Events of Default include (but are not limited to) payment defaults, defaults in the observance of covenants contained in the Loan Agreement or in other agreements between Vuzix and the Lender, insolvency and certain judgments being entered against Vuzix. The Loan is secured by the assets of Vuzix.

Reference is made to Item 1.01A of this report on Form 8-K, to the Loan Agreement and to the other documents described in Item 1.10A for a complete statement of the terms of the Loan.

SECTION 9 - FINANCIAL STATEMENTS AND EXHIBITS

ITEM 9.01. Exhibits

Following is the Index of Exhibits furnished in accordance with Item 601 of Regulation S-K, filed as part of this Current Report on Form 8-K or incorporated by reference herewith:

- 10.1 Loan and Security Agreement, dated as of March 21, 2011, by and between Vuzix and the Lender.
 - 10.2 Intellectual Property Security Agreement dated as of March 21, 2011, by and between Vuzix and the Lender.
 - 10.3 Intercreditor Agreement dated as of March 21, 2011 by and between the Lender and LC Fund.
 - 10.4 Subordination Agreement dated as of March 21, 2011 by and between Kopin Corporation and the Lender.
 - 10.5 Subordination Agreement dated as of March 21, 2011 by and between Vast Corporation and the Lender.
 - 10.6 Subordination Agreement dated as of March 21, 2011 by and between Paul Travers and John Burtis, on the one hand, and the Lender on the other hand.
 - 99.1 Press release issued by Vuzix on March 22, 2011.
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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

VUZIX CORPORATION

Date: March 25, 2011

By: /s/ Paul Travers

Name: Paul Travers

Title: President

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
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99.1	Press release issued by Vuzix on March 22, 2011.

VUZIX CORPORATION
BRIDGE BANK, NATIONAL ASSOCIATION
LOAN AND SECURITY AGREEMENT

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This **Loan And Security Agreement** is entered into as of March 21, 2011, by and between **Bridge Bank, National Association** (“Bank”) and **VUZIX CORPORATION** (“Borrower”).

Recitals

Borrower wishes to obtain credit from time to time from Bank, and Bank desires to extend credit to Borrower. This Agreement sets forth the terms on which Bank will advance credit to Borrower, and Borrower will repay the amounts owing to Bank.

Agreement

The parties agree as follows:

1. Definitions and Construction.

1.1 Definitions. As used in this Agreement, the following terms shall have the following definitions:

“Accounts” means all presently existing and hereafter arising accounts, contract rights, payment intangibles, 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, and any and all credit insurance, guaranties, and other security therefor, as well as all merchandise returned to or reclaimed by Borrower and Borrower’s Books relating to any of the foregoing.

“Advance” or “Advances” means a cash advance or cash advances under the Revolving Facility.

“Affiliate” means, with respect to any Person, 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, and partners.

“Bank Expenses” means all: reasonable costs or expenses (including reasonable attorneys’ fees and expenses) incurred in connection with the preparation, negotiation, administration, and enforcement of the Loan Documents; reasonable Collateral audit fees; and Bank’s reasonable attorneys’ fees and expenses incurred in amending, enforcing or defending the Loan Documents (including fees and expenses of appeal), incurred before, during and after an Insolvency Proceeding, whether or not suit is brought.

“Borrower’s Books” means all of Borrower’s books and records including: 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” means an amount equal to eighty percent (80%) of Eligible Accounts, as determined by Bank with reference to the most recent Borrowing Base Certificate delivered by Borrower.

“Business Day” means any day that is not a Saturday, Sunday, or other day on which banks in the State of California are authorized or required to close.

“Change in Control” shall mean a transaction in which any “person” or “group” (within the meaning of Section 13(d) and 14(d)(2) of the Securities Exchange Act of 1934) becomes the “beneficial owner” (as defined in Rule 13d-3 under the Securities Exchange Act of 1934), directly or indirectly, of a sufficient number of shares of all classes of stock then outstanding of Borrower ordinarily entitled to vote in the election of directors, empowering such “person” or “group” to elect a majority of the Board of Directors of Borrower, who did not have such power before such transaction.

“Closing Date” means the date of this Agreement.

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“Code” means the California Uniform Commercial Code.

“Collateral” means the property described on **Exhibit A** attached hereto.

“Contingent Obligation” means, as applied to any Person, any direct or indirect liability, contingent or otherwise, of that Person with respect to (i) any indebtedness, lease, dividend, letter of credit or other obligation of another; (ii) any obligations with respect to undrawn letters of credit, corporate credit cards, or merchant services issued or provided for the account of that Person; and (iii) all obligations arising under any agreement or arrangement designed to protect such Person against fluctuation in interest rates, currency exchange rates or commodity prices; provided, however, that the term “Contingent Obligation” shall not include endorsements for collection or deposit in the ordinary course of business. The amount of any Contingent Obligation shall be deemed to be an amount equal to the stated or determined amount of the primary obligation in respect of which such Contingent Obligation is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by Bank in good faith; provided, however, that such amount shall not in any event exceed the maximum amount of the obligations under the guarantee or other support arrangement.

“Copyrights” means any and all copyright rights, copyright applications, copyright registrations and like protections in each work or authorship and derivative work thereof.

“Credit Extension” means each Advance or any other extension of credit by Bank for the benefit of Borrower hereunder.

“Daily Balance” means the amount of the Obligations owed at the end of a given day.

“EBITDA” means (a) Net Income, plus (b) Interest Expense, plus (c) to the extent deducted in the calculation of Net Income, depreciation expense and amortization expense, plus (d) income tax expense, (e) plus non-cash compensations, plus (f) the issuance of shares, warrants, or other rights that are treated as expense under GAAP.

“Eligible Accounts” means those Accounts that arise in the ordinary course of Borrower’s business that comply with all of Borrower’s representations and warranties to Bank set forth in Section 5.4; provided, that standards of eligibility may be fixed and revised from time to time by Bank in Bank’s reasonable judgment and upon notification thereof to Borrower in accordance with the provisions hereof. Unless otherwise agreed to by Bank, Eligible Accounts shall not include the following:

- (a) Accounts that the account debtor has failed to pay within ninety (90) days of invoice date;
- (b) Accounts with respect to an account debtor, thirty percent (30%) of whose Accounts the account debtor has failed to pay within ninety (90) days of invoice date;
- (c) Accounts with respect to which the account debtor is an officer, employee, or agent of Borrower;
- (d) Accounts with respect to which goods are placed on consignment, guaranteed sale, sale or return, sale on approval, bill and hold, offset-able by prepaid deposits, or other terms by reason of which the payment by the account debtor may be conditional;
- (e) Accounts with respect to which the account debtor is an Affiliate of Borrower;
- (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;

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(g) Accounts with respect to which the account debtor is the United States or any department, agency, or instrumentality of the United States unless approved in writing by Bank or Borrower has assigned its payment rights to Bank and the assignment has been acknowledged under the Federal Assignment of Claims Act of 1940, as amended, in form and substance satisfactory to Bank;

(h) Accounts with respect to which Borrower is liable to the account debtor for goods sold or services rendered by the account debtor to Borrower or for deposits or other property of the account debtor held by Borrower, but only to the extent of any amounts owing to the account debtor against amounts owed to Borrower, except as approved in writing by Bank;

(i) Accounts with respect to an account debtor, including Subsidiaries and Affiliates, whose total obligations to Borrower exceed thirty-five percent (35%) of all Accounts, to the extent such obligations exceed the aforementioned percentage, except as approved in writing by Bank;

(j) Accounts with respect to which the account debtor disputes liability or makes any claim with respect thereto as to which Bank 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), or is subject to any Insolvency Proceeding, or becomes insolvent, or goes out of business;

(k) Progress billings or retention billings;

(l) Bonded Accounts;

(m) Accounts that are prebilled more than one-year in advance; and

(n) Accounts the collection of which Bank reasonably determines 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 (i) are supported by one or more letters of credit or insurance in an amount and of a tenor, and issued by a financial institution, reasonably acceptable to Bank, or (ii) that Bank approves on a case-by-case basis.

“Equipment” means all present and future machinery, equipment, tenant improvements, furniture, fixtures, vehicles, tools, parts and attachments in which Borrower has any interest.

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

“Event of Default” has the meaning assigned in Article 8.

“GAAP” means United States generally accepted accounting principles as in effect from time to time.

“Indebtedness” means (a) all indebtedness for borrowed money or the deferred purchase price of property or services, including without limitation reimbursement and other obligations with respect to surety bonds and letters of credit, (b) all obligations evidenced by notes, bonds, debentures or similar instruments, (c) all capital lease obligations and (d) all Contingent Obligations.

“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: Copyrights, Trademarks and Patents; all trade secrets, all design rights, claims for damages by way of past, present and future infringement of any of the rights included above, all licenses or other rights to use any of the Copyrights, Patents or Trademarks, and all license fees and royalties arising from such use to the extent permitted by such license or rights; all amendments, renewals and extensions of any of the Copyrights, Trademarks or Patents; and 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.

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“Interest Expense” means for any fiscal period, interest expense (whether cash or non-cash) determined in accordance with GAAP for the relevant period ending on such date, including, in any event, interest expense with respect to any Credit Extension and other Indebtedness of Borrower and its Subsidiaries, including, without limitation or duplication, all commissions, discounts, or related amortization and other fees and charges with respect to letters of credit and bankers’ acceptance financing and the net costs associated with interest rate swap, cap, and similar arrangements, and the interest portion of any deferred payment obligation (including leases of all types).

“Inventory” means all inventory in which Borrower has or acquires any interest, including work in process and finished products intended for sale or lease or to be furnished under a contract of service, of every kind and description now or at any time hereafter owned by or in the custody or possession, actual or constructive, of Borrower, including such inventory as is temporarily out of its custody or possession or in transit and including any returns upon any accounts or other proceeds, including insurance proceeds, resulting from the sale or disposition of any of the foregoing and any documents of title representing any of the above, and Borrower’s Books relating to 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.

“IRC” means the Internal Revenue Code of 1986, as amended, and the regulations thereunder.

“Lien” means any mortgage, lien, deed of trust, charge, pledge, security interest or other encumbrance.

“Loan Documents” means, collectively, this Agreement, any note or notes executed by Borrower, and any other agreement entered into in connection with this Agreement, all as amended or extended from time to time.

“Material Adverse Effect” means a material adverse effect on (i) the business operations, condition (financial or otherwise) or prospects of Borrower and its Subsidiaries taken as a whole or (ii) the ability of Borrower to repay the Obligations or otherwise perform its obligations under the Loan Documents or (iii) the value or priority of Bank’s security interests in the Collateral.

“Negotiable Collateral” means all letters of credit of which Borrower is a beneficiary, notes, drafts, instruments, securities, documents of title, and chattel paper, and Borrower’s Books relating to any of the foregoing.

“Net Income” means, as calculated in accordance with GAAP on a consolidated basis for Borrower and its Subsidiaries for any period as at any date of determination, the net profit (or loss), after provision for taxes, of Borrower and its Subsidiaries for such period taken as a single accounting period.

“Obligations” means all debt, principal, interest, Bank Expenses and other amounts owed to Bank by Borrower pursuant to this Agreement or any other agreement, whether absolute or contingent, due or to become due to Bank, now existing or hereafter arising, including any interest that accrues after the commencement of an Insolvency Proceeding and including any debt, liability, or obligation owing from Borrower to others that Bank may have obtained by assignment or otherwise.

“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.

“Periodic Payments” means all installments or similar recurring payments that Borrower may now or hereafter become obligated to pay to Bank pursuant to the terms and provisions of any instrument, or agreement now or hereafter in existence between Borrower and Bank.

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“Permitted Indebtedness” means:

- (a) Indebtedness of Borrower in favor of Bank arising under this Agreement or any other Loan Document;
- (b) Indebtedness existing on the Closing Date and disclosed in the Schedule;
- (c) Indebtedness secured by a lien described in clause (c) of the defined term “Permitted Liens,” provided (i) such Indebtedness does not exceed the lesser of the cost or fair market value of the equipment financed with such Indebtedness and (ii) such Indebtedness does not exceed \$100,000 in the aggregate at any given time; and
- (d) Subordinated Debt.

“Permitted Investment” means:

- (a) Investments existing on the Closing Date disclosed in the Schedule; and
- (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 rating of at least A-2 or P-2 from either Standard & Poor’s Corporation or Moody’s Investors Service, (iii) certificates of deposit maturing no more than one (1) year from the date of investment therein issued by Bank and (iv) Bank’s money market accounts.

“Permitted Liens” means the following:

- (a) Any Liens existing on the Closing Date and disclosed in the Schedule or arising under this Agreement or the other Loan Documents;
- (b) Liens for taxes, fees, assessments or other governmental charges or levies, either not delinquent or being contested in good faith by appropriate proceedings, provided the same have no priority over any of Bank’s security interests;
- (c) Liens (i) upon or in any equipment which was not financed by Bank acquired or held by Borrower or any of its Subsidiaries to secure the purchase price of such equipment or indebtedness incurred solely for the purpose of financing the acquisition of such equipment, or (ii) existing on such equipment at the time of its acquisition, provided that the Lien is confined solely to the property so acquired and improvements thereon, and the proceeds of such equipment;
- (d) Liens incurred in connection with the extension, renewal or refinancing of the indebtedness secured by Liens of the type described in clauses (a) through (c) above, provided that any extension, renewal or replacement Lien shall be limited to the property encumbered by the existing Lien and the principal amount of the indebtedness being extended, renewed or refinanced does not increase.

“Person” means any individual, sole proprietorship, partnership, limited liability company, joint venture, trust, unincorporated organization, association, corporation, institution, public benefit corporation, firm, joint stock company, estate, entity or governmental agency.

“Prime Rate” means the greater of (i) 3.25% per annum or (ii) variable rate of interest, per annum, most recently announced by Bank, as its “prime rate,” whether or not such announced rate is the lowest rate available from Bank.

“Responsible Officer” means each of the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer and the Controller of Borrower.

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“Revolving Facility” means the facility under which Borrower may request Bank to issue Advances, as specified in Section 2.1(a) hereof.

“Revolving Line” means a credit extension of up to Two Million Dollars (\$2,000,000).

“Revolving Maturity Date” means the second anniversary of the Closing Date.

“Schedule” means the schedule of exceptions attached hereto and approved by Bank, if any.

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

“Subsidiary” means any corporation, company or partnership in which (i) any general partnership interest or (ii) more than 50% of the stock or other units of ownership which by the terms thereof has the ordinary voting power to elect the Board of Directors, managers or trustees of the entity, at the time as of which any determination is being made, is owned by Borrower, either directly or through an Affiliate.

“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 of the business of Borrower connected with and symbolized by such trademarks.

1.2 Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP and all calculations made hereunder shall be made in accordance with GAAP (except that interim monthly financial statements which may not include normally recurring year-end adjustments or the notes required by GAAP). When used herein, the terms “financial statements,” other than when used with respect to interim monthly financial statements, shall include the notes and schedules thereto.

2. Loan and Terms Of Payment.

2.1 Credit Extensions.

Borrower promises to pay to the order of Bank, in lawful money of the United States of America, the aggregate unpaid principal amount of all Credit Extensions made by Bank to Borrower hereunder. Borrower shall also pay interest on the unpaid principal amount of such Credit Extensions at rates in accordance with the terms hereof.

(a) Revolving Advances.

(i) Subject to and upon the terms and conditions of this Agreement, Borrower may request Advances in an aggregate outstanding amount not to exceed the lesser of (i) the Revolving Line or (ii) the Borrowing Base. Subject to the terms and conditions of this Agreement, amounts borrowed pursuant to this Section 2.1(a) may be repaid and reborrowed at any time prior to the Revolving Maturity Date, at which time all Advances under this Section 2.1(a) shall be immediately due and payable. Borrower may prepay any Advances without penalty or premium.

(ii) Whenever Borrower desires an Advance, Borrower will notify Bank by facsimile transmission or telephone no later than 3:00 p.m. Pacific time, on the Business Day that the Advance is to be made. Each such notification shall be promptly confirmed by a Payment/Advance Form in substantially the form of **Exhibit B** hereto. Bank is authorized to make Advances under this Agreement, based upon instructions received from a Responsible Officer or a designee of a Responsible Officer, or without instructions if in Bank’s discretion such Advances are necessary to meet Obligations which have become due and remain unpaid. Bank shall be entitled to rely on any telephonic notice given by a person who Bank reasonably believes to be a Responsible Officer or a designee thereof, and Borrower shall indemnify and hold Bank harmless for any damages or loss suffered by Bank as a result of such reliance. Bank will credit the amount of Advances made under this Section 2.1(a) to Borrower’s deposit account.

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2.2 Overadvances. If the aggregate amount of the outstanding Advances exceeds the lesser of the Revolving Line or the Borrowing Base at any time, Borrower shall immediately pay to Bank, in cash, the amount of such excess.

2.3 Interest Rates, Payments, and Calculations.

(a) Interest Rates.

(i) Advances. Except as set forth in Section 2.3(b), the Advances shall bear interest, on the outstanding Daily Balance thereof, at a rate equal to 1.25% above the Prime Rate.

(b) Late Fee; Default Rate. If any payment is not made within ten (10) days after the date such payment is due, Borrower shall pay Bank a late fee equal to the lesser of (i) five percent (5%) of the amount of such unpaid amount or (ii) the maximum amount permitted to be charged under applicable law, not in any case to be less than \$25.00. All Obligations shall bear interest, from and after the occurrence and during the continuance of an Event of Default, at a rate equal to five (5) percentage points above the interest rate applicable immediately prior to the occurrence of the Event of Default.

(c) Payments. Interest hereunder shall be due and payable on the tenth calendar day of each month during the term hereof. Bank shall, at its option, charge such interest, all Bank Expenses, and all Periodic Payments against any of Borrower's deposit accounts via auto-debit or against the Revolving Line, in which case those amounts shall thereafter accrue interest at the rate then applicable hereunder. Any interest not paid when due shall be compounded by becoming a part of the Obligations, and such interest shall thereafter accrue interest at the rate then applicable hereunder. All payments shall be free and clear of any taxes, withholdings, duties, impositions or other charges, to the end that Bank will receive the entire amount of any Obligations payable hereunder, regardless of source of payment.

(d) Computation. In the event the Prime Rate is changed from time to time hereafter, the applicable rate of interest hereunder shall be increased or decreased, effective as of the day the Prime Rate is changed, by an amount equal to such change in the Prime Rate. All interest chargeable under the Loan Documents shall be computed on the basis of a three hundred sixty (360) day year for the actual number of days elapsed.

2.4 Crediting Payments. Prior to the occurrence of an Event of Default, Bank shall credit a wire transfer of funds, check or other item of payment to such deposit account or Obligation as Borrower specifies. After the occurrence of an Event of Default, the receipt by Bank of any wire transfer of funds, check, or other item of payment shall be immediately applied to conditionally reduce Obligations, but shall not be considered a payment on account unless such payment is of immediately available federal funds or unless and until such check or other item of payment is honored when presented for payment. Notwithstanding anything to the contrary contained herein, any wire transfer or payment received by Bank after 12:00 noon Pacific time shall be deemed to have been received by Bank as of the opening of business on the immediately following Business Day. Whenever any payment to Bank under the Loan Documents would otherwise be due (except by reason of acceleration) on a date that is not a Business Day, such payment shall instead be due on the next Business Day, and additional fees or interest, as the case may be, shall accrue and be payable for the period of such extension.

2.5 Fees. Borrower shall pay to Bank the following:

(a) Facility Fee. On each of the Closing Date and on the first anniversary of the Closing Date, a Facility Fee equal to \$10,000, which shall be nonrefundable;

(b) Bank Expenses. On the Closing Date, all Bank Expenses incurred through the Closing Date, including reasonable attorneys' fees and expenses and, after the Closing Date, all Bank Expenses, including reasonable attorneys' fees and expenses, as and when they are incurred by Bank; and

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(c) **Success Fee.** On the initial closing of the earlier to occur of (i) Borrower's next public offering, (ii) any capital reorganization, or the consolidation or merger of the Borrower with or into any other corporation or other entity or person, or any other corporate reorganization, in which the stockholders of the Borrower (in the aggregate) immediately prior to such consolidation, merger or reorganization, own less than fifty percent (50%) of the voting power of the surviving entity immediately after such consolidation, merger or reorganization, (iii) any transaction or series of related transactions to which the Borrower is a party in which in excess of fifty percent (50%) of the Borrower's voting power is transferred, or (iv) sale or other disposition of all or substantially all the assets of the Borrower, a fee equal to \$20,000 (the "Success Fee"). Borrower's obligation to pay the Success Fee to Bank shall survive for seven years beyond the termination of this Agreement.

2.6 Term. This Agreement shall become effective on the Closing Date and, subject to Section 12.7, shall continue in full force and effect for so long as any Obligations remain outstanding or Bank has any obligation to make Credit Extensions under this Agreement. Notwithstanding the foregoing, Bank shall have the right to terminate its obligation to make Credit Extensions under this Agreement immediately and without notice upon the occurrence and during the continuance of an Event of Default. Notwithstanding termination, Bank's Lien on the Collateral shall remain in effect for so long as any Obligations are outstanding.

3. Conditions of Loans.

3.1 Conditions Precedent to Initial Credit Extension. The obligation of Bank to make the initial Credit Extension is subject to the condition precedent that Bank shall have received, in form and substance satisfactory to Bank, the following:

- (a) this Agreement;
- (b) a certificate of the Secretary of Borrower with respect to incumbency and resolutions authorizing the execution and delivery of this Agreement;
- (c) UCC National Form Financing Statement;
- (d) an intellectual property security agreement;
- (e) agreement to provide insurance and insurance certificates;
- (f) payment of the fees and Bank Expenses then due specified in Section 2.5 hereof;
- (g) current financial statements of Borrower;
- (h) intercreditor agreement with LC Capital Master Fund Ltd (the "Intercreditor Agreement");
- (i) subordination or intercreditor agreements with Borrower's existing noteholders and creditors, including Paul Travers, John Burtis, Vast Technologies, Inc., and Kopin Corporation;
- (j) an audit of the Collateral, the results of which shall be satisfactory to Bank; and
- (k) such other documents, and completion of such other matters, as Bank may reasonably deem necessary or appropriate.

3.2 Conditions Precedent to all Credit Extensions. The obligation of Bank to make each Credit Extension, including the initial Credit Extension, is further subject to the following conditions:

- (a) timely receipt by Bank of the Payment/Advance Form as provided in Section 2.1; and

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(b) the representations and warranties contained in Section 5 shall be true and correct in all material respects on and as of the date of such Payment/Advance Form and on the effective date of each Credit Extension as though made at and as of each such date, and no Event of Default shall have occurred and be continuing, or would exist after giving effect to such Credit Extension. The making of each Credit Extension shall be deemed to be a representation and warranty by Borrower on the date of such Credit Extension as to the accuracy of the facts referred to in this Section 3.2.

4. Creation of Security Interest.

4.1 Grant of Security Interest. Borrower grants and pledges to Bank a continuing security interest in all presently existing and hereafter acquired or arising Collateral in order to secure prompt repayment of any and all Obligations and in order to secure prompt performance by Borrower of each of its covenants and duties under the Loan Documents. Except as set forth in the Schedule and subject to the Intercreditor Agreement, 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.

4.2 Delivery of Additional Documentation Required. Borrower shall from time to time execute and deliver to Bank, at the request of Bank, all Negotiable Collateral, all financing statements and other documents that Bank may reasonably request, in form satisfactory to Bank, to perfect and continue the perfection of Bank's security interests in the Collateral and in order to fully consummate all of the transactions contemplated under the Loan Documents. Borrower from time to time may deposit with Bank specific time deposit accounts to secure specific Obligations. Borrower authorizes Bank to hold such balances in pledge and to decline to honor any drafts thereon or any request by Borrower or any other Person to pay or otherwise transfer any part of such balances for so long as the Obligations are outstanding.

4.3 Right to Inspect. Bank (through any of its officers, employees, or agents) shall have the right, upon reasonable prior notice, from time to time during Borrower's usual business hours but no more than twice a year (unless an Event of Default has occurred and is continuing), to inspect Borrower's Books and to make copies thereof and to check, test, and appraise the Collateral in order to verify Borrower's financial condition or the amount, condition of, or any other matter relating to, the Collateral.

5. Representations and Warranties.

Borrower represents and warrants as follows:

5.1 Due Organization and Qualification. Borrower and each Subsidiary is a corporation duly existing under the laws of its jurisdiction of incorporation and qualified and licensed to do business in any state in which the conduct of its business or its ownership of property requires that it be so qualified.

5.2 Due Authorization; No Conflict. The execution, delivery, and performance of the Loan Documents are within Borrower's powers, have been duly authorized, and are not in conflict with nor constitute a breach of any provision contained in Borrower's Articles of Incorporation or Bylaws, nor will they constitute an event of default under any material agreement to which Borrower is a party or by which Borrower is bound. Borrower is not in default under any material agreement to which it is a party or by which it is bound.

5.3 No Prior Encumbrances. Borrower has good and marketable title to its property, free and clear of Liens, except for Permitted Liens.

5.4 Bona Fide Eligible Accounts. The Eligible Accounts are bona fide existing obligations. The property and services giving rise to such Eligible Accounts has been delivered or rendered to the account debtor or to the account debtor's agent for immediate and unconditional acceptance by the account debtor. Borrower has not received notice of actual or imminent Insolvency Proceeding of any account debtor that is included in any Borrowing Base Certificate as an Eligible Account.

5.5 Merchantable Inventory. All Inventory is in all material respects of good and marketable quality, free from all material defects, except for Inventory for which adequate reserves have been made.

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5.6 Intellectual Property Collateral. Borrower is the sole owner of the Intellectual Property Collateral, except for non-exclusive licenses granted by Borrower to its customers in the ordinary course of business. To the best of its knowledge, each of the Patents is valid and enforceable. No part of the Intellectual Property Collateral has been judged invalid or unenforceable, in whole or in part, and no claim has been made that any part of the Intellectual Property Collateral violates the rights of any third party. Except as set forth in the Schedule, Borrower's rights as a licensee of intellectual property do not give rise to more than five percent (5%) of its gross revenue in any given month, including without limitation revenue derived from the sale, licensing, rendering or disposition of any product or service. Except as set forth in the Schedule, Borrower is not a party to, or bound by, any agreement that restricts the grant by Borrower of a security interest in Borrower's rights under such agreement.

5.7 Name; Location of Chief Executive Office. Except as disclosed in the Schedule, Borrower has not done 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 10 hereof. All Borrower's Inventory and Equipment is located at the locations set forth in Section 10 or the Schedule of Exceptions, hereof.

5.8 Litigation. Except as set forth in the Schedule, there are no actions or proceedings pending by or against Borrower or any Subsidiary before any court or administrative agency.

5.9 No Material Adverse Change in Financial Statements. All consolidated and consolidating financial statements related to Borrower and any Subsidiary that Bank has received from Borrower fairly present in all material respects Borrower's financial condition as of the date thereof and Borrower's consolidated and consolidating results of operations for the period then ended. There has not been a material adverse change in the consolidated or the consolidating financial condition of Borrower since the date of the most recent of such financial statements submitted to Bank.

5.10 Solvency, Payment of Debts. Borrower is solvent and able to pay its debts (including trade debts) as they mature.

5.11 Regulatory Compliance. Borrower and each Subsidiary have met the minimum funding requirements of ERISA with respect to any employee benefit plans subject to ERISA, and no event has occurred resulting from Borrower's failure to comply with ERISA that could result in Borrower's incurring any material liability. 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 the important activities, in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulations 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.

5.12 Environmental Condition. Except as disclosed in the Schedule, 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 releasing, or otherwise disposing of hazardous waste or hazardous substances into the environment.

5.13 Taxes. Borrower and each Subsidiary have filed or caused to be filed all tax returns required to be filed, and have paid, or have made adequate provision for the payment of, all taxes reflected therein.

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

5.15 Government Consents. Borrower and each Subsidiary have obtained all material 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.

5.16 Accounts. On and after the thirtieth day following the Closing Date, none of Borrower's nor any Subsidiary's primary operating or deposit accounts are maintained or invested with a Person other than Bank.

5.17 Full Disclosure. No representation, warranty or other statement made by Borrower in any certificate or written statement furnished to Bank contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained in such certificates or statements not misleading.

6. Affirmative Covenants.

Borrower shall do all of the following:

6.1 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 it is required under applicable law. Borrower shall maintain, and shall cause each of its Subsidiaries to maintain, in force all licenses, approvals and agreements required under applicable law.

6.2 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.

6.3 Financial Statements, Reports, Certificates. Borrower shall deliver the following to Bank: (a) as soon as available, but in any event within thirty (30) days after the end of each calendar month, a company prepared consolidated balance sheet, income statement, and cash flow statement covering Borrower's consolidated operations during such period, prepared in accordance with GAAP, consistently applied, in a form acceptable to Bank and certified by a Responsible Officer, along with a Compliance Certificate signed by a Responsible Officer in substantially the form of **Exhibit D**; (c) within five (5) days after the last day of each month, Borrower shall deliver to Bank aged listings of accounts receivable and accounts payable, and a statement of deferred revenues together with a Borrowing Base Certificate signed by a Responsible Officer in substantially the form of **Exhibit C** hereto, if such certificate is requested by Bank in writing; (d) as soon as available, but in any event within one hundred eighty (180) days after the end of Borrower's fiscal year, audited consolidated financial statements of Borrower prepared in accordance with GAAP, consistently applied, together with an unqualified opinion on such financial statements of an independent certified public accounting firm reasonably acceptable to Bank; (e) as soon as available, but in any event no later than thirty (30) days prior to the beginning of Borrower's next fiscal year, annual operating projections (including income statements, balance sheets and cash flow statements presented in a monthly format) for the upcoming fiscal year, in form and substance reasonably satisfactory to Bank, (f) copies of all statements, reports and notices sent or made available generally by Borrower to its security holders or to any holders of Subordinated Debt and all reports on Forms 8-K, 10-K and 10-Q filed with the Securities and Exchange Commission; (g) promptly upon receipt of notice thereof, a report of any legal actions pending or threatened in writing against Borrower or any Subsidiary that could result in damages or costs to Borrower or any Subsidiary of Fifty Thousand Dollars (\$50,000) or more; and (h) such budgets, sales projections, operating plans or other financial information as Bank may reasonably request from time to time.

6.4 Audits. Bank shall have a right from time to time hereafter to audit Borrower's Accounts and appraise Collateral at Borrower's expense, provided that such audits will be conducted no more often than every six (6) months unless an Event of Default has occurred and is continuing.

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6.5 Inventory; Returns. Borrower shall keep all Inventory in good and marketable condition, free from all material defects except for Inventory for which adequate reserves have been made. Returns and allowances, if any, as between Borrower and its account debtors shall be on the same basis and in accordance with the usual customary practices of Borrower, as they exist at the time of the execution and delivery of this Agreement. Borrower shall promptly notify Bank of all returns and recoveries and of all disputes and claims, where the return, recovery, dispute or claim involves more than Fifty Thousand Dollars (\$50,000).

6.6 Taxes. Borrower shall make, and shall cause each Subsidiary to make, due and timely payment or deposit of all material federal, state, and local taxes, assessments, or contributions required of it by law, and will execute and deliver to Bank, on demand, appropriate certificates attesting to the payment or deposit thereof; and Borrower will make, and will cause each Subsidiary to make, timely payment or deposit of all material tax payments and withholding taxes required of it by applicable laws, including, but not limited to, those laws concerning F.I.C.A., F.U.T.A., state disability, and local, state, and federal income taxes, and will, upon request, furnish Bank with proof satisfactory to Bank indicating that Borrower or a Subsidiary has made such payments or deposits; provided that Borrower or a Subsidiary need not make any payment if the amount or validity of such payment is contested in good faith by appropriate proceedings and is reserved against (to the extent required by GAAP) by Borrower.

6.7 Insurance.

(a) Borrower, at its expense, shall keep the Collateral insured against loss or damage by fire, theft, explosion, sprinklers, and all other hazards and risks, and in such amounts, as ordinarily insured against by other owners in similar businesses conducted in the locations where Borrower's business is conducted on the date hereof. Borrower shall also maintain insurance relating to Borrower's business, ownership and use of the Collateral in amounts and of a type that are customary to businesses similar to Borrower's.

(b) All such policies of insurance shall be in such form, with such companies, and in such amounts as are reasonably satisfactory to Bank. All such policies of property insurance shall contain a lender's loss payable endorsement, in a form satisfactory to Bank, showing Bank as an additional loss payee thereof, and all liability insurance policies shall show the Bank as an additional insured and shall specify that the insurer must give at least twenty (20) days notice to Bank before canceling its policy for any reason. Upon Bank's request, Borrower shall deliver to Bank certified copies of such policies of insurance and evidence of the payments of all premiums therefor. All proceeds payable under any such policy shall, at the option of Bank, be payable to Bank to be applied on account of the Obligations.

6.8 Accounts. Within 30 days of the Closing Date, Borrower and each of its Subsidiaries located in the United States shall transfer and maintain its primary depository, operating, and investment accounts with Bank.

6.9 Asset Coverage Ratio. Borrower shall maintain at all times a ratio of unrestricted cash and cash equivalents maintained at Bank plus Eligible Accounts to all Obligations owing to Bank of at least 1.50 to 1.00 at all times, measured on a monthly basis.

6.10 EBITDA. The maximum quarterly EBITDA losses (measured monthly on a trailing 90 days) shall not exceed \$150,000. Borrower's minimum annual EBITDA beginning with fiscal year ending December 31, 2011 shall be at least \$1,000,000.

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6.11 Intellectual Property Rights.

(a) Borrower shall promptly give Bank written notice of any applications or registrations of intellectual property rights filed with the United States Patent and Trademark Office, including the date of such filing and the registration or application numbers, if any. Borrower shall (i) give Bank not less than 30 days prior written notice of the filing of any applications or registrations with the United States Copyright Office, including the title of such intellectual property rights to be registered, as such title will appear on such applications or registrations, and the date such applications or registrations will be filed, and (ii) prior to the filing of any such applications or registrations, shall execute such documents as Bank may reasonably request for Bank to maintain its perfection in such intellectual property rights to be registered by Borrower, and upon the request of Bank, shall file such documents simultaneously with the filing of any such applications or registrations. Upon filing any such applications or registrations with the United States Copyright Office, Borrower shall promptly provide Bank with (i) a copy of such applications or registrations, without the exhibits, if any, thereto, (ii) evidence of the filing of any documents requested by Bank to be filed for Bank to maintain the perfection and priority of its security interest in such intellectual property rights, and (iii) the date of such filing.

(b) Bank may audit Borrower's Intellectual Property Collateral to confirm compliance with this Section, provided such audit may not occur more often than twice per year, unless an Event of Default has occurred and is continuing. Bank shall have the right, but not the obligation, to take, at Borrower's sole expense, any actions that Borrower is required under this Section to take but which Borrower fails to take, after 15 days' notice to Borrower. Borrower shall reimburse and indemnify Bank for all reasonable costs and reasonable expenses incurred in the reasonable exercise of its rights under this Section.

6.12 Further Assurances. At any time and from time to time Borrower shall execute and deliver such further instruments and take such further action as may reasonably be requested by Bank to effect the purposes of this Agreement.

7. Negative Covenants.

Borrower will not do any of the following, without the Bank's prior written consent:

7.1 Dispositions. 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: (i) Transfers of Inventory in the ordinary course of business; (ii) Transfers of non-exclusive licenses and similar arrangements for the use of the property of Borrower or its Subsidiaries in the ordinary course of business; or (iii) Transfers of worn-out or obsolete Equipment which was not financed by Bank.

7.2 Change in Business; Change in Control or Executive Office. 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); experience a change in Responsible Officer; or cease to conduct business in the manner conducted by Borrower as of the Closing Date; or suffer or permit a Change in Control; or without thirty (30) days prior written notification to Bank, relocate its chief executive office or state of incorporation or change its legal name; or without Bank's prior written consent, change the date on which its fiscal year ends.

7.3 Mergers or Acquisitions. 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.

7.4 Indebtedness. Create, incur, guarantee, assume or be or remain liable with respect to any Indebtedness, or permit any Subsidiary so to do, other than Permitted Indebtedness.

7.5 Encumbrances. Create, incur, assume or suffer to exist any Lien with respect to any of its property, or assign or otherwise convey any right to receive income, including the sale of any Accounts, or permit any of its Subsidiaries so to do, except for Permitted Liens, or agree with any Person other than Bank not to grant a security interest in, or otherwise encumber, any of its property, or permit any Subsidiary to do so.

7.6 Distributions. Pay any dividends or make any other distribution or payment on account of or in redemption, retirement or purchase of any capital stock, or permit any of its Subsidiaries to do so, except that Borrower may repurchase the stock of former employees pursuant to stock repurchase agreements as long as an Event of Default does not exist prior to such repurchase or would not exist after giving effect to such repurchase.

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7.7 Investments. 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; or maintain or invest any of its property with a Person other than Bank or permit any of its Subsidiaries located in the United States to do so unless such Person has entered into an account control agreement with Bank in form and substance satisfactory to Bank; or suffer or permit any Subsidiary to be a party to, or be bound by, an agreement that restricts such Subsidiary from paying dividends or otherwise distributing property to Borrower.

7.8 Transactions with Affiliates. 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.

7.9 Subordinated Debt. 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 Bank's prior written consent. Notwithstanding anything to the contrary in the foregoing, Borrower (a) may make payments of regularly scheduled principal and interest owing to LC Capital Master Fund LTD under that certain Loan and Security Agreement dated December 23, 2010 (the "LC Agreement"), provided that no Event of Default has occurred which is continuing or would exist immediately after giving effect to such payment, and (b) may not amend or waive any provision contained in the LC Agreement without Bank's prior written consent.

7.10 Inventory and Equipment. Store the Inventory or the Equipment with a bailee, warehouseman, or other third party unless the third party has been notified of Bank's security interest and Bank (a) has received an acknowledgment from the third party that it is holding or will hold the Inventory or Equipment for Bank's benefit or (b) is in pledge possession of the warehouse receipt, where negotiable, covering such Inventory or Equipment. Store or maintain any Equipment or Inventory at a location other than the location set forth in Section 10 of this Agreement.

7.11 Compliance. Become an "investment company" or be 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 Credit Extension 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 law or regulation, which violation could have a Material Adverse Effect, or a material adverse effect on the Collateral or the priority of Bank's Lien on the Collateral, or permit any of its Subsidiaries to do any of the foregoing.

8. Events of Default.

Any one or more of the following events shall constitute an Event of Default by Borrower under this Agreement:

8.1 Payment Default. If Borrower fails to pay, when due, any of the Obligations;

8.2 Covenant Default.

(a) If Borrower fails to perform any obligation under Sections 6.3, 6.6, 6.7, 6.8, 6.9, or 6.10, or violates any of the covenants contained in Article 7 of this Agreement; or

(b) If Borrower fails or neglects to perform or observe any other material term, provision, condition, covenant contained in this Agreement, in any of the Loan Documents, or in any other present or future agreement between Borrower and Bank and as to any default under such other term, provision, condition or covenant that can be cured, has failed to cure such default within ten days after Borrower receives written notice thereof or any officer of Borrower becomes aware thereof; provided, however, that if the default cannot by its nature be cured within the ten day period or cannot after diligent attempts by Borrower be cured within such ten day period, and such default is likely to be cured within a reasonable time, then Borrower shall have an additional reasonable period (which shall not in any case exceed 30 days) to attempt to cure such default, and within such reasonable time period the failure to have cured such default shall not be deemed an Event of Default but no Credit Extensions will be made until such cure is effected.

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8.3 Material Adverse Effect. If there occurs any circumstance or circumstances that could reasonably be expected to have a Material Adverse Effect;

8.4 Attachment. If any 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 twenty (20) days, or if Borrower is enjoined, restrained, or in any way prevented by court order from continuing to conduct all or any part of its business affairs, or if a judgment or other claim becomes a lien or encumbrance upon any 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 twenty (20) 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 Credit Extensions will be required to be made during such cure period);

8.5 Insolvency. If Borrower becomes insolvent, or if an Insolvency Proceeding is commenced by Borrower, or if an Insolvency Proceeding is commenced against Borrower and is not dismissed or stayed within thirty (30) days (provided that no Credit Extensions will be made prior to the dismissal of such Insolvency Proceeding);

8.6 Other Agreements. If there is a default or other failure to perform in any agreement to which Borrower is a party or by which it is bound resulting in a right by a third party or parties, whether or not exercised, to accelerate the maturity of any Indebtedness in an amount in excess of Fifty Thousand Dollars (\$50,000) or which could have a Material Adverse Effect;

8.7 Judgments. 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 Credit Extensions will be made prior to the satisfaction or stay of such judgment); or

8.8 Misrepresentations. If any material misrepresentation or material misstatement exists now or hereafter in any warranty or representation set forth herein or in any certificate delivered to Bank by any Responsible Officer pursuant to this Agreement or to induce Bank to enter into this Agreement or any other Loan Document.

9. Bank's Rights and Remedies.

9.1 Rights and Remedies. Upon the occurrence and during the continuance of an Event of Default, Bank 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, whether evidenced by this Agreement, by any of the other Loan Documents, or otherwise, immediately due and payable (provided that upon the occurrence of an Event of Default described in Section 8.5, all Obligations shall become immediately due and payable without any action by Bank);

(b) Cease advancing money or extending credit to or for the benefit of Borrower under this Agreement or under any other agreement between Borrower and Bank;

(c) Settle or adjust disputes and claims directly with account debtors for amounts, upon terms and in whatever order that Bank reasonably considers advisable;

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(d) Make such payments and do such acts as Bank considers necessary or reasonable to protect its security interest in the Collateral. Borrower agrees to assemble the Collateral if Bank so requires, and to make the Collateral available to Bank as Bank may designate. Borrower authorizes Bank to enter the premises where the Collateral is located, to take and maintain possession of the Collateral, or any part of it, and to pay, purchase, contest, or compromise any encumbrance, charge, or lien which in Bank's determination appears to be prior or superior to its security interest and to pay all expenses incurred in connection therewith. With respect to any of Borrower's owned premises, Borrower hereby grants Bank a license to enter into possession of such premises and to occupy the same, without charge, in order to exercise any of Bank's rights or remedies provided herein, at law, in equity, or otherwise;

(e) Set off and apply to the Obligations any and all (i) balances and deposits of Borrower held by Bank, or (ii) indebtedness at any time owing to or for the credit or the account of Borrower held by Bank;

(f) Ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, advertise for sale, and sell (in the manner provided for herein) the Collateral. Bank is hereby granted a license or other right, solely pursuant to the provisions of this Section 9.1, to use, without charge, Borrower's labels, patents, copyrights, rights of use of any name, trade secrets, trade names, trademarks, service marks, and advertising matter, or any property of a similar nature, as it pertains to the Collateral, in completing production of, advertising for sale, and selling any Collateral and, in connection with Bank's exercise of its rights under this Section 9.1, Borrower's rights under all licenses and all franchise agreements shall inure to Bank's benefit;

(g) Dispose of the Collateral by way of one or more contracts or transactions, for cash or on terms, in such manner and at such places (including Borrower's premises) as Bank determines is commercially reasonable, and apply any proceeds to the Obligations in whatever manner or order Bank deems appropriate;

(h) Bank may credit bid and purchase at any public sale; and

(i) Any deficiency that exists after disposition of the Collateral as provided above will be paid immediately by Borrower; and any surplus that exists after disposition of the Collateral that provides for the full and indefeasible payment in cash of all Obligations to Bank shall be distributed to Borrower, subject to applicable laws and orders.

9.2 Power of Attorney. Effective only upon the occurrence and during the continuance of an Event of Default, Borrower hereby irrevocably appoints Bank (and any of Bank's designated officers, or employees) as Borrower's true and lawful attorney to: (a) send requests for verification of Accounts or notify account debtors of Bank's security interest in the Accounts; (b) endorse Borrower's name on any checks or other forms of payment or security that may come into Bank's possession; (c) sign Borrower's name on any invoice or bill of lading relating to any Account, drafts against account debtors, schedules and assignments of Accounts, verifications of Accounts, and notices to account debtors; (d) dispose of any Collateral; (e) make, settle, and adjust all claims under and decisions with respect to Borrower's policies of insurance; (f) settle and adjust disputes and claims respecting the accounts directly with account debtors, for amounts and upon terms which Bank determines to be reasonable; and (g) to file, in its sole discretion, one or more financing or continuation statements and amendments thereto, relative to any of the Collateral. The appointment of Bank as Borrower's attorney in fact, and each and every one of Bank's rights and powers, being coupled with an interest, is irrevocable until all of the Obligations have been fully repaid and performed and Bank's obligation to provide Credit Extensions hereunder is terminated.

9.3 Accounts Collection. At any time after the occurrence of an Event of Default, Bank may notify any Person owing funds to Borrower of Bank's security interest in such funds and verify the amount of such Account. Borrower shall collect all amounts owing to Borrower for Bank, receive in trust all payments as Bank's trustee, and immediately deliver such payments to Bank in their original form as received from the account debtor, with proper endorsements for deposit.

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9.4 Bank Expenses. If Borrower fails to pay any amounts or furnish any required proof of payment due to third persons or entities, as required under the terms of this Agreement, then Bank may do any or all of the following after reasonable notice to Borrower: (a) make payment of the same or any part thereof; (b) set up such reserves under a loan facility in Section 2.1 as Bank deems necessary to protect Bank from the exposure created by such failure; or (c) obtain and maintain insurance policies of the type discussed in Section 6.7 of this Agreement, and take any action with respect to such policies as Bank reasonably deems prudent. Any amounts so paid or deposited by Bank shall constitute Bank Expenses, shall be immediately due and payable, and shall bear interest at the then applicable rate hereinabove provided, and shall be secured by the Collateral. Any payments made by Bank shall not constitute an agreement by Bank to make similar payments in the future or a waiver by Bank of any Event of Default under this Agreement.

9.5 Bank's Liability for Collateral. So long as Bank complies with reasonable banking practices, Bank shall not in any way or manner be liable or responsible for: (a) the safekeeping of the Collateral; (b) any loss or damage thereto occurring or arising in any manner or fashion from any cause; (c) any diminution in the value thereof; or (d) any act or default of any carrier, warehouseman, bailee, forwarding agency, or other person whomsoever. All risk of loss, damage or destruction of the Collateral shall be borne by Borrower, except for loss, damage or destruction caused by Bank's gross negligence or willful misconduct.

9.6 Remedies Cumulative. Bank's rights and remedies under this Agreement, the Loan Documents, and all other agreements shall be cumulative. Bank shall have all other rights and remedies not inconsistent herewith as provided under the Code, by law, or in equity. No exercise by Bank of one right or remedy shall be deemed an election, and no waiver by Bank of any Event of Default on Borrower's part shall be deemed a continuing waiver. No delay by Bank shall constitute a waiver, election, or acquiescence by it. No waiver by Bank shall be effective unless made in a written document signed on behalf of Bank and then shall be effective only in the specific instance and for the specific purpose for which it was given.

9.7 Demand; Protest. Borrower waives demand, protest, notice of protest, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension, or renewal of accounts, documents, instruments, chattel paper, and guarantees at any time held by Bank on which Borrower may in any way be liable.

10. Notices.

Unless otherwise provided in this Agreement, all notices or demands by any party relating to this Agreement or any other agreement entered into in connection herewith shall be in writing and (except for financial statements and other informational documents which may be sent by first-class mail, postage prepaid) shall be personally delivered or sent by a recognized overnight delivery service, certified mail, postage prepaid, return receipt requested, or by telefacsimile to Borrower or to Bank, as the case may be, at its addresses set forth below:

If to Borrower: VUZIX CORPORATION
75 Town Centre Drive
Rochester, NY 14623
Attn: Paul Travers, CEO & President
FAX: (585) 359-4172

If to Bank: Bridge Bank, National Association
Technology Banking Division
12110 Sunset Hills Road, Suite 425
Reston, VA 20190
Attn: Dick Sweeney
FAX: (703) 964-1620

The parties hereto may change the address at which they are to receive notices hereunder, by notice in writing in the foregoing manner given to the other.

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11. CHOICE OF LAW AND VENUE; JURY TRIAL WAIVER.

This Agreement and all Loan Documents unless otherwise specified therein shall be governed by, and construed in accordance with, the internal laws of the State of California, without regard to principles of conflicts of law. Each of Borrower and Bank hereby submits to the exclusive jurisdiction of the state and Federal courts located in the County of Santa Clara, State of California. BORROWER AND BANK EACH HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF ANY OF THE LOAN DOCUMENTS OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS. EACH PARTY RECOGNIZES AND AGREES THAT THE FOREGOING WAIVER CONSTITUTES A MATERIAL INDUCEMENT FOR IT TO ENTER INTO THIS AGREEMENT. EACH PARTY REPRESENTS AND WARRANTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL.

If the jury waiver set forth in this Section 11 is not enforceable, then any dispute, controversy or claim arising out of or relating to this Agreement or any of the transactions contemplated herein shall be settled by judicial reference pursuant to Code of Civil Procedure Section 638 et seq. before a referee sitting without a jury, such referee to be mutually acceptable to the parties or, if no agreement is reached, by a referee appointed by the Presiding Judge of the California Superior Court for Santa Clara County. This Section shall not restrict a party from exercising remedies under the Code or from exercising pre-judgment remedies under applicable law.

12. General Provisions.

12.1 Successors and Assigns. This Agreement shall bind and inure to the benefit of the respective successors and permitted assigns of each of the parties; provided, however, that neither this Agreement nor any rights hereunder may be assigned by Borrower without Bank's prior written consent, which consent may be granted or withheld in Bank's sole discretion. Bank shall have the right without the consent of or notice to Borrower to sell, transfer, negotiate, or grant participation in all or any part of, or any interest in, Bank's obligations, rights and benefits hereunder.

12.2 Indemnification. Borrower shall defend, indemnify and hold harmless Bank and its officers, employees, and agents against: (a) all obligations, demands, claims, and liabilities claimed or asserted by any other party in connection with the transactions contemplated by this Agreement; and (b) all losses or Bank Expenses in any way suffered, incurred, or paid by Bank as a result of or in any way arising out of, following, or consequential to transactions between Bank and Borrower whether under this Agreement, or otherwise (including without limitation reasonable attorneys' fees and expenses), except for losses caused by Bank's gross negligence or willful misconduct.

12.3 Time of Essence. Time is of the essence for the performance of all obligations set forth in this Agreement.

12.4 Severability of Provisions. Each provision of this Agreement shall be severable from every other provision of this Agreement for the purpose of determining the legal enforceability of any specific provision.

12.5 Amendments in Writing, Integration. Neither this Agreement nor the Loan Documents can be amended or terminated orally. All prior agreements, understandings, representations, warranties, and negotiations between the parties hereto with respect to the subject matter of this Agreement and the Loan Documents, if any, are merged into this Agreement and the Loan Documents.

12.6 Counterparts. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same Agreement.

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12.7 Survival. All covenants, representations and warranties made in this Agreement shall continue in full force and effect so long as any Obligations remain outstanding or Bank has any obligation to make Credit Extensions to Borrower. The obligations of Borrower to indemnify Bank with respect to the expenses, damages, losses, costs and liabilities described in Section 12.2 shall survive until all applicable statute of limitations periods with respect to actions that may be brought against Bank have run.

12.8 Confidentiality. In handling any confidential information Bank and all employees and agents of Bank, including but not limited to accountants, shall exercise the same degree of care that it exercises with respect to its own proprietary information of the same types to maintain the confidentiality of any non-public information thereby received or received pursuant to this Agreement except that disclosure of such information may be made (i) to the subsidiaries or affiliates of Bank in connection with their present or prospective business relations with Borrower, (ii) to prospective transferees or purchasers of any interest in the Credit Extensions, provided that they have entered into a comparable confidentiality agreement in favor of Borrower and have delivered a copy to Borrower, (iii) as required by law, regulations, rule or order, subpoena, judicial order or similar order, (iv) as may be required in connection with the examination, audit or similar investigation of Bank and (v) as Bank may determine in connection with the enforcement of any remedies hereunder. Confidential information hereunder shall not include information that either: (a) is in the public domain or in the knowledge or possession of Bank when disclosed to Bank, or becomes part of the public domain after disclosure to Bank through no fault of Bank; or (b) is disclosed to Bank by a third party, provided Bank does not have actual knowledge that such third party is prohibited from disclosing such information.

12.9 Patriot Act Notice. Bank hereby notifies Borrower that, pursuant to the requirements of the USA Patriot Act, Title III of Pub. L. 107-56 (signed into law on October 26, 2001) (the "Patriot Act"), it is required to obtain, verify and record information that identifies the Borrower, which information includes names and addresses and other information that will allow Bank, as applicable, to identify the Borrower in accordance with the Patriot Act.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first above written.

VUZIX CORPORATION

By: /s/ Paul J. Travers

Title: President and CEO

BRIDGE BANK, NATIONAL ASSOCIATION

By: /s/ Dan Pistone

Title: Senior Vice President

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DEBTOR: VUZIX CORPORATION

SECURED PARTY: BRIDGE BANK, NATIONAL ASSOCIATION

EXHIBIT A

**COLLATERAL DESCRIPTION ATTACHMENT
TO LOAN AND SECURITY AGREEMENT**

All personal property of Borrower (herein referred to as "Borrower" or "Debtor") whether presently existing or hereafter created or acquired, and wherever located, including, but not limited to:

(a) all accounts (including health-care-insurance receivables), chattel paper (including tangible and electronic chattel paper), commercial tort claims, deposit accounts, securities accounts, documents (including negotiable documents), equipment (including all accessions and additions thereto), general intangibles (including payment intangibles and software), goods (including fixtures), instruments (including promissory notes), inventory (including all goods held for sale or lease or to be furnished under a contract of service, and including returns and repossessions), investment property (including securities and securities entitlements), letter of credit rights, money, and all of Debtor's books and records with respect to any of the foregoing, and the computers and equipment containing said books and records;

(b) any and all cash proceeds and/or noncash proceeds of any of the foregoing, including, without limitation, insurance proceeds, and all supporting obligations and the security therefor or for any right to payment. All terms above have the meanings given to them in the California Uniform Commercial Code, as amended or supplemented from time to time.

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EXHIBIT B

ADVANCE REQUEST FORM

ADVANCE REQUEST FORM

ADVANCE REQUEST

(To be submitted no later than 2:00 PM to be considered for same day processing)

To: Bridge Bank, National Association

Fax: (703) 964-1620

Date: _____

From: Vuzix Corporation
Borrower's Name

Authorized Signature

Authorized Signer's Name (please print)

Phone Number

To Account # _____

Borrower hereby requests funding in the amount of \$ _____ in accordance with the Advance as defined in the Loan and Security Agreement dated March __, 2011.

Borrower hereby authorizes Bank to rely on facsimile stamp signatures and treat them as authorized by Borrower for the purpose of requesting the above advance.

All representations and warranties of Borrower stated in the Loan and Security Agreement are true, correct and complete in all material respects as of the date of this Advance Request; provided that those representations and warranties expressly referring to another date shall be true, correct and complete in all material respects as of such date.

Capitalized terms used herein and not otherwise defined have the meanings set forth in the Loan and Security Agreement.

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EXHIBIT C

BORROWING BASE CERTIFICATE

Borrower: Vuzix Corporation

Lender: Bridge Bank, National Association

Commitment Amount: \$2,000,000

ACCOUNTS RECEIVABLE

1.	Accounts Receivable Book Value as of _____	\$ _____
2.	Additions (please explain on reverse)	\$ _____
3.	TOTAL ACCOUNTS RECEIVABLE	\$ _____

ACCOUNTS RECEIVABLE DEDUCTIONS (without duplication)

4.	Amounts over 90 days due	\$ _____
5.	Balance of 50% over 90 day accounts	\$ _____
6.	Concentration Limits	\$ _____
7.	Foreign Accounts	\$ _____
8.	Governmental Accounts	\$ _____
9.	Contra Accounts	\$ _____
10.	Demo Accounts, Bill and Hold Accounts, Bonded Accounts	\$ _____
11.	Prebillings, progress billings, retention billings	\$ _____
12.	Intercompany/Employee Accounts	\$ _____
13.	Other (please explain on reverse)	\$ _____
14.	TOTAL ACCOUNTS RECEIVABLE DEDUCTIONS	\$ _____
15.	Eligible Accounts (#3 minus #13)	\$ _____
16.	LOAN VALUE OF ACCOUNTS (80% of #14)	\$ _____

BALANCES

17.	Maximum Loan Amount	\$ 2,000,000
18.	Total Funds Available [Lesser of #16 or #17]	\$ _____
19.	Present balance owing on Line of Credit	\$ _____
20.	RESERVE POSITION (#18 minus #19)	\$ _____

The undersigned represents and warrants that the foregoing is true, complete and correct, and that the information reflected in this Borrowing Base Certificate complies with the representations and warranties set forth in the Loan and Security Agreement between the undersigned and Bridge Bank, National Association.

VUZIX CORPORATION

By: _____
Authorized Signer

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**EXHIBIT D
COMPLIANCE CERTIFICATE**

TO: BRIDGE BANK, NATIONAL ASSOCIATION

FROM: VUZIX CORPORATION

The undersigned authorized officer of VUZIX CORPORATION hereby certifies that in accordance with the terms and conditions of the Loan and Security Agreement between Borrower and Bank (the "Agreement"), (i) Borrower is in complete compliance for the period ending _____ with all required covenants except as noted below and (ii) all representations and warranties of Borrower stated in the Agreement are true and correct as of the date hereof. Attached herewith are the required documents supporting the above certification. The Officer further certifies that these are prepared in accordance with Generally Accepted Accounting Principles (GAAP) and are consistently applied from one period to the next except as explained in an accompanying letter or footnotes.

Please indicate compliance status by circling Yes/No under "Complies" column.

<u>Reporting Covenant</u>	<u>Required</u>	<u>Complies</u>	
Monthly financial statements	Monthly within 30 days	Yes	No
Annual financial statements (CPA Audited)	FYE within 180 days	Yes	No
Annual Financial Projections	Within 30 days before fiscal year beginning	Yes	No
A/R & A/P Agings, Deferred Revenue report & Borrowing Base Cert.	Monthly within 30 days	Yes	No
A/R Audit	Initial and Semi-Annual	Yes	No
IP Report	Quarterly within 30 days	Yes	No
8K, 10K and 10Q	(as applicable)	Yes	No
Deposit balances with Bank	\$ _____		
Deposit balances outside Bank	\$ _____		

<u>Financial Covenant</u>	<u>Required</u>	<u>Actual</u>	<u>Complies</u>	
Minimum Asset Coverage Ratio	1.50:1.00	_____:1.00	Yes	No
Maximum EBITDA Quarterly Loss	(\$150,000)	\$ _____	Yes	No
Minimum Annual EBITDA	\$1,000,000	\$ _____	Yes	No

Comments Regarding Exceptions: See Attached.

Sincerely,

SIGNATURE

TITLE

DATE

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BANK USE ONLY

Received by: _____
AUTHORIZED SIGNER

Date: _____

Verified: _____
AUTHORIZED SIGNER

Date: _____

Compliance Status Yes No

SCHEDULE OF EXCEPTIONS

Permitted Indebtedness (Section 1.1)

- Secured Debts continuing after closing
 - o LC Capital Master Fund Ltd., whose indebtedness owing is not to exceed \$4,600,000 plus accrued interest.
 - o Paul Travers – convertible note payable of \$209,208 plus accrued interest.
 - o Paul Travers – note payable of \$215,500 plus accrued interest.
 - o Vast Corporation - agreement payable of \$1,000,000 plus accrued interest.
 - o Kopin Corporation – agreement payable of \$746,000 plus accrued interest.
 - o John Burtis – notes payable of \$125,000 plus accrued interest.
 - o Capital leases - see table of 18 leases under Permitted Liens
- Other indebtedness after closing:
 - o Accrued compensation to Paul Travers of \$336,298.39 plus accrued interest. Convertible at Cdn\$0.20.
 - o Accrued compensation to Grant Russell of \$255,131.28 plus accrued interest. Convertible at Cdn\$0.20.

Permitted Investments (Section 1.1)

- None other than Vuzix (Europe) Limited, a wholly owned subsidiary of Borrower.

Permitted Liens (Section 1.1)

- o Lampe Conway – term loan of \$4,000,000.
- o Paul Travers – convertible note payable of \$209,208 plus accrued interest
- o Paul Travers – note payable of \$215,500 plus accrued interest.
- o Vast Corporation - agreement payable of \$1,000,000 plus accrued interest.
- o Kopin Corporation – agreement payable of \$746,000 plus accrued interest.
- o Capital leases – see table below with approximate balances as of December 31, 2010

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Lessor	Address	Account #	Lease Date	Original Balance	Current Balance – Nov 30, 2010	Asset Leased
Dell	P.O. Box 5292 Carol Stream, IL 60197	003-7695903-015	Feb-08	2,558.27	262.55	Computers
Dell	P.O. Box 5292 Carol Stream, IL 60197	003-7695903-016	Feb-08	3,705.45	377.97	Computers
Dell	P.O. Box 5292 Carol Stream, IL 60197	003-7695903-017	Mar-08	5,765.68	777.43	Computers
Dell	P.O. Box 5292 Carol Stream, IL 60197	003-7695903-018	Mar-08	3,019.80	410.43	Computers
Dell	P.O. Box 5292 Carol Stream, IL 60197	003-7695903-020	Aug-09	7,417.01	4,658.68	Computers
Dell	P.O. Box 5292 Carol Stream, IL 60197	003-7695903-021	Sep-09	1,644.09	1,082.27	Computers
Dell	P.O. Box 5292 Carol Stream, IL 60197	003-7695903-022	Sep-09	3,862.79	2,528.68	Computers
Dell	P.O. Box 5292 Carol Stream, IL 60197	001-7695903-024	Oct-10	4,405.65	3,990.24	Computers
Key Bank	11030 Circle Point Rd Westminster, CO 80020	591195883002	Jul-10	25,775.00	22,172.63	SAP Licenses
Pawnee	700 Centre Ave. Fort Collins, Co 80526	323784	Sep-10	30,275.34	24,528.16	computers and R&D Equipment/Software
CapNet	PO Box 2149 Gig Harbor, WA 98335	40046749-1	Mar-08	31,798.79	6,225.58	Computer hardware/software
Meridian	36 Kirby Trail Fairport, NY 14450	06-1002001	Sep-06	29,204.10	6,275.57	Furniture
Key Bank	600 Travis St Houston, TX 77002	1330644	Sep-07	121,200.00	53,328.64	SAP Fourth Shift Software
Marlin	PO Box 637 Mount Laurel, NJ 0854	001-0374983-001	Jun-06	21,147.24	2,594.04	manufacturing equipment
Marlin	PO Box 637 Mount Laurel, NJ 0854	001-0374983-002	Oct-08	31,634.37	11,191.28	manufacturing equipment
Stratasys	NW-7463 P.O. Box 1450 Minneapolis, MN 55485	170626	Sep-07	42,850.00	7,565.49	3D Printer-Engineering
Alliance	800 Walnut St. Des Moines, IA 50309	001-0085855-001	May-10	16,485.00	14,181.10	manufacturing equipment
Financial Pacific	3455 S. 344th Way Federal Way, WA 98001	001-0455669-002	Jun-10	44,267.92	37,877.47	R & D Equipment
GRAND TOTAL					\$ 200,028.21	

Inbound Licenses (Section 5.6)

- New Light Industries Ltd. licensing agreement entered into in December 2004. Borrower owns the IP but is obligated to pay ongoing license fees.

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Prior Names (Section 5.7)

- Borrower was incorporated under the Delaware General Corporation Law in 1997 as VR Acquisition Corp.
- In 1997 Borrower changed its name to Kaotech Corporation.
- In 1998 Borrower changed its name to Interactive Imaging Systems, Inc.
- In 2004 Borrower changed its name to Vicuity Corporation and then to Icuiti Corporation.
- In September 2007 Borrower changed our name to Vuzix Corporation.

Inventory Locations (Section 5.7)

- 2166 Brighton Henrietta Townline Road, Rochester, NY 14623.
- Intermail plc, Horizon West, Canal View Road, Newbury, Berkshire, RG14 5XF (our bounded 3rd party warehouse for the European Union).
- Japan Vuzix Tokyo Branch, 4-1-1 Shima, Akasaka Bldg #905, Akasaka, Minato-Ku, Tokyo, 1070052 Japan

Litigation (Section 5.8)

- None

Subsidiaries (Section 5.13)

- Vuzix (Europe) Limited

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CORPORATE RESOLUTIONS TO BORROW

Borrower: VUZIX CORPORATION

I, the undersigned Secretary or Assistant Secretary of VUZIX CORPORATION (the "Corporation"), HEREBY CERTIFY that the Corporation is organized and existing under and by virtue of the laws of the State of Delaware.

I FURTHER CERTIFY that attached hereto as Attachments 1 and 2 are true and complete copies of the Certificate of Incorporation, as amended, and the Restated Bylaws of the Corporation, each of which is in full force and effect on the date hereof.

I FURTHER CERTIFY that at a meeting of the Directors of the Corporation, duly called and held, at which a quorum was present and voting (or by other duly authorized corporate action in lieu of a meeting), the following resolutions (the "Resolutions") were adopted.

BE IT RESOLVED, that any one (1) of the following named officers, employees, or agents of this Corporation, whose actual signatures are shown below:

NAMES	POSITION	ACTUAL SIGNATURES
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

acting for and on behalf of this Corporation and as its act and deed be, and they hereby are, authorized and empowered:

Borrow Money. To borrow from time to time from Bridge Bank, National Association ("Bank"), on such terms as may be agreed upon between the officers, employees, or agents of the Corporation and Bank, such sum or sums of money as in their judgment should be borrowed, without limitation.

Execute Loan Documents. To execute and deliver to Bank that certain Loan and Security Agreement dated as of March __, 2011 (the "Loan Agreement") and any other agreement entered into between Corporation and Bank in connection with the Loan Agreement, including any amendments, all as amended or extended from time to time (collectively, with the Loan Agreement, the "Loan Documents"), and also to execute and deliver to Bank one or more renewals, extensions, modifications, refinancings, consolidations, or substitutions for the Loan Documents, or any portion thereof.

Grant Security. To grant a security interest to Bank in the Collateral described in the Loan Documents, which security interest shall secure all of the Corporation's Obligations, as described in the Loan Documents.

Negotiate Items. To draw, endorse, and discount with Bank all drafts, trade acceptances, promissory notes, or other evidences of indebtedness payable to or belonging to the Corporation or in which the Corporation may have an interest, and either to receive cash for the same or to cause such proceeds to be credited to the account of the Corporation with Bank, or to cause such other disposition of the proceeds derived therefrom as they may deem advisable.

Further Acts. In the case of lines of credit, to designate additional or alternate individuals as being authorized to request advances thereunder, and in all cases, to do and perform such other acts and things, to pay any and all fees and costs, and to execute and deliver such other documents and agreements as they may in their discretion deem reasonably necessary or proper in order to carry into effect the provisions of these Resolutions.

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BE IT FURTHER RESOLVED, that any and all acts authorized pursuant to these resolutions and performed prior to the passage of these resolutions are hereby ratified and approved, that these Resolutions shall remain in full force and effect and Bank may rely on these Resolutions until written notice of their revocation shall have been delivered to and received by Bank. Any such notice shall not affect any of the Corporation's agreements or commitments in effect at the time notice is given.

I FURTHER CERTIFY that the officers, employees, and agents named above are duly elected, appointed, or employed by or for the Corporation, as the case may be, and occupy the positions set forth opposite their respective names; that the foregoing Resolutions now stand of record on the books of the Corporation; and that the Resolutions are in full force and effect and have not been modified or revoked in any manner whatsoever.

IN WITNESS WHEREOF, I have hereunto set my hand on March __, 2011 and attest that the signatures set opposite the names listed above are their genuine signatures.

CERTIFIED AND ATTESTED BY:

X_____

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INSURANCE AUTHORIZATION LETTER

In accordance with the insurance coverage requirements of the Loan and Security Agreement dated as of March __, 2011 (the "Agreement") between Bridge Bank, National Association ("Lender"), and Vuzix Corporation ("Borrower"), coverage is to be provided as set forth below:

COVERAGE: All risk including liability and property damage.

INSURED:

LOCATION(S) OF COLLATERAL:

1.

2.

Insuring Agent: _____

Address: _____

Phone Number: _____

Fax Number: _____

ADDITIONAL INSURED AND LOSS PAYEE:

Lender, as its interest may appear below.

LENDER:

Bridge Bank, National Association
Technology Banking Division
55 Almanden Blvd, San Jose, CA 95113
Attn: Note Dept
Fax: 408-689-8542

The above coverage is to be provided prior to funding the Agreement. Borrower hereby agrees to pay for the coverage above and by signing below acknowledges its obligation to do so.

Signature: _____

Title: _____

Date: March __, 2011

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INTELLECTUAL PROPERTY SECURITY AGREEMENT

This Intellectual Property Security Agreement is entered into as of March 21, 2011 by and between **BRIDGE BANK, NATIONAL ASSOCIATION** ("Bank") and **VUZIX CORPORATION**, a Delaware corporation ("Grantor").

Recitals

A. Bank has agreed to make certain advances of money and to extend certain financial accommodations to Grantor (the "Loans") in the amounts and manner set forth in that certain Loan and Security Agreement by and between Bank and Grantor dated of even date herewith (as the same may be amended, modified or supplemented from time to time, the "Loan Agreement"; capitalized terms used herein are used as defined in the Loan Agreement). Bank is willing to make the Loans to Grantor, but only upon the condition, among others, that Grantor shall grant to Bank a security interest in certain Copyrights, Trademarks and Patents to secure the obligations of Grantor under the Loan Agreement.

B. Pursuant to the terms of the Loan Agreement, Grantor has granted to Bank a security interest in all of Grantor's right, title and interest, whether presently existing or hereafter acquired, in, to and under all of the Collateral.

Now, Therefore, for good and valuable consideration, receipt of which is hereby acknowledged, and intending to be legally bound, as collateral security for the prompt and complete payment when due of its obligations under the Loan Agreement and all other agreements now existing or hereafter arising between Grantor and Bank, Grantor hereby represents, warrants, covenants and agrees as follows:

Agreement

To secure its obligations under the Loan Agreement and under any other agreement now existing or hereafter arising between Grantor and Bank, Grantor grants and pledges to Bank a security interest in all of Grantor's right, title and interest in, to and under its Intellectual Property Collateral (including without limitation those Copyrights, Patents and Trademarks listed on Exhibits A, B and C hereto), and including without limitation all proceeds thereof (such as, by way of example but not by way of limitation, license royalties and proceeds of infringement suits), the right to sue for past, present and future infringements, all rights corresponding thereto throughout the world and all re-issues, divisions continuations, renewals, extensions and continuations-in-part thereof.

This security interest is granted in conjunction with the security interest granted to Bank under the Loan Agreement. The rights and remedies of Bank with respect to the security interest granted hereby are in addition to those set forth in the Loan Agreement and the other Loan Documents, and those which are now or hereafter available to Bank as a matter of law or equity. Each right, power and remedy of Bank provided for herein or in the Loan Agreement or any of the Loan Documents, or now or hereafter existing at law or in equity shall be cumulative and concurrent and shall be in addition to every right, power or remedy provided for herein and the exercise by Bank of any one or more of the rights, powers or remedies provided for in this Intellectual Property Security Agreement, the Loan Agreement or any of the other Loan Documents, or now or hereafter existing at law or in equity, shall not preclude the simultaneous or later exercise by any person, including Bank, of any or all other rights, powers or remedies.

Grantor represents and warrants that Exhibits A, B, and C attached hereto set forth any and all intellectual property rights in connection to which Grantor has registered or filed an application with either the United States Patent and Trademark Office or the United States Copyright Office, as applicable.

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute the same instrument.

In Witness Whereof, the parties have caused this Intellectual Property Security Agreement to be duly executed by its officers thereunto duly authorized as of the first date written above.

Grantor:

Address of Grantor:

75 Town Centre Drive
Rochester, NY 14623

Attn: Paul Travers, CEO & President

VUZIX CORPORATION

By: /s/ Paul J. Travers

Title: President and CEO

Bank:

Address of Bank:

55 S. Almaden Blvd., Suite 100
San Jose, CA 95113

Attention: Technology Division

BRIDGE BANK, NATIONAL ASSOCIATION

By: /s/ Dan Pistone

Title: Senior Vice President

Exhibit A

Copyrights

Title	Registration Number	Registration Date
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N/A

3.

Exhibit B**Patents**

Title	Serial/ Patent Number	Application/ Issue Date
Methods of Adaptive Encoding and Decoding Video Signals	2009-547233	November 9, 2007
Adjustable Attachment Mechanism	D 596,012	July 14, 2009
Agile Holographic Optical Phased Array Device and Applications	12/061,390	April 2, 2008
Beam segmentor for enlarging viewing aperture of microdisplay	12/418,318	April 3, 2009
Beam segmentor for enlarging viewing aperture of microdisplay	PCT/US09/69910	December 31, 2009
Binocular Display With Improved Contrast Uniformity	2,636,283	December 20, 2006
Binocular Display With Improved Contrast Uniformity	06846708.3	December 20, 2006
Binocular Display with improved contrast uniformity	7,515,344	April 7, 2009
Compact near eye display with scanned image generation	12/631,083	December 4, 2009
Compound Light Guide for Video Display (PROVISIONAL)	61/219,630	June 23, 2009
Computer Hand Controller	D 385,539	December 21, 1995
Computer Hand Controller	D 380,208	June 24, 1997
Computer Hand Controller	D 376,790	December 24, 1996
Computer Tracking System (Controller for Graphical Display)	6,788,286	September 7, 2004
Controllable Light Array for Projection Image Display	12/631,073	December 4, 2009
Controllable Light Array for Projection Image Display	PCT/US09/66716	December 4, 2009
Foam Pad	D 378,700	December 21, 1995
Hand Controller	D 385,540	December 21, 1995
Hand Controller	D 385,541	October 28, 1997
Hand Controller R	D 385,263	October 21, 1997
Head Tracking Apparatus	5,373,857	December 20, 1994
Headset	D 381,646	July 29, 1997
Headset for Presenting Video and Audio Signals to a Wearer	6,150,998	August 11, 1997
Headset for Presenting Video and Audio Signals to a Wearer	5,682,172	October 28, 1997
Image Display	6,870,532	March 22, 2005
Methods of Adaptive Encoding And Decoding Video Signal	11/626,690	January 24, 2007
Methods of Displaying Portions of Split Screen Displays	12/251,878	October 15, 2008
Micro-Display Engine	7,133,207	November 7, 2006
Micro-Display Engine	7,397,607	July 8, 2008
Personal Video Display Device	D 566,744	April 15, 2008
Personal Video Display Device	1312096	September 7, 2007
Personal Video Display Device	000694435-0001	March 8, 2007
Personal Video Display Device	119784	September 25, 2008
Personal Video Display Device	ZL200730006385.3	May 6, 2009
Personal Video Display Device	11/470,985	September 7, 2006
Personal Video Display Device	D 579,014	October 21, 2008
Personal Video Display Device	000811906-0001	October 4, 2007
Personal Video Display Device	1335703	June 13, 2008
Personal Video Display Device	122544	June 22, 2009
Personal Video Display Device	ZL200730323717.X	April 29, 2009
Personal Video Display Device	68119	October 16, 2008
Personal Video Display Device	D 591,326	April 28, 2009
Personal Video Display Device	D 621,805	January 7, 2009
Portable Virtual Display	D 517,066	March 14, 2006
Portable Virtual Display	000347166-0001	May 30, 2005
Portable Virtual Display	1263271	January 6, 2006
Portable Virtual Display	200530016863.X	October 25, 2006
Portable Virtual Display	D 512,985	December 20, 2005
Prismatic ocular device and personal video display device incorporating same	12/618,456	November 13, 2009
Selectively Adjustable Mounting Assembly	7,568,672	August 4, 2009
Traveling Lens Video Display	11/938038	November 9, 2007
Two Stage Optical System for Head Mounted Display	2002-502497	June 8, 2001
Two Stage Optical System for Head Mounted Display	6,417,970	July 9, 2002
Two Stage Optical System for Head Mounted Display	6,636,359	October 23, 2003
Video Image Viewing Device and Method	5,973,727	October 26, 1999
Video Image Viewing Device and Method	6,181,367	January 30, 2001
Video Image Viewing Device and Method	ZL 98109836.3	January 12, 2005
Video Image Viewing Device and Method	4181660	September 5, 2008
Virtual Display Eyeglasses	000347174-0001	Mat 30, 2005
Virtual Display Eyeglasses	1282816	August 18, 2006
Virtual Display Eyeglasses	ZL200530016861.0	October 24, 2006
Virtual Display Eyeglasses	1283096	August 18, 2006
Virtual Display Eyeglasses	D 556,815	December 4, 2007
Virtual Display Eyeglasses	D 513,031	December 20, 2005

Virtual Display Eyeglasses
Virtual Display Eyeglasses
Virtual Display Headset
Virtual Reality Headset

000191630-0001
1236623
7,190,330
D 369,595

June 17, 2004
March 4, 2005
March 13, 2007
May 7, 1996

Exhibit C

Trademarks

Description	Serial / Registration Number	Application /Registration Date
3DZONE	77/267,078	August 29, 2007
3DZone	6571511	February 29, 2008
3DZone	1,386,229	February 28, 2008
3DZone	2008705858	February 29, 2008
3DZone	006713028	January 29, 2009
3DZone	5223916	March 17, 2008
ACCUTILT	3,385,610	February 19, 2008
ACCUTILT	351842	June 4, 2008
ACCUTILT	5934594	December 14, 2009
ACCUTILT	5080732	September 28, 2007
ACCUTILT	005734058	February 19, 2008
ACCUTILT	TMA729,137	November 21, 2008
BLADE	77/766,228	June 23, 2009
BLADE	1464603	December 18, 2009
BLADE	(China)	n/a
BLADE	2009-96902	December 22, 2009
BLADE	008773012	June 15, 2010
EYETONOMY	006874655	May 20, 2009
GMD Mark & Skull Design	1366653	October 1, 2007
GMD Mark & Skull Design	3,478,846	August 5, 2008
GMD Mark & Skull Design	00630625	September 11, 2008
IWEAR	3,245,574	May 22, 2007
IWEAR	TMA729,667	November 27, 2008
IWEAR	5502224	July 7, 2009
IWEAR	005211867	June 14, 2007
IWEAR	5096931	December 7, 2007
IWEAR	335327	October 8, 2007
ODIN	85/136,685	September 23, 2010
SIGHTMATE	6683297	April 25, 2008
SIGHTMATE	3,763,926	March 23, 2010
SIGHTMATE	TMA756,420	May 5, 2010
SIGHTMATE	006873046	June 5, 2009
SIGHTMATE	375565	March 25, 2009
Swoosh design	6493110	January 4, 2008
Swoosh design	3,513,644	October 7, 2008
Swoosh design	006356951	October 23, 2008
Swoosh design	5206237	February 20, 2009
Swoosh design	TMA755,704	December 18, 2009
Swoosh design	366056	December 1, 2008
TAC-EYE	3,387,883	February 26, 2008
TAC-EYE	TMA740,374	May 20, 2009
TAC-EYE	006277909	August 18, 2009
THE NEW VIRTUAL REALITY	3,506,062	September 23, 2008
THE NEW VIRTUAL REALITY	006447973	October 23, 2008
THE WAY IN	2,145,089	March 17, 1998
VIDEO EYEWEAR	4933504	March 3, 2006
VIDWEAR	78/663,698	July 5, 2006
VIDWEAR	004797445	January 22, 2007
VIEW THE FUTURE	6493111	January 4, 2008
VIEW THE FUTURE	1,385,408	February 22, 2008
VIEW THE FUTURE	3,640,396	June 16, 2009

Description	Serial / Registration Number	Application /Registration Date
VIEW THE FUTURE	006355879	December 3, 2008
VIEW THE FUTURE	5206239	February 20, 2009
VIEW THE FUTURE	370978	February 2, 2009
VUZIX	6493114	January 4, 2008
VUZIX	3,603,362	April 7, 2009
VUZIX	006355002	October 23, 2008
VUZIX	5206238	February 20, 2009
VUZIX	TMA758,617	February 2, 2010
VUZIX	368567	December 25, 2008
WRAP	77/766,237	June 23, 2009
WRAP	1,464,772	December 23, 2009
WRAP	n/a	n/a
WRAP	n/a	n/a
WRAP	008773475	June 15, 2010

INTERCREDITOR AGREEMENT

This INTERCREDITOR AGREEMENT is made by and between Bridge Bank, National Association ("Bank") and LC Capital Master Fund LTD ("Creditor") as of this 21st day of March, 2011.

RECITALS

A. Creditor entered into a Loan and Security Agreement (the "Creditor Agreement") with Vuzix Corporation ("Debtor") dated as of December 23, 2010. Bank proposes to provide financial accommodations to Debtor pursuant to a Loan and Security Agreement of even date (the "Bank Agreement").

B. Creditor and Bank (individually, a "Lender" and collectively, the "Lenders") each has a perfected security interest in all personal property of Debtor (the "Collateral"), and desire to set forth in this Agreement their agreement as to the priority of such security interests.

NOW THEREFORE, the parties agree as follows:

1. Creditor Collateral. As used in this Agreement, "Creditor Collateral" means all of Debtor's present and after-acquired equipment and intellectual property, including any copyrights, patents, trademarks, servicemarks and applications therefor, now owned or hereafter acquired, or any claims for damages by way of any past, present and future infringement of any of the foregoing (collectively, the "Intellectual Property"), and the proceeds from the sale or disposition of all or any part, or rights in, foregoing.

2. Bank Collateral. As used in this Agreement, "Bank Collateral" means all of Debtor's personal property, excluding the Creditor Collateral, provided however, notwithstanding the foregoing, if a judicial authority (including a U.S. Bankruptcy Court) holds that a security interest in the underlying Intellectual Property is necessary to have a security interest in the accounts and rights to payment generated in whole or in part from the Intellectual Property (the "Rights to Payment"), then the Bank Collateral shall automatically, and effective as of the date hereof, include the Intellectual Property to the extent necessary to permit perfection of Bank's security interest in the Rights to Payment, it being understood that the Bank's security interest in the Intellectual Property shall be subject and subordinate to the Creditor's security interest therein.

3. Subordination.

(a) Subject to the succeeding sentence, all security interests now or hereafter acquired by Creditor in the Creditor Collateral shall at all times be prior and superior to any security interest, ownership interest or other interest or claim now held or hereafter acquired by Bank in the Creditor Collateral. Notwithstanding the foregoing, all security interests now or hereafter acquired by Bank in the Bank Collateral shall at all times be prior and superior to any security interest, ownership interest, or other interest or claim now held or hereafter acquired by Creditor in the Bank Collateral, except to the extent Bank Collateral includes Intellectual Property.

(b) The priorities specified in this Agreement shall be applicable irrespective of the time or order of attachment or perfection of any security interest or the time or order of filing of any financing statements or other documents, or the giving of any notices of purchase money interests or other notices, or possession of any Collateral, or any statutes, rules or law, or court decisions to the contrary. The subordinations and priorities specified in this Agreement are conditioned upon the nonavoidability and perfection of the security interest to which another security interest is subordinated, and if the security interest to which another security interest is subordinated is not perfected or is avoidable, for any reason, then the subordinations and relative priority provided for in this Agreement shall not be effective as to the particular Collateral which is the subject of the unperfected or avoidable security interest.

4. Lenders' Rights. Bank and Creditor each agree that the other may at any time, and from time to time, without the consent of the other party and without notice to the other party, renew, extend or increase any of the indebtedness, liabilities or obligations owing to it from Debtor (the "Secured Obligations") and change any terms or provisions of the Secured Obligations and take any other action or omit to take any other action with respect to its Secured Obligations or its respective Collateral as it deems advisable in its sole discretion. Notwithstanding the foregoing, neither the Creditor nor the Bank shall amend or waive any financial covenants set forth in the Creditor Agreement or the Bank Agreement respectively (including those set forth in Section 6.9 of the Creditor Agreement and Section 6.10 of the Bank Agreement) without the other party's prior written consent. Bank and Creditor each waive any right to require the other to marshal any Collateral or other assets in favor of it or against or in payment of any or all of its Secured Obligations.

5. Remedies. Bank shall not collect, take possession of, foreclose upon, or exercise any other rights or remedies with respect to Creditor Collateral, judicially or nonjudicially, or attempt to do any of the foregoing, without the prior written consent of Creditor, which shall be a matter of Creditor's sole discretion. Creditor shall not collect, take possession of, foreclose upon, or exercise any other rights or remedies with respect to Bank Collateral (except to the extent the Bank Collateral includes the Intellectual Property), judicially or nonjudicially, or attempt to do any of the foregoing, without the prior written consent of Bank, which shall be a matter of Bank's sole discretion.

6. Insurance. The Lender having a first priority security interest as set forth in this Agreement in any of the Collateral shall have the sole and exclusive right to adjust settlement of any insurance policy applicable to that Collateral in the event of any loss. All proceeds of such policy shall be paid to the Lender having such first priority security interest. After payment of such Lender's claim and all expenses of collection, including reasonable attorneys' fees and other costs, fees and expenses, any remaining proceeds shall be promptly remitted to the other Lender for application to the Secured Obligations owing to it. The balance, if any, shall be paid to the Debtor.

7. Revivor. If, after payment of the Creditor Secured Obligations, Debtor thereafter becomes liable to Creditor on account of the Creditor Secured Obligations, or any payment made on the Creditor Secured Obligations shall, for any reason, be required to be returned or refunded by Creditor, this Agreement shall thereupon in all respects become effective with respect to such subsequent or reinstated Creditor Secured Obligations, without the necessity of any further act or agreement between Creditor and Bank. If, after payment of the Bank Secured Obligations, Debtor thereafter becomes liable to Bank on account of the Bank Secured Obligations, or any payment made on the Bank Obligations shall for any reason be required to be returned or refunded by Bank, this Agreement shall thereupon in all respects become effective with respect to such subsequent or reinstated Bank Secured Obligations, without the necessity of any further act or agreement between Bank and Creditor.

8. Waiver of Jury Trial; Judicial Reference. Bank and Creditor each hereby waive the right to trial by jury in any action or proceeding based upon, arising out of, or in any way relating to: (i) this Agreement; or (ii) any other present or future instrument or agreement between Bank and Creditor relating to Debtor; or (iii) any conduct, acts or omissions of Bank or Creditor or any of their directors, officers, employees, agents, attorneys or any other persons affiliated with Bank or Creditor, relating to Debtor, in each of the foregoing cases, whether sounding in contract or tort or otherwise.

9. General. Creditor and Bank are not partners or joint venturers. They have no other legal relationship other than as expressly set forth in written agreements between them. Creditor and Bank each agree to execute all such documents and instruments and take all such actions as the other shall reasonably request in order to carry out the purposes of this Agreement, including without limitation appropriate amendments to financing statements executed by Debtor in favor of Creditor or Bank in order to refer to this Agreement (but this Agreement shall remain fully effective notwithstanding any failure to execute any additional documents, instruments, or amendments). Creditor and Bank each represents and warrants to the other that it has not transferred or assigned any financing statement relating to Debtor and that it will not do so without first notifying the other in writing, and delivering a copy of this Agreement to the proposed transferee or assignee, and obtaining the acknowledgment of the proposed transferee or assignee that the transfer or assignment is subject to all of the terms of this Agreement. This Agreement is solely for the benefit of Bank and Creditor and their successors and assigns, and neither Debtor nor any other person shall have any right, benefit, priority or interest under, or because of the existence of, this Agreement. This Agreement sets forth in full the terms of agreement between Creditor and Bank with respect to the subject matter hereof, and may not be modified or amended, nor may any rights hereunder be waived, except in a writing signed by Creditor and Bank. This Agreement shall be binding upon the parties hereto and their respective successors and assigns, and shall be construed in accordance with, and governed by, the laws of the State of New York. This Agreement may be executed in two or more counterparts and by facsimile, each of which shall be deemed an original, but all of which shall constitute the same instrument.

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

LC Capital Master Fund LTD

By: /s/ Richard F. Conway

Title: Director

Bridge Bank, National Association

By: /s/ Dan Pistone

Title: Senior Vice President

DEBTOR'S CONSENT AND AGREEMENT

Debtor consents to the terms of this Intercreditor Agreement and agrees not to take any actions inconsistent therewith. Debtor shall obtain satisfactory lender loss payable endorsements naming both Creditor and Bank, as their interests may appear, with respect to policies that insure Collateral hereunder, or with such other designation as Creditor and Bank may agree. Debtor will execute all such documents and instruments and take all such actions as Creditor or Bank shall reasonably request in order to carry out the purposes of this Agreement, including without limitation appropriate amendments to financing statements.

"Debtor"

Vuzix Corporation

By: /s/ Paul J. Travers

Title: President and CEO

SUBORDINATION AGREEMENT

This Subordination Agreement is made as of March 21, 2011 by and among the undersigned creditor ("Creditor") and Bridge Bank, National Association ("Bank").

Recitals

A. Vuzix Corporation, a Delaware corporation ("Borrower"), has requested and/or obtained certain loans or other credit accommodations from Bank which are or may be from time to time secured by assets and property of Borrower, pursuant to that certain Loan and Security Agreement by and between Bank and Borrower dated as of March 21, 2011 as amended from time to time (the "Loan Agreement").

B. Creditor has extended loans or other credit accommodations to Borrower, as represented in that certain letter agreement by and between the Borrower and the Creditor dated as of December 21, 2009 and as amended on December 23, 2010 (the "Subordinated Debt Documents").

C. In order to induce Bank to extend credit to Borrower and, at any time or from time to time, at Bank's option, to make such further loans, extensions of credit, or other accommodations to or for the account of Borrower, or to purchase or extend credit upon any instrument or writing in respect of which Borrower may be liable in any capacity, or to grant such renewals or extension of any such loan, extension of credit, purchase, or other accommodation as Bank may deem advisable, Creditor is willing to subordinate: (i) all of Borrower's indebtedness and obligations to Creditor, whether presently existing or arising in the future, pursuant to the Subordinated Debt Documents (the "Subordinated Debt") to all of Borrower's indebtedness and obligations to Bank (including, without limitation, principal, premium (if any), interest, fees, charges, expenses, costs, professional fees and expenses, and reimbursement obligations); and (ii) all of Creditor's security interests, if any, in Borrower's property, to all of Bank's security interests in the Borrower's property.

Now, Therefore, the Parties Agree as Follows:

1. Creditor subordinates to Bank any security interest or lien that Creditor may have in any property of Borrower. Notwithstanding the respective dates of attachment or perfection of the security interest of Creditor and the security interest of Bank, the security interest of Bank in the Collateral, as defined in that certain Loan Agreement, shall at all times be prior to the security interest of such Creditor.

2. All Subordinated Debt is subordinated in right of payment to all obligations of Borrower to Bank, now existing or hereafter arising, together with all costs of collecting such obligations (including attorneys' fees), including, without limitation, all interest accruing after the commencement by or against Borrower of any bankruptcy, reorganization or similar proceeding, and all obligations under the Loan Agreement (the "Senior Debt").

3. Creditor will not demand or receive from Borrower (and Borrower will not pay to Creditor) all or any part of the Subordinated Debt, by way of payment, prepayment, setoff, lawsuit or otherwise, nor will Creditor exercise any remedy with respect to the Collateral, nor will such Creditor accelerate the Subordinated Debt, or commence, or cause to commence, prosecute or participate in any administrative, legal or equitable action against Borrower, until such time as (i) the Senior Debt is fully paid in cash, (ii) Bank has no commitment or obligation to lend any further funds to Borrower, and (iii) all financing agreements between Bank and Borrower are terminated however, nothing contained herein shall be deemed to restrict Creditor in any way from exercising any or all of its rights to cause the release to it of the "Escrowed Materials," as provided under the License and Escrow Agreement dated as of October 8, 2010 by and among the Creditor, the Debtor and the Escrow Agent named therein. Notwithstanding the foregoing, Creditor may receive each regularly scheduled payment of principal and interest with respect to the Subordinated Debt in accordance with the terms set forth in the letter agreement dated as of December 23, 2010 between Borrower and Creditor, as filed with the Securities and Exchange Commission on Form 8-K on December 23, 2010, provided that no Event of Default (as defined in the Loan Agreement) has occurred under the Loan Agreement which is continuing or would exist immediately after giving effect to such payment.

4. Creditor shall promptly deliver to Bank in the form received (except for endorsement or assignment by Creditor where required by Bank) for application to the Senior Debt any payment, distribution, security or proceeds received by Creditor with respect to the Subordinated Debt other than in accordance with this Agreement.

5. In the event of Borrower's insolvency, reorganization or any case or proceeding under any bankruptcy or insolvency law or laws relating to the relief of debtors, these provisions shall remain in full force and effect, and Bank's claims against Borrower and the estate of Borrower shall be paid in full before any payment is made to Creditor.

6. Until the Senior Debt is fully paid in cash and Bank's arrangements to lend any funds to Borrower have been terminated, Creditor irrevocably appoints Bank as such Creditor's attorney in fact, and grants to Bank a power of attorney with full power of substitution, in the name of Creditor or in the name of Bank, for the use and benefit of Bank, without notice to Creditor, to perform at Bank's option the following acts in any bankruptcy, insolvency or similar proceeding involving Borrower:

(i) To file the appropriate claim or claims in respect of the Subordinated Debt on behalf of Creditor if Creditor does not do so prior to 30 days before the expiration of the time to file claims in such proceeding and if Bank elects, in its sole discretion, to file such claim or claims; and

(ii) To accept or reject any plan of reorganization or arrangement on behalf of Creditor and to otherwise vote Creditor's claims in respect of any Subordinated Debt in any manner that Bank deems appropriate for the enforcement of its rights hereunder.

7. Creditor shall affix a legend to any instruments evidencing the Subordinated Debt stating that the instruments are subject to the terms of this Agreement. No amendment of the documents evidencing or relating to the Subordinated Debt shall directly or indirectly modify the provisions of this Agreement in any manner which might terminate or impair the subordination of the Subordinated Debt or the subordination of the security interest or lien that Creditor may have in any property of Borrower. By way of example, such instruments shall not be amended to (i) increase the rate of interest with respect to the Subordinated Debt, or (ii) accelerate the payment of the principal or interest or any other portion of the Subordinated Debt.

8. This Agreement shall remain effective for so long as Bank has any obligation to make credit extensions to Borrower or Borrower owes any amounts to Bank under the Loan Agreement or otherwise. If, at any time after payment in full of the Senior Debt any payments of the Senior Debt must be disgorged by Bank for any reason (including, without limitation, the bankruptcy of Borrower), this Agreement and the relative rights and priorities set forth herein shall be reinstated as to all such disgorged payments as though such payments had not been made and Creditor shall immediately pay over to Bank all payments received with respect to the Subordinated Debt to the extent that such payments would have been prohibited hereunder. At any time and from time to time, without notice to Creditor, Bank may take such actions with respect to the Senior Debt as Bank, in its sole discretion, may deem appropriate, including, without limitation, terminating advances to Borrower, increasing the principal amount, extending the time of payment, increasing applicable interest rates, renewing, compromising or otherwise amending the terms of any documents affecting the Senior Debt and any collateral securing the Senior Debt, and enforcing or failing to enforce any rights against Borrower or any other person. No such action or inaction shall impair or otherwise affect Bank's rights hereunder. Creditor waives the benefits, if any, of Civil Code Sections 2809, 2810, 2819, 2845, 2847, 2848, 2849, 2850, 2899 and 3433.

9. All necessary action on the part of the Creditor, its officers, directors, partners, members and shareholders, as applicable, necessary for the authorization of this Agreement and the performance of all obligations of the Creditor hereunder has been taken. This Agreement constitutes the legal, valid and binding obligation of Creditor, enforceable against Creditor in accordance with its terms. The execution, delivery and performance of and compliance with this Agreement by Creditor will not (i) result in any material violation or default of any term of any of the Creditor's charter, formation or other organizational documents (such as Articles or Certificate of Incorporation, bylaws, partnership agreement, operating agreement, etc.) or (ii) violate any material applicable law, rule or regulation.

10. This Agreement shall bind any successors or assignees of Creditor and shall benefit any successors or assigns of Bank. This Agreement is solely for the benefit of Creditor and Bank and not for the benefit of Borrower or any other party. Creditor further agrees that if Borrower is in the process of refinancing a portion of the Senior Debt with a new lender, and if Bank makes a request of Creditor, Creditor shall agree to enter into a new subordination agreement with the new lender on substantially the terms and conditions of this Agreement.

11. This Agreement shall be governed by and construed in accordance with the laws of the State of California, without giving effect to conflicts of laws principles. Creditor and Bank submit to the exclusive jurisdiction of the state and federal courts located in Santa Clara County, California. CREDITOR AND BANK WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREIN. If the jury waiver set forth in this section is not enforceable, then any dispute, controversy or claim arising out of or relating to this Agreement, the Loan Agreement or any of the transactions contemplated therein shall be settled by judicial reference pursuant to California Code of Civil Procedure Section 638 et seq. before a referee sitting without a jury, such referee to be mutually acceptable to the parties or, if no agreement is reached, by a referee appointed by the Presiding Judge of the California Superior Court for Santa Clara County.

12. This Agreement represents the entire agreement with respect to the subject matter hereof, and supersedes all prior negotiations, agreements and commitments. Creditor is not relying on any representations by Bank or Borrower in entering into this Agreement, and Creditor has kept and will continue to keep itself fully apprised of the financial and other condition of Borrower.

13. In the event of any legal action to enforce the rights of a party under this Agreement, the party prevailing in such action shall be entitled, in addition to such other relief as may be granted, all reasonable costs and expenses, including reasonable attorneys' fees, incurred in such action.

14. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument. This Agreement may be amended only by written instrument signed by Creditor and Bank. Capitalized terms not otherwise defined herein shall have the same meaning as in the Loan Agreement. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.

In Witness Whereof, the undersigned have executed this Agreement as of the date first above written.

“Bank”

BRIDGE BANK, NATIONAL ASSOCIATION

By: /s/ Dan Pistone

Title: Senior Vice President

“Creditor”

KOPIN CORPORATION

By: /s/ John C. Fan

Title: Chief Executive Officer

The undersigned acknowledges and agrees to the terms of this Agreement.

“Borrower”

VUZIX CORPORATION

By: /s/ Paul J. Travers

Title: President and CEO

SUBORDINATION AGREEMENT

This Subordination Agreement is made as of March 21, 2011 by and among the undersigned creditor ("Creditor") and Bridge Bank, National Association ("Bank").

Recitals

A. Vuzix Corporation, a Delaware corporation ("Borrower"), has requested and/or obtained certain loans or other credit accommodations from Bank which are or may be from time to time secured by assets and property of Borrower, pursuant to that certain Loan and Security Agreement by and between Bank and Borrower dated as of March 21, 2011 as amended from time to time (the "Loan Agreement").

B. Creditor has extended loans or other credit accommodations to Borrower, as represented in that certain letter agreement by and between the Borrower and the Creditor dated as of December 21, 2009 and as amended on December 23, 2010 (the "Subordinated Debt Documents").

C. In order to induce Bank to extend credit to Borrower and, at any time or from time to time, at Bank's option, to make such further loans, extensions of credit, or other accommodations to or for the account of Borrower, or to purchase or extend credit upon any instrument or writing in respect of which Borrower may be liable in any capacity, or to grant such renewals or extension of any such loan, extension of credit, purchase, or other accommodation as Bank may deem advisable, Creditor is willing to subordinate: (i) all of Borrower's indebtedness and obligations to Creditor, whether presently existing or arising in the future, pursuant to the Subordinated Debt Documents (the "Subordinated Debt") to all of Borrower's indebtedness and obligations to Bank (including, without limitation, principal, premium (if any), interest, fees, charges, expenses, costs, professional fees and expenses, and reimbursement obligations); and (ii) all of Creditor's security interests, if any, in Borrower's property, to all of Bank's security interests in the Borrower's property.

Now, Therefore, the Parties Agree as Follows:

1. Creditor subordinates to Bank any security interest or lien that Creditor may have in any property of Borrower. Notwithstanding the respective dates of attachment or perfection of the security interest of Creditor and the security interest of Bank, the security interest of Bank in the Collateral, as defined in that certain Loan Agreement, shall at all times be prior to the security interest of such Creditor.

2. All Subordinated Debt is subordinated in right of payment to all obligations of Borrower to Bank, now existing or hereafter arising, together with all costs of collecting such obligations (including attorneys' fees), including, without limitation, all interest accruing after the commencement by or against Borrower of any bankruptcy, reorganization or similar proceeding, and all obligations under the Loan Agreement (the "Senior Debt").

3. Creditor will not demand or receive from Borrower (and Borrower will not pay to Creditor) all or any part of the Subordinated Debt, by way of payment, prepayment, setoff, lawsuit or otherwise, nor will Creditor exercise any remedy with respect to the Collateral, nor will such Creditor accelerate the Subordinated Debt, or commence, or cause to commence, prosecute or participate in any administrative, legal or equitable action against Borrower, until such time as (i) the Senior Debt is fully paid in cash, (ii) Bank has no commitment or obligation to lend any further funds to Borrower, and (iii) all financing agreements between Bank and Borrower are terminated. Notwithstanding the foregoing, Creditor may receive each regularly scheduled payment of principal and interest with respect to the Subordinated Debt in accordance with the terms set forth in the letter agreement dated as of December 23, 2010 between Borrower and Creditor, as filed with the Securities and Exchange Commission on Form 8-K on December 23, 2010, provided that no Event of Default (as defined in the Loan Agreement) has occurred under the Loan Agreement which is continuing or would exist immediately after giving effect to such payment.

4. Creditor shall promptly deliver to Bank in the form received (except for endorsement or assignment by Creditor where required by Bank) for application to the Senior Debt any payment, distribution, security or proceeds received by Creditor with respect to the Subordinated Debt other than in accordance with this Agreement.

5. In the event of Borrower's insolvency, reorganization or any case or proceeding under any bankruptcy or insolvency law or laws relating to the relief of debtors, these provisions shall remain in full force and effect, and Bank's claims against Borrower and the estate of Borrower shall be paid in full before any payment is made to Creditor.

6. Until the Senior Debt is fully paid in cash and Bank's arrangements to lend any funds to Borrower have been terminated, Creditor irrevocably appoints Bank as such Creditor's attorney in fact, and grants to Bank a power of attorney with full power of substitution, in the name of Creditor or in the name of Bank, for the use and benefit of Bank, without notice to Creditor, to perform at Bank's option the following acts in any bankruptcy, insolvency or similar proceeding involving Borrower:

(i) To file the appropriate claim or claims in respect of the Subordinated Debt on behalf of Creditor if Creditor does not do so prior to 30 days before the expiration of the time to file claims in such proceeding and if Bank elects, in its sole discretion, to file such claim or claims; and

(ii) To accept or reject any plan of reorganization or arrangement on behalf of Creditor and to otherwise vote Creditor's claims in respect of any Subordinated Debt in any manner that Bank deems appropriate for the enforcement of its rights hereunder.

7. Creditor shall affix a legend to any instruments evidencing the Subordinated Debt stating that the instruments are subject to the terms of this Agreement. No amendment of the documents evidencing or relating to the Subordinated Debt shall directly or indirectly modify the provisions of this Agreement in any manner which might terminate or impair the subordination of the Subordinated Debt or the subordination of the security interest or lien that Creditor may have in any property of Borrower. By way of example, such instruments shall not be amended to (i) increase the rate of interest with respect to the Subordinated Debt, or (ii) accelerate the payment of the principal or interest or any other portion of the Subordinated Debt.

8. This Agreement shall remain effective for so long as Bank has any obligation to make credit extensions to Borrower or Borrower owes any amounts to Bank under the Loan Agreement or otherwise. If, at any time after payment in full of the Senior Debt any payments of the Senior Debt must be disgorged by Bank for any reason (including, without limitation, the bankruptcy of Borrower), this Agreement and the relative rights and priorities set forth herein shall be reinstated as to all such disgorged payments as though such payments had not been made and Creditor shall immediately pay over to Bank all payments received with respect to the Subordinated Debt to the extent that such payments would have been prohibited hereunder. At any time and from time to time, without notice to Creditor, Bank may take such actions with respect to the Senior Debt as Bank, in its sole discretion, may deem appropriate, including, without limitation, terminating advances to Borrower, increasing the principal amount, extending the time of payment, increasing applicable interest rates, renewing, compromising or otherwise amending the terms of any documents affecting the Senior Debt and any collateral securing the Senior Debt, and enforcing or failing to enforce any rights against Borrower or any other person. No such action or inaction shall impair or otherwise affect Bank's rights hereunder. Creditor waives the benefits, if any, of Civil Code Sections 2809, 2810, 2819, 2845, 2847, 2848, 2849, 2850, 2899 and 3433.

9. All necessary action on the part of the Creditor, its officers, directors, partners, members and shareholders, as applicable, necessary for the authorization of this Agreement and the performance of all obligations of the Creditor hereunder has been taken. This Agreement constitutes the legal, valid and binding obligation of Creditor, enforceable against Creditor in accordance with its terms. The execution, delivery and performance of and compliance with this Agreement by Creditor will not (i) result in any material violation or default of any term of any of the Creditor's charter, formation or other organizational documents (such as Articles or Certificate of Incorporation, bylaws, partnership agreement, operating agreement, etc.) or (ii) violate any material applicable law, rule or regulation.

10. This Agreement shall bind any successors or assignees of Creditor and shall benefit any successors or assigns of Bank. This Agreement is solely for the benefit of Creditor and Bank and not for the benefit of Borrower or any other party. Creditor further agrees that if Borrower is in the process of refinancing a portion of the Senior Debt with a new lender, and if Bank makes a request of Creditor, Creditor shall agree to enter into a new subordination agreement with the new lender on substantially the terms and conditions of this Agreement.

11. This Agreement shall be governed by and construed in accordance with the laws of the State of California, without giving effect to conflicts of laws principles. Creditor and Bank submit to the exclusive jurisdiction of the state and federal courts located in Santa Clara County, California. CREDITOR AND BANK WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREIN. If the jury waiver set forth in this section is not enforceable, then any dispute, controversy or claim arising out of or relating to this Agreement, the Loan Agreement or any of the transactions contemplated therein shall be settled by judicial reference pursuant to California Code of Civil Procedure Section 638 et seq. before a referee sitting without a jury, such referee to be mutually acceptable to the parties or, if no agreement is reached, by a referee appointed by the Presiding Judge of the California Superior Court for Santa Clara County.

12. This Agreement represents the entire agreement with respect to the subject matter hereof, and supersedes all prior negotiations, agreements and commitments. Creditor is not relying on any representations by Bank or Borrower in entering into this Agreement, and Creditor has kept and will continue to keep itself fully apprised of the financial and other condition of Borrower.

13. In the event of any legal action to enforce the rights of a party under this Agreement, the party prevailing in such action shall be entitled, in addition to such other relief as may be granted, all reasonable costs and expenses, including reasonable attorneys' fees, incurred in such action.

14. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument. This Agreement may be amended only by written instrument signed by Creditor and Bank. Capitalized terms not otherwise defined herein shall have the same meaning as in the Loan Agreement. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.

In Witness Whereof, the undersigned have executed this Agreement as of the date first above written.

“Bank”

BRIDGE BANK, NATIONAL ASSOCIATION

By: /s/ Dan Pistone

Title: Senior Vice President

“Creditor”

VAST CORPORATION

By: /s/ Wei Chuan Liao

Title: President

The undersigned acknowledges and agrees to the terms of this Agreement.

“Borrower”

VUZIX CORPORATION

By: /s/ Paul J. Travers

Title: President and CEO

SUBORDINATION AGREEMENT

This Subordination Agreement is made as of March 21, 2011 by and among each of the undersigned creditors (individually, a "Creditor" and, collectively, the "Creditors") and Bridge Bank, National Association ("Bank").

Recitals

A. Vuzix Corporation, a Delaware corporation ("Borrower"), has requested and/or obtained certain loans or other credit accommodations from Bank which are or may be from time to time secured by assets and property of Borrower including without limitation pursuant to that certain Loan and Security Agreement between Borrower and Bank dated as of March 21, 2011 and as amended from time to time (the "Loan Agreement").

B. Each Creditor has extended loans or other credit accommodations to Borrower, and/or may extend loans or other credit accommodations to Borrower from time to time.

C. In order to induce Bank to extend credit to Borrower and, at any time or from time to time, at Bank's option, to make such further loans, extensions of credit, or other accommodations to or for the account of Borrower, or to purchase or extend credit upon any instrument or writing in respect of which Borrower may be liable in any capacity, or to grant such renewals or extension of any such loan, extension of credit, purchase, or other accommodation as Bank may deem advisable, each Creditor is willing to subordinate: (i) all of Borrower's indebtedness and obligations to such Creditor, whether presently existing or arising in the future (the "Subordinated Debt") to all of Borrower's indebtedness and obligations to Bank (including, without limitation, principal, premium (if any), interest, fees, charges, expenses, costs, professional fees and expenses, and reimbursement obligations); and (ii) all of such Creditor's security interests, if any, in Borrower's property, to all of Bank's security interests in the Borrower's property.

Now, Therefore, the Parties Agree as Follows:

1. Each Creditor subordinates to Bank any security interest or lien that such Creditor may have in any property of Borrower. Notwithstanding the respective dates of attachment or perfection of the security interest of a Creditor and the security interest of Bank, the security interest of Bank in the Collateral, as defined in that certain Loan Agreement, shall at all times be prior to the security interest of such Creditor.

2. All Subordinated Debt is subordinated in right of payment to all obligations of Borrower to Bank, now existing or hereafter arising, together with all costs of collecting such obligations (including attorneys' fees), including, without limitation, all interest accruing after the commencement by or against Borrower of any bankruptcy, reorganization or similar proceeding, and all obligations under the Loan Agreement (the "Senior Debt").

3. Each Creditor will not demand or receive from Borrower (and Borrower will not pay to such Creditor) all or any part of the Subordinated Debt, by way of payment, prepayment, setoff, lawsuit or otherwise, nor will such Creditor exercise any remedy with respect to the Collateral, nor will such Creditor accelerate the Subordinated Debt, or commence, or cause to commence, prosecute or participate in any administrative, legal or equitable action against Borrower, until such time as (i) the Senior Debt is fully paid in cash, (ii) Bank has no commitment or obligation to lend any further funds to Borrower, and (iii) all financing agreements between Bank and Borrower are terminated. Notwithstanding the foregoing, each Creditor may convert the Subordinated Debt into equity securities of the Borrower and each Creditor may receive each regularly scheduled payment of principal and interest in accordance with the terms set forth in the letter agreement dated as of December 23, 2010 between Borrower and Creditor, as filed with the Securities and Exchange Commission on Form 8-K on December 23, 2010, provided that no Event of Default (as defined in the Loan Agreement) has occurred under the Loan Agreement which is continuing or would exist immediately after giving effect to such payment.

4. Each Creditor shall promptly deliver to Bank in the form received (except for endorsement or assignment by such Creditor where required by Bank) for application to the Senior Debt any payment, distribution, security or proceeds received by such Creditor with respect to the Subordinated Debt other than in accordance with this Agreement.

5. In the event of Borrower's insolvency, reorganization or any case or proceeding under any bankruptcy or insolvency law or laws relating to the relief of debtors, these provisions shall remain in full force and effect, and Bank's claims against Borrower and the estate of Borrower shall be paid in full before any payment is made to any Creditor.

6. Until the Senior Debt is fully paid in cash and Bank's arrangements to lend any funds to Borrower have been terminated, each Creditor irrevocably appoints Bank as such Creditor's attorney in fact, and grants to Bank a power of attorney with full power of substitution, in the name of such Creditor or in the name of Bank, for the use and benefit of Bank, without notice to such Creditor, to perform at Bank's option the following acts in any bankruptcy, insolvency or similar proceeding involving Borrower:

(i) To file the appropriate claim or claims in respect of the Subordinated Debt on behalf of a Creditor if such Creditor does not do so prior to 30 days before the expiration of the time to file claims in such proceeding and if Bank elects, in its sole discretion, to file such claim or claims; and

(ii) To accept or reject any plan of reorganization or arrangement on behalf of any Creditor and to otherwise vote such Creditor's claims in respect of any Subordinated Debt in any manner that Bank deems appropriate for the enforcement of its rights hereunder.

7. Creditor shall immediately affix a legend to any instruments evidencing the Subordinated Debt stating that the instruments are subject to the terms of this Agreement. No amendment of the documents evidencing or relating to the Subordinated Debt shall directly or indirectly modify the provisions of this Agreement in any manner which might terminate or impair the subordination of the Subordinated Debt or the subordination of the security interest or lien that such Creditor may have in any property of Borrower. By way of example, such instruments shall not be amended to (i) increase the rate of interest with respect to the Subordinated Debt, or (ii) accelerate the payment of the principal or interest or any other portion of the Subordinated Debt.

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9. All necessary action on the part of the Creditor, its officers, directors, partners, members and shareholders, as applicable, necessary for the authorization of this Agreement and the performance of all obligations of the Creditor hereunder has been taken. This Agreement constitutes the legal, valid and binding obligation of Creditor, enforceable against Creditor in accordance with its terms. The execution, delivery and performance of and compliance with this Agreement by Creditor will not (i) result in any material violation or default of any term of any of the Creditor's charter, formation or other organizational documents (such as Articles or Certificate of Incorporation, bylaws, partnership agreement, operating agreement, etc.) or (ii) violate any material applicable law, rule or regulation.

10. This Agreement shall bind any successors or assignees of a Creditor and shall benefit any successors or assigns of Bank. This Agreement is solely for the benefit of each Creditor and Bank and not for the benefit of Borrower or any other party. Each Creditor further agrees that if Borrower is in the process of refinancing a portion of the Senior Debt with a new lender, and if Bank makes a request of such Creditor, Creditor shall agree to enter into a new subordination agreement with the new lender on substantially the terms and conditions of this Agreement.

11. This Agreement shall be governed by and construed in accordance with the laws of the State of California, without giving effect to conflicts of laws principles. Each Creditor and Bank submit to the exclusive jurisdiction of the state and federal courts located in Santa Clara County, California. EACH CREDITOR AND BANK WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREIN. If the jury waiver set forth in this section is not enforceable, then any dispute, controversy or claim arising out of or relating to this Agreement, the Loan Agreement or any of the transactions contemplated therein shall be settled by judicial reference pursuant to California Code of Civil Procedure Section 638 et seq. before a referee sitting without a jury, such referee to be mutually acceptable to the parties or, if no agreement is reached, by a referee appointed by the Presiding Judge of the California Superior Court for Santa Clara County.

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13. This Agreement represents the entire agreement with respect to the subject matter hereof, and supersedes all prior negotiations, agreements and commitments. No Creditor is relying on any representations by Bank or Borrower in entering into this Agreement, and each Creditor has kept and will continue to keep itself fully apprised of the financial and other condition of Borrower.

14. This Agreement may be amended only by written instrument signed by each Creditor and Bank.

15. In the event of any legal action to enforce the rights of a party under this Agreement, the party prevailing in such action shall be entitled, in addition to such other relief as may be granted, all reasonable costs and expenses, including reasonable attorneys’ fees, incurred in such action.

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In Witness Whereof, the undersigned have executed this Agreement as of the date first above written.

“Bank”

BRIDGE BANK, NATIONAL ASSOCIATION

By: /s/ Dan Pistone

Title: Senior Vice President

“Creditors”

Paul J. Travers

By: /s/ Paul J. Travers

Title: _____

John Burtis

By: /s/ John Burtis

Title: _____

The undersigned acknowledges and agrees to the terms of this Agreement.

“Borrower”

VUZIX CORPORATION

By: /s/ Paul J. Travers

Title: President and CEO



Press Release

Vuzix Finalizes \$2 Million Commercial Revolving Credit Line With Bridge Bank

ROCHESTER, NY — (March 22, 2011) - Vuzix Corporation (TSX-V: VZX, OTC:BB: VUZI, FWB: V7X) (“Vuzix” or the “Company”) announced today that it has entered into a \$2 million revolving credit agreement with Bridge Bank, National Association to support its ongoing working capital needs. The credit facility is an accounts receivable formula-based line of credit, which matures on the second anniversary of the signing of the agreement. Under the agreement, Vuzix may borrow up to 80% of eligible North American accounts receivable and, in addition, approved international accounts on a case-by-case basis.

Vuzix must satisfy certain loan covenants on an ongoing basis. Bridge Bank has been granted a first position security interest in all of Vuzix’ current and future assets, with the exception of Intellectual Property in which a second lien has been granted. All secured debt is subordinated to the Bridge Bank facility.

The closing of this transaction satisfies certain obligations of the Company under its loan agreement with LC Capital Master Fund Ltd. (LC), which was consummated on December 23, 2010, and eliminates the penalties, including the issuance of additional securities to LC, if it failed to do so.

Reference is made to Vuzix’ filing on form 8-K with the Securities and Exchange Commission for further details regarding this transaction.

About Vuzix Corporation

Vuzix is a leading supplier of Video Eyewear products in the defense, consumer and media & entertainment markets. The Company’s products, personal display devices that offer users a portable high quality viewing experience, provide solutions for mobility, thermal sighting systems, tactical wearable displays and virtual and augmented reality. With its origins in defense research and development for next generation display solutions, Vuzix holds over 51 patents in the Video Eyewear field. The company has won 9 Consumer Electronics Show Innovations Awards, the RetailVision Best New Product and several wireless technology innovation awards, among others. Founded in 1997, Vuzix is a public company (TSX-V: VZX - News, OTC:BB: VUZI, FWB: V7X) with offices in Rochester, NY, Oxford, UK and Tokyo, Japan. For more information visit www.vuzix.com.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

For further information, please contact:

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