

1/29/04

08-03-2004



Form PTO-1594 (Rev. 06/04)
OMB Collection 0651-0027 (exp. 6/30/2005)

U.S. DEPARTMENT OF COMMERCE
States Patent and Trademark Office

RECORDATION FORM **102804600**
TRADEMARKS ONLY

To the Director of the U. S. Patent and Trademark Office: Please record the attached documents or the new address(es) below.

1. Name of conveying party(ies)/Execution Date(s):

Goddard Technology Corp.

- Individual(s)
- General Partnership
- Corporation-State
- Other
- Association
- Limited Partnership

Citizenship (see guidelines) CA

Execution Date(s) 9/13/2000

Additional names of conveying parties attached? Yes No

3. Nature of conveyance:

- Assignment
- Security Agreement
- Other IWS letter, attachments
- Merger
- Change of Name

2. Name and address of receiving party(ies)

Additional names, addresses, or citizenship attached? Yes No

Name: ImageWare Systems, Inc.

Internal

Address: _____

Street Address: 10833 Thornmint Road

City: San Diego, CA 92130

State: _____

Country: _____ Zip: _____

- Association
 - General Partnership
 - Limited Partnership
 - Corporation
 - Other
- Citizenship CA

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No
(Designations must be a separate document from assignment)

4. Application number(s) or registration number(s) and identification or description of the Trademark.

A. Trademark Application No.(s)

B. Trademark Registration No.(s)

2,115,455

Additional sheet(s) attached? Yes No

C. Identification or Description of Trademark(s) (and Filing Date if Application or Registration Number is unknown):

WINBADGE

5. Name & address of party to whom correspondence concerning document should be mailed:

Name: Sean S, Collin

Internal Address: Townsend and Townsend and Crew
12730 High Bluff Drive
Suite 400

Street Address: San Diego, CA 92130

City: San Diego

State: CA Zip: 92130

Phone Number: 858-350-6106

Fax Number: 858-350-6111

Email Address: sscollin@townsend.com

6. Total number of applications and registrations involved:

1

7. Total fee (37 CFR 2.6(b)(6) & 3.41) \$40.00

- Authorized to be charged by credit card
- Authorized to be charged to deposit account
- Enclosed

8. Payment Information:

a. Credit Card Last 4 Numbers _____
Expiration Date 20-1430

b. Deposit Account Number _____
Authorized User Name S. Collin

9. Signature:

[Signature]
Sean S. Collin Signature

7/29/04
Date

Total number of pages including cover sheet, attachments, and document: 1

Name of Person Signing

Documents to be recorded (including cover sheet) should be faxed to (703) 306-5995, or mailed to:
Mail Stop Assignment Recordation Services, Director of the USPTO, P.O. Box 1450, Alexandria, VA 22313-1450

TRADEMARK
REEL: 003018 FRAME: 0863

08/02/2004 LINE ITEM 0000118 201430 2115455 40.00 01 FT:0021



Assignments on the Web > Trademark Query

Trademark Assignment Abstract of Title

Total Assignments: 4

Serial #: 75117122 Filing Dt: 06/11/1996 Reg #: 2115455 Reg. Dt: 11/25/1997

Registrant: Goddard Technology Corporation

Mark: WINBADGE

Assignment: 1

Reel/Frame: 2887/0981 Received: 07/08/2004 Recorded: 07/08/2004 Pages: 6

Conveyance: NUNC PRO TUNC ASSIGNMENT

Assignor: GODDARD TECHNOLOGY CORPORATION

Exec Dt: 09/13/2000

Entity Type: CORPORATION

Citizenship: DELAWARE

Entity Type: CORPORATION

Citizenship: CALIFORNIA

Assignee: IMAGEWARE SYSTEMS, INC.
10883 THORNMENT ROAD
SAN DIEGO, CALIFORNIA 92127

Correspondent: JOHN B HARDAWAY III
PO BOX 10107
GREENVILLE, SC 29603-0107

Assignment: 2

Reel/Frame: 2490/0156 Received: 06/18/2002 Recorded: 06/18/2002 Pages: 32

Conveyance: SECURITY AGREEMENT

Assignor: IMAGEWARE SYSTEMS ID GROUP, INC.

Exec Dt: 05/22/2002

Entity Type: CORPORATION

Citizenship: DELAWARE

Entity Type: LIMITED LIABILITY COMPANY

Citizenship: NONE

Assignee: PERSEUS 2000, L.L.C.
ATTN: CHIP NEWTON MANAGING DIRECTOR
2099 PENNSYLVANIA AVE., N.W., #900
WASHINGTON, DISTRICT OF COLUMBIA 20006-1813

Correspondent: ARNOLD & PORTER
CARL J. THOMAS, ESQ.
777 S. FIGUEROA STREET, 44TH FLOOR
LOS ANGELES, CA 90017

Assignment: 3

Reel/Frame: 2674/0652 Received: 06/25/2003 Recorded: 06/25/2003 Pages: 18

Conveyance: SECURITY INTEREST

Assignor: PERSEUS 2000, L.L.C.

Exec Dt: 06/13/2003

Entity Type: LIMITED LIABILITY COMPANY

Citizenship: NONE

Entity Type: LIMITED LIABILITY CORPORATION

Assignees: LF GLOBAL HOLDINGS, LLC
12230 EL CAMINO REAL, SUITE 22

SAN DIEGO, CALIFORNIA 92130
LAURUS MASTER FUND, LTD.
C/O IRONSHORE CORPORATE
P.O. BOX 1234 GT, S. CHURCH ST.
GRAND CAYMAN, CAYMAN ISLANDS

Citizenship: NONE
Entity Type: CORPORATION
Citizenship: CAYMAN ISLANDS

Correspondent: BLANCHARD, KRASNER & FRENCH
THOMAS E. JURGENSEN, ESQ.
800 SILVERADO STREET, STE. 200
LA JOLLA, CA 92037

Assignment: 4

Reel/Frame: 2888/0010 **Received:** 07/08/2004 **Recorded:** 07/08/2004 **Pages:** 4

Conveyance: NUNC PRO TUNC ASSIGNMENT

Assignor: IMAGEWARE SYSTEMS, INC.

Exec Dt: 06/19/2003

Entity Type: CORPORATION

Citizenship: CALIFORNIA

Entity Type: CORPORATION

Assignee: GODDARD TECHNOLOGY CORPORATION

Composed of: COMPOSED OF BILL DONOHUE AND FRED LASSITER

Citizenship: SOUTH CAROLINA

DBA/AKA/TA: AKA GTC

7001 A PELHAM ROAD
GREENVILLE, SOUTH CAROLINA 29615

Correspondent: JOHN B HARDAWAY III
PO BOX 10107
GREENVILLE, SC 29603-0107

Search Results as of: 07/29/2004 08:13 PM

If you have any comments or questions concerning the data displayed, contact OPR / Assignments at 703-308-9723

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TRADEMARK
REEL: 003018 FRAME: 0865

PLAN AND AGREEMENT OF REORGANIZATION
AMONG
GODDARD TECHNOLOGY CORPORATION
AND
IMAGING TECHNOLOGY CORPORATION
AND
IMAGEWARE SYSTEMS, INC.

DATED AS OF
SEPTEMBER 13, 2000

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THIS PLAN AND AGREEMENT OF REORGANIZATION (the "Plan") is entered into as of September 13, 2000, by and among ImageWare Systems, Inc., a California corporation ("ImageWare"), Imaging Technology Corporation, a Delaware corporation and wholly owned subsidiary of ImageWare ("ITC"), and Goddard Technology Corporation, a Delaware corporation ("Goddard").

RECITALS

WHEREAS, Goddard is engaged in the business of developing, selling and servicing software identification badging systems (the "Business");

WHEREAS, Goddard wishes to transfer the Business and substantially all of its assets to ITC solely in exchange for shares of common stock of ImageWare (the "Shares") and the assumption of certain liabilities of Goddard by ITC on the terms and subject to the conditions set forth in this Plan; and

WHEREAS, ITC and Goddard desire and intend that the transactions described in this Plan qualify as a tax free reorganization pursuant to Section 368(a)(1)(C) of the Internal Revenue Code of 1986, as amended (the "Code"), it being contemplated by ImageWare that Goddard will thereafter, as an integral part of this transaction, distribute the Shares in complete liquidation of Goddard.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1

BASIC TRANSACTIONS

1.1 Assets Purchased. Subject to the terms and conditions of this Plan, on the Closing Date (as defined below in Section 1.6), Goddard shall convey, sell, transfer, assign and deliver to ITC, and ITC shall purchase and acquire from Goddard, all right, title and interest of Goddard in and to all of Goddard's assets used in the Business and listed on Schedule 1.1 hereto (the "Assets"), including without limitation, the following:

- (a) all tangible personal property, furniture, machinery, tooling, equipment, fixtures, leasehold improvements, telephone and mobile communications equipment and other fixed assets used in the Business, and all books, manuals and documentation relating thereto, including sales records and normal business records associated with the Business;
- (b) all inventory of the Business, wherever located (collectively, the "Inventory");
- (c) all cash of the Business;

(d) all (i) patents, trademarks, trade names and logos and any derivations or combinations thereof, and all registrations and applications for the same, owned or used in connection with the Assets or the Business and all goodwill associated therewith, (ii) sales promotion materials relating to the Assets or the Business, including Goddard's telephone numbers and directory listings, (iii) all methods of operation and manuals, (iv) all customer and supplier lists and telephone numbers with respect to past, present or prospective customers and suppliers used in or related to the Assets or the Business, (v) all sales and credit records relating to the Assets or the Business and (vi) employee lists of all persons who immediately prior to the Closing Date were employees of the Goddard in respect of the Business;

(e) all of the Goddard's rights under (i) any and all agreements (including purchase orders) with customers and suppliers, (ii) any leases for tangible personal property, (iii) all assignable registrations, licenses, permits and approvals and (iv) all representation agreements with sales representatives, agents, and distributors, used in or relating to the Assets or the Business (collectively, the "Contracts");

(f) all computer programs, computer software, and other computer related information relating to and used in connection with the Assets or the Business;

(g) any and all claims and rights against third parties, if and to the extent they relate to the condition of the Assets including, without limitation, all rights under manufacturers' and vendors' warranties (collectively, the "Claims"); and

(h) all of Goddard's goodwill in, and the going concern value of, the Business, including the corporate name "Goddard Technology Corporation."

The Assets shall include, without limitation, all of the Assets reflected on the Goddard Balance Sheet (as defined in Section 2.4 below), except for those which have been transferred or disposed of in the ordinary course of the Business after July 31, 2000 (the "Balance Sheet Date") and those excluded assets listed in Section 1.2 below. Based on calculations in accordance with generally accepted accounting principles ("GAAP"), on the Closing Date, the Assets shall include total net Assets (all Assets minus Assumed Liabilities, defined in Section 1.3 below) equal to at least Three Hundred Thousand Dollars (\$300,000).

1.2 Excluded Assets. The Assets shall not include, and Goddard shall not sell to ITC, any of the following items (collectively, the "Excluded Assets"):

- (a) pension, profit sharing and savings plans and trusts and any assets thereof;
- (b) all amounts due Goddard in connection with any tax refunds, prepaid taxes, rights under any tax-sharing agreement or similar payments, for periods ending on or prior to the Closing Date;
- (c) the corporate minute books, corporate seals, corporate lists, sales records, tax return work papers and similar corporate records of Goddard; and
- (d) any governmental license, permit or similar right that cannot by its terms be assigned to ITC.

1.3 Assumed Liabilities. Goddard hereby assigns to ITC, and ITC hereby accepts and assumes only those obligations and liabilities of Goddard listed on Schedule 1.3 hereto and the obligations of Goddard under the Contracts which are to be performed after the Closing (defined below in Section 8.1) ("Assumed Liabilities"). ITC shall not be deemed to accept or assume any obligation or liability not arising out of or specifically stated on Schedule 1.3. Goddard shall be responsible for and shall pay, discharge and satisfy all liabilities, debts and obligations of Goddard not assumed by ITC and shall indemnify, defend and hold harmless ITC and ImageWare fully against same, including any costs and professional fees incurred by ITC in respect thereto. Except as listed on Schedule 1.3, the Assumed Liabilities shall not include, and ITC shall not assume or be liable for, and does not undertake or attempt to assume or discharge any of the following, without limiting the generality of the foregoing:

(a) all current or long term liabilities of Goddard relating to the Assets or the Business set forth on the Goddard Balance Sheet, including (but not by way of limitation) accrued payroll, customer deposits, lines of credit, bank debt, notes payable, capital leases and amounts due to related parties;

(b) any income tax liability or obligation of Goddard relating to the operation of the Business prior to the Closing Date or arising from, or incident to, the sale, assignment, transfer and delivery of the Assets, or any delinquent sales, payroll or other delinquent tax obligation;

(c) any accrued, but unpaid employee benefits, including (but not by way of limitation) sick leave, vacation time and any unpaid commissions either due and payable on or prior to the Closing or due and payable upon receipt of accounts receivable to be collected and paid to Goddard;

(d) any workers' compensation liabilities with respect to employees of the Business relating to illnesses or injuries occurring prior to the Closing Date;

(e) any liability or obligation of Goddard created under this Plan or arising out of the transactions contemplated hereby, except as specifically provided in this Plan;

(f) any liability or obligation of Goddard arising out of or relating to any pension, retirement or profit-sharing plan or trust;

(g) any sales or transfer taxes associated with the transfer of the Assets to ITC; and

(h) any other liabilities or obligations of Goddard not expressly assumed by ITC hereunder.

1.4 Purchase Price.

(a) In consideration of the transfer of the Assets to ITC, (i) ImageWare shall cause ITC to transfer to Goddard Shares valued at Six Hundred Thousand Dollars (\$600,000) as described in Section 1.4(c), below, and (ii) ITC shall assume the Assumed Liabilities (the "Purchase Price").

(b) The Purchase Price shall be allocated among the Assets as set forth in Schedule 1.4(b) hereto.

(c) ITC shall pay Goddard the Purchase Price by delivery to Goddard upon the Closing Date, the number of shares valued at Six Hundred Thousand Dollars (\$600,000) based on the average of closing sale prices (last trade) of the Common Stock on the American Stock Exchange for the ten (10) trading days ending September 13, 2000 (cash in lieu of any fractional shares shall be paid based upon the same average).

1.5 Escrow. At the Closing, and as a condition precedent to it, (i) ITC shall enter into an agreement with Imperial Bank, as escrow agent (the "Escrow Agent"), substantially in the form of Exhibit A hereto (the "Escrow Agreement"), and (ii) Goddard shall deposit in escrow a number of Shares equal to twenty percent (20%) of the aggregate number of Shares issued to Goddard under Section 1.4(c) hereof (the "Escrow Shares"). In the event Goddard is required to indemnify ITC, ImageWare or their affiliates for breaches of representations, warranties or covenants set forth in this Plan, ITC may claim the Escrow Shares from the Escrow Agent in accordance with the terms and conditions of the Escrow Agreement. The Escrow Shares shall be released eighteen (18) months after the Closing Date less (i) any ITC/ImageWare Recoverable Losses (as defined in Section 7.2 below) and (ii) pending claims.

1.6 Closing Date. The date of Closing (the "Closing Date") shall be on September __, 2000, or such later date as mutually agreed to by the parties in writing.

ARTICLE 2

REPRESENTATIONS AND WARRANTIES OF GODDARD

Goddard represents and warrants to ITC and ImageWare as follows:

2.1 Organization and Good Standing. Goddard is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority, including all necessary licenses and permits, to carry on its business as it is now being conducted, and to own, lease or use the Assets except where the failure to have such license or permit would not have a material adverse effect on the Business.

2.2 Authorization and Approvals. Goddard has all requisite corporate power and corporate authority to enter into this Plan and to perform its obligations hereunder. This Plan has been duly executed and delivered by Goddard and constitutes the legal, valid and binding obligation of Goddard, enforceable in accordance with its terms, except as may be limited by bankruptcy, reorganization, insolvency, moratorium or other laws relating to or affecting the enforcement of creditors' rights and remedies generally, and except as enforcement may be limited by general principles of equity. This Plan and all ancillary agreements hereto, at the time they are entered into, have been duly and validly authorized by and approved by all requisite corporate action on the part of Goddard. No further approvals or consents by, or filings with, any federal, state, municipal, foreign or other court or governmental or administrative body, agency or other third party is required in connection with the execution and delivery by Goddard of this Plan, or the consummation by Goddard of the transactions contemplated hereby.

2.3 No Violations. Neither the execution and delivery of this Plan nor the consummation of the transactions contemplated hereby will (a) violate any provision of the Certificate of Incorporation or the Bylaws of Goddard, (b) violate, or be in conflict with, or constitute a default (or other event which, with the giving of notice or lapse of time or both, would constitute a default) under, or give rise to any right of termination, cancellation or acceleration under any of the terms, conditions or provisions of any Assumed Liability, (c) violate any order, writ, injunction, decree, law, statute, rule or regulation of any court or governmental authority applicable to the Assets or Assumed Liabilities or (d) give rise to a declaration or imposition of any claim, lien, charge, security interest or encumbrance of any nature whatsoever upon any of the Assets (other than those which arise by law under the Bulk Sales Act).

2.4 Financial Statements.

(a) Goddard has delivered to ITC prior to the Closing Date, true and complete copies of (i) the unaudited balance sheet of Goddard for the period ended July 31, 2000 (the "Goddard Balance Sheet"), and the related consolidated statement of income, consolidated statement of stockholders' equity and consolidated statement of cash flows for the three (3) months then ended (collectively, the "Interim Financial Statements"), (ii) the unaudited financial statements of Goddard as of and for the period ended December 31, 1997 (including, without limitation, the related consolidated balance sheets, consolidated statements of income, consolidated statements of stockholders' equity, consolidated statements of cash flows and all notes, schedules and exhibits thereto) and (iii) the unaudited financial statement of the Goddard as of and for the periods ended December 31, 1998 and 1999 (including, without limitation, the related consolidated balance sheets, consolidated statements of income, consolidated statements of stockholders' equity, consolidated statements of cash flows and all notes, schedules and exhibits thereto) (collectively, (ii) and (iii) with the Interim Financial Statements, the "Financial Statements"), and no changes have been made thereto since the date of delivery. The Financial Statements (i) present fairly, in all material respects, the financial position, results of operations and cash flows of Goddard as of and for the periods then ended, (ii) were prepared in accordance with GAAP (other than notes thereto which would be required by GAAP) and (iii) disclose all liabilities, including contingent and/or unmatured liabilities as of the dates thereof, which are required by GAAP to be disclosed thereon.

(b) The Financial Statements contain adequate reserves for all inventory reasonably anticipated to become excess or obsolete, or have no value, based on facts and circumstances existing as of the Closing Date.

2.5 Title to Assets. Goddard has good, valid and marketable title to all of the Assets free and clear of all title defects or objections, liens, claims, charges, pledges, security interests, easements, title retention agreements or other encumbrances of any kind or nature whatsoever other than liens for taxes not yet due and payable. The Assets will be conveyed and transferred to ITC, at the Closing, in the same condition.

2.6 Intellectual Property.

(a) Schedule 2.6(a) hereto sets forth a complete list of all registered and unregistered trademarks, trademark applications, trade names, registered and unregistered service

marks, service mark applications, product identifiers and/or trade dresses of any type whatsoever which is, has been or is presently planned to be used in the Business (collectively, the "Marks"). Except as set forth on Schedule 2.6(a), (i) each of the Marks is valid and registered in the name of Goddard on the Principal Register of the U.S. Patent and Trademark Office and in the foreign countries indicated thereon; (ii) Goddard has no knowledge of any infringement of the Marks by others; (iii) to its knowledge the continued use of the Marks in the Business (as the Business has heretofore been conducted and as currently planned by Goddard) will not result in any infringement of the rights of others in the United States, and Goddard has no knowledge of any such claim as to any Marks registered in the foreign countries identified on Schedule 2.6(a); (iv) Goddard is the sole and legal owner of the Marks in the countries indicated on Schedule 2.6(a) and in all other jurisdictions in which Goddard uses, has used or plans to use any Mark, and as of the Closing Date, Goddard has no knowledge of any claim by any other person that such other person is the legal owner of such Marks; (v) Goddard has not granted any license or right to use any Mark to any other person; and (vi) each of the Marks registered in the United States is and has been in use in interstate commerce since the date of first use in the application or any nonuse of such trademark is excused under applicable law.

(b) Schedule 2.6(b) hereto sets forth a complete list of all patents, patent applications, inventions, invention disclosures of any type whatsoever which is, has been or is presently planned to be used in the Business (collectively, the "Patents"). Except as set forth on Schedule 2.6(b), (i) each of the Patents is valid and registered in the name of Goddard in the U.S. Patent and Trademark Office and in the foreign countries indicated thereon; (ii) Goddard has no knowledge of any infringement of the Patents by others; (iii) to its knowledge the continued use of the Patents by Goddard (as the business of Goddard has heretofore been conducted and as currently planned by Goddard) will not result in any infringement of the rights of others in the United States, and Goddard has no knowledge of any such claim as to any Patents registered in the foreign countries identified on Schedule 2.6(b); and (iv) Goddard is the sole and legal owner of the Patents in the countries indicated on Schedule 2.6(b) and in all other jurisdiction in which Goddard uses, has used or plans to use any Patent, and as of the Closing Date, Goddard has no knowledge of any claim by any other person or entity that such other person or entity is the legal owner of such Patents.

(c) Schedule 2.6(c) hereto sets forth a complete list of all registered and unregistered copyrights of any type whatsoever which is, has been or is presently planned to be used in the Business (collectively, the "Copyrights"). Except as set forth on Schedule 2.6(c), (i) each of the Copyrights is valid and registered in the name of Goddard in the U.S. Copyright Office and in the foreign countries indicated thereon; (ii) as of the Closing Date, Goddard has no knowledge of any infringement of the Copyrights by others; (iii) the continued use of the Copyrights in the Business (as the Business has heretofore been conducted and as currently planned by Goddard) will not result in any infringement of the rights of others in the United States, and Goddard has no knowledge of any such claim as to any Copyrights registered in the foreign countries identified on Schedule 2.6(c); (iv) Goddard is the sole and legal owner of the Copyrights in the countries indicated on Schedule 2.6(c) and in all other jurisdictions in which Goddard uses, has used or plans to use any Copyright and as of the date hereof, Goddard has no knowledge of any claim by any other person that such other person is the legal owner of such Copyrights; and (v) Goddard has not granted any license or right to use any Copyright to any other person.

(d) Goddard has delivered to ITC correct and complete copies of any Goddard's Patents, Marks, Copyrights, registrations, applications, licenses, agreements and permissions as amended to date (collectively, the "Intellectual Property") relating to the Assets and has made available correct and complete copies of all other written documentation evidencing ownership and/or prosecution of each such item of Intellectual Property.

(e) Goddard will use its best efforts to ensure that each and every employee, consultant and/or contractor of Goddard who enters into a relationship with ITC will enter into a valid and enforceable contract that vests with ITC all rights in any invention, copyright and/or trade secret which relates to the Business to the fullest extent permitted by law and also protects the trade secrets and/or proprietary information of Goddard and ITC to the fullest extent permitted by law.

(f) No infringement, illicit copying, misappropriation or violation of any third party intellectual property rights has or would reasonably be expected to occur with respect to Goddard's use of the intellectual property rights embodied in the intellectual property set forth on Schedules 2.6(a), 2.6(b) and 2.6(c).

(g) The Assets, which consist of software and hardware, (i) meet, in all material respects, all functional specifications for which they were designed or programmed; (ii) as delivered to customer will, to the best knowledge of Goddard, perform according to specifications; and (iii) in the case of software, have been maintained on media and hardware that are free from defects.

(h) Goddard performs on a regular and professional basis checks and procedures to determine the presence of bugs, defects or errors, viruses, worms, bombs, traps or other code designed to or having the effect of interrupting normal processing, corrupting data or rendering the software or hardware products unusable in or on its software or hardware.

2.7 Absence of Certain Changes. Except for the transactions specifically contemplated under this Plan or except as set forth on Schedule 2.7, since July 31, 2000, Goddard has conducted its Business in the ordinary course consistent with past practice, and there has not been:

(a) Any material, adverse change in the Business, Assets or Assumed Liabilities;

(b) Any damage, destruction or loss, whether or not covered by insurance, which has had or may have an adverse effect on Goddard or the Assets;

(c) Any payment, satisfaction, discharge or cancellation of any debts or claims of Goddard;

(d) Any mortgage, pledge or subjection to lien, charge or encumbrance of any kind on any of the Assets, or any assumption of, or taking any Assets subject to, any liability;

(e) Any cancellation of any indebtedness owed to Goddard in an aggregate amount greater than Two Thousand Five Hundred Dollars (\$2,500) or waiver of any rights of similar value to Goddard relating to any of the Assets or Assumed Liabilities;

(f) Any amendment, modification or termination of any Assumed Liability;

(g) Any settlement of any material litigation or entry of any judgment against Goddard with a value of Twenty-Five Thousand Dollars (\$25,000) or more (which judgment has not been stayed or satisfied);

(h) Any change in the manner of keeping the books, accounts or records of Goddard or in the manner of preparing the Financial Statements, or in the accounting practices of Goddard, except as may be required by any change in GAAP;

(i) Any revaluation by Goddard of any of the Assets, including without limitation, any write-offs or increases in any reserves, whether or not consistent with past practice, or any write-up or write-down of the value of inventory, property, plant, equipment or any other Asset;

(j) The occurrence of any other event or the development of any other condition which has had or is reasonably likely to have an adverse effect on Goddard; or

(k) Any agreement by Goddard to engage in any of the foregoing.

2.8 Client and Supplier Relationships. Goddard has not received any notice and is not in possession of any information that might reasonably indicate any of its current clients, customers, subcontractors or suppliers intend to cease retaining, purchasing from, selling to or dealing with Goddard in the manner in which such transactions have previously occurred, nor has Goddard received any notice or is in possession of any actual knowledge which might reasonably lead it to believe that any current client, customer, subcontractor or supplier intends to alter, in any material respect, the amount of such retention, purchases or sales or the extent of dealings with Goddard or would alter, in any material respect, any such retention, purchases, sales or dealings in the event of the consummation of the transactions contemplated hereby. Goddard is current and in material compliance with respect to all of its obligations to its suppliers and subcontractors.

2.9 Compliance with Laws. Goddard is in compliance with all, and is not in violation of, applicable laws, statutes, ordinances, rules, regulations, orders and other requirements of all national governmental authorities, and of all territories, states, municipalities and other political subdivisions and agencies thereof, having jurisdiction over Goddard and related to the Business, including, without limitation, all such laws, regulations, ordinances and requirements relating to insurance, environmental, antitrust, consumer protection, labor and employment, zoning and land use, immigration, health, occupational safety, pension and securities matters, except where the failure to be in compliance would not have a material adverse effect on Goddard. Goddard has not received any written notification of any asserted present or past failure by Goddard to comply with such laws, statutes, ordinances, rules, regulations, orders or other requirements.

2.10 No Undisclosed Liabilities. Except for those liabilities (i) reflected or reserved against in the Goddard Balance Sheet, (ii) not yet due and payable or obligations to be performed or satisfied after the Closing Date hereof under the Assets or Assumed Liabilities, (iii) disclosed in this Plan or (iv) incurred in the ordinary course of business of the Business between the Balance Sheet Date and the Closing Date, there are no liabilities or obligations of Goddard relating to the Business, known or unknown, due or not yet due, liquidated or unliquidated, fixed, contingent or otherwise, where the effect thereof would have a material adverse effect on the Business or the Assets.

2.11 Litigation.

(a) There is no pending or threatened action, suit, arbitration proceeding, investigation or inquiry before any court or governmental or administrative body or agency or any private arbitration tribunal, against, relating to or affecting the Assets or Assumed Liabilities, or the transactions contemplated by this Plan, nor to Goddard's knowledge are there any facts or circumstances which could reasonably lead to or provide the basis for any such threatened action, suit, arbitration proceeding, investigation or inquiry.

(b) Goddard is not in violation of or in default under any order, judgment, writ, injunction or decree of any court or governmental or administrative body or agency.

(c) Goddard is not a party to any arrangement that restricts it from carrying on the Business or any part thereof, or from competing in any line of the Business with any person, corporation or entity.

2.12 Accounting Records. Goddard maintains accounting records that fairly and validly reflect its transactions and maintains accounting controls sufficient to provide reasonable assurances that such transactions are, in all material respects, (i) executed in accordance with management's general or specific authorization and (ii) recorded as necessary to permit the preparation of financial statements in conformity with GAAP.

2.13 Brokers and Finders. Goddard has not engaged or authorized any broker, finder, investment banker or other third party to act on behalf of Goddard, directly or indirectly, as a broker, finder, investment banker or in any other like capacity in connection with this Plan or the transactions contemplated hereby, or has consented to or acquiesced in anyone so acting, and Goddard does not know of any claim for compensation from any such broker, finder, investment banker or other third party for so acting on behalf of Goddard or of any basis for such a claim.

2.14 Employees. Schedule 2.14 hereto contains a complete, current and correct list of all of Goddard's employees ("Employees"), which includes the job position and compensation payable to each (excluding bonuses) of the Employees.

(a) Goddard is in compliance with all laws, statutes, ordinances, rules, regulations, orders and other requirements relating to the employment of labor, including, without limitation, Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act of 1967, the Americans with Disabilities Act, the Employee Retirement Income Security Act of 1974 ("ERISA") and any and all provisions thereof relating to wages, hours,

collective bargaining and the payment of social security and similar taxes, except where failure to comply would not have a material adverse effect on the Business;

(b) There is no pending or to Goddard's knowledge threatened charge, complaint, allegation, application or other process or claim against Goddard before any federal, territorial, state or local or other governmental or administrative agency or other entity relating to employment matters;

(c) No employees of Goddard are covered or have been covered by any collective bargaining agreement applicable to Goddard, nor has there been any effort by any union to organize Goddard's employees; and

(d) Goddard has paid and performed in all material respects all obligations when due with respect to its employees, consultants, independent contractors, agents, officers and directors, including, without limitation, the payment of any accrued and payable wages, severance pay, vacation pay, benefits and commissions.

2.15 Inventory. All inventories reflected in the Assets are in good condition and are currently usable or salable in the category in which they are inventoried, in the ordinary course of business of Goddard, without discounts other than normal trade discounts regularly offered by Goddard for prompt payment or quantity purchase, net of reserves shown on the Goddard Balance Sheet.

2.16 Year 2000 Compliance. Goddard does not sell, nor has it sold, any application programs, databases, software or hardware that are included in the Assets (including distributed systems and embedded chips), the performance of which was adversely affected by dates after the commencement of the year 2000 ("Year 2000 Matters"). To the knowledge of Goddard, none of the application programs, databases, software or hardware included in the Assets were adversely affected in performance by Year 2000 Matters. To the knowledge of Goddard, based solely on communications with customers and suppliers, no customer or supplier of Goddard will fail to complete any material transaction with Goddard, nor will Goddard or the Business experience material interruptions in supply or delays in sales, as a result of Year 2000 Matters. Set forth in Schedule 2.16 is a description of Goddard's compliance program with respect to Year 2000 Matters and a statement as to its progress in meeting such program's compliance schedule and goals as of the date hereof.

2.17 Employee Benefit Plans. Except as set forth on Schedule 2.17, Goddard does not have any employee benefit plans within the meaning of Section 3(3) of ERISA.

2.18 Product Liability and Warranties. All Inventory is in conformity, in all material respects, with all applicable contractual commitments and all express and implied warranties, and Goddard does not have any liability for replacement or repair thereof or other damages in connection therewith, subject only to the reserve for product warranty claims in the Interim Financial Statements. No product or service designed, manufactured, sold, leased or delivered by Goddard is subject to any guaranty, warranty or other indemnity beyond the applicable standard terms and conditions of sale or lease. Schedule 2.18 includes copies of the standard terms and conditions of sale or lease for Goddard (containing applicable guaranty, warranty and indemnity provisions).

2.19 Disclosure. Goddard has provided ITC and ImageWare with all information that ITC and ImageWare requested in determining whether to consummate the transactions contemplated by this Plan. Goddard has provided ITC and ImageWare with all information that is material to Goddard and the business as currently conducted and as proposed to be conducted. Neither this Plan, nor any other statements, certificates nor other documents made or delivered in connection herewith or therewith contain any untrue statement or a material fact or omit to state a material fact necessary to make the statements herein or therein not misleading.

2.20 Investment Representations.

(a) Goddard makes the following representations: (i) Goddard is acquiring the Shares for its own account, not as a nominee or agent, and not with a view to or in connection with the sale or distribution (except for the distribution of the Shares to the shareholders of Goddard in complete liquidation of Goddard) of any part thereof, and Goddard has no present intention of selling, granting any participation in, or otherwise distributing the same; (ii) Goddard is experienced in evaluating and investing in securities of companies and acknowledges that it is able to fend for itself in the transactions contemplated by this Plan and has the ability to bear the economic risks of its investment pursuant to this Plan; (iii) Goddard understands that the Shares will not be registered under the Securities Act of 1933, as amended (the "Securities Act"); (iv) Goddard shall not make any sale, transfer or other disposition of the Shares in violation of the Securities Act or the rules and regulations promulgated thereunder; (v) Goddard has been advised that the issuance of Shares to it has not been registered with the U.S. Securities and Exchange Commission (the "Commission") under the Securities Act.

(b) Goddard may sell, transfer or otherwise dispose of the Shares only (i) if such sale, transfer or other disposition has been registered under the Securities Act, (ii) pursuant to an exemption from registration in accordance with Rule 144 under the Securities Act (if available) and upon delivery of an opinion of counsel reasonably satisfactory in form and substance to ImageWare if requested by ImageWare or (iii) pursuant to any other exemption from registration from the Securities Act, provided an opinion of counsel is furnished reasonably satisfactory in form and substance to ImageWare, stating that an exemption from the registration requirements of the Securities Act is available, in each case in accordance with any applicable securities laws of any state of the United States.

(c) Goddard understands that ImageWare is under no obligation to register the sale, transfer or other disposition of the Shares by Goddard or on Goddard's behalf under the Securities Act or to take any other action necessary in order to make compliance with an exemption from such registration available.

(d) It is understood that each certificate representing (i) the Shares and (ii) any other securities issued in respect of the Shares upon any stock split, stock dividend, recapitalization, merger or similar event (unless no longer required in the opinion of counsel for ImageWare) shall be stamped or otherwise imprinted with legends substantially in the following forms (in addition to any legends that may now or hereafter be required by applicable state law):

**"THE SHARES REPRESENTED BY THIS CERTIFICATE
HAVE NOT BEEN REGISTERED UNDER THE SECURITIES
ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES**

LAWS. THEY MAY NOT BE OFFERED, SOLD, OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF A REGISTRATION STATEMENT IN EFFECT WITH RESPECT TO SUCH SECURITIES, OR DELIVERY OF AN OPINION OF COUNSEL SATISFACTORY TO THE ISSUER OF SUCH SECURITIES THAT SUCH OFFER, SALE, TRANSFER, PLEDGE OR HYPOTHECATION IS IN FULL COMPLIANCE WITH THE SECURITIES ACT OF 1933, AS AMENDED."

(e) It is understood and agreed that the legend set forth in paragraph (d) above shall be removed by delivery of substitute certificates without such legend if, in the judgment of ImageWare, such legend is not required for purposes of the Securities Act or this Plan. It is understood and agreed that such legends and the stop orders referred to above will be removed if ImageWare has received either an opinion of counsel, which opinion and counsel shall be reasonably satisfactory to ImageWare, or a "no action" letter obtained from the staff of the Commission, to the effect that such legend is no longer required for purposes of the Securities Act.

(f) Goddard has had the opportunity to ask questions and receive answers concerning the terms and conditions of the acquisition of the Shares and to obtain any additional information that ImageWare possesses or could acquire without unreasonable effort or expense necessary to verify the accuracy of any information provided to Goddard and to evaluate the merits and risks relating to the Shares, and any other documents and information made available upon the Goddard's request.

(g) To the extent Goddard distributes the Shares to its shareholders, Goddard will require the execution of the Investment Representation Letter attached hereto as Exhibit B.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES OF ITC AND IMAGEWARE

ITC and ImageWare, jointly and severally, represent and warrant to Goddard as follows:

3.1 Organization and Power. ITC and ImageWare are corporations duly organized, validly existing and in good standing under the laws of the State of Delaware and California, respectively, and have all requisite corporate power and authority to own, lease and operate their properties, and to carry on their business, as now being conducted.

3.2 Authorization. ITC and ImageWare have all requisite corporate power and authority to enter into this Plan and to perform their obligations hereunder. This Plan has been duly executed and delivered by ITC and ImageWare and constitutes the legal, valid and binding obligations of ITC and ImageWare, enforceable in accordance with its terms, except as may be limited by bankruptcy, reorganization, insolvency, moratorium or other laws relating to or affecting the enforcement of creditors' rights and remedies generally, and except as enforcement may be limited by general principles of equity. This Plan, and all ancillary agreements hereto, at the time they are entered into, have been duly and validly authorized by and approved by all

5.5 **Disclosure.** Except as and to the extent required by law, without the prior written consent of Goddard, neither ITC nor ImageWare will, and will direct their representatives not to make, directly or indirectly, any public comment, statement or communication with respect to, or otherwise to disclose or to permit the disclosure of the existence of discussions regarding, a possible transaction between ITC, ImageWare and Goddard, conditions, or other aspects of the transaction proposed in this Plan. If ITC or ImageWare is required by law to make any such disclosure, it must first provide to Goddard the content of the proposed disclosure, the reasons that such disclosure is required by law, and the time and place that the disclosure will be made and it shall make its reasonable best efforts to accommodate changes to the required disclosure suggested by Goddard.

ARTICLE 6

CONDITIONS TO CLOSING BY ITC AND IMAGEWARE

The obligations of ITC and ImageWare to consummate and effect this Plan and the transactions contemplated by this Plan on the Closing Date are subject to the satisfaction, in all material respects, on or before the Closing Date, of the following conditions (unless waived in writing by ITC and ImageWare):

6.1 Representations, Warranties and Covenants.

(a) Each of the representations and warranties of Goddard contained in this Plan shall have been true and correct as of the date hereof and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of the Closing Date, except to the extent changes are permitted or contemplated pursuant to this Plan; and

(b) Goddard shall have performed and complied with each and every covenant and agreement required by this Plan to be performed or complied with by it prior to or on the Closing Date.

6.2 Officer's Certificate. Goddard shall have furnished ITC with a certificate, dated the Closing Date and duly executed by a duly authorized executive officer of Goddard, to the effect that the conditions set forth in Sections 6.1 (a) and (b) have been satisfied.

6.3 Consents. Goddard shall have obtained all consents or approvals of any governmental authority or of any person in any contractual relationship with the Goddard (i) to the Contracts listed on Schedule 1.3 and (ii) necessary for the consummation of the transactions contemplated hereby.

6.4 Corporate Resolutions. Goddard shall have delivered to ITC a certified copy of the resolutions adopted by (i) the Board of Directors and the unanimous written consent of the stockholders of Goddard authorizing and specifically approving this Plan and the transactions contemplated herein and therein and (ii) the Board of Directors authorizing and specifically approving the change of the Goddard's corporate name concurrent with the Closing, which name change shall be coordinated with ITC to enable ITC to secure such corporate name by name reservation or otherwise.

after the Closing Date. Goddard shall be solely responsible for providing COBRA continuation coverage to any person entitled to such coverage in connection with any health plan sponsored by Goddard. Goddard shall indemnify, defend and hold harmless the ITC/ImageWare Indemnitees from and against any and all ITC/ImageWare Recoverable Losses arising under Code Section 4980B or COBRA with respect to any individual who was an employee (or a spouse or dependent of such employee) of Goddard prior to the Closing and who had or has a "qualifying event" (within the meaning of Code Section 4980(B)(f)(3)) on or before the Closing.

ARTICLE 10

ADDITIONAL COVENANTS

10.1 Reorganization. The parties agree that the transactions described herein are intended by the parties to be a tax free reorganization under Section 368(a)(1)(C) of the Code, and each party agrees to report the transactions as such in accordance with the applicable provisions of the Code. Goddard acknowledges that pursuant to Section 368(a)(1)(c) of the Code, it may have to liquidate and distribute the Shares to the Shareholders of Goddard within twelve (12) months of the Closing in order to maintain the tax-free status of the transaction.

10.2 Continuation of Operations. ITC and ImageWare agree that they intend to use and continue to use a significant portion of the Assets in connection with its business or to conduct the Business for not less than two (2) years from the date of Closing.

10.3 Escrow Shares. ImageWare agrees that all of the Escrow Shares shall be shown on the books and records of ImageWare as legally outstanding and owned by Goddard.

ARTICLE 11

GENERAL PROVISIONS

11.1 Termination of Agreement. This Plan may be terminated: (i) at any time on or prior to the Closing Date, by the mutual written consent of the parties; (ii) at any time on or prior to the Closing Date, by any party if the Closing has not occurred on or before _____, 2000; provided, at the time of termination, the party desiring to terminate is not then in breach of this Plan or (iii) by ImageWare, as soon as practicable and in any event within seven (7) business days after its receipt of all the schedules required herein, if on the basis of any information contained in the schedules or any schedule or exhibit thereto, or of any information obtained during the course of ITC's or ImageWare's investigation through that date, ImageWare has determined that it wishes to terminate this Plan; provided however, that ImageWare gives Goddard written notice of its intention to terminate, and Goddard has three (3) business days to review with ITC and ImageWare such information. A termination pursuant to this Section 11.1 shall not relieve any party of any liability it otherwise has for a breach of this Plan.

11.2 Entire Agreement; Modifications; Waiver. This Plan and the agreements ancillary hereto, supersede any and all agreements heretofore made, written or oral, relating to the subject matter hereof including without limitation any draft letter of intent, and constitute the entire agreement of the parties relating to the subject matter hereof. This Plan may be amended only by an instrument in writing signed by ITC and ImageWare on the one hand and Goddard on

the other hand. Inspection of documents or the receipt of information pursuant to this Plan shall not constitute a waiver of any representation, warranty, covenant or condition hereunder. No waiver shall be binding unless executed in writing by the party making such waiver.

11.3 Severability. If any clause or provision of this Plan shall be held invalid or unenforceable by the final determination of a court of competent jurisdiction, and all appeals therefrom shall have faded or the time for such appeals shall have expired, such clause or provision shall be deemed eliminated from this Plan but the remaining provisions shall nevertheless be given full force and effect.

11.4 Successors and Assigns. This Agreement shall not be assigned by any party hereto without the prior written consent of the other party hereto, which consent shall not be unreasonably withheld. No permitted assignment shall release the assignor from its obligations hereunder. Subject to the foregoing, this Plan and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns, heirs, executors and personal representatives.

11.5 Counterparts. This Plan may be executed in several counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. Such counterparts may be delivered by facsimile transmission with facsimile signatures.

11.6 Governing Law. This Plan shall be construed and interpreted in accordance with the internal substantive laws of the State of California.

11.7 Notices. All notices required or desired to be given hereunder shall be given in writing and signed by the party so giving notice, and shall be effective when personally delivered, one business day after transmission if sent by facsimile and appropriate confirmation is received, or five (5) days after being deposited in the United States mail, as certified or registered mail, return receipt requested, first class postage and fees prepaid, addressed as set forth below. Any party from time to time may change such party's address for giving notice by giving notice thereof in the manner outlined above:

If to Goddard:

Goddard Technology Corporation
7001-A Pelham Road
Greenville, South Carolina 29615
Attention: William Donohue
Facsimile: (864) 288-1178

If to ITC:

Imaging Technology Corporation
428 Main Street
Hudson, Massachusetts 01749
Attention: Charles Benz
Facsimile: (978) 568-1321

If to ImageWare:

ImageWare Systems, Inc.
10883 Thornmint Road
San Diego, California 92127
Attention: S. James Miller, Jr.
Facsimile: (858) 673-1770

With a copy to:

Luce, Forward, Hamilton and Scripps LLP
600 West Broadway, Suite 2600
San Diego, California 92102
Attention: Dennis J. Doucette, Esq.
Facsimile: (619) 232-8311

11.8 **Expenses.** Except as set forth on Schedule 1.3, the parties shall pay their own expenses (including outside legal and accounting fees) incident to the negotiation, preparation of the definitive written agreement, filings and preparation of documents in connection with the issuance of shares, and any other documents in connection therewith and consummation of the acquisition.

11.9 **Recovery of Litigation Costs.** In the event of any action or proceeding to enforce any term or provision of this Plan, or for the breach thereof or to declare the rights of the parties with respect thereto, the prevailing party shall be entitled to receive, in addition to any other relief awarded to any party therein, all costs and expenses (including reasonable attorneys' fees) incurred by such prevailing party in such action or proceeding, as well as in any rehearing or appeal thereof, as well as in the collection or enforcement of any judgment or award therein. The prevailing party shall be determined by the tribunal in such action or proceeding and, if not so determined, shall be determined by the then presiding judge of the Superior Court, County of San Diego, State of California.

11.10 **Confidentiality.** From and after the date hereof, ITC, ImageWare, Goddard and their affiliates, agents or representatives shall not disclose or communicate to any person, firm or corporation in any manner whatsoever any Confidential Information (as defined below) of the other, which ITC, ImageWare or Goddard learns, discovers or otherwise acquires pursuant to this Plan and the transactions contemplated hereunder; provided, however, that ITC, ImageWare and Goddard shall be permitted to make such disclosures or communications to their financial advisors, consultants, attorneys, accountants and lenders provided that such Confidential

Information shall be accompanied by directions that such information is to remain confidential in accordance with the provisions contained herein. The term "Confidential Information," as used herein, means all information of a business or technical nature relative to the businesses of ITC, ImageWare and Goddard currently being conducted by each. The parties' obligations with respect to such Confidential Information shall be of no effect to the extent, and only to the extent (a) such Confidential Information is required to be disclosed by any law, rule or regulation or by any applicable judgment, order or decree of any court or governmental body having jurisdiction, (b) such information is now or hereafter becomes part of the public domain, to the extent it is not public as a result of breach of this Plan, (c) such information is already in the possession of ITC, ImageWare or Goddard at the time disclosure to such party occurs under this Plan, so long as such prior possession was not knowingly acquired by such party by misappropriation or other improper means or under a prior agreement of confidentiality, or (d) such information has come into the possession of ITC, ImageWare or Goddard from a third party without breach of this Plan, or without any breach by the third party of a confidentiality obligation to ITC, ImageWare or Goddard, known to the other, or without misappropriation or other improper means on the part of the third party and made known to ITC, ImageWare or Goddard. Previously entered confidentiality agreements between the parties will continue in full force and effect.

11.11 No Third Parties Benefited. This Plan is made and entered into for the sole protection and benefit of the parties hereto, their successors and assigns, and no other person or persons shall have any right or action under this Plan.

11.12 Section Headings. The section headings used herein are inserted for reference purposes only and shall not in any way affect the meaning or interpretation of this Plan.

IN WITNESS WHEREOF, the parties hereto have executed this Plan as of the date first above written.

GODDARD TECHNOLOGY CORPORATION

By: William Donohue
William Donohue
President

IMAGING TECHNOLOGY CORPORATION

By: Charles Benz
Charles Benz
Chairman and Chief Executive Officer

IMAGEWARE SYSTEMS, INC.

By: S. James Miller, Jr.
S. James Miller, Jr.
Chairman and Chief Executive Officer

**Memorandum of Understanding (MOU)
Between
Goddard Technology Corporation
and
ImageWare Systems, Inc. (ImageWare)**

This Memorandum of Understanding is entered into between a new company being established by Bill Donohue and Fred Lassiter (hereinafter referred to as "GTC") and ImageWare Systems, a California Corporation (hereinafter referred to as "ImageWare").

WHEREAS, GTC is engaged in the business of providing software and services for customers in the airport and university markets; and

WHEREAS, ImageWare is engaged in the manufacturing and sale of Identification badging software and solutions as well as other software products and the sale of related ID hardware.

NOW THEREFORE, the parties have agreed in principle to GTC assuming all of the assets and liabilities of the ImageWare Greenville operation and establishing GTC as a Value Added Reseller (VAR) of ImageWare software.

NOW THEREFORE, the parties have agreed in principle to the following terms:

In preparation for the termination of the ImageWare Greenville operation and the start-up of the new company ("GTC"), a number of key issues need to be address. The basic concept is that the new company will be assuming some of the responsibilities from ImageWare, yet become a customer of ImageWare for some of its software products. As a VAR of ImageWare, it will have the right to sell WinBadge and WinBadge Aviation into *select markets including airports and universities*. GTC, in turn will supply its integration and installation services to ImageWare at a per job quoted price.

1. As part of this, specific assets and liabilities of the Greenville operation would be acquired / assumed by GTC. GTC will attempt to recruit as many of the Greenville employees as possible no later than June 19, 2003.
2. The liabilities will consist of the building lease, equipment leases, and *unused PTO for all employees that choose to join GTC*. The payables agreed to that are associated with Greenville prior to June 19, 2003 will be paid by ImageWare; see Appendix A.
3. The assets are the trademarks (Goddard Technology Corporation), furniture and equipment and the list of usable inventory shown in Appendix B. Value of these will be mutually determined and financing over time will be arranged. The inventory as of June 19th will be used for establishing the value of this material.
4. ImageWare agrees to allow GTC to sell its products and services to the customers listed on Appendix C except for those that have open contracts with ImageWare. For those customers on the list where an open contract exists (such as maintenance agreements or PO's) ImageWare will continue to fulfill the contract. *GTC will agree, that for a set, fixed price, to fulfill open orders, product warranties, and service contracts, as listed in Appendix G. ImageWare will pay GTC an agreed upon percent of the value of any change orders received on current open orders on a case by case basis. GTC will be free to attempt to obtain any change orders directly, as long as ImageWare is specifically*

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exempted from any and all additional liability. ImageWare agrees that upon expiration of any WinBadge or WinBadge / Aviation warranty or service contract that GTC will be free to pursue that customer to renew their service contract directly with GTC.

5. ImageWare agrees to allow GTC to sell consumables to all of the customers listed on Appendix C. This customer list in no way restricts GTC from selling consumables to other future accounts except for Law Enforcement accounts.
6. Sales and service of camera equipment to ImageWare customers will remain with ImageWare. This includes the USB camera driver.
7. ImageWare will provide sales leads to GTC for prospects in the airport or university markets.
8. ImageWare will make major medical insurance coverage under terms of COBRA available to all employees under standard COBRA terms.
9. GTC will arrange for all utilities, phone service and other office services to be changed over from ImageWare to the Greenville operation effective June 19th, following the completion of the Sub-Lease with ImageWare. All published phone, fax, efax, websites and email addresses will remain with ImageWare.
10. ID Server, WinBadge and WinBadge Aviation will remain the property of ImageWare, but licenses will be sold to GTC at \$500 per workstation license for resale to customers.
11. Ownership in all other software including Delphi software developed in Greenville will remain the property of ImageWare but licenses will be sold to GTC at prices and terms consistent with then established ImageWare OEM's and VAR's. To the extent required by GTC, ImageWare will provide GTC with paid up licenses at no additional charge, for software listed in Appendix D.
12. ImageWare will pay all outstanding commissions and travel expenses to the employees by the end of June for all sales invoiced or collected by the 19th of June.
13. Any unused PTO time by the end of June will be assumed by GTC for those employees that agree to transfer to GTC..
14. Cell phones will transfer to GTC.
15. ImageWare will continue to maintain Greenville's email accounts and forward messages where appropriate to GTC through the end of July 2003.
16. ImageWare will provide a letter of authorization for the deposit of checks, on a case by case basis, for checks sent to GTC for GTC business that are made out to ImageWare.
17. GTC agrees to offer its services to ImageWare at the rates quoted in Appendix E for a period of 1 year.
18. ImageWare and GTC agree that the formula provided on Appendix F will be used to calculate the monetary consideration that will be required to conclude this transaction.
19. At its discretion ImageWare can commission one audit per year of GTC's revenue records to determine that the appropriate license fees have been declared and paid.
20. ImageWare agrees that GTC may purchase WinBadge and WinBadge Aviation for the sum of two million five hundred thousand dollars (\$2,500,000).
21. GTC agrees to cooperate in the transition of purchasing, order entry, the forwarding of phone and fax lines and other such processes from Greenville to ImageWare at least through the end of July 2003.

[Handwritten signature]
5/31/03

IN WITNESS WHEREOF, the parties hereunto have executed this Agreement.

"GTC"

"ImageWare Systems"

Greenville, SC U.S.A.

10883 Thornmint Road
San Diego, CA 92127 _____

By: William Donohue

Bill Donohue

By: Fred Lassiter

Fred Lassiter

Date: June 19, 2003

By: S. James Miller, Jr.

S. James Miller, Jr.
CEO

Date: June 19, 2003

SMK
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July 26, 2004

Mr. William Donohue
Goddard Technologies Inc.
7001 Pelham Road
Greenville, SC 29603-0107

Re: WINBADGE, Registration
Our File No. 022018-002600

Dear Mr. Donohue:

It has come to our attention that Goddard Technology Corp., ("Goddard") recently filed and recorded with the United States Patent and Trademark Office ("USPTO"), Assignment Division, documentation claiming ownership rights in the trademark, WINBADGE ("the Mark"), Registration No. 2,115,455 (Registered November 25, 1997) for computer software for use in electronic video imaging. A copy of the Mark's assignment record from the USPTO website is attached hereto at Tab 1.

ImageWare Systems, Inc. ("ImageWare") is the legal owner of the Mark and the above identified trademark registration. Accordingly, ImageWare perfected its notice to the public by filing with the USPTO documentation evidencing ImageWare's ownership of the Mark. Under the terms of the "Plan and Agreement of Reorganization Among Goddard Technology Corporation and Imaging Technology Corporation and ImageWare Systems, Inc. ("Reorganization Plan") the Mark was transferred to ImageWare, effective *September 13, 2000* via Article 1 Basic Transactions, Section 1.1 Assets Purchased, (d) which states in part that:

[a]ll (i) patents, trademarks, trade names, and logos and any derivations or combinations thereof, and all registrations and applications for the same, owned or used in connection with the Assets or the Business and all goodwill associated therewith,

Id.

Our negotiations memorialized by our agreement, the "Memorandum of Understanding Between Goddard Technology Corporation and ImageWare Systems, Inc." ("MOU") signed by us on June 19, 2003 provided for Goddard's acquisition of the Greenville business assets. In addition, the MOU indicates in numbered paragraph 3 that "the assets are the trademarks (specifically) (Goddard Technology Corporation), and impliedly the "GTC" mark also associated with the Greenville business



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TRADEMARK
REEL: 003018 FRAME: 0891

services. The mark, WINBADGE was not named in this term. Rather, the MOU specifically confirms ImageWare's trademark ownership of the Mark in numbered paragraph 10, stating in part that,

“ . . . WINBADGE . . . will remain the property of ImageWare . . . “

Copies of the Reorganization Plan and the MOU are attached herein, respectively, at Tabs 2 and 3.

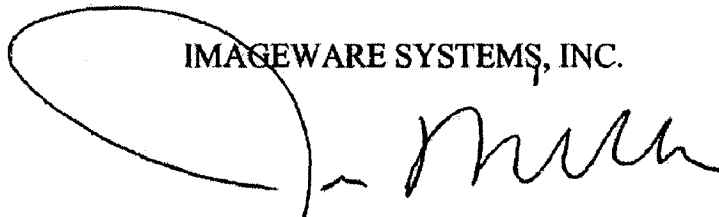
In consideration of ImageWare's ownership of the Mark, and ImageWare's clear title to the WINBADGE Registration, please submit to the USPTO Assignment Office an immediate withdrawal of Goddard's registration ownership claim recorded at Reel/Frame 2888/0010, recorded July 8 2004.

We assume that this filing was made in error. I am sure that you are aware that the Trademark, and Unfair Competition Laws, protect marks adopted and in use by one company from subsequent appropriation and use by another. Further, your action in misrepresenting trademark ownership to the USPTO constitutes a violation of both state and federal laws.

ImageWare will hold you responsible for all losses and damages resulting from your conduct to the maximum amount allowable by law, including without limitation payment of ImageWare's attorneys' fees and costs should this matter not be resolved promptly.

Very truly yours,

IMAGEWARE SYSTEMS, INC.



James Miller,
Chairman and CEO

SSC:jcf

Cc: Fred Lassiter

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