

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-07-12** | Period of Report: **1995-05-28**  
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### FILER

#### ALPHA MICROSYSTEMS

CIK: **352869** | IRS No.: **953108178** | State of Incorpor.: **CA** | Fiscal Year End: **0228**  
Type: **10-Q** | Act: **34** | File No.: **000-10558** | Film No.: **95553436**  
SIC: **3571** Electronic computers

Business Address  
3511 W SUNFLOWER AVE  
SANTA ANA CA 92704  
7149578500

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-Q

(MARK ONE)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the quarterly period ended MAY 28, 1995  
or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_ -- \_\_\_\_ to \_\_\_\_ -- \_\_\_\_

Commission File Number 0-10558

ALPHA MICROSYSTEMS  
(Exact name of registrant as specified in its charter)

<TABLE>  
<S> CALIFORNIA <C> 95-3108178  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)  
</TABLE>

2722 S. FAIRVIEW STREET, SANTA ANA, CA 92704  
(Address of principal executive offices)

Registrant's telephone number, including area code: (714) 957-8500

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No  
--- ---

As of July 7, 1995, there were 6,572,953 shares of the registrant's common stock outstanding.

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PART I. FINANCIAL INFORMATION  
Item 1. Financial Statements

ALPHA MICROSYSTEMS  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(IN THOUSANDS)

<TABLE>  
<CAPTION>

(Unaudited)  
May 28, Feb. 26,  
1995 1995  
-----

<u>&lt;S&gt;</u>	<u>&lt;C&gt;</u>	<u>&lt;C&gt;</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 3,083	\$ 3,289
Accounts receivable, net	4,710	4,844
Inventories	1,771	1,948
Subsidiary held for sale	-	269
Notes receivable	290	-
Prepaid expenses and other current assets	566	564
	-----	-----
Total current assets	10,420	10,914
	-----	-----
Property and equipment at cost	15,492	14,824
Less accumulated depreciation and amortization	11,517	11,220
	-----	-----
Net property and equipment	3,975	3,604
Service contracts, net	937	1,039
Software costs, net	1,399	1,302
Goodwill, net	820	864
Other assets, net	167	179
	-----	-----
	\$ 17,718	\$ 17,902
	=====	=====
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 2,275	\$ 1,863
Deferred revenue	2,948	2,775
Other accrued liabilities	1,436	1,857
Accrued salaries and wages	473	836
Current portion of long-term debt	373	395
	-----	-----
Total current liabilities	7,505	7,726
Long-term debt	110	140
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, no par value; 5,000,000 shares authorized; none issued	-	-
Common stock, no par value; 20,000,000 shares authorized; 6,557,403 shares issued and outstanding at May 28, 1995 and February 26, 1995	21,224	21,224
Accumulated deficit	(11,068)	(11,119)
Unamortized restricted stock plan expense	(19)	(19)
Foreign currency translation adjustment	(34)	(50)
	-----	-----
Total shareholders' equity	10,103	10,036
	-----	-----
	\$ 17,718	\$ 17,902
	=====	=====

</TABLE>

See accompanying notes.

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ALPHA MICROSYSTEMS  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>  
<CAPTION>

	Three Months Ended	
	-----	-----
	May 28, 1995	May 29, 1994
	-----	-----
<u>&lt;S&gt;</u>	<u>&lt;C&gt;</u>	<u>&lt;C&gt;</u>
Net sales:		
Product	\$3,919	\$ 4,868

Service	4,626	5,139
	-----	-----
Total net sales	8,545	10,007
	-----	-----
Cost of sales:		
Product	2,380	3,094
Service	3,088	3,189
	-----	-----
Total cost of sales	5,468	6,283
	-----	-----
Gross Margin	3,077	3,724
Selling, general and administrative expense	2,751	3,251
Research and development expense	531	636
	-----	-----
Total operating expenses	3,282	3,887
	-----	-----
Income (loss) from operations	(205)	(163)
Interest income	(29)	(25)
Interest expense	4	2
Other (income) expense, net	(216)	25
Foreign exchange (gain) loss	(15)	(18)
	-----	-----
Total other (income) expenses	(256)	(16)
	-----	-----
Income (loss) before taxes	51	(147)
(Benefit) provision for income taxes	-	2
	-----	-----
Net income (loss)	\$ 51	\$ (149)
	=====	=====
Net income (loss) per share	\$ 0.01	\$ (0.02)
	=====	=====
Number of shares used in the computation of per share amounts	6,579	6,612
	=====	=====

</TABLE>

See accompanying notes.

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ALPHA MICROSYSTEMS  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)  
(IN THOUSANDS)

<TABLE>  
<CAPTION>

	Three Months Ended	
	May 28, 1995	May 29, 1994
	-----	-----
<S>	<C>	<C>
Cash flow from operating activities:		
Net income (loss)	\$ 51	\$ (149)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Gain on sale of fixed assets	(211)	-
Depreciation and amortization	509	659
Provision for losses on accounts receivable	2	4
Inventory provision	45	40
Other changes in operating assets and liabilities:		
Accounts receivable	332	(39)

Inventories	132	(42)
Prepaid expenses and current assets	8	(87)
Accounts payable and other accrued liabilities	(71)	92
Accrued salaries and wages	(362)	(173)
Deferred revenue	174	(91)
Other, net	30	1
	-----	-----
Net cash provided (used) by operating activities	639	215
	-----	-----
Cash flow from investing activities:		
Proceeds from sale of fixed assets	200	-
Acquisition of businesses	-	(572)
Purchases of equipment	(644)	(182)
Capitalization of software costs	(327)	(90)
Other, net	6	1
	-----	-----
Net cash used in investing activities	(765)	(843)
	-----	-----
Cash flows from financing activities:		
Issuance of stock	-	33
Principal debt repayments	(113)	(332)
	-----	-----
Net cash provided by financing activities	(113)	(299)
	-----	-----
Effect of exchange rate changes on cash	33	27
	-----	-----
Increase (decrease) in cash and cash equivalents	(206)	(900)
	-----	-----
Cash and cash equivalents at beginning of period	3,289	6,251
	-----	-----
Cash and cash equivalents at end of period	\$3,083	\$5,351
	=====	=====

</TABLE>

See accompanying notes

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#### ALPHA MICROSYSTEMS

##### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

###### 1. INTERIM ACCOUNTING POLICY

In the opinion of management of Alpha Microsystems (the "Company" or "Alpha Micro"), the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary to fairly present the consolidated financial position of the Company at May 28, 1995, and the consolidated results of operations and cash flows for the quarters ended May 28, 1995, and May 29, 1994. These condensed consolidated financial statements do not include all disclosures presented annually under generally accepted accounting principles and, therefore, they should be read in conjunction with the Company's annual report on Form 10-K for the year ended February 26, 1995.

The results of operations for the quarter ended May 28, 1995, are not necessarily indicative of the results to be expected for the full fiscal year.

###### REVENUE RECOGNITION

The Company recognizes revenue on its hardware and software sales on delivery, and recognizes revenue on its service sales and post contract customer support on a straight line basis over the contract period. When significant obligations remain after a software product has been delivered, revenue is not recognized until obligations have been completed or are no longer significant. The costs of any insignificant obligations are accrued when the related revenue is recognized. Revenue is recognized only when collection of the resulting receivable is probable.

###### PER SHARE INFORMATION

Per share information is based upon the weighted average common and common equivalent shares outstanding during the quarter ended May 28, 1995, and the weighted average common shares outstanding during the quarter ended May 29, 1994.

#### TRANSLATION OF FOREIGN CURRENCIES

The Company's foreign entities use the local currency as the functional currency. The Company translates all foreign entity assets and liabilities at quarter-end exchange rates, all income and expense accounts at average rates, and records adjustments resulting from translation in a separate component of shareholders' equity.

#### 2. INVENTORIES

Inventories are stated at the lower of cost (first-in, first-out method) or market. Inventories, net of reserves for excess and obsolete inventories, of \$1,833,000 and \$1,723,000 at May 28, 1995, and February 26, 1995, respectively, comprise the following:

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<TABLE>  
<CAPTION>

(IN THOUSANDS)

	MAY 28, 1995	FEBRUARY 26, 1995
<S>	<C>	<C>
Raw materials	\$ 368	\$ 581
Work in process	5	180
Finished goods	1,398	1,187
	-----	-----
	\$1,771	\$1,948
	=====	=====

</TABLE>

#### 3. DEBT

On July 10, 1995, the Company signed an agreement for a revolving line of credit up to a maximum limit of \$2,000,000, based upon 70% of the eligible accounts receivable and under which letters of credit and the foreign exchange portion shall not exceed in the aggregate at any one time \$500,000. Borrowing under the line of credit will bear interest of prime plus one and one half percent (1.5%) and the commitment fee for the first year is \$15,000. In addition, the Company has agreed to issue 50,000 warrants to the lender after the 40,000 warrants the lender previously received have been returned and canceled.

The line of credit is secured by substantially all of the Company's assets. Its availability will be subject to financial covenants requiring that the Company maintain a quick ratio of not less than 1.3 to 1, a tangible net worth of not less than \$6,500,000, and a ratio of total liabilities to tangible net worth of no more than 1.0 to 1. The agreement also includes covenants which require that the Company must not have two or more consecutive quarterly losses or an aggregate year-to-date loss of over \$300,000, and the Company must make a net profit on a consolidated basis for fiscal 1996. Currently, the Company has no outstanding bank borrowings.

#### 4. NOTE RECEIVABLE

As part of the consideration for selling the Belgian subsidiary to a member of local management, the Company received a note for 15,000,000 Belgian francs which is payable over the next two years.

#### 5. SUBSEQUENT EVENT

On June 9, 1995, the Company acquired the ongoing service contracts and certain related assets of Van Meter Enterprises, Inc., DBA Alpha Technology, for a purchase price of \$162,000. The purchase price will be paid

over a period of sixteen months, and the ultimate price and cash paid will be conditional upon the revenues of the contracts purchased.

6. TAXES

The Company has significant federal net operating loss carryforwards totaling approximately \$15.0 million at February 26, 1995, which begin expiring in 2006. As a result, the Company recorded no tax provision for the quarter ended May 28, 1995. If there is a greater than 50% change in the Company's ownership during any three-year period, the utilization of the net operating loss and general business credit carryforward can be limited. During the last three-year period ended February 26, 1995, the Company has experienced an approximate 41% change in ownership.

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7. GOODWILL AND INTANGIBLES

Management routinely evaluates events or conditions that might diminish the fair market value of intangible assets. Intangible assets include acquired service contracts, capitalized computer software costs and goodwill. The book value of goodwill and acquired service contracts is associated with the acquisition of companies or assets. Software cost is the accumulation of capitalized development costs or the assigned value of software associated with an acquisition.

8. CONTINGENCIES

LITIGATION

Two former employees of Alpha Microsystems Belgium S.A. ("AMB") have asserted that AMB is in breach of its obligations under Belgium employment law to pay salaries for up to two years in certain circumstances and have asserted that the Company has direct liability for these obligations. The employees have offered to settle their claim for \$1.2 million. Management of the Company believes that the claim is without merit and plans to vigorously defend the Company against these claims.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

SUMMARY

The following table was derived from the Condensed Consolidated Statements of Operations as a percentage of net sales for the quarters ended May 28, 1995 and May 29, 1994:

<TABLE>  
<CAPTION>

	RELATIONSHIP TO NET SALES	
	-----	
	THREE MONTHS ENDED	
	-----	
	MAY 28,	MAY 29,
	1995	1994
	-----	-----
<S>	<C>	<C>
Net sales	100.0%	100.0%
Cost of sales	64.0	62.8
	-----	-----
Gross margin	36.0	37.2
Selling general and administrative expense	32.2	32.5
Research and development expense	6.2	6.4
Interest income	(0.3)	(0.2)

Other (income) expense, net	(2.5)	0.2
Foreign exchange (gain) loss	(0.2)	(0.2)
	-----	-----
Income (loss) from operations before taxes	0.6	(1.5)
Provision (benefit) for income taxes	-	-
	-----	-----
Net income (loss)	0.6%	(1.5)%
	=====	=====

</TABLE>

#### GENERAL

The Company, which for its first decade was principally a designer and vendor of computer hardware and related systems software, has been transitioning its business to focus on areas offering higher growth potential. The transition process has been difficult, and the Company has found it necessary to make mid-course adjustments in response to market pressures. Accordingly, during the last five years the Company has sustained periods of substantial losses and major write-offs. In addition, there have been significant management changes. While there has been progress in certain product lines and operations, the Company has also been plagued by delays in new product development, unanticipated product launch problems with its new PANDA product which required a significant additional manpower commitment, difficulties in building and maintaining the services operation, and lean financial resources.

The Company's strategy is to strengthen its distribution channels, concentrate on vertical markets, and expand its already broad base of support services, including field maintenance and networking. In support of its strategy, the Company has continued its efforts to consolidate European operations, reduce expenses and establish new asset management techniques, and shift toward system assembly and integration. The Company has altered its strategy to adapt to changes in a highly competitive and dynamic marketplace. Management will continue to monitor market and business conditions and will be flexible in considering future shifts in strategy as appropriate.

During the first quarter of fiscal 1996, the Company made a small profit of \$51,000, or \$0.01 per share, which was primarily associated with the sale of its PICK distributed database product ("PICK"). PICK was sold on March 24, 1995 for \$300,000 and generated a gain on sale of \$211,000. As anticipated,

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revenues declined as a result of the sale of the PICK and VSO product lines and lower demand for the Company's traditional products. In response, management has reduced expenses accordingly.

The Company's strategic marketing efforts continued to progress during the first quarter. The Company obtained two new orders for PANDA from southern California school districts, and has been test marketing the system in additional regions, such as Texas, Virginia and Florida. The Company's early test version of its AlphaHealthCare dental practice management software has been introduced to key dental industry opinion leaders and has been well received. This new product, currently in development, is scheduled to be introduced during the last half of fiscal 1996.

Based upon the favorable market response, the Company intends to significantly expand its sales and marketing resources for both vertical products. While it is unlikely that revenues for these products will increase sufficiently to offset the additional investment in the short term, the Company believes that its capabilities to gain a larger market share over the long term will be significantly enhanced.

#### RESULTS OF OPERATIONS

Three Months Ended May 28, 1995 and May 29, 1994

Net sales decreased \$1,462,000, or 14.6%, to \$8,545,000 for the quarter ended May 28, 1995, from \$10,007,000 for the quarter ended May 29, 1994. Total product revenues declined \$949,000, or 19.5%, to approximately



\$3,919,000 from approximately \$4,868,000 for the comparable period.

Sales of the Company's traditional products declined \$1,134,000, offset by an increase of \$185,000 in sales of the Company's vertical products. Lower demand for the Company's traditional products, the sale of the PICK and VSO product lines, and lower revenues from Belgian customers accounted for most of the decline in product revenues. PICK and VSO revenues accounted for approximately \$200,000 in the quarter just ended, compared to approximately \$500,000 in the first quarter of fiscal 1995. The Belgian subsidiary, Alpha Microsystems Belgium, S.A., which was sold to a member of its Belgian management team at the end of fiscal 1995, had accounted for \$437,000 in revenues in the first quarter of fiscal 1995. In the first quarter of 1996, sales to the Belgian company accounted for \$193,000 in revenues; the decrease was offset somewhat by the elimination of overhead and other expenses associated with a subsidiary.

Total services revenues declined \$513,000, or 10.0%, to \$4,626,000 in the quarter just ended from \$5,139,000 for the same period in the prior year. The decrease is attributable both to a reduction in services revenues from prior acquisitions (Alpha Computer Services, Inc. and MGI Group International, Inc.) and in traditional AMOS-based service contracts. The Company has been successful in expanding its base of support services, including field maintenance and networking, and intends to invest additional resources in this area.

Total gross margin for the Company for the quarter ended May 28, 1995, decreased to 36.0%, compared to 37.2% during the same period last year. Product gross margin for the quarter ended May 28, 1995 increased to 39.3% compared to 36.4% during the same period in the prior year. The increase in product gross margin was primarily due to a higher percentage of software support revenues with a higher gross margin in the quarter just ended.

Service business gross margin declined to 33.2% during the quarter ended May 28, 1995, from 37.9% during the same period in the prior year. The decline was primarily due to reductions in cost of goods sold, primarily labor costs, not fully offsetting the revenue decline. However, the sales organization reduced selling, general and administrative expenses which assisted in partially offsetting the overall impact of the service revenue decline. To improve revenues, the service organization is focusing on obtaining new

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contracts for its networking support services, supporting vertical markets with services, and increasing third party services.

Selling, general and administrative expenses decreased \$500,000 to \$2,751,000 for the quarter ended May 28, 1995, compared to \$3,251,000 in the quarter ended May 29, 1994. Approximately \$237,000 of this decrease was due to the absence of the Belgian subsidiary. The Company has invested additional resources and efforts to enhance its position in its vertical markets, which accounted for an increase of \$290,000 in selling, general and administrative expenses to \$785,000 for the quarter ended May 28, 1995, compared to \$495,000 for the same period in the prior fiscal year.

On March 24, 1995, the Company sold to Sequoia Systems, Inc. for \$100,000 cash and \$200,000 in note receivable its rights to reproduce and license to others Pick64+ distributed database software. The transaction generated a gain on sale of \$211,000.

Research and development expenses incurred for the quarter just ended decreased by \$105,000 to \$531,000 from \$636,000 during the same period in the prior fiscal year. This reduction is primarily due to refocusing the Company's resources on new software development, \$327,000 of which has been capitalized.

The Company reported net income of \$51,000 for the quarter just ended, compared to a net loss of \$149,000 for the quarter ended May 29, 1994 for the above-mentioned reasons, adjusted by immaterial differences in the foreign exchange gain and the tax provision.

#### LIQUIDITY AND CAPITAL RESOURCES

During the three months ended May 28, 1995, the Company's working

capital decreased \$273,000 to \$2,915,000 from \$3,188,000 at February 26, 1995. Net cash and cash equivalents decreased during the quarter ended May 28, 1995 by \$206,000 to \$3,083,000, primarily to finance the Company's move to its new facilities. Net cash provided by operating activities for the quarter ended May 28, 1995 was \$639,000, compared to \$215,000 for the same period in the previous fiscal year.

Inventories decreased to \$1,771,000 at May 28, 1995, from \$1,948,000 at February 26, 1995. Net accounts receivable decreased to \$4,710,000 from \$4,844,000 respectively, for the same comparable periods. The decrease is primarily associated with the decline in business activity.

On July 10, 1995, the Company signed an agreement for a revolving line of credit up to a maximum limit of \$2,000,000, based upon 70% of the eligible accounts receivable and under which letters of credit and the foreign exchange portion shall not exceed in the aggregate at any one time \$500,000. Borrowing under the line of credit will bear interest of prime plus one and one half percent (1.5%) and the commitment fee for the first year is \$15,000. In addition, the Company has agreed to issue 50,000 warrants to the lender after the 40,000 warrants the lender previously received have been returned and canceled.

The line of credit is secured by substantially all of the Company's assets. Its availability is subject to financial covenants requiring that the Company maintain a quick ratio of not less than 1.3 to 1, a tangible net worth of not less than \$6,500,000, and a ratio of total liabilities to tangible net worth of no more than 1.0 to 1. The agreement also includes covenants which require that the Company must not have two or more consecutive quarterly losses or an aggregate year-to-date loss of over \$300,000, and the Company must make a net profit on a consolidated basis for fiscal 1996. Currently, the Company has no outstanding bank borrowings.

As part of the Company's continuing efforts to reduce expenses, it has entered into a new 66-month lease for and has moved into a 66,200 square foot facility located within one mile of its prior 104,000 square foot facility. The new lease, which began on July 1, 1995 and expires on December 31, 2000, will provide significant savings.

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The average annual rent for the new facility is \$285,000, compared to \$680,000 in fiscal 1995 for the current facility. In addition, the Company negotiated a cash rent reduction in exchange for paying the up-front cost of certain leasehold improvements, and the Company has an option to extend the new lease term for an additional three years.

The leasehold improvements for which the Company is responsible include office construction, plumbing, wiring and general tenant improvements. The Company estimates that the cost of these improvements is approximately \$700,000, which will be depreciated over the life of the lease. The cost of these improvements, which was partially paid in the first quarter, is the primary reason that Net property and equipment increased to \$3,975,000 at May 28, 1995, compared to \$3,604,000 at February 26, 1995.

The Company believes that current cash position augmented by operating activities, supplemented as necessary with funds expected to be available under the Company's line of credit, will provide it with sufficient resources to finance its working capital requirements for the remainder of the fiscal year. The Company's future capital requirements depend on a variety of factors, including, but not limited to, the rate of decline in the traditional business, the success and timing and amount of investment required to penetrate the vertical markets, and service revenue growth or decline.

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PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

- (a) See Exhibit Index.
- (b) No Form 8-K was filed during the first quarter ended May 28, 1995.

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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 thereunto duly authorized.

ALPHA MICROSYSTEMS  
(Registrant)

<TABLE>	<C>
<S>	By: /s/ Douglas J. Tullio
Date: July 10, 1995	-----
	President and
	Chief Executive Officer
Date: July 10, 1995	By: /s/ Michael J. Lowell
	-----
	Vice President and
	Chief Financial Officer
</TABLE>	

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EXHIBIT INDEX

<TABLE>  
<CAPTION>

Exhibit Number -----	Description of Documents -----	Sequentially Numbered Page ----
<S>	<C>	
10.139	Loan and Security Agreement by and between Registrant and Silicon Valley Bank dated July 10, 1995.	
10.140	Warrant to Purchase 50,000 shares of common stock issued to Silicon Valley Bank dated July 10, 1995.	
10.141	Registration Rights Agreement by and between Registrant and Silicon Valley Bank dated July 10, 1995.	
10.142	Antidilution Agreement by and between Registrant and Silicon Valley Bank dated July 10, 1995.	
10.143	Collateral Assignment, Patent Mortgage and Security Agreement by and between Registrant and Silicon Valley Bank dated July 10, 1995.	
10.144	Security Agreement by and between AlphaHealthCare, Inc., and Silicon Valley Bank dated July 10, 1995.	
10.145	Continuing Guaranty by and between AlphaHealthCare, Inc., and Silicon Valley Bank dated July 10, 1995.	

27.  
</TABLE>

Financial Data Schedule.

[LOGO]

SILICON VALLEY BANK

## LOAN AND SECURITY AGREEMENT

BORROWER: ALPHA MICROSYSTEMS  
ADDRESS: 2722 SOUTH FAIRVIEW STREET  
SANTA ANA, CALIFORNIA 92704

DATE: JULY 10, 1995

THIS LOAN AND SECURITY AGREEMENT is entered into on the above date between SILICON VALLEY BANK ("Silicon"), whose address is 3000 Lakeside Drive, Santa Clara, California 95054-2895 and the borrower named above (the "Borrower"), whose chief executive office is located at the above address ("Borrower's Address").

## 1. LOANS.

1.1 LOANS. Silicon, in its reasonable discretion, will make loans to the Borrower (the "Loans") in amounts determined by Silicon in its reasonable discretion up to the amount (the "Credit Limit") shown on the Schedule to this Agreement (the "Schedule"), provided no Event of Default and no event which, with notice or passage of time or both, would constitute an Event of Default has occurred. The Borrower is responsible for monitoring the total amount of Loans and other Obligations outstanding from time to time, and Borrower shall not permit the same, at any time, to exceed the Credit Limit. If at any time the total of all outstanding Loans and all other Obligations exceeds the Credit Limit, the Borrower shall immediately pay the amount of the excess to Silicon, without notice or demand.

1.2 INTEREST. All Loans and all other monetary Obligations shall bear interest at the rate shown on the Schedule hereto. Interest shall be payable monthly, on the due date shown on the monthly billing from Silicon to the Borrower. Silicon may, in its discretion, charge interest to Borrower's deposit accounts maintained with Silicon.

1.3 FEES. The Borrower shall pay to Silicon a loan origination fee in the amount shown on the Schedule hereto concurrently herewith. This fee is in addition to all interest and other sums payable to Silicon and is not refundable.

## 2. GRANT OF SECURITY INTEREST.

2.1 OBLIGATIONS. The term "Obligations" as used in this Agreement means the following: the obligation to pay all Loans and all interest thereon when due, and to pay and perform when due all other present and future indebtedness, liabilities, obligations, guarantees, covenants, agreements, warranties and representations of the Borrower to Silicon, whether joint or several, monetary or non-monetary, and whether created pursuant to this Agreement or any other present or future agreement or otherwise. Silicon may, in its discretion, require that Borrower pay monetary Obligations in cash to Silicon, or charge them to Borrower's Loan account, in which event they will bear interest at the same rate applicable to the Loans. Silicon may also, in its discretion, charge any monetary Obligations to Borrower's deposit accounts maintained with Silicon.

2.2 COLLATERAL. As security for all Obligations, the Borrower hereby grants Silicon a continuing security interest in all of the Borrower's interest in the types of property described below, whether now owned or hereafter acquired, and wherever located (collectively, the "Collateral"): (a) All accounts, contract rights, chattel paper, letters of credit, documents, securities, money, and

instruments, and all other obligations now or in the future owing to the Borrower; (b) All inventory, goods, merchandise, materials, raw materials, work in process, finished goods, farm products, advertising, packaging and shipping materials, supplies, and all other tangible personal property which is held for sale or lease or furnished under contracts of service or consumed in the Borrower's business, and all warehouse receipts and other documents; and (c) All equipment, including without limitation all machinery, fixtures, trade fixtures, vehicles, furnishings, furniture, materials, tools, machine tools, office equipment, computers and peripheral devices, appliances, apparatus, parts, dies, and jigs; (d) All general intangibles including, but not limited to, deposit accounts, goodwill, names, trade names, trademarks and the goodwill of the business symbolized thereby, trade secrets, drawings, blueprints, customer lists, patents, patent applications, copyrights, security deposits, loan commitment fees, federal, state and

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SILICON VALLEY BANK

LOAN AND SECURITY AGREEMENT

local tax refunds and claims, all rights in all litigation presently or hereafter pending for any cause or claim (whether in contract, tort or otherwise), and all judgments now or hereafter arising therefrom, all claims of Borrower against Silicon, all rights to purchase or sell real or personal property, all rights as a licensor or licensee of any kind, all royalties, licenses, processes, telephone numbers, proprietary information, purchase orders, and all insurance policies and claims (including without limitation credit, liability, property and other insurance), and all other rights, privileges and franchises of every kind; (e) All books and records, whether stored on computers or otherwise maintained; and (f) All substitutions, additions and accessions to any of the foregoing, and all products, proceeds and insurance proceeds of the foregoing, and all guaranties of and security for the foregoing; and all books and records relating to any of the foregoing. Silicon's security interest in any present or future technology (including patents, trade secrets, and other technology) shall be subject to any licenses or rights now or in the future granted by the Borrower to any third parties in the ordinary course of Borrower's business; provided that if the Borrower proposes to sell, license or grant any other rights with respect to any technology in a transaction that, in substance, conveys a major part of the economic value of that technology, Silicon shall first be requested to release its security interest in the same, and Silicon may withhold such release in its discretion.

3. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE BORROWER.

The Borrower represents and warrants to Silicon as follows, and the Borrower covenants that the following representations will continue to be true, and that the Borrower will comply with all of the following covenants:

3.1 CORPORATE EXISTENCE AND AUTHORITY. The Borrower, if a corporation, is and will continue to be, duly authorized, validly existing and in good standing under the laws of the jurisdiction of its incorporation. The Borrower is and will continue to be qualified and licensed to do business in all jurisdictions in which any failure to do so would have a material adverse effect on the Borrower. The execution, delivery and performance by the Borrower of this Agreement, and all other documents contemplated hereby have been duly and validly authorized, are enforceable against the Borrower in accordance with their terms, and do not violate any law or any provision of, and are not grounds for acceleration under, any agreement or instrument which is binding upon the Borrower.

3.2 NAME; TRADE NAMES AND STYLES. The name of the Borrower set forth in the heading to this Agreement is its correct name. Listed on the Schedule hereto are all prior names of the Borrower and all of Borrower's present and prior

trade names. The Borrower shall give Silicon 15 days' prior written notice before changing its name or doing business under any other name. The Borrower has complied, and will in the future comply, with all laws relating to the conduct of business under a fictitious business name.

3.3 PLACE OF BUSINESS; LOCATION OF COLLATERAL. The address set forth in the heading to this Agreement is the Borrower's chief executive office. In addition, the Borrower has places of business and Collateral is located only at the locations set forth on the Schedule to this Agreement. The Borrower will give Silicon at least 15 days prior written notice before changing its chief executive office or locating the Collateral at any other location.

3.4 TITLE TO COLLATERAL; PERMITTED LIENS. The Borrower is now, and will at all times in the future be, the sole owner of all the Collateral, except for items of equipment which are leased by the Borrower. The Collateral now is and will remain free and clear of any and all liens, charges, security interests, encumbrances and adverse claims, except for the following ("Permitted Liens"):

- (i) purchase money security interests in specific items of equipment;
- (ii) leases of specific items of equipment;
- (iii) liens for taxes not yet payable;
- (iv) additional security interests and liens consented to in writing by Silicon in its reasonable discretion, which consent shall not be unreasonably withheld;
- and (v) security interests being terminated substantially concurrently with this Agreement.

Silicon will have the right to require, as a condition to its consent under subparagraph (iv) above, that the holder of the additional security interest or lien sign an intercreditor agreement on Silicon's then standard form, acknowledge that the security interest is subordinate to the security interest in favor of Silicon, and agree not to take any action to enforce its subordinate security interest so long as any Obligations remain outstanding, and that the Borrower agree that any uncured default in any obligation secured by the subordinate security interest shall also constitute an Event of Default under this Agreement. Silicon now has, and will continue to have, a perfected and enforceable security interest in all of the Collateral, subject only to the Permitted Liens, and the Borrower will at all times defend Silicon and the Collateral against all claims of others. None of the Collateral now is or will be affixed to any real property in such a manner, or with such intent, as to become a fixture.

3.5 MAINTENANCE OF COLLATERAL. The Borrower will maintain the Collateral in good working condition, and the Borrower will not use the Collateral for any unlawful purpose. The Borrower will immediately advise Silicon in writing of any material loss or damage to the Collateral.

3.6 BOOKS AND RECORDS. The Borrower has maintained and will maintain at the Borrower's Address complete and accurate books and records, comprising an accounting system in accordance with generally accepted accounting principles.

3.7 FINANCIAL CONDITION AND STATEMENTS. All financial statements now or in the future delivered to Silicon have been, and will be, prepared in conformity with generally accepted accounting principles and now and in the future will completely and accurately reflect the financial condition of the Borrower, at the times and for the periods therein stated. Since the last date covered by any such statement, there has been no material adverse change in the

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financial condition or business of the Borrower. The Borrower is now and will continue to be solvent. The Borrower will provide Silicon: (i) within 30 days after the end of each month, a monthly financial statement prepared by the Borrower, and a Compliance Certificate in such form as Silicon shall reasonably specify, signed by the Chief Financial Officer of the Borrower, certifying that as of the end of such month the Borrower was in full compliance with all of the terms and conditions of this Agreement, and setting forth calculations showing

compliance with the financial covenants set forth on the Schedule and such other information as Silicon shall reasonably request; and (ii) \* [and (ii) within 120 days following the end of the Borrower's fiscal year, complete annual financial statements, certified by independent certified public accountants acceptable to Silicon.]

\* (II) WITHIN 5 DAYS AFTER THE EARLIER OF THE DATE THE REPORT 10-Q IS FILED OR IS REQUIRED TO BE FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, SUCH 10-Q REPORT, A QUARTERLY FINANCIAL STATEMENT PREPARED BY THE BORROWER, AND A COMPLIANCE CERTIFICATE, SIGNED BY THE CHIEF FINANCIAL OFFICER OF THE BORROWER, CERTIFYING THAT THROUGHOUT SUCH PERIOD THE BORROWER WAS IN FULL COMPLIANCE WITH ALL OF THE TERMS AND CONDITIONS OF THIS AGREEMENT, AND SETTING FORTH CALCULATIONS SHOWING COMPLIANCE WITH THE FINANCIAL COVENANTS SET FORTH ON THE SCHEDULE AND SUCH OTHER INFORMATION AS SILICON SHALL REASONABLY REQUEST; AND (III) WITHIN 5 DAYS AFTER THE EARLIER OF THE DATE THE REPORT 10-K IS FILED OR IS REQUIRED TO BE FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, SUCH 10-K REPORT, COMPLETE ANNUAL FINANCIAL STATEMENTS, CERTIFIED BY INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ACCEPTABLE TO SILICON, AND A COMPLIANCE CERTIFICATE FOR THE PERIOD THEN ENDED, SIGNED BY THE CHIEF FINANCIAL OFFICER OF THE BORROWER, CERTIFYING THAT THROUGHOUT SUCH PERIOD THE BORROWER WAS IN FULL COMPLIANCE WITH ALL OF THE TERMS AND CONDITIONS OF THIS AGREEMENT, AND SETTING FORTH CALCULATIONS SHOWING COMPLIANCE WITH THE FINANCIAL COVENANTS SET FORTH ON THE SCHEDULE AND SUCH OTHER INFORMATION AS SILICON SHALL REASONABLY REQUEST.

3.8 TAX RETURNS AND PAYMENTS; PENSION CONTRIBUTIONS. The Borrower has timely filed, and will timely file, all tax returns and reports required by foreign, federal, state and local law, and the Borrower has timely paid, and will timely pay, all foreign, federal, state and local taxes, assessments, deposits and contributions now or in the future owed by the Borrower. The Borrower may, however, defer payment of any contested taxes, provided that the Borrower (i) in good faith contests the Borrower's obligation to pay the taxes by appropriate proceedings promptly and diligently instituted and conducted, (ii) notifies Silicon in writing of the commencement of, and any material development in, the proceedings, and (iii) posts bonds or takes any other steps required to keep the contested taxes from becoming a lien upon any of the Collateral. The Borrower is unaware of any claims or adjustments proposed for any of the Borrower's prior tax years which could result in additional taxes becoming due and payable by the Borrower. The Borrower has paid, and shall continue to pay all amounts necessary to fund all present and future pension, profit sharing and deferred compensation plans in accordance with their terms, and the Borrower has not and will not withdraw from participation in, permit partial or complete termination of, or permit the occurrence of any other event with respect to, any such plan which could result in any liability of the Borrower, including, without limitation, any liability to the Pension Benefit Guaranty Corporation or its successors or any other governmental agency.

3.9 COMPLIANCE WITH LAW. The Borrower has complied, and will comply, in all material respects, with all provisions of all foreign, federal, state and local laws and regulations relating to the Borrower, including, but not limited to, those relating to the Borrower's ownership of real or personal property, conduct and licensing of the Borrower's business, and environmental matters.

3.10 LITIGATION. Except as disclosed in the Schedule, there is no claim, suit, litigation, proceeding or investigation pending or (to best of the Borrower's knowledge) threatened by or against or affecting the Borrower in any court or before any governmental agency (or any basis therefor known to the Borrower) which may result, either separately or in the aggregate, in any material adverse change in the financial condition or business of the Borrower, or in any material impairment in the ability of the Borrower to carry on its business in substantially the same manner as it is now being conducted. The Borrower will promptly inform Silicon in writing of any claim, proceeding, litigation or investigation in the future threatened or instituted by or against the Borrower involving amounts in excess of \$250,000.

3.11 USE OF PROCEEDS. All proceeds of all Loans shall be used solely for lawful business purposes.

4. ADDITIONAL DUTIES OF THE BORROWER.



4.1 FINANCIAL AND OTHER COVENANTS. The Borrower shall at all times comply with the financial and other covenants set forth in the Schedule to this Agreement.

4.2 OVERADVANCE; PROCEEDS OF ACCOUNTS. If for any reason the total of all outstanding Loans and all other Obligations exceeds the Credit Limit, without limiting Silicon's other remedies, and whether or not Silicon declares an Event of Default, Borrower shall remit to Silicon all checks and other proceeds of Borrower's accounts and general intangibles, in the same form as received by Borrower, within one day after Borrower's receipt of the same, to be applied to the Obligations in such order as Silicon shall determine in its discretion.

4.3 INSURANCE. The Borrower shall, at all times insure all of the tangible personal property Collateral and carry such other business insurance, with insurers reasonably acceptable to Silicon, in such form and amounts as Silicon may reasonably require. All such insurance policies shall name Silicon as an additional loss payee, and shall contain a lenders loss payee endorsement in form reasonably acceptable to Silicon. Upon receipt of the proceeds of any such insurance, Silicon shall apply such proceeds in

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reduction of the Obligations as Silicon shall determine in its sole and absolute discretion, except that, provided no Event of Default has occurred, Silicon shall release to the Borrower insurance proceeds with respect to equipment totaling less than \$100,000, which shall be utilized by the Borrower for the replacement of the equipment with respect to which the insurance proceeds were paid. Silicon may require reasonable assurance that the insurance proceeds so released will be so used. If the Borrower fails to provide or pay for any insurance, Silicon may, but is not obligated to, obtain the same at the Borrower's expense. The Borrower shall promptly deliver to Silicon copies of all reports made to insurance companies.

4.4 REPORTS. The Borrower shall provide Silicon with such written reports with respect to the Borrower (including without limitation budgets, sales projections, operating plans and other financial documentation), as Silicon shall from time to time reasonably specify \*.

\* , WHICH REPORTS, IF BORROWER INFORMS SILICON ARE CONFIDENTIAL, SILICON SHALL MAINTAIN AS SUCH IN ACCORDANCE WITH THE CONFIDENTIALITY PROVISION (AS DEFINED IN SECTION 4.5)

4.5 ACCESS TO COLLATERAL, BOOKS AND RECORDS. At all reasonable times, and upon one business day notice, Silicon, or its agents, shall have the right to inspect the Collateral, and the right to audit and copy the Borrower's accounting books and records and Borrower's books and records relating to the Collateral. Silicon shall take reasonable steps to keep confidential all information obtained in any such inspection or audit, but Silicon shall have the right to disclose any such information to its auditors, regulatory agencies, and attorneys, and pursuant to any subpoena or other legal process \*. The foregoing audits shall be at Silicon's expense, except that the Borrower shall reimburse Silicon for its reasonable out of pocket costs for semi-annual accounts receivable audits by third parties retained by Silicon, and Silicon may debit Borrower's deposit accounts with Silicon for the cost of such semi-annual accounts receivable audits (in which event Silicon shall send notification thereof to the Borrower) \*\*. Notwithstanding the foregoing, after the occurrence of an Event of Default all audits shall be at the Borrower's expense.

\* (THE "CONFIDENTIALITY PROVISION")

\*\* , WITH THE UNDERSTANDING THAT COST ASSOCIATED WITH THE FIRST SUCH AUDIT WILL NOT EXCEED \$2,500, AND THE COST ASSOCIATED WITH SUBSEQUENT AUDITS WILL NOT EXCEED \$1,800 PER AUDIT

4.6 NEGATIVE COVENANTS. Except as may be permitted in the Schedule hereto, the Borrower shall not, without Silicon's prior written consent, do any of the following: (i) merge or consolidate with another corporation, except that the Borrower may merge or consolidate with another corporation if the Borrower is the surviving corporation in the merger and the aggregate value of the assets acquired in the merger do not exceed 25% of Borrower's Tangible Net Worth (as defined in the Schedule) as of the end of the month prior to the effective date of the merger, and the assets of the corporation acquired in the merger are not subject to any liens or encumbrances, except Permitted Liens; (ii) acquire any assets outside the ordinary course of business for an aggregate purchase price exceeding 25% of Borrower's Tangible Net Worth (as defined in the Schedule) as of the end of the month prior to the effective date of the acquisition; (iii) enter into any other transaction outside the ordinary course of business (except as permitted by the other provisions of this Section); (iv) sell or transfer any Collateral, except for the sale of finished inventory in the ordinary course of the Borrower's business, and except for the sale of obsolete or unneeded equipment \* in the ordinary course of business; (v) make any loans of any money or any other assets; (vi) incur any debts, outside the ordinary course of business, which would have a material, adverse effect on the Borrower or on the prospect of repayment of the Obligations; (vii) guarantee or otherwise become liable with respect to the obligations of another party or entity; (viii) pay or declare any dividends on the Borrower's stock (except for dividends payable solely in stock of the Borrower); (ix) redeem, retire, purchase or otherwise acquire, directly or indirectly, any of the Borrower's stock; (x) make any change in the Borrower's capital structure which has a material adverse effect on the Borrower or on the prospect of repayment of the Obligations; or (xi) dissolve or elect to dissolve. Transactions permitted by the foregoing provisions of this Section are only permitted if no Event of Default and no event which (with notice or passage of time or both) would constitute an Event of Default would occur as a result of such transaction.

\* OR SOFTWARE

4.7 LITIGATION COOPERATION. Should any third-party suit or proceeding be instituted by or against Silicon with respect to any Collateral or in any manner relating to the Borrower, the Borrower shall, without expense to Silicon, make available the Borrower and its officers, employees and agents and the Borrower's books and records to the extent that Silicon may deem them reasonably necessary in order to prosecute or defend any such suit or proceeding.

4.8 VERIFICATION. Silicon may, from time to time, following prior notification to Borrower, verify directly with the respective account debtors the validity, amount and other matters relating to the Borrower's accounts, by means of mail, telephone or otherwise, either in the name of the Borrower or Silicon or such other name as Silicon may reasonably choose, provided that no prior notification to Borrower shall be required following an Event of Default.

4.9 EXECUTE ADDITIONAL DOCUMENTATION. The Borrower agrees, at its expense, on request by Silicon, to execute all documents in form satisfactory to Silicon, as Silicon, may deem reasonably necessary or useful in order to perfect and maintain Silicon's perfected security interest in the Collateral, and in order to fully consummate all of the transactions contemplated by this Agreement.

## 5. TERM.

5.1 MATURITY DATE. This Agreement shall continue in effect until the maturity date set forth on the Schedule hereto (the "Maturity Date").

5.2 EARLY TERMINATION. This Agreement may be terminated, without penalty, prior to the Maturity Date as follows: (i) by the Borrower, effective three business days after written notice of termination is given to Silicon; or (ii) by Silicon at any time after the occurrence of an Event of Default, without notice, effective immediately.

5.3 PAYMENT OF OBLIGATIONS. On the Maturity Date or on any earlier effective date of termination, the Borrower shall pay and perform in full all Obligations, whether evidenced by installment notes or otherwise, and whether or not all or any part of such Obligations are otherwise then due and payable. Without limiting the generality of the foregoing, if on the Maturity Date, or on any earlier effective date of termination, there are any outstanding letters of credit issued by Silicon or issued by another institution based upon an application, guarantee, indemnity or similar agreement on the part of Silicon, then on such date Borrower shall provide to Silicon cash collateral in an amount equal to the face amount of all such letters of credit plus all interest, fees and cost due or to become due in connection therewith, to secure all of the Obligations relating to said letters of credit, pursuant to Silicon's then standard form cash pledge agreement. Notwithstanding any termination of this Agreement, all of Silicon's security interests in all of the Collateral and all of the terms and provisions of this Agreement shall continue in full force and effect until all Obligations have been paid and performed in full; provided that, without limiting the fact that Loans are subject to the reasonable discretion of Silicon, Silicon may, in its sole discretion, refuse to make any further Loans after termination. No termination shall in any way affect or impair any right or remedy of Silicon, nor shall any such termination relieve the Borrower of any Obligation to Silicon, until all of the Obligations have been paid and performed in full. Upon payment and performance in full of all the Obligations, Silicon shall promptly deliver to the Borrower termination statements, requests for reconveyances and such other documents as may be required to fully terminate any of Silicon's security interests.

## 6. EVENTS OF DEFAULT AND REMEDIES.

6.1 EVENTS OF DEFAULT. The occurrence of any of the following events shall constitute an "Event of Default" under this Agreement, and the Borrower shall give Silicon immediate written notice thereof: (a) Any warranty, representation, statement, report or certificate made or delivered to Silicon by the Borrower or any of the Borrower's officers, employees or agents, now or in the future, shall be untrue or misleading in any material respect; or (b) the Borrower shall fail to pay when due any Loan or any interest thereon or any other monetary Obligation; or (c) the total Loans and other Obligations outstanding at any time exceed the Credit Limit; or (d) the Borrower shall fail to comply with any of the financial covenants set forth in the Schedule or shall fail to perform any other non-monetary Obligation which by its nature cannot be cured; or (e) the Borrower shall fail to pay or perform any other non-monetary Obligation, which failure is not cured within [5 business] \* days after the date due; or (f) Any levy, assessment, attachment, seizure, lien or encumbrance is made on all or any part of the Collateral which is not cured within [10] \* days after the occurrence of the same; or (g) Dissolution, termination of existence, insolvency or business failure of the Borrower; or appointment of a receiver, trustee or custodian, for all or any part of the property of, assignment for the benefit of creditors by, or the commencement of any proceeding by the Borrower under any reorganization, bankruptcy, insolvency, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, now or in the future in effect; or (h) the commencement of any proceeding against the Borrower or any guarantor of any of

the Obligations under any reorganization, bankruptcy, insolvency, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, now or in the future in effect, which is not cured by the dismissal thereof within 30 days after the date commenced; (i) revocation or termination of, or limitation or denial of liability upon, any guaranty of the Obligations or any attempt to do any of the foregoing; or commencement of proceedings by any guarantor of any of the Obligations under any bankruptcy or insolvency law; or (j) revocation or termination of, or limitation or denial of liability upon, any pledge of any certificate of deposit, securities or other property or asset of any kind pledged by any third party to secure any or all of the Obligations, or any attempt to do any of the foregoing; or commencement of proceedings by or against any such third party under any bankruptcy or insolvency law; or (k) the Borrower makes any payment on account of any indebtedness or obligation which has been subordinated to the Obligations other than as permitted in the applicable subordination agreement or if any person who has subordinated such indebtedness or obligations terminates or in any way limits his subordination agreement; or (l) there shall be a change in the record or beneficial ownership of an aggregate of more than [20%] \*\* of the outstanding shares of stock of the Borrower, in one or more transactions, compared to the ownership of outstanding shares of stock of the Borrower in effect on the date hereof, without the prior written consent of Silicon; or (m) the Borrower shall generally not pay its debts as they become due; or the Borrower shall conceal, remove or transfer any part of its property, with intent to hinder, delay or defraud its creditors, or make or suffer any transfer of any of its property which may be fraudulent under any bankruptcy, fraudulent conveyance or similar law. Silicon may cease making any Loans hereunder during any of the above cure periods, and thereafter if an Event of Default has occurred.

\* 30

\*\* 30%

6.2 REMEDIES. Upon the occurrence of any Event of Default, and at any time thereafter, Silicon, at its option,

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and without notice or demand of any kind (all of which are hereby expressly waived by the Borrower), may do any one or more of the following: (a) Cease making Loans or otherwise extending credit to the Borrower under this Agreement or any other document or agreement; (b) Accelerate and declare all or any part of the Obligations to be immediately due, payable, and performable, notwithstanding any deferred or installment payments allowed by any instrument evidencing or relating to any Obligation; (c) Take possession of any or all of the Collateral wherever it may be found, and for that purpose the Borrower hereby authorizes Silicon without judicial process to enter onto any of the Borrower's premises without interference to search for, take possession of, keep, store, or remove any of the Collateral, and remain on the premises or cause a custodian to remain on the premises in exclusive control thereof without charge for so long as Silicon deems it reasonably necessary in order to complete the enforcement of its rights under this Agreement or any other agreement; provided, however, that should Silicon seek to take possession of any or all of the Collateral by Court process, the Borrower hereby irrevocably waives: (i) any bond and any surety or security relating thereto required by any statute, court rule or otherwise as an incident to such possession; (ii) any demand for possession prior to the commencement of any suit or action to recover possession thereof; and (iii) any requirement that Silicon retain possession of and not dispose of any such Collateral until after trial or final judgment; (d) Require the Borrower to assemble any or all of the Collateral and

make it available to Silicon at places designated by Silicon which are reasonably convenient to Silicon and the Borrower, and to remove the Collateral to such locations as Silicon may deem advisable; (e) Require Borrower to deliver to Silicon, in kind, all checks and other payments received with respect to all accounts and general intangibles, together with any necessary indorsements, within one day after the date received by the Borrower; (f) Complete the processing, manufacturing or repair of any Collateral prior to a disposition thereof and, for such purpose and for the purpose of removal, Silicon shall have the right to use the Borrower's premises, vehicles, hoists, lifts, cranes, equipment and all other property without charge; (g) Sell, lease or otherwise dispose of any of the Collateral in its condition at the time Silicon obtains possession of it or after further manufacturing, processing or repair, at any one or more public and/or private sales, in lots or in bulk, for cash, exchange or other property, or on credit, and to adjourn any such sale from time to time without notice other than oral announcement at the time scheduled for sale. Silicon shall have the right to conduct such disposition on the Borrower's premises without charge, for such time or times as Silicon deems reasonable, or on Silicon's premises, or elsewhere and the Collateral need not be located at the place of disposition. Silicon may directly or through any affiliated company purchase or lease any Collateral at any such public disposition, and if permissible under applicable law, at any private disposition. Any sale or other disposition of Collateral shall not relieve the Borrower of any liability the Borrower may have if any Collateral is defective as to title or physical condition or otherwise at the time of sale; (h) Demand payment of, and collect any accounts and general intangibles comprising Collateral and, in connection therewith, the Borrower irrevocably authorizes Silicon to endorse or sign the Borrower's name on all collections, receipts, instruments and other documents, to take possession of and open mail addressed to the Borrower and remove therefrom payments made with respect to any item of the Collateral or proceeds thereof, and, in Silicon's sole discretion, to grant extensions of time to pay, compromise claims and settle accounts and the like for less than face value; (i) Offset against any sums in any of Borrower's general, special or other deposit accounts with Silicon; and (j) Demand and receive possession of any of the Borrower's federal and state income tax returns and the books and records utilized in the preparation thereof or referring thereto. All reasonable attorneys' fees, expenses, costs, liabilities and obligations incurred by Silicon with respect to the foregoing shall be added to and become part of the Obligations, shall be due on demand, and shall bear interest at a rate equal to the highest interest rate applicable to any of the Obligations. Without limiting any of Silicon's rights and remedies, from and after the occurrence of any Event of Default, the interest rate applicable to the Obligations shall be increased by an additional four percent per annum.

6.3 STANDARDS FOR DETERMINING COMMERCIAL REASONABLENESS. The Borrower and Silicon agree that a sale or other disposition (collectively, "sale") of any Collateral which complies with the following standards will conclusively be deemed to be commercially reasonable: (i) Notice of the sale is given to the Borrower at least seven days prior to the sale, and, in the case of a public sale, notice of the sale is published at least seven days before the sale in a newspaper of general circulation in the county where the sale is to be conducted; (ii) Notice of the sale describes the collateral in general, non-specific terms; (iii) The sale is conducted at a place designated by Silicon, with or without the Collateral being present; (iv) The sale commences at any time between 8:00 a.m. and 6:00 p.m.; (v) Payment of the purchase price in cash or by cashier's check or wire transfer is required; (vi) With respect to any sale of any of the Collateral, Silicon may (but is not obligated to) direct any prospective purchaser to ascertain directly from the Borrower any and all information concerning the same. Silicon may employ other methods of noticing and selling the Collateral, in its discretion, if they are commercially reasonable.

6.4 POWER OF ATTORNEY. Upon the occurrence of any Event of Default, without limiting Silicon's other rights and remedies, the Borrower grants to Silicon an irrevocable power of attorney coupled with an interest, authorizing and permitting Silicon (acting through any of its employees, attorneys or agents) at any time, at its option, but without obligation, with or without notice to the Borrower, and at the Borrower's expense, to do any or all of the following,

in the Borrower's name or otherwise: (a) Execute on behalf of the Borrower any documents that Silicon may, in its sole and absolute discretion, deem advisable in order to perfect and maintain Silicon's security

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interest in the Collateral, or in order to exercise a right of the Borrower or Silicon, or in order to fully consummate all the transactions contemplated under this Agreement, and all other present and future agreements; (b) Execute on behalf of the Borrower any document exercising, transferring or assigning any option to purchase, sell or otherwise dispose of or to lease (as lessor or lessee) any real or personal property which is part of Silicon's Collateral or in which Silicon has an interest; (c) Execute on behalf of the Borrower, any invoices relating to any account, any draft against any account debtor and any notice to any account debtor, any proof of claim in bankruptcy, any Notice of Lien, claim of mechanic's, materialman's or other lien, or assignment or satisfaction of mechanic's, materialman's or other lien; (d) Take control in any manner of any cash or non-cash items of payment or proceeds of Collateral; endorse the name of the Borrower upon any instruments, or documents, evidence of payment or Collateral that may come into Silicon's possession; (e) Endorse all checks and other forms of remittances received by Silicon; (f) Pay, contest or settle any lien, charge, encumbrance, security interest and adverse claim in or to any of the Collateral, or any judgment based thereon, or otherwise take any action to terminate or discharge the same; (g) Grant extensions of time to pay, compromise claims and settle accounts and general intangibles for less than face value and execute all releases and other documents in connection therewith; (h) Pay any sums required on account of the Borrower's taxes or to secure the release of any liens therefor, or both; (i) Settle and adjust, and give releases of, any insurance claim that relates to any of the Collateral and obtain payment therefor; (j) Instruct any third party having custody or control of any books or records belonging to, or relating to, the Borrower to give Silicon the same rights of access and other rights with respect thereto as Silicon has under this Agreement; and (k) Take any action or pay any sum required of the Borrower pursuant to this Agreement and any other present or future agreements. Silicon shall exercise the foregoing powers in a commercially reasonable manner. Any and all reasonable sums paid and any and all reasonable costs, expenses, liabilities, obligations and attorneys' fees incurred by Silicon with respect to the foregoing shall be added to and become part of the Obligations, shall be payable on demand, and shall bear interest at a rate equal to the highest interest rate applicable to any of the Obligations. In no event shall Silicon's rights under the foregoing power of attorney or any of Silicon's other rights under this Agreement be deemed to indicate that Silicon is in control of the business, management or properties of the Borrower.

6.5 APPLICATION OF PROCEEDS. All proceeds realized as the result of any sale of the Collateral shall be applied by Silicon first to the costs, expenses, liabilities, obligations and attorneys' fees incurred by Silicon in the exercise of its rights under this Agreement, second to the interest due upon any of the Obligations, and third to the principal of the Obligations, in such order as Silicon shall determine in its sole discretion. Any surplus shall be paid to the Borrower or other persons legally entitled thereto; the Borrower shall remain liable to Silicon for any deficiency. If, Silicon, in its sole discretion, directly or indirectly enters into a deferred payment or other credit transaction with any purchaser at any sale or other disposition of Collateral, Silicon shall have the option, exercisable at any time, in its sole discretion, of either reducing the Obligations by the principal amount of purchase price or deferring the reduction of the Obligations until the actual receipt by Silicon of the cash therefor.

6.6 REMEDIES CUMULATIVE. In addition to the rights and remedies set forth in this Agreement, Silicon shall have all the other rights and remedies accorded a secured party under the California Uniform Commercial Code and under all other applicable laws, and under any other instrument or agreement now or in the future entered into between Silicon and the Borrower, and all of such rights and remedies are cumulative and none is exclusive. Exercise or partial exercise by Silicon of one or more of its rights or remedies shall not be deemed an election, nor bar Silicon from subsequent exercise or partial exercise of any other rights or remedies. The failure or delay of Silicon to exercise any rights or remedies shall not operate as a waiver thereof, but all rights and remedies shall continue in full force and effect until all of the Obligations have been fully paid and performed.

7. GENERAL PROVISIONS.

7.1 NOTICES. All notices to be given under this Agreement shall be in writing and shall be given either personally or by regular first-class mail, or certified mail return receipt requested, addressed to Silicon or the Borrower at the addresses shown in the heading to this Agreement, or at any other address designated in writing by one party to the other party. All notices shall be deemed to have been given upon delivery in the case of notices personally delivered to the Borrower or to Silicon, or at the expiration of two business days following the deposit thereof in the United States mail, with postage prepaid.

7.2 SEVERABILITY. Should any provision of this Agreement be held by any court of competent jurisdiction to be void or unenforceable, such defect shall not affect the remainder of this Agreement, which shall continue in full force and effect.

7.3 INTEGRATION. This Agreement and such other written agreements, documents and instruments as may be executed in connection herewith are the final, entire and complete agreement between the Borrower and Silicon and supersede all prior and contemporaneous negotiations and oral representations and agreements, all of which are merged and integrated in this Agreement. There are no oral understandings, representations or agreements between the parties which are not set forth in this Agreement or in other written agreements signed by the parties in connection herewith.

7.4 WAIVERS. The failure of Silicon at any time or times to require the Borrower to strictly comply with any of the provisions of this Agreement or any other present or future

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SILICON VALLEY BANK

LOAN AND SECURITY AGREEMENT

agreement between the Borrower and Silicon shall not waive or diminish any right of Silicon later to demand and receive strict compliance therewith. Any waiver of any default shall not waive or affect any other default, whether prior or subsequent thereto. None of the provisions of this Agreement or any other agreement now or in the future executed by the Borrower and delivered to Silicon shall be deemed to have been waived by any act or knowledge of Silicon or its agents or employees, but only by a specific written waiver signed by an officer of Silicon and delivered to the Borrower. The Borrower waives demand, protest, notice of protest and notice of default or dishonor, notice of payment and nonpayment, release, compromise, settlement, extension or renewal of any commercial paper, instrument, account, general intangible, document or guaranty at any time held by Silicon on which the Borrower is or may in any way be liable, and notice of any action taken by Silicon, unless expressly required by this Agreement.

7.5 NO LIABILITY FOR ORDINARY NEGLIGENCE. Neither Silicon, nor any of its directors, officers, employees, agents, attorneys or any other person affiliated with or representing Silicon shall be liable for any claims, demands, losses or damages, of any kind whatsoever, made, claimed, incurred or suffered by the Borrower or any other party through the ordinary negligence of Silicon, or any of its directors, officers, employees, agents, attorneys or any other person affiliated with or representing Silicon.

7.6 AMENDMENT. The terms and provisions of this Agreement may not be waived or amended, except in a writing executed by the Borrower and a duly authorized officer of Silicon.

7.7 TIME OF ESSENCE. Time is of the essence in the performance by the Borrower of each and every obligation under this Agreement.

7.8 ATTORNEYS FEES AND COSTS. The Borrower shall reimburse Silicon for all reasonable attorneys' fees and all filing, recording, search, title insurance, appraisal, audit, and other reasonable costs incurred by Silicon, pursuant to, or in connection with, or relating to this Agreement (whether or not a lawsuit is filed), including, but not limited to, any reasonable attorneys' fees and costs Silicon incurs in order to do the following: prepare and negotiate this Agreement and the documents relating to this Agreement; obtain legal advice in connection with this Agreement; enforce, or seek to enforce, any of its rights; prosecute actions against, or defend actions by, account debtors; commence, intervene in, or defend any action or proceeding; initiate any complaint to be relieved of the automatic stay in bankruptcy; file or prosecute any probate claim, bankruptcy claim, third-party claim, or other claim; examine, audit, copy, and inspect any of the Collateral or any of the Borrower's books and records; protect, obtain possession of, lease, dispose of, or otherwise enforce Silicon's security interest in, the Collateral; and otherwise represent Silicon in any litigation relating to the Borrower. In satisfying Borrower's obligation hereunder to reimburse Silicon for attorneys fees, Borrower may, for convenience, issue checks directly to Silicon's attorneys, Levy, Small & Lallas, but Borrower acknowledges and agrees that Levy, Small & Lallas is representing only Silicon and not Borrower in connection with this Agreement. If either Silicon or the Borrower files any lawsuit against the other predicated on a breach of this Agreement, the prevailing party in such action shall be entitled to recover its reasonable costs and attorneys' fees, including (but not limited to) reasonable attorneys' fees and costs incurred in the enforcement of, execution upon or defense of any order, decree, award or judgment. All attorneys' fees and costs to which Silicon may be entitled pursuant to this Paragraph shall immediately become part of the Borrower's Obligations, shall be due on demand, and shall bear interest at a rate equal to the highest interest rate applicable to any of the Obligations.

7.9 BENEFIT OF AGREEMENT. The provisions of this Agreement shall be binding upon and inure to the benefit of the respective successors, assigns, heirs, beneficiaries and representatives of the parties hereto; provided, however, that the Borrower may not assign or transfer any of its rights under this Agreement without the prior written consent of Silicon, and any prohibited assignment shall be void. No consent by Silicon to any assignment shall release the Borrower from its liability for the Obligations.

7.10 JOINT AND SEVERAL LIABILITY. If the Borrower consists of more than one person, their liability shall be joint and several, and the compromise of any claim with, or the release of, any Borrower shall not constitute a compromise with, or a release of, any other Borrower.

7.11 PARAGRAPH HEADINGS; CONSTRUCTION. Paragraph headings are only used in this Agreement for convenience. The Borrower acknowledges that the headings may not describe completely the subject matter of the applicable paragraph, and the headings shall not be used in any manner to construe, limit, define or interpret any term or provision of this Agreement. This Agreement has been fully reviewed and negotiated between the parties and no uncertainty or ambiguity in any term or provision of this Agreement shall be construed strictly against Silicon or the Borrower under any rule of construction or otherwise.



7.12 MUTUAL WAIVER OF JURY TRIAL. THE BORROWER AND SILICON 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, THIS AGREEMENT OR ANY OTHER PRESENT OR FUTURE INSTRUMENT OR AGREEMENT BETWEEN SILICON AND THE BORROWER, OR ANY CONDUCT, ACTS OR OMISSIONS OF SILICON OR THE BORROWER OR ANY OF THEIR DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, ATTORNEYS OR ANY OTHER PERSONS AFFILIATED WITH SILICON OR THE BORROWER, IN ALL OF THE FOREGOING CASES, WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE.

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SILICON VALLEY BANK

LOAN AND SECURITY AGREEMENT

7.13 GOVERNING LAW; JURISDICTION; VENUE. This Agreement and all acts and transactions hereunder and all rights and obligations of Silicon and the Borrower shall be governed by, and in accordance with, the laws of the State of California. Any undefined term used in this Agreement that is defined in the California Uniform Commercial Code shall have the meaning assigned to that term in the California Uniform Commercial Code. As a material part of the consideration to Silicon to enter into this Agreement, the Borrower (i) agrees that all actions and proceedings relating directly or indirectly hereto shall, at Silicon's option, be litigated in courts located within California, and that the exclusive venue therefor shall be Orange County; (ii) consents to the jurisdiction and venue of any such court and consents to service of process in any such action or proceeding by personal delivery or any other method permitted by law; and (iii) waives any and all rights the Borrower may have to object to the jurisdiction of any such court, or to transfer or change the venue of any such action or proceeding.

BORROWER:

ALPHA MICROSYSTEMS

BY DOUGLAS J. TULLIO

-----  
PRESIDENT OR VICE PRESIDENT

BY JOHN F. GLADE

-----  
SECRETARY OR ASS'T SECRETARY

SILICON:

SILICON VALLEY BANK

BY TERRY BESS

-----  
TITLE VICE PRESIDENT  
-----

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[LOGO]

SILICON VALLEY BANK

SCHEDULE TO

LOAN AND SECURITY AGREEMENT

BORROWER: ALPHA MICROSYSTEMS  
ADDRESS: 2722 SOUTH FAIRVIEW STREET  
SANTA ANA, CALIFORNIA 92704

DATE: JULY 10, 1995

THIS SCHEDULE is an integral part of the Loan and Security Agreement between Silicon Valley Bank ("Silicon") and the above-named borrower ("Borrower") of even date.

CREDIT LIMIT  
(Section 1.1):

An amount not to exceed the lesser of:  
(i) \$2,000,000 at any one time outstanding; or (ii) 70% of the Net Amount of Borrower's accounts, which Silicon in its discretion deems eligible for borrowing\*. "Net Amount" of an account means the gross amount of the account, minus all applicable sales, use, excise and other similar taxes and minus all discounts, credits and allowances of any nature granted or claimed.

\* , SUBJECT TO THE RESERVE AS SET FORTH IN PARAGRAPH 6 OF THE SECTION OF THIS SCHEDULE ENTITLED "OTHER COVENANTS (SECTION 4.1)".

Without limiting the fact that the determination of which accounts are eligible for borrowing is a matter of Silicon's discretion, the following will not be deemed eligible for borrowing\*: accounts outstanding for more than 90 days from the invoice date, accounts subject to any contingencies, accounts owing from the United States or any department, agency or instrumentality of the United States or any state, city or municipality\*\*, accounts owing from an account debtor outside the United States \*\*\* (unless pre-approved by Silicon in its discretion, or backed by a letter of credit satisfactory to Silicon, or FCIA insured satisfactory to Silicon), accounts owing from one account debtor to the extent they exceed 25% of the total eligible accounts outstanding, accounts owing from an affiliate of Borrower, and accounts owing from an account debtor to whom Borrower is or may be liable for goods purchased from such account debtor or otherwise. In addition, if more than 50% of the accounts owing from an account

debtor are outstanding more than 90 days from the invoice date or are otherwise not eligible accounts, then all accounts owing from that account debtor will be deemed ineligible for borrowing.

\* (WITHOUT LIMITING THE DISCRETION OF SILICON TO DETERMINE WHICH ACCOUNTS ARE ELIGIBLE FOR BORROWING, SILICON MAY DEEM OTHER ACCOUNTS INELIGIBLE FOR BORROWING AFTER REVIEW OF THE ACCOUNTS

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SILICON VALLEY BANK

SCHEDULE TO LOAN AND SECURITY AGREEMENT

RECEIVABLE AUDIT BEING CONDUCTED PRIOR TO THE MAKING OF LOANS HEREUNDER)

\*\* (PROVIDED THAT SUCH RESTRICTIONS DO NOT APPLY TO SCHOOL DISTRICT ACCOUNT DEBTORS RELATING TO ACCOUNTS ARISING FROM THE PANDA SOFTWARE PRODUCT)

\*\*\* OR CANADA

LETTER OF CREDIT SUBLIMIT:

Silicon, in its reasonable discretion, will from time to time during the term of this Agreement issue letters of credit for the account of the Borrower ("Letters of Credit"), in an aggregate amount at any one time outstanding not to exceed \$500,000, upon the request of the Borrower, provided that, on the date the Letters of Credit are to be issued, Borrower has available to it Accounts Loans in an amount equal to or greater than the face amount of the Letters of Credit to be issued. Prior to the issuance of any Letters of Credit, Borrower shall execute and deliver to Silicon Applications for Letters of Credit and such other documentation as Silicon shall specify (the "Letter of Credit Documentation"). Fees for the Letters of Credit shall be as provided in the Letter of Credit Documentation. Letters of Credit may have a maturity date up to twelve months beyond the Maturity Date in effect from time to time, provided that if on the Maturity Date, or on any earlier effective date of termination, there are any outstanding letters of credit issued by Silicon or issued by another institution based upon an application, guarantee, indemnity or similar agreement on the part of Silicon, then on such date Borrower shall provide to Silicon cash collateral in an amount equal to the face amount of all such

letters of credit plus all interest, fees and cost due or to become due in connection therewith, to secure all of the Obligations relating to said letters of credit, pursuant to Silicon's then standard form cash pledge agreement.

The Credit Limit set forth above and the Accounts Loans available under this Agreement at any time shall be reduced by the face amount of Letters of Credit from time to time outstanding.

FOREIGN EXCHANGE  
CONTRACT SUBLIMIT

Up to \$1,000,000 (the "Contract Limit") of the Credit Limit may be utilized for spot and future foreign exchange contracts (the "Exchange Contracts"). The Credit Limit available at any time shall be reduced by the following amounts (the "Foreign Exchange Reserve") on each day (the "Determination Date"): (i) on all outstanding Exchange Contracts on which delivery is to be effected or settlement allowed more than two business days from the Determination Date, 20% of the gross amount of the Exchange Contracts; plus (ii) on all outstanding Exchange Contracts on which delivery is to be effected or settlement allowed within two business days after the Determination Date, 100% of the gross amount of the Exchange Contracts. In lieu of the Foreign Exchange Reserve for 100% of the gross amount of any Exchange Contract, the Borrower may request that Silicon debit the Borrower's bank account with Silicon for such amount, provided Borrower has immediately available funds in such amount in its bank account.

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Silicon may, in its discretion, terminate the Exchange Contracts at any time (a) that an Event of Default occurs or (b) that there is not sufficient availability under the Credit Limit and Borrower does not have available funds in its bank account to satisfy the Foreign Exchange Reserve. If either Silicon or Borrower terminates the Exchange Contracts, and without limitation of the FX Indemnity Provisions (as referred to below), Borrower agrees to reimburse Silicon for any and all fees, costs and expenses relating thereto or arising in connection therewith.

Borrower shall not permit the total gross amount of all Exchange Contracts on which delivery is to be effected and settlement allowed in any two business day period to

be more than \$500,000 (the "Settlement Limit"), nor shall Borrower permit the total gross amount of all Exchange Contracts to which Borrower is a party, outstanding at any one time, to exceed the Contract Limit.

Notwithstanding the above, however, the amount which may be settled in any two (2) business day period may, in Silicon's sole discretion, be increased above the Settlement Limit up to, but in no event to exceed, the amount of the Contract Limit (the "Discretionary Settlement Amount") under either of the following circumstances (the "Discretionary Settlement Circumstances"):

(i) if there is sufficient availability under the Credit Limit in the amount of the Foreign Exchange Reserve as of each Determination Date, provided that Silicon in advance shall reserve the full amount of the Foreign Exchange Reserve against the Credit Limit; or

(ii) if there is insufficient availability under the Credit Limit as to settlements within any two (2) business day period if Silicon is able to: (A) verify good funds overseas prior to crediting Borrower's deposit account with Silicon (in the case of Borrower's sale of foreign currency); or (B) debit Borrower's deposit account with Silicon prior to delivering foreign currency overseas (in the case of Borrower's purchase of foreign currency);

Provided that it is expressly understood that Silicon's willingness adopt the Discretionary Settlement Amount is a matter of Silicon's sole discretion and the existence of the Discretionary Settlement Circumstances in no way means or implies that Silicon shall be obligated to permit the Borrower to exceed the Settlement Limit in any two business day period.

In the case of Borrower's purchase of foreign currency, Borrower in advance shall instruct Silicon upon settlement either to treat the settlement amount as an advance under the Credit Limit, or to debit Borrower's account for the amount settled.

The Borrower shall execute all standard form applications and agreements of Silicon in connection with the Exchange Contracts, and without limiting any of the terms of such applications and agreements,

the Borrower will pay all standard fees and charges of Silicon in connection with the Exchange Contracts.

Without limiting any of the other terms of this Loan Agreement or any such standard form applications and agreements of Silicon, Borrower agrees to indemnify Silicon and hold it harmless, from and against any and all claims, debts, liabilities, demands, obligations, actions, costs and expenses (including, without limitation, attorneys' fees of counsel of Silicon's choice), of every nature and description, which it may sustain or incur, based upon, arising out of, or in any way relating to any of the Exchange Contracts or any transactions relating thereto or contemplated thereby (collectively referred to as the "FX Indemnity Provisions").

The Exchange Contracts shall have maturity dates no later than the Maturity Date.

INTEREST RATE (Section 1.2):

A rate equal to the "Prime Rate" in effect from time to time, plus 1.50% per annum. Interest shall be calculated on the basis of a 360-day year for the actual number of days elapsed. "Prime Rate" means the rate announced from time to time by Silicon as its "prime rate;" it is a base rate upon which other rates charged by Silicon are based, and it is not necessarily the best rate available at Silicon. The interest rate applicable to the Obligations shall change on each date there is a change in the Prime Rate.

LOAN ORIGINATION FEE  
(Section 1.3):

\$15,000. (Any Commitment Fee previously paid by the Borrower in connection with this loan shall be credited against this Fee.)

MATURITY DATE  
(Section 5.1):

JULY \_\_, 1996

PRIOR NAMES OF BORROWER  
(Section 3.2):

NONE

TRADE NAMES OF BORROWER  
(Section 3.2):

NONE

OTHER LOCATIONS AND ADDRESSES  
(Section 3.3):

SEE ATTACHEMENT A

MATERIAL ADVERSE LITIGATION  
(Section 3.10):

NONE

NEGATIVE COVENANTS-EXCEPTIONS  
(Section 4.6):

Without Silicon's prior written consent, Borrower may do the following, provided that, after giving effect thereto, no Event of Default has occurred and no event has occurred which, with notice or passage of time or both, would constitute an Event of Default, and provided that the following are done in compliance with all applicable laws, rules and regulations: (i) repurchase shares of Borrower's stock pursuant to any employee stock purchase or benefit plan, provided that the total amount paid by Borrower for such stock does not exceed \$500,000 in any fiscal year or (ii) make loans or effect other transfers

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SILICON VALLEY BANK

SCHEDULE TO LOAN AND SECURITY AGREEMENT

of funds to its subsidiary, AlphaHealthCare, Inc. provided that Borrower is and remains a 100% owner of AlphaHealthCare, Inc.

FINANCIAL COVENANTS  
(Section 4.1):

Borrower shall comply with all of the following covenants. Compliance shall be determined as of the end of each month, except as otherwise specifically provided below:

QUICK ASSET RATIO:

Borrower shall maintain a ratio of "Quick Assets" to current liabilities of not less than 1.30 to 1.

TANGIBLE NET WORTH:

Borrower shall maintain a tangible net worth of not less than \$6,500,000.

DEBT TO TANGIBLE  
NET WORTH RATIO:

Borrower shall maintain a ratio of total liabilities to tangible net worth of not more than 1.00 to 1.

PROFITABILITY

Borrower shall not incur a loss (after taxes) for any fiscal year, provided that Borrower may incur losses (after taxes) in two consecutive fiscal quarters during any fiscal years if the aggregate amount of such losses for such two fiscal quarters does not exceed \$300,000.

DEFINITIONS:

"Current assets," and "current liabilities" shall have the meanings ascribed to them in accordance with generally accepted accounting principles.

"Tangible net worth" means the excess of

total assets over total liabilities, determined in accordance with generally accepted accounting principles, excluding however all assets which would be classified as intangible assets under generally accepted accounting principles, including without limitation goodwill, licenses, patents, trademarks, trade names, copyrights, capitalized software and organizational costs, licences and franchises.

"Quick Assets" means cash on hand or on deposit in banks, readily marketable securities issued by the United States, readily marketable commercial paper rated "A-1" by Standard & Poor's Corporation (or a similar rating by a similar rating organization), certificates of deposit and banker's acceptances, and accounts receivable (net of allowance for doubtful accounts).

DEFERRED REVENUES:

For purposes of the above quick asset ratio, deferred revenues shall not be counted as current liabilities. For purposes of the above debt to tangible net worth ratio, deferred revenues shall not be counted in determining total liabilities but shall be counted in determining tangible net worth for purposes of such ratio. For all other purposes deferred revenues shall be counted as liabilities in accordance with generally accepted accounting principles.

SUBORDINATED DEBT:

"Liabilities" for purposes of the foregoing covenants do not include indebtedness which is subordinated to the indebtedness to Silicon under a subordination agreement in form specified by Silicon or by

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SILICON VALLEY BANK

SCHEDULE TO LOAN AND SECURITY AGREEMENT

language in the instrument evidencing the indebtedness which is acceptable to Silicon.

OTHER COVENANTS  
(Section 4.1):

Borrower shall at all times comply with all of the following additional covenants:

1. BANKING RELATIONSHIP. Borrower shall at all times maintain its primary banking relationship with Silicon.
2. MONTHLY BORROWING BASE CERTIFICATE



AND LISTING. Within 20 days after the end of each month, Borrower shall provide Silicon with a Borrowing Base Certificate in such form as Silicon shall specify, and an aged listing of Borrower's accounts receivable.

3. WARRANTS. The Borrower shall provide Silicon with five-year warrants to purchase 50,000 shares of Common stock of the Borrower, at a price per share equal to the market price per share as reflected on the date prior to the Borrower's execution of this Agreement, on the terms and conditions in the Warrant to Purchase Stock and related documents being executed concurrently with this Agreement. Upon the issuance and delivery of such new warrant to Silicon, Silicon agrees to cancel and return to the Borrower the warrant for 20,000 shares of Common Stock of the Borrower that the Borrower had previously issued to Silicon in connection with the prior Silicon loan facility with the Borrower.

4. INDEBTEDNESS. Without limiting any of the foregoing terms or provisions of this Agreement, Borrower shall not in the future incur indebtedness for borrowed money, except for (i) indebtedness to Silicon, and (ii) indebtedness incurred in the future for the purchase price of or lease of equipment in an aggregate amount not exceeding \$100,000 at any time outstanding.

5. COPYRIGHT SECURITY AGREEMENT. In connection with the Agreement, the Borrower agrees to execute and deliver to Silicon concurrently herewith a security agreement regarding the intellectual property collateral of Borrower on Silicon's standard form.

6. RESERVE AGAINST AVAILABILITY. Borrower understands and agrees that Silicon has established a reserve of \$350,000 that reduces the amount of Loans, Letters of Credit and Exchange Contracts which would otherwise be available to Borrower under the terms of the Credit Limit and that such reserve will remain in effect until such time that the Borrower has provided to Silicon a copy of a filed and duly executed UCC termination statement for the UCC-1 financing statement filed with the California Secretary of State on February 14, 1991 as File No. 91026128, with Borrower, as debtor, and Metropolitan Life Insurance Company, as secured party.

7. ALPHAHEALTHCARE, INC. Borrower shall cause its subsidiary corporation, ALPHAHEALTHCARE, INC., to execute and deliver to Silicon a guaranty of the

Obligations, a security agreement to collateralize such guaranty obligation, and such other agreements and instruments relating thereto as Silicon determines are reasonably necessary, with each of such agreements to be on Silicon's standard form.

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SILICON VALLEY BANK

SCHEDULE TO LOAN AND SECURITY AGREEMENT

- 8. INITIAL AUDIT. The first, semi-annual audit referred to in Section 4.5 of this Agreement shall be completed by prior to the making of any Loans hereunder.

BORROWER:

ALPHA MICROSYSTEMS

BY DOUGLAS J. TULLIO  
-----  
PRESIDENT OR VICE PRESIDENT

BY JOHN F. GLADE  
-----  
SECRETARY OR ASS'T SECRETARY

SILICON:

SILICON VALLEY BANK

BY TERRY BESS  
-----  
TITLE VICE PRESIDENT  
-----

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ALPHA MICROSYSTEMS SALES REGIONS

INTERNATIONAL

PETER WHITE, MANAGING DIRECTOR

European Operations  
Enterprise House  
1B Roxborough Way  
Foundation Park, Cannon Lane  
Maidenhead, Berkshire, UK  
SL63UK  
Phone 011-44-1628-822120  
Fax 011-44-1628-824478

CUSTOMER RELATIONS

PEGGY DENSON - DIRECTOR

2722 S. Fairview St.  
Santa Ana, CA 92704  
Phone 714-641-6260  
Fax 714-641-7676

NATIONAL SALES

PHIL SMITH - VICE PRESIDENT

Sales and Marketing  
5808 Leslie Lane  
Mt. Airy, MD 21771  
Phone 301-829-9598  
Inhouse phone 714-641-6431  
Fax 301-829-9599

DALE HICKS - REGION MANAGER

1061 E. Indiantown Road  
Suite 410  
Jupiter, FL 33477  
Phone 407-745-7748  
Fax 407-745-0577

DON WHITE - SALES ENGINEER

2652 Oakbrook Drive  
Largo, FL 34640  
Phone 813-584-7748  
Fax 813-584-7868

ORDER ADMINISTRATION

SANDY SLIFKA

2722 S. Fairview St.  
Santa Ana, CA 92704  
Phone 800-289-2574  
Fax 714-641-7676

DENISE FUNK

2722 S. Fairview St.  
Santa Ana, CA 92704  
Phone 800-289-2574  
Fax 714-641-7676

HELEN JOHNSON  
2722 S. Fairview St.  
Santa Ana, CA 92704  
Phone 800-289-2574  
Fax 714-641-7676

PACIFIC RIM, ASIA, LATIN  
AMERICA

ABEL BACA - MANAGER  
2722 S. Fairview St.  
Santa Ana, CA 92704  
Phone 714-641-6492  
Fax 714-641-7676

LINDA SIMPSON - MANAGER ORDER  
ADMINISTRATION AND EXPORT  
ADMINISTRATOR  
2722 S. Fairview St.  
Santa Ana, CA 92704  
Phone 714-641-6255  
Fax 714-641-7676

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NEW OFFICE ADDRESS IN SAN DIEGO, CA, & HOME OFFICES IN CHARLOTTE, NC, MAINE, &  
SALT LAKE CITY, UT, AND PERSONNEL CHANGES.

CONFIDENTIAL

7/6/95

ALPHA MICROSYSTEMS  
SERVICES OPERATION  
2722 S. FAIRVIEW STREET  
P.O. BOX 25059  
SANTA ANA, CA 92799

<TABLE>			
<S>	<C>	<C>	<C>
Customer Service: (800) 548-4848		Corporate Main Line: (800) 777-7406	
</TABLE>			

FIELD OFFICE LOCATIONS

ALEXANDRIA #656 (leased)  
5220 Rue Verdun, Suite B  
Alexandria, LA 71303  
(318) 442-6682  
Kent Arrington

ATLANTA #672 (leased)  
Franklin Office Park, Suite 402  
7001 Peachtree Industrial Blvd.  
Norcross, GA 30092  
(404) 447-0303  
FAX (404) 447-0527  
Ron Thomas

AUSTIN #651 (HOME)  
10 Matador Trail  
Wimberley, TX 78676  
(512) 842-1103  
Steve Head

BOSTON (North) #687 (HOME)  
10 Ferry Avenue  
Hudson, NH 03051  
(603) 881-7238

Mark Turner

BOSTON (South) #687 (leased)  
200 Revere St., Suite 1  
Canton, MA 02021  
(617) 828-0086 (FAX, also)  
Dave Keenan - E.I.C.

BUFFALO #689 (HOME)  
435 Schiller Street  
Buffalo, NY 14212  
(716) 895-9189  
Doc Doiron

CANADA (Toronto) #691 (leased)  
475 Cochrane Dr., Unit 8  
Markham, Ontario L3R 9R5  
(905) 470-9855  
FAX (905) 470-2175  
Bruno Macchiusi - Branch Mgr. (#602)  
Malcolm Skinner, Bill Yong

CANADA (Montreal) #691 (HOME)  
266 Carufel Charlemagne  
Montreal, Quebec J5Z 1A3  
(514) 585-1161  
Guy Cote'

CANADA (Ottawa) #691 (HOME)  
369 Ryan Street  
Gatineau, Quebec J8P 3B5  
(819) 643-3153  
Wolfgang Strauss

CHARLOTTE #676 (HOME)  
9101 Windknob Court  
Huntersville, NC 28078  
(704) 948-3986 (FAX, also)  
Jim Jay

CHICAGO #661 (leased)  
1438 Elmhurst Road  
Elk Grove Village, IL 60007  
(708) 593-6661, 62, 63, 68  
FAX (708) 593-7853  
Tim Bryce - E.I.C.  
John Annarella, Darrell Ghere,  
Bob Miller, Scott Walker

CLEVELAND #667 (leased)  
1917 N. Ridge Rd., Suite B  
Lorain, OH 44055  
(216) 277-6780  
FAX (216) 277-6980  
Rich Guzewicz - E.I.C.  
Jim DeSantis

CONCORD #631 (leased)  
2490 Arnold Industrial Way, Suite N  
Concord, CA 94520  
(510) 356-2401, 02  
FAX (510) 356-2420  
Arthur Tong, Reg. Specialist (#601)  
Craig Chang, E.I.C.  
Mark Ayres, Jay Bass, Joe Boylan,  
Ben Fernandes, Dave Henderson,  
Mike McIntyre, Bill Munn, Bob Snyder

DALLAS #652 (leased)  
 1600 North I-35, Suite 108  
 Carrollton, TX 75006  
 (214) 323-1762, 1662, 1862  
 FAX (214) 466-3888  
 Michael Zappavigna - E.I.C.  
 Gene Childress - Reg. Specialist (#602)  
 Charley Farley

DENVER #611 (leased)  
 4760 Oakland, Suite 120  
 Denver, CO 80239  
 (303) 371-2455, 2516; FAX (303) 371-2455  
 Kenny Odom - E.I.C.

DETROIT #664 (leased)  
 Parkside Pavilion  
 18292 Middlebelt Rd.  
 Livonia, MI 48152  
 (810) 442-7050, 51  
 Bill Edwards

AMSO SALES: #440 (leased)  
 7938 Cooley Lake Rd., Suite 400W  
 Waterford, MI 48327  
 (810) 360-7394  
 FAX (810) 360-7399  
 Christine Stiltner, National Sales Mgr.  
 Bonnie Peterson

48588 Lakeview Circle, #238 (HOME)  
 Utica, MI 48317  
 (800) 365-1267, (810) 254-6223  
 FAX (810) 254-4857  
 Mary Jacobs, John Reeves

EUGENE #641 (HOME)  
 3412 Parish Street Send boxes or pkgs to:  
 Eugene, OR 97401 c/o Alpha HealthCare  
 (503) 484-6664 (FAX,also) 10 Coburg Road  
 Bill Tamulinas Eugene, OR 97401

FT. LAUDERDALE #673 (leased)  
 1287 E. Newport Ctr Dr., Suite 201  
 Deerfield Beach, FL 33442  
 (305) 427-6703  
 FAX (305) 427-9803  
 Steve Siegel, Branch Mgr. (#602)  
 Pete Perico, Bill Wright

FRESNO #634 (leased)  
 4539 N. Brawley, #103  
 Fresno, CA 93722  
 (209) 275-5999  
 Hoss Riahizadeh

HOUSTON #653 (leased)  
 13003 Southwest Fwy., Suite 190  
 Stafford, TX 77477  
 (713) 240-5005, 6, 7  
 FAX (713) 240-5005  
 Ray Parker Jr. - District Mgr. (#602)  
 Jimmy Britton, Eric Mortimer

JACKSONVILLE #674 (HOME)  
127 Wimbledon Court  
Port Orange, FL 32127  
(904) 756-6489  
FAX (904) 756-6489  
Joe Teira - E.I.C.

KANSAS CITY #613 (leased)  
15000 W. 106th St.  
Lenexa, KS 66215  
(913) 492-8720, 8711  
FAX (913) 492-8711  
Jim Moore - District Mgr. (#602)  
Gary Anderson

LONG ISLAND #685 (leased)  
415 Central Ave., Suite C  
Bohemia, NY 11716  
(516) 567-5640  
John Arends, Jerry Erb

LOS ANGELES #628 (leased)  
6910 E. Hayvenhurst Ave., Suite 106  
Van Nuys, CA 91406  
(818) 994-2772, 994-2873  
FAX (818) 994-2898  
Tom Dager - E.I.C.  
Mark Dunlap, Manny Gil, Greg Kollasch,  
Chris Quinn, Enrique Serrano

MAINE #687 (HOME)  
11 Mountain View Drive  
Minot, ME 04258  
(207) 966-3418  
John Ayres

MIAMI #673 (leased)  
5209 N.W. 74th Ave., Suite 205  
Miami, FL 33166  
(305) 592-4089  
Hal Pacheco

MINNEAPOLIS #614 (leased)  
7362 University Ave. NE, Suite 202  
Fridley, MN 55432-3102  
(612) 574-2126 (FAX, also)  
Jim Jackson

NASHVILLE #657 (HOME)  
open  
(800) 548-4848

NEW JERSEY #686 (leased)  
(aka EDISON)  
1090 King George's Post Rd., Suite 603  
Edison, NJ 08837  
(908) 225-5353, FAX (908) 225-5359  
Mark Fletcher - District Mgr. (#602)  
Mike Reta - Reg. Specialist (#602)  
Ben Varricchio - E.I.C.  
Sandy Leonhardt, Chris Pisano, Rick Rice

NEW ORLEANS #655 (leased)

3001 Ridgelake Dr.  
Metairie, LA 70002  
(504) 831-8211  
Mike Frey

NEW YORK #686 (HOME)  
61 Clearview Circle  
Hopewell Junction, NY 12533  
(914) 896-7379  
Jasbeer Rai

PHILADELPHIA #688 (leased)  
137-F Gaither Drive  
Mt. Laurel, NJ 08054  
(609) 722-1010  
FAX (609) 722-1171  
Jay White - E.I.C.  
John Geary

PHOENIX #626 (leased)  
8146 N. 23rd Ave., Suite F  
Phoenix, AZ 85021  
(602) 864-1138  
FAX (602) 864-8607  
Julie Atkinson, Murray Rehder

PORTLAND #642 (leased)  
8536 S.W. St. Helens Dr., Suite A  
Wilsonville, OR 97070  
(503) 682-0434  
FAX (503) 682-4496  
Jon Jagow

SACRAMENTO #633 (leased)  
11275 Sunrise Gold Circle, Suite U  
Rancho Cordova, CA 95742  
(916) 852-1119  
FAX (916) 852-1502  
Gary Duncan, Jim Haddock  
Steve Brown (AMSO SALES #635)

ST. LOUIS #665 (HOME)  
3628 Brookville Drive  
St. Louis, MO 63125  
(314) 845-7655  
Barry King

SALT LAKE CITY #646 (HOME)  
1282 Bluebird, #20  
West Valley, UT 84119  
(801) 262-2931  
Brian Latturmer

SAN DIEGO #624 (leased)  
9169 Chesapeake Drive  
San Diego, CA 92123  
(619) 277-6303  
FAX (619) 277-2482  
Jeff Dotson, Richard Schulenberg

SAN DIMAS #627 (leased)  
555 W. Allen Ave., Suite 4  
San Dimas, CA 91773  
(909) 394-1691, 2  
FAX (909) 394-1694  
Steve Dolphin, Robert Garcia, Tony Gawel,  
Bruce Hopkins, Jay Rentmeester



SANTA ANA #621 (leased)  
Regional Office  
3511 W. Sunflower Ave.  
Santa Ana, CA 92704  
(714) 957-8500 (800) 548-4848 - Dispatch  
FAX (714) 641-7677  
Franci Shrake - Field Service Admin. (#601)  
Matt Sanna - District Mgr. (#601)  
Alex Gonzalez - Reg. Specialist (#601)  
Ron Narike - E.I.C.  
Ken Brandt, Greg Gordon,  
Monte Hale, Michael Novellino

SEATTLE #643 (leased)  
#12 37th St., N.W.  
Auburn, WA 98001  
(206) 735-9569, 67; 735-1831, 41  
FAX (206) 735-3896  
Randy Dotson - District Manager (#601)  
Shirley Weller, Admin. Asst. (#601)  
Sothy Kem, Kirk Norman,  
Jeff Rugon, Bruce Wartella

SPOKANE #644 (leased)  
E. 9922 Montgomery Ave., Suite 2  
Spokane, WA 99206  
(509) 926-6705, 1396 OR 922-4061  
FAX (509) 924-7120  
Bob Donovan, Sean Frank,  
Renee Hill, Dave Murphy

TAMPA #674 (HOME)  
9507 Norchester Circle  
Tampa, FL 33647  
(813) 991-0187  
FAX (813) 973-7082  
Bob Cunningham

WILMINGTON, DE #684 (HOME)  
9705 Matzon Road  
Baltimore, MD 21220  
(410) 687-4605  
Bill Linton

THIS WARRANT AND THE SHARES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, PLEDGED, OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT OR PURSUANT TO RULE 144 OR AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE CORPORATION AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED.

## WARRANT TO PURCHASE STOCK

<TABLE>	<S>	<C>	<C>
	WARRANT TO PURCHASE 50,000	ISSUE DATE:	JULY ____, 1995
	SHARES OF THE COMMON	EXPIRATION DATE:	JULY ____, 2000
	STOCK OF ALPHA MICROSYSTEMS	INITIAL EXERCISE PRICE:	\$ _____ PER SHARE
</TABLE>			

THIS WARRANT CERTIFIES THAT, for the agreed upon value of \$1.00 and for other good and valuable consideration, SILICON VALLEY BANK ("Holder") is entitled to purchase the number of fully paid and non-assessable shares of the class of securities (the "Shares") of the corporation (the "Company") at the initial exercise price per Share (the "Warrant Price") all as set forth above and as adjusted pursuant to Article 2 of this Warrant, subject to the provisions and upon the terms and conditions set forth in this Warrant.

## ARTICLE 1. EXERCISE.

1.1 METHOD OF EXERCISE. Holder may exercise this Warrant by delivering a duly executed Notice of Exercise in substantially the form attached as Appendix 1 to the principal office of the Company. Unless Holder is exercising the conversion right set forth in Section 1.2, Holder shall also deliver to the Company a check for the aggregate Warrant Price for the Shares being purchased.

1.2 CONVERSION RIGHT. In lieu of exercising this Warrant as specified in Section 1.1, Holder may from time to time convert this Warrant, in whole or in part, into a number of Shares determined by dividing (a) the aggregate fair market value of the Shares or other securities otherwise issuable upon exercise of this Warrant minus the aggregate Warrant Price of such Shares by (b) the fair market value of one Share. The fair market value of the Shares shall be determined pursuant Section 1.4.

1.3 ALTERNATIVE STOCK APPRECIATION RIGHT. At Holder's option, the Company shall pay Holder the fair market value of the Shares issuable upon conversion of this Warrant pursuant to Section 1.2 in cash in lieu of such Shares.

1.4 FAIR MARKET VALUE. If the Shares are traded in a public market, the fair market value of the Shares shall be the closing price of the Shares (or the closing price of the Company's stock into which the Shares are convertible) reported for the business day immediately before Holder delivers its Notice of Exercise to the Company. If the Shares are not traded in a public market, the Board of Directors of the Company shall determine fair market value in its reasonable good faith judgment. The foregoing notwithstanding, if Holder advises the Board of Directors in writing that Holder disagrees with such determination, then the Company and Holder shall promptly agree upon a reputable investment banking firm to undertake such valuation. If the valuation of such investment banking firm is greater than that determined by the Board of Directors, then all fees and expenses of such investment banking firm shall be paid by the Company. In all other circumstances, such fees and expenses shall be paid by Holder.

1.5 DELIVERY OF CERTIFICATE AND NEW WARRANT. Promptly after Holder exercises or converts this Warrant, the Company shall deliver to Holder certificates for the Shares acquired and, if this Warrant has not been fully exercised or converted and has not expired, a new Warrant representing the Shares not so acquired.

1.6 REPLACEMENT OF WARRANTS. On receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of loss, theft or destruction, on delivery of an indemnity agreement reasonably satisfactory in form and amount to the Company or, in the

case of mutilation, or surrender and cancellation of this Warrant, the Company at its expense shall execute and deliver, in lieu of this Warrant, a new warrant of like tenor.

1.7 REPURCHASE ON SALE, MERGER OR CONSOLIDATION OF THE COMPANY.

1.7.1. "ACQUISITION". For the purpose of this Warrant, "Acquisition" means any sale, license, or other disposition of all or substantially all of the assets of the Company, or any reorganization, consolidation, or merger of the Company where the holders of the Company's securities before the transaction beneficially own less than 50% of the outstanding voting securities of the surviving entity after the transaction.

1.7.2. ASSUMPTION OF WARRANT. If upon the closing of any Acquisition the successor entity assumes the obligations of this Warrant, then this Warrant shall be exercisable for the same securities, cash, and property as would be payable for the Shares issuable upon exercise of the unexercised portion of this Warrant as if such Shares were outstanding on the record date for the Acquisition and subsequent closing. The Warrant Price shall be adjusted accordingly.

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WARRANT TO PURCHASE STOCK

1.7.3. NONASSUMPTION. If upon the closing of any Acquisition the successor entity does not assume the obligations of this Warrant and Holder has not otherwise exercised this Warrant in full, then the unexercised portion of this Warrant shall be deemed to have been automatically converted pursuant to Section 1.2 and thereafter Holder shall participate in the acquisition on the same terms as other holders of the same class of securities of the Company.

1.7.4. PURCHASE RIGHT. Notwithstanding the foregoing, at the election of Holder, the Company shall purchase the unexercised portion of this Warrant for cash upon the closing of any Acquisition for an amount equal to (a) the fair market value of any consideration that would have been received by Holder in consideration of the Shares had Holder exercised the unexercised portion of this Warrant immediately before the record date for determining the shareholders entitled to participate in the proceeds of the Acquisition, less (b) the aggregate Warrant Price of the Shares, but in no event less than zero.

ARTICLE 2. ADJUSTMENTS TO THE SHARES.

2.1 STOCK DIVIDENDS, SPLITS, ETC. If the Company declares or pays a dividend on its common stock (or the Shares if the Shares are securities other than common stock) payable in common stock, or other securities, subdivides the outstanding common stock into a greater amount of common stock, or, if the Shares are securities other than common stock, subdivides the Shares in a transaction that increases the amount of common stock into which the Shares are convertible, then upon exercise of this Warrant, for each Share acquired, Holder shall receive, without cost to Holder, the total number and kind of securities to which Holder would have been entitled had Holder owned the Shares of record as of the date the dividend or subdivision occurred.

2.2 RECLASSIFICATION, EXCHANGE OR SUBSTITUTION. Upon any reclassification, exchange, substitution, or other event that results in a change of the number and/or class of the securities issuable upon exercise or conversion of this Warrant, Holder shall be entitled to receive, upon exercise or conversion of this Warrant, the number and kind of securities and property that Holder would have received for the Shares if this Warrant had been exercised immediately before such reclassification, exchange, substitution, or other event. Such an event shall include any automatic conversion of the outstanding or issuable securities of the Company of the same class or series as the Shares to common stock pursuant to the terms of the Company's Articles of Incorporation upon the closing of a registered public offering of the Company's common stock. The Company or its successor shall promptly issue to Holder a new Warrant for such new securities or other property. The new Warrant shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article 2 including, without limitation,

adjustments to the Warrant Price and to the number of securities or property issuable upon exercise of the new Warrant. The provisions of this Section 2.2 shall similarly apply to successive reclassifications, exchanges, substitutions, or other events.

2.3 ADJUSTMENTS FOR COMBINATIONS, ETC. If the outstanding Shares are combined or consolidated, by reclassification or otherwise, into a lesser number of shares, the Warrant Price shall be proportionately increased.

2.4 ADJUSTMENTS FOR DILUTING ISSUANCES. The Warrant Price and the number of Shares issuable upon exercise of this Warrant or, if the Shares are Preferred Stock, the number of shares of common stock issuable upon conversion of the Shares, shall be subject to adjustment, from time to time in the manner set forth on Exhibit A in the event of Diluting Issuances (as defined on Exhibit A).

2.5 NO IMPAIRMENT. The Company shall not, by amendment of its Articles of Incorporation or through a reorganization, transfer of assets, consolidation, merger, dissolution, issue, or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed under this Warrant by the Company, but shall at all times in good faith assist in carrying out of all the provisions of this Article 2 and in taking all such action as may be necessary or appropriate to protect Holder's rights under this Article against impairment. If the Company takes any action affecting the Shares or its common stock other than as described above that adversely affects Holder's rights under this Warrant, the Warrant Price shall be adjusted downward and the number of Shares issuable upon exercise of this Warrant shall be adjusted upward in such a manner that the aggregate Warrant Price of this Warrant is unchanged.

2.6 FRACTIONAL SHARES. No fractional Shares shall be issuable upon exercise or conversion of the Warrant and the number of Shares to be issued shall be rounded down to the nearest whole Share. If a fractional share interest arises upon any exercise or conversion of the Warrant, the Company shall eliminate such fractional share interest by paying Holder amount computed by multiplying the fractional interest by the fair market value of a full Share.

2.7 CERTIFICATE AS TO ADJUSTMENTS. Upon each adjustment of the Warrant Price, the Company at its expense shall promptly compute such adjustment, and furnish Holder with a certificate of its Chief Financial Officer setting forth such adjustment and the facts upon which such adjustment is based. The Company shall, upon written request, furnish Holder a certificate setting forth the Warrant Price in effect upon the date thereof and the series of adjustments leading to such Warrant Price.

### ARTICLE 3. REPRESENTATIONS AND COVENANTS OF THE COMPANY.

3.1 Representations and Warranties. The Company hereby represents and warrants to the Holder as follows:

(a) The initial Warrant Price referenced on the first page of this Warrant is not greater than (i) the price per share at which the Shares were last issued in an

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### WARRANT TO PURCHASE STOCK

arms-length transaction in which at least \$500,000 of the Shares were sold and (ii) the fair market value of the Shares as of the date of this Warrant.

(b) All Shares which may be issued upon the exercise of the purchase right represented by this Warrant, and all securities, if any, issuable upon conversion of the Shares, shall, upon issuance, be duly authorized, validly issued, fully paid and non-assessable, and free of any liens and encumbrances except for restrictions on transfer provided for herein or under applicable federal and state securities laws.

3.2 NOTICE OF CERTAIN EVENTS. If the Company proposes at any time (a) to declare any dividend or distribution upon its common stock, whether in cash, property, stock, or other securities and whether or not a regular cash dividend; (b) to offer for subscription pro rata to the holders of any class or series of its stock any additional shares of stock of any class or series or other rights; (c) to effect any reclassification or recapitalization of common stock; (d) to merge or consolidate with or into any other corporation, or sell, lease, license, or convey all or substantially all of its assets, or to liquidate, dissolve or wind up; or (e) offer holders of registration rights the opportunity to participate in an underwritten public offering of the company's securities for cash, then, in connection with each such event, the Company shall give Holder (1) at least 20 days prior written notice of the date on which a record will be taken for such dividend, distribution, or subscription rights (and specifying the date on which the holders of common stock will be entitled thereto) or for determining rights to vote, if any, in respect of the matters referred to in (c) and (d) above; (2) in the case of the matters referred to in (c) and (d) above at least 20 days prior written notice of the date when the same will take place (and specifying the date on which the holders of common stock will be entitled to exchange their common stock for securities or other property deliverable upon the occurrence of such event); and (3) in the case of the matter referred to in (e) above, the same notice as is given to the holders of such registration rights.

3.3 INFORMATION RIGHTS. So long as the Holder holds this Warrant and/or any of the Shares, the Company shall deliver to the Holder (a) promptly after mailing, copies of all notices or other written communications to the shareholders of the Company, (b) within ninety (90) days after the end of each fiscal year of the Company, the annual audited financial statements of the Company certified by independent public accountants of recognized standing and (c) within forty-five (45) days after the end of each of the first three quarters of each fiscal year, the Company's quarterly, unaudited financial statements.

3.4 REGISTRATION UNDER SECURITIES ACT OF 1933, AS AMENDED. The Company agrees that the Shares or, if the Shares are convertible into common stock of the Company, such common stock, shall be subject to the registration rights set forth on Exhibit B, if attached.

#### ARTICLE 4. MISCELLANEOUS.

4.1 TERM: NOTICE OF EXPIRATION. This Warrant is exercisable, in whole or in part, at any time and from time to time on or before the Expiration Date set forth above. The Company shall give Holder written notice of Holder's right to exercise this Warrant in the form attached as Appendix 2 not more than 90 days and not less than 30 days before the Expiration Date. If the notice is not so given, the Expiration Date shall automatically be extended until 30 days after the date the Company delivers the notice to Holder.

4.2 LEGENDS. This Warrant and the Shares (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) shall be imprinted with a legend in substantially the following form:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT OR PURSUANT TO RULE 144 OR AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE CORPORATION AND ITS COUNSEL THAT SUCH REGISTRATION IS NOT REQUIRED.

4.3 COMPLIANCE WITH SECURITIES LAWS ON TRANSFER. This Warrant and the Shares issuable upon exercise this Warrant (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) may not be transferred or assigned in whole or in part without compliance with applicable federal and state securities laws by the transferor and the transferee (including, without limitation, the delivery of investment representation letters and legal opinions reasonably satisfactory to the Company, if reasonably requested by the Company). The Company shall not require Holder to provide an opinion of counsel if the transfer is to an affiliate of Holder or if there is no material question as to the availability of current information as referenced in Rule 144(c), Holder represents that it has complied with Rule 144(d) and (e) in reasonable detail, the selling broker represents that it has complied with Rule 144(f), and the Company is provided with a copy of Holders notice of proposed sale.

4.4 TRANSFER PROCEDURE. Subject to the provisions of Section 4.2, Holder may transfer all or part of this Warrant or the Shares issuable upon exercise of this Warrant (or the securities issuable, directly or indirectly, upon conversion of the Shares, if any) by giving the Company notice of the portion of the Warrant being transferred setting forth the name, address and taxpayer identification number of the transferee and surrendering this Warrant to the Company for reissuance to the transferee(s) (and Holder if applicable). Unless the Company is filing financial information with the SEC pursuant to the Securities Exchange Act of 1934, the Company shall have the right to refuse to transfer any portion of this Warrant to any person who directly competes with the Company.

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WARRANT TO PURCHASE STOCK

4.5 NOTICES. All notices and other communications from the Company to the Holder, or vice versa, shall be deemed delivered and effective when given personally or mailed by first-class registered or certified mail, postage prepaid, at such address as may have been furnished to the Company or the Holder, as the case may be, in writing by the Company or such holder from time to time.

4.6 WAIVER. This Warrant and any term hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought.

4.7 ATTORNEYS FEES. In the event of any dispute between the parties concerning the terms and provisions of this Warrant, the party prevailing in such dispute shall be entitled to collect from the other party all costs incurred in such dispute, including reasonable attorneys' fees.

4.8 GOVERNING LAW. This Warrant shall be governed by and construed in accordance with the laws of the State of California, without giving effect to its principles regarding conflicts of law.

ALPHA MICROSYSTEMS

BY DOUGLAS J. TULLIO  
-----  
CHAIRMAN OF THE BOARD,  
PRESIDENT OR VICE PRESIDENT

BY JOHN F. GLADE  
-----  
SECRETARY OR ASS'T SECRETARY

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WARRANT TO PURCHASE STOCK

APPENDIX 1

NOTICE OF EXERCISE

1. The undersigned hereby elects to purchase \_\_\_\_\_ shares of the Common/Series \_\_\_\_ Preferred [strike one] Stock of \_\_\_\_\_ pursuant to the terms of the attached Warrant, and tenders herewith payment of the purchase price of such shares in full.

2. The undersigned hereby elects to convert the attached Warrant into Shares/cash [strike one] in the manner specified in the Warrant. This conversion is exercised with respect to \_\_\_\_\_ of the Shares covered by the Warrant.

[Strike paragraph that does not apply.]

3. Please issue a certificate or certificates representing said shares in the name of the undersigned or in such other name as is specified below:

\_\_\_\_\_  
(NAME)

\_\_\_\_\_  
\_\_\_\_\_  
(ADDRESS)

4. The undersigned represents it is acquiring the shares solely for its own account and not as a nominee for any other party and not with a view toward the resale or distribution thereof except in compliance with applicable securities laws.

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Date)

APPENDIX 2

NOTICE THAT WARRANT IS ABOUT TO EXPIRE

\_\_\_\_\_, \_\_\_\_  
(Name of Holder)  
(Address of Holder)  
Attn: Chief Financial Officer

Dear \_\_\_\_\_:

This is to advise you that the Warrant issued to you described below will expire on \_\_\_\_\_, 19\_\_.

Issuer:

Issue Date:

Class of Security Issuable:

Exercise Price per Share:

Number of Shares Issuable:

Procedure for Exercise:

Please contact [name of contact person at (phone number)] with any questions you may have concerning exercise of the Warrant. This is your only notice of pending expiration.

(Name of Issuer)

By \_\_\_\_\_

Its \_\_\_\_\_

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WARRANT TO PURCHASE STOCK

EXHIBIT A

ANTI-DILUTION PROVISIONS

In the event of the issuance (a "Diluting Issuance") by the Company, after the Issue Date of the Warrant, of securities at a price per share less than the higher of the then conversion price of the Company's Preferred Stock or the Warrant Price, then the number of shares issuable upon exercise of the Warrant, shall be adjusted as a result of Diluting Issuances in accordance with the Holder's standard form of Anti-Dilution Agreement in effect on the Issue Date.

Under no circumstances shall the aggregate Warrant Price payable by the Holder upon exercise of the Warrant increase as a result of any adjustment arising from a Diluting Issuance.

EXHIBIT B

REGISTRATION RIGHTS

The Shares (if common stock), or the common stock issuable upon conversion of the Shares, shall be deemed "registrable securities" or otherwise entitled to "piggy back" registration rights in accordance with the terms of the following agreement (the "Agreement") between the Company and its investor(s):

\_\_\_\_\_ [Identify Agreement by date, title and parties. If no Agreement exists, indicate by "none".]

The Company agrees that no amendments will be made to the Agreement which would have an adverse impact on Holder's registration rights thereunder without the consent of Holder. By acceptance of the Warrant to which this Exhibit B is attached, Holder shall be deemed to be a party to the Agreement.

If no Agreement exists, then the Company and the Holder shall enter into Holder's standard form of Registration Rights Agreement as in effect on the Issue Date of the Warrant.

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[LOGO] SILICON VALLEY BANK

REGISTRATION RIGHTS AGREEMENT

ISSUER: ALPHA MICROSYSTEMS  
ADDRESS: 3511 WEST SUNFLOWER  
SANTA ANA, CALIFORNIA 92704

DATE: JULY 10, 1995

THIS REGISTRATION RIGHTS AGREEMENT is entered into as of the above date by and between SILICON VALLEY BANK ("Purchaser"), whose address is 3000 Lakeside Drive, Santa Clara, California 95054-2895 and the above Company, whose address is set forth above.

RECITALS

A. Concurrently with the execution of this Agreement, the Purchaser is purchasing from the Company a Warrant to Purchase Stock (the "Warrant") pursuant to which Purchaser has the right to acquire from the Company the Shares (as defined in the Warrant).

B. By this Agreement, the Purchaser and the Company desire to set forth the registration rights of the Shares all as provided herein.

NOW, THEREFORE, in consideration of the mutual promises, covenants and conditions hereinafter set forth, the parties hereto mutually agree as follows:

1. REGISTRATION RIGHTS. The Company covenants and agrees as follows:

1.1 DEFINITIONS. For purposes of this Section 1:

(a) The term "register," "registered," and "registration" refer to a registration effected by preparing and filing a registration statement or similar document in compliance with the Securities Act of 1933, as amended (the "Securities Act"), and the declaration or ordering of effectiveness of such registration statement or document;

(b) The term "Registrable Securities" means (i) the Shares (if Common Stock) or all shares of Common Stock of the Company issuable or issued upon conversion of the Shares and (ii) any Common Stock of the Company issued as (or issuable upon the conversion or exercise of any warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, any stock referred to in (i).

(c) The terms "Holder" or "Holders" means the Purchaser or qualifying transferees under subsection 1.8 hereof who hold Registrable Securities.

(d) The term "SEC" means the Securities and Exchange Commission.

## 1.2 COMPANY REGISTRATION.

(a) Registration. If at any time or from time to time, the Company shall determine to register any of its securities, for its own account or the account of any of its shareholders, other than a registration on Form S-1 or S-8 relating solely to employee stock option or purchase plans, or a registration on Form S-4 relating solely to an SEC Rule 145 transaction, or a registration on any other form (other than Form S-1, S-2, S-3 or S-18, or their successor forms) or any successor to such forms, which does not include substantially the same information as would be required to be included in a registration statement covering the sale of Registrable Securities, the Company will:

(i) promptly give to each Holder written notice thereof (which shall include a list of the jurisdictions in which the Company intends to attempt to qualify such securities under the applicable blue sky or other state securities laws); and

(ii) include in such registration (and compliance), and in any underwriting involved therein, all the Registrable Securities specified in a written request or requests, made within 30 days after receipt of such written notice from the Company, by any Holder or Holders, except as set forth in subsection 1.2(b) below.

(b) Underwriting. If the registration of which the Company gives notice is for a registered public offering involving an underwriting, the Company shall so advise

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the Holders as a part of the written notice given pursuant to subsection 1.2(a)(i). In such event the right of any Holder to registration pursuant to this subsection 1.2 shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall (together with the Company and the other shareholders distributing their securities through such underwriting) enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by the Company.

1.3 EXPENSES OF REGISTRATION. All expenses incurred in connection with any

registration, qualification or compliance pursuant to this Section 1 including without limitation, all registration, filing and qualification fees, printing expenses, fees and disbursements of counsel for the Company and expenses of any special audits incidental to or required by such registration, shall be borne by the Company except the Company shall not be required to pay underwriters' fees, discounts or commissions relating to Registrable Securities. All expenses of any registered offering not otherwise borne by the Company shall be borne pro rata among the Holders participating in the offering and the Company.

1.4 REGISTRATION PROCEDURES. In the case of each registration, qualification or compliance effected by the Company pursuant to this Registration Rights Agreement, the Company will keep each Holder participating therein advised in writing as to the initiation of each registration, qualification and compliance and as to the completion thereof. Except as otherwise provided in subsection 1.3, at its expense the Company will:

(a) Prepare and file with the SEC a registration statement with respect to such Registrable Securities and use its best efforts to cause such registration statement to become effective, and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for up to 120 days.

(b) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement.

(c) Furnish to the Holders such numbers of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them.

(d) Use its best efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

(e) In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter of such offering. Each Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement.

(f) Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act or the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a

material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing.

#### 1.5 INDEMNIFICATION.

(a) The Company will indemnify each Holder of Registrable Securities and each of its officers, directors and partners, and each person controlling such Holder, with respect to which such registration, qualification or compliance has been effected pursuant to this Rights Agreement, and each underwriter, if any, and each person who controls any underwriter of the Registrable Securities held by or issuable to such Holder, against all claims, losses, expenses, damages and liabilities (or actions in respect thereto) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any prospectus, offering circular or other document (including any related registration statement, notification or the like) incident to any such registration, qualification or compliance, or based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statement therein not misleading, or any violation or alleged violation by the Company of the Securities Act, the Securities Exchange Act of 1934, as amended ("Exchange Act"), or any state securities law applicable to the Company or any rule or regulation promulgated under the Securities Act, the Exchange Act or any such state law and relating to action or inaction required of the Company in connection with any such registration, qualification of compliance, and will reimburse each such Holder, each of its officers, directors and partners, and each person controlling such Holder, each such underwriter and each person who controls any such underwriter, within a reasonable amount of time after incurred for any reasonable legal and any other expenses incurred in connection with investigating, defending or settling any such claim, loss, damage, liability or

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action; provided, however, that the indemnity agreement contained in this subsection 1.5(a) shall not apply to amounts paid in settlement of any such claim, loss, damage, liability, or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld); and provided further, that the Company will not be liable in any such case to the extent that any such claim, loss, damage or liability arises out of or is based on any untrue statement or omission based upon written information furnished to the Company by an instrument duly executed by such Holder or underwriter specifically for use therein.

(b) Each Holder will, if Registrable Securities held by or issuable to such Holder are included in the securities as to which such registration, qualification or compliance is being effected, indemnify the Company, each of its directors and officers, each underwriter, if any, of the Company's

securities covered by such a registration statement, each person who controls the Company within the meaning of the Securities Act, and each other such Holder, each of its officers, directors and partners and each person controlling such Holder, against all claims, losses, expenses, damages and liabilities (or actions in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any such registration statement, prospectus, offering circular or other document, or any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse the Company, such Holders, such directors, officers, partners, persons or underwriters for any reasonable legal or any other expenses incurred in connection with investigating, defending or settling any such claim, loss, damage, liability or action, in each case to the extent, but only to the extent, that such untrue statement (or alleged untrue statement) or omission (or alleged omission) is made in such registration statement, prospectus, offering circular or other document in reliance upon and in conformity with written information furnished to the Company by an instrument duly executed by such Holder specifically for use therein; provided, however, that the indemnity agreement contained in this subsection 1.5(b) shall not apply to amounts paid in settlement of any such claim, loss, damage, liability or action if such settlement is effected without the consent of the Holder (which consent shall not be unreasonably withheld); and provided further, that the total amount for which any Holder shall be liable under this subsection 1.5(b) shall not in any event exceed the aggregate proceeds received by such Holder from the sale of Registrable Securities held by such Holder in such registration.

(c) Each party entitled to indemnification under this subsection 1.5 (the "Indemnified Party") shall give notice to the party required to provide indemnification (the "Indemnifying Party") promptly after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, and shall permit the Indemnifying Party to assume the defense of any such claim or any litigation resulting therefrom; provided that counsel for the Indemnifying Party, who shall conduct the defense of such claim or litigation, shall be approved by the Indemnified Party (whose approval shall not be unreasonably withheld), and the Indemnified Party may participate in such defense at such party's expense; and provided further, that the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations hereunder, unless such failure resulted in prejudice to the Indemnifying Party; and provided further, that an Indemnified Party (together with all other Indemnified Parties which may be represented without conflict by one counsel) shall have the right to retain one separate counsel, with the fees and expenses to be paid by the Indemnifying Party, if representation of such Indemnified Party by the counsel retained by the Indemnifying Party would be inappropriate due to actual or potential differing interests between such Indemnified Party and any other party represented by such counsel in such proceeding. No Indemnifying Party, in the defense of any such claim or litigation, shall, except with the consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all

liability in respect to such claim or litigation.

1.6 INFORMATION BY HOLDER. Any Holder or Holders of Registrable Securities included in any registration shall promptly furnish to the Company such information regarding such Holder or Holders and the distribution proposed by such Holder or Holders as the Company may request in writing and as shall be required in connection with any registration, qualification or compliance referred to herein.

1.7 RULE 144 REPORTING. With a view to making available to Holders the benefits of certain rules and regulations of the SEC which may permit the sale of the Registrable Securities to the public without registration, the Company agrees at all times to:

(a) make and keep public information available, as those terms are understood and defined in SEC Rule 144, after 90 days after the effective date of the first registration filed by the Company for an offering of its securities to the general public;

(b) file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements); and

(c) so long as a Holder owns any Registrable Securities, to furnish to such Holder forthwith upon request a written statement by the Company as to its compliance with the reporting requirements of said Rule 144 (at any time after 90 days after the effective date of the first registration statement filed by the Company for an offering of its securities to the general public), and of the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements), a copy of the most recent annual or quarterly report of the Company, and such other reports and documents so filed by the Company as the Holder may reasonably request in complying with any rule or regulation of the SEC allowing the Holder to sell any such securities without registration.

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1.8 TRANSFER OF REGISTRATION RIGHTS. Holders' rights to cause the Company to register their securities and keep information available, granted to them by the Company under subsections 1.2 and 1.7 may be assigned to a transferee or assignee of a Holder's Registrable Securities not sold to the public, provided, that the Company is given written notice by such Holder at the time of or

within a reasonable time after said transfer, stating the name and address of said transferee or assignee and identifying the securities with respect to which such registration rights are being assigned. The Company may prohibit the transfer of any Holders' rights under this subsection 1.8 to any proposed transferee or assignee who the Company reasonably believes is a competitor of the Company.

## 2. GENERAL.

2.1 WAIVERS AND AMENDMENTS. With the written consent of the record or beneficial holders of at least a majority of the Registrable Securities, the obligations of the Company and the rights of the Holders of the Registrable Securities under this agreement may be waived (either generally or in a particular instance, either retroactively or prospectively, and either for a specified period of time or indefinitely), and with the same consent the Company, when authorized by resolution of its Board of Directors, may enter into a supplementary agreement for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Agreement; provided, however, that no such modification, amendment or waiver shall reduce the aforesaid percentage of Registrable Securities. Upon the effectuation of each such waiver, consent, agreement of amendment or modification, the Company shall promptly give written notice thereof to the record holders of the Registrable Securities who have not previously consented thereto in writing. This Agreement or any provision hereof may be changed, waived, discharged or terminated only by a statement in writing signed by the party against which enforcement of the change, waiver, discharge or termination is sought, except to the extent provided in this subsection 2.1.

2.2 GOVERNING LAW. This Agreement shall be governed in all respects by the laws of the State of California as such laws are applied to agreements between California residents entered into and to be performed entirely within California.

2.3 SUCCESSORS AND ASSIGNS. Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors and administrators of the parties hereto.

2.4 ENTIRE AGREEMENT. Except as set forth below, this Agreement and the other documents delivered pursuant hereto constitute the full and entire understanding and agreement between the parties with regard to the subjects hereof and thereof.

2.5 NOTICES. ETC. All notices and other communications required or permitted hereunder shall be in writing and shall be mailed by first class mail, postage prepaid, certified or registered mail, return receipt requested, addressed (a) if to Holder, at such Holder's address as set forth in the heading to this Agreement, or at such other address as such Holder shall have furnished to the Company in writing, or (b) if to the Company, at the Company's address set forth in the heading to this Agreement, or at such other address as the Company shall have furnished to the Holder in writing.

2.6 SEVERABILITY. In case any provision of this Agreement shall be invalid, illegal, or unenforceable, the validity, legality and enforceability of the remaining provisions of this Agreement or any provision of the other Agreements shall not in any way be affected or impaired thereby.

2.7 TITLES AND SUBTITLES. The titles of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

2.8 COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

COMPANY:

ALPHA MICROSYSTEMS

BY DOUGLAS J. TULLIO  
-----  
PRESIDENT OR VICE PRESIDENT

BY JOHN F. GLADE  
-----  
SECRETARY OR ASS'T SECRETARY

PURCHASER:

SILICON VALLEY BANK

BY TERRY BESS  
-----  
TITLE VICE PRESIDENT  
-----



[LOGO]

SILICON VALLEY BANK

## ANTIDILUTION AGREEMENT

ISSUER: ALPHA MICROSYSTEMS  
ADDRESS: 3511 WEST SUNFLOWER  
SANTA ANA, CALIFORNIA 92704

DATE: JULY 10, 1995

THIS AGREEMENT is entered into as of the above date by and between SILICON VALLEY BANK ("Purchaser"), whose address is 3000 Lakeside Drive, Santa Clara, California 95054-2895, and the above Company, whose address is set forth above.

## RECITALS

- A. Concurrently with the execution of this Antidilution Agreement, the Purchaser is purchasing from the Company a Warrant to Purchase Stock (the "Warrant") pursuant to which Purchaser has the right to acquire from the Company the Shares (as defined in the Warrant).
- B. By this Antidilution Agreement, the Purchaser and the Company desire to set forth the adjustment in the number of Shares issuable upon exercise of the Warrant as a result of a Diluting Issuance (as defined in Exhibit A to the Warrant).
- C. Capitalized terms used herein shall have the same meaning as set forth in the Warrant.

NOW, THEREFORE, in consideration of the mutual promises, covenants and conditions hereinafter set forth, the parties hereto mutually agree as follows:

1. DEFINITIONS. As used in this Antidilution Agreement, the following terms have the following respective meanings:
  - (a) "Option" means any right, option, or warrant to subscribe for, purchase, or otherwise acquire common stock or Convertible Securities.
  - (b) "Convertible Securities" means any evidences of indebtedness, shares of stock, or other securities directly or indirectly convertible into or

exchangeable for common stock.

(c) "Issue" means to grant, issue, sell, assume, or fix a record date for determining persons entitled to receive, any security (including Options), whichever of the foregoing is the first to occur.

(d) "Additional Common Shares" means all common stock (including reissued shares) issued (or deemed to be issued pursuant to Section 2) after the date of the Warrant. Additional Common Shares does not include, however, any common stock issued in a transaction described in Sections 2.1 and 2.2 of the Warrant; any common stock Issued upon conversion of preferred stock outstanding on the date of the Warrant; the Shares; or common stock Issued as incentive or in a nonfinancing transaction to employees, officers, directors, or consultants to the Company.

(e) The shares of common stock ultimately Issuable upon exercise of an Option (including the shares of common stock ultimately Issuable upon conversion or exercise of a Convertible Security Issuable pursuant to an Option) are deemed to be Issued when the Option is Issued. The shares of common stock ultimately Issuable upon conversion or exercise of a Convertible Security (other than a Convertible Security Issued pursuant to an Option) shall be deemed Issued upon Issuance of the Convertible Security.

2. DEEMED ISSUANCE OF ADDITIONAL COMMON SHARES. The shares of common stock ultimately Issuable upon exercise of an Option (including the shares of common stock ultimately Issuable upon conversion or exercise of a Convertible Security Issuable pursuant to an Option) are deemed to be Issued when the Option is Issued. The shares of common stock ultimately Issuable upon conversion or exercise of a Convertible Security (other than a Convertible Security Issued pursuant to an Option) shall be deemed Issued upon Issuance of the Convertible Security. The maximum amount of common stock Issuable is determined without regard to any future

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adjustments permitted under the instrument creating the Options or Convertible Securities.

3. ADJUSTMENT OF WARRANT PRICE FOR DILUTING ISSUANCES.

3.1 RATCHET ADJUSTMENT. If the Company issues Additional Common Shares after the date of the Warrant and the consideration per Additional Common Share

(determined pursuant to Section 9) is less than the Warrant Price in effect immediately before such Issue, the Warrant Price shall be reduced to the lesser of:

(a) the amount of such consideration per Additional Common Share; or

(b) if the Company's common stock is traded on a national securities exchange or the National Association of Securities Dealers Automated Quotation System, the last reported bid or sale price of the Company's common stock on the first trading day following a public announcement of the Issuance.

3.2 ADJUSTMENT OF NUMBER OF SHARES. Upon each adjustment of the Warrant Price, the number of Shares issuable upon exercise of the Warrant shall be increased to equal the quotient obtained by dividing (a) the product resulting from multiplying (i) the number of Shares issuable upon exercise of the Warrant and (ii) the Warrant Price, in each case as in effect immediately before such adjustment, by (b) the adjusted Warrant Price.

3.3 SECURITIES DEEMED OUTSTANDING. For the purpose of this Section 3, all securities issuable upon exercise of any outstanding Convertible Securities or Options, warrants, or other rights to acquire securities of the Company shall be deemed to be outstanding.

4. NO ADJUSTMENT FOR ISSUANCES FOLLOWING DEEMED ISSUANCES. No adjustment to the Warrant Price shall be made upon the exercise of Options or conversion of Convertible Securities.

5. ADJUSTMENT FOLLOWING CHANGES IN TERMS OF OPTIONS OR CONVERTIBLE SECURITIES. If the consideration payable to, or the amount of common stock Issuable by, the Company increases or decreases, respectively, pursuant to the terms of any outstanding Options or Convertible Securities, the Warrant Price shall be recomputed to reflect such increase or decrease. The recomputation shall be made as of the time of the Issuance of the Options or Convertible Securities. Any changes in the Warrant Price that occurred after such Issuance because other Additional Common Shares were Issued or deemed Issued shall also be recomputed.

6. RECOMPUTATION UPON EXPIRATION OF OPTIONS OR CONVERTIBLE SECURITIES. The Warrant Price computed upon the original Issue of any Options or Convertible Securities, and any subsequent adjustments based thereon, shall be recomputed when any Options or rights of conversion under Convertible Securities expire without having been exercised. In the case of Convertible Securities or Options for common stock, the Warrant Price shall be recomputed as if the only Additional Common Shares Issued were the shares of common stock actually Issued upon the exercise of such securities, if any, and as if the only consideration received therefor was the consideration actually received upon the Issue, exercise or conversion of the Options or Convertible Securities. In the case of Options for Convertible Securities, the Warrant Price shall be recomputed as if the only Convertible Securities Issued were the Convertible Securities actually Issued upon the exercise thereof, if any, and as if the only consideration received therefor was the consideration actually received by the

Company (determined pursuant to Section 9), if any, upon the Issue of the Options for the Convertible Securities.

7. LIMIT ON READJUSTMENTS. No readjustment of the Warrant Price pursuant to Sections 5 or 6 shall increase the Warrant Price more than the amount of any decrease made in respect of the Issue of any Options or Convertible Securities.

8. 30 DAY OPTIONS. In the case of any Options that expire by their terms not more than 30 days after the date of Issue thereof, no adjustment of the Warrant Price shall be made until the expiration or exercise of all such Options.

9. COMPUTATION OF CONSIDERATION. The consideration received by the Company for the Issue of any Additional Common Shares shall be computed as follows:

(a) Cash shall be valued at the amount of cash received by the Corporation, excluding amounts paid or payable for accrued interest or accrued dividends.

(b) Property. Property other than cash shall be computed at the fair market value thereof at the time of the Issue as determined in good faith by the Board of Directors of the Company.

(c) Mixed Consideration. The consideration for Additional common Shares Issued together with other property of the Company for consideration that covers both shall be determined in good faith by the Board of Directors.

(d) Options and Convertible Securities. The consideration per Additional Common Share for Options and Convertible Securities shall be determined by dividing:

(i) the total amount, if any, received or receivable by the Company for the Issue of the Options or Convertible Securities, plus the minimum amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such consideration) payable to the Company upon exercise of the Options or conversion of the Convertible Securities, by

(ii) the maximum amount of common stock (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of

such number) ultimately Issuable upon the exercise of such Options or the conversion of such Convertible Securities.

10. GENERAL.

10.1 GOVERNING LAW. This Antidilution Agreement shall be governed in all respects by the laws of the State of California as such laws are applied to agreements between California residents entered into and to be performed entirely within California.

10.2 SUCCESSORS AND ASSIGNS. Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors and administrators of the parties hereto.

10.3 ENTIRE AGREEMENT. Except as set forth below, this Antidilution Agreement and the other documents delivered pursuant hereto constitute the full and entire understanding and agreement between the parties with regard to the subjects hereof and thereof.

10.4 NOTICES. ETC. All notices and other communications required or permitted hereunder shall be in writing and shall be mailed by first class mail, postage prepaid, certified or registered mail, return receipt requested, addressed (a) if to Purchaser at Purchaser's address as set forth in the heading to this Agreement, or at such other address as Purchaser shall have furnished to the Company in writing, or (b) if to the Company, at the Company's address set forth in the heading to this Agreement, or at such other address as the Company shall have furnished to the Purchaser in writing.

10.5 SEVERABILITY. In case any provision of this Antidilution Agreement shall be invalid, illegal, or unenforceable, the validity, legality and enforceability of the remaining provisions of this Antidilution Agreement shall not in any way be affected or impaired thereby.

10.6 TITLES AND SUBTITLES. The titles of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Antidilution Agreement.

10.7 COUNTERPARTS. This Antidilution Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

COMPANY:

ALPHA MICROSYSTEMS

BY DOUGLAS J. TULLIO

-----

PRESIDENT OR VICE PRESIDENT

BY JOHN F. GLADE

-----  
SECRETARY OR ASS'T SECRETARY

PURCHASER:

SILICON VALLEY BANK

BY TERRY BESS

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TITLE VICE PRESIDENT  
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COLLATERAL ASSIGNMENT, PATENT MORTGAGE  
AND SECURITY AGREEMENT

This Collateral Assignment, Patent Mortgage and Security Agreement is made as of the 10th day of July 1995, by and between Alpha Microsystems ("Assignor"), and Silicon Valley Bank, a California banking corporation ("Assignee").

RECITALS

A. Assignee has agreed to lend to Assignor certain funds (the "Loans"), pursuant to a Loan and Security Agreement of even date herewith (the "Loan Agreement") and Assignor desires to borrow such funds from Assignee.

B. In order to induce Assignee to make the Loans, Assignor has agreed to assign certain intangible property to Assignee for purposes of securing the obligations of Assignor to Assignee.

NOW, THEREFORE, THE PARTIES HERETO AGREE AS FOLLOWS:

1. Assignment, Patent Mortgage and Grant of Security Interest. As collateral security for the prompt and complete payment and performance of all of Assignor's present or future indebtedness, obligations and liabilities to Assignee, Assignor hereby assigns, transfers, conveys and grants a security interest and mortgage to Assignee, as security, but not as an ownership interest, in and to Assignor's entire right, title and interest in, to and under the following (all of which shall collectively be called the "Collateral"):

(a) All of present and future United States registered copyrights and copyright registrations, including, without limitation, the registered copyrights listed in Exhibit A-1 to this Agreement (and including all of the exclusive rights afforded a copyright registrant in the United States under 17 U.S.C. Sec. 106 and any exclusive rights which may in the future arise by act of Congress or otherwise) and all present and future applications for copyright registrations (including applications for copyright registrations of derivative works and compilations) (collectively, the "Registered Copyrights"), and any and all royalties, payments, and other amounts payable to Assignor in connection with the Registered Copyrights, together with all renewals and extensions of the Registered Copyrights, the right to recover for all past, present, and future infringements of the Registered Copyrights, and all computer programs, computer databases, computer program flow diagrams, source codes, object codes and all tangible property embodying or incorporating the Registered Copyrights, and all other rights of every kind whatsoever accruing thereunder or pertaining thereto.

(b) All present and future copyrights which are not registered in the United States Copyright Office (the "Unregistered Copyrights"), whether now owned or hereafter acquired, including without limitation the Unregistered Copyrights listed in Exhibit A-2 to this Agreement, and any and all royalties, payments, and other amounts payable to Assignor in connection with the Unregistered Copyrights, together with all renewals and extensions of the Unregistered Copyrights, the right to recover for all past, present, and future infringements of the Unregistered Copyrights, and all computer programs, computer databases, computer program flow diagrams, source

codes, object codes and all tangible property embodying or incorporating the Unregistered Copyrights, and all other rights of every kind whatsoever accruing thereunder or pertaining thereto. The Registered Copyrights and the Unregistered Copyrights collectively are referred to herein as the "Copyrights."

(c) All right, title and interest in and to any and all present and future license agreements with respect to the Copyrights, including without limitation the license agreements listed in Exhibit A-3 to this Agreement (the "Licenses").

(d) All present and future accounts, accounts receivable and other rights to payment arising from, in connection with or relating to the Copyrights.

(e) Any and all trade secrets, and any and all intellectual property rights in computer software and computer software products now or hereafter existing, created, acquired or held;

(f) Any and all design rights which may be available to Assignor now or hereafter existing, created, acquired or held;

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(g) All patents, patent applications and like protections including, without limitation, improvements, divisions, continuations, renewals, reissues, extensions and continuations-in-part of the same, including without limitation the patents and patent applications set forth on Exhibit B attached hereto (collectively, the "Patents");

(h) 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 Assignor connected with and symbolized by such trademarks, including without limitation those set forth on Exhibit C attached hereto (collectively, the "Trademarks")

(i) Any and all claims for damages by way of past, present and future infringements of any of the rights included above, with the right, but not the obligation, to sue for and collect such damages for said use or infringement of the intellectual property rights identified above;

(j) 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;

(k) All amendments, extensions, renewals and extensions of any of the Copyrights, Trademarks or Patents; and

(l) 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.

THE INTEREST IN THE COLLATERAL BEING ASSIGNED HEREUNDER SHALL NOT BE CONSTRUED AS A CURRENT ASSIGNMENT, BUT AS A CONTINGENT ASSIGNMENT TO SECURE ASSIGNOR'S OBLIGATIONS TO ASSIGNEE UNDER THE LOAN AGREEMENT.



2. Authorization and Request. Assignor authorizes and requests that the Register of Copyrights and the Commissioner of Patents and Trademarks record this conditional assignment.

3. Covenants and Warranties. Assignor represents, warrants, covenants and agrees as follows:

(a) Assignor is now the sole owner of the Collateral, except for non-exclusive licenses granted by Assignor to its customers in the ordinary course of business.

(b) Listed on Exhibits A-1 and A-2 are all \* copyrights owned by Assignor, in which Assignor has an interest, or which are used in Assignor's business \*\*.

\* MATERIAL

\*\* AND WHICH, IN ANY EVENT, RELATE TO OR RESULT IN 100% OF THE ACCOUNTS THAT ASSIGNOR INCLUDES AND WILL INCLUDE IN THE COLLATERAL REPORTS THAT ASSIGNOR PROVIDES TO ASSIGNEE FOR BORROWING PURPOSES UNDER THE LOAN AGREEMENT

(c) Each employee, agent and/or independent contractor who has participated in the creation of the property constituting the Collateral has either executed an assignment of his or her rights of authorship to Assignor or is an employee of Assignor acting within the scope of his or her employment and was such an employee at the time of said creation.

(d) All of Assignor's present and future software, computer programs and other works of authorship subject to United States copyright protection, the sale, licensing or other disposition of which results in royalties receivable, license fees receivable, accounts receivable or other sums owing to Assignor (collectively, "Receivables"), have been and shall be registered with the United States Copyright Office prior to the date Assignor requests or accepts any loan from Assignee with respect to such Receivables and prior to the date Assignor includes any such Receivables in any accounts receivable aging, borrowing base report or certificate or other similar report provided to Assignee, and Assignor shall provide to Assignee copies of all such registrations promptly upon the receipt of the same.

(e) Assignor shall undertake all reasonable measures to cause its employees, agents and

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independent contractors to assign to Assignor all rights of authorship to any copyrighted material in which Assignor has or may subsequently acquire any right or interest.

(f) Performance of this Assignment does not conflict with or result in a breach of any agreement to which Assignor is bound, except to the extent that certain intellectual property agreements prohibit the assignment of the rights thereunder to a third party without the licensor's or other party's consent and this Assignment constitutes an assignment.

(g) During the term of this Agreement, Assignor will not transfer or otherwise encumber any interest in the Collateral, except for non-exclusive licenses granted by Assignor in the ordinary course of business or as set forth in this Assignment;

(h) Each of the Patents is valid and enforceable, and no part of the Collateral has been judged invalid or unenforceable, in whole or in part, and no claim has been made that any part of the Collateral violates the rights of any third party;

(i) Assignor shall promptly advise Assignee of any material adverse change in the composition of the Collateral, including but not limited to any subsequent ownership right of the Assignor in or to any Trademark, Patent or Copyright not specified in this Assignment;

(j) Assignor shall (i) protect, defend and maintain the validity and enforceability of the Trademarks, Patents and Copyrights, (ii) use its best efforts to detect infringements of the Trademarks, Patents and Copyrights and promptly advise Assignee in writing of material infringements detected and (iii) not allow any Trademarks, Patents, or Copyrights to be abandoned, forfeited or dedicated to the public without the written consent of Assignee, which shall not be unreasonably withheld unless Assignor determines that reasonable business practices suggest that abandonment is appropriate.

(k) Assignor shall promptly register the most recent version of any of Assignor's Copyrights, if not so already registered, and shall, from time to time, execute and file such other instruments, and take such further actions as Assignee may reasonably request from time to time to perfect or continue the perfection of Assignee's interest in the Collateral;

(l) This Assignment creates, and in the case of after acquired Collateral, this Assignment will create at the time Assignor first has rights in such after acquired Collateral, in favor of Assignee a valid and perfected first priority security interest in the Collateral in the United States securing the payment and performance of the obligations evidenced by the Loan Agreement upon making the filings referred to in clause (m) below;

(m) To its knowledge, except for, and upon, the filing with the United States Patent and Trademark office with respect to the Patents and Trademarks and the Register of Copyrights with respect to the Copyrights necessary to perfect the security interests and assignment created hereunder and except as has been already made or obtained, no authorization, approval or other action by, and no notice to or filing with, any U.S. governmental authority or U.S. regulatory body is required either (i) for the grant by Assignor of the security interest granted hereby or for the execution, delivery or performance of this Assignment by Assignor in the U.S. or (ii) for the perfection in the United States or the exercise by Assignee of its rights and remedies thereunder;

(n) All information heretofore, herein or hereafter supplied to Assignee by or on behalf of Assignor with respect to the Collateral is accurate and complete in all material respects.

(o) Assignor shall not enter into any agreement that would materially impair or conflict with Assignor's obligations hereunder without Assignee's prior written consent, which consent shall not be unreasonably withheld. Assignor shall not permit the inclusion in any material contract to which it becomes a party of any provisions that could or might in any way prevent the creation of a security interest in Assignor's rights and interest in any property included within the definition of the Collateral

acquired under such contracts, except that certain contracts may contain anti-assignment provisions that could in effect prohibit the creation of a security interest in such contracts.

(p) Upon any executive officer of Assignor obtaining actual knowledge thereof, Assignor will promptly notify Assignee in writing of any event that materially adversely affects the value of any

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material Collateral, the ability of Assignor to dispose of any material Collateral or the rights and remedies of Assignee in relation thereto, including the levy of any legal process against any of the Collateral.

4. Assignee's Rights. Assignee shall have the right, but not the obligation, to take, at Assignor's sole expense, any actions that Assignor is required under this Assignment to take but which Assignor fails to take, after fifteen (15) days' notice to Assignor. Assignor shall reimburse and indemnify Assignee for all reasonable costs and reasonable expenses incurred in the reasonable exercise of its rights under this section 4.

5. Inspection Rights. Assignor hereby grants to Assignee and its employees, representatives and agents the right to visit, during reasonable hours upon prior reasonable written notice to Assignor, and any of Assignor's plants and facilities that manufacture, install or store products (or that have done so during the prior six-month period) that are sold utilizing any of the Collateral, and to inspect the products and quality control records relating thereto upon reasonable written notice to Assignor and as often as may be reasonably requested, but not more than one (1) in every six (6) months; provided, however, nothing herein shall entitle Assignee access to Assignor's trade secrets and other proprietary information.

6. Further Assurances; Attorney in Fact.

(a) Upon an Event of Default, on a continuing basis thereafter, Assignor will, subject to any prior licenses, encumbrances and restrictions and prospective licenses, make, execute, acknowledge and deliver, and file and record in the proper filing and recording places in the United States, all such instruments, including, appropriate financing and continuation statements and collateral agreements and filings with the United States Patent and Trademarks Office and the Register of Copyrights, and take all such action as may reasonably be deemed necessary or advisable, or as requested by Assignee, to perfect Assignee's security interest in all Copyrights, Patents and Trademarks and otherwise to carry out the intent and purposes of this Collateral Assignment, or for assuring and confirming to Assignee the grant or perfection of a security interest in all Collateral.

(b) Upon an Event of Default, Assignor hereby irrevocably appoints Assignee as Assignor's attorney-in-fact, with full authority in the place and stead of Assignor and in the name of Assignor, Assignee or otherwise, from time to time in Assignee's discretion, upon Assignor's failure or inability to do so, to take any action and to execute any instrument which Assignee may deem necessary or advisable to accomplish the purposes of this Collateral Assignment, including:

(i) To modify, in its sole discretion, this Collateral Assignment without first obtaining Assignor's approval of or signature to such modification by amending Exhibit A-1, Exhibit A-2, Exhibit A-3, Exhibit B and Exhibit C, thereof, as appropriate, to include reference to any right, title or interest in any Copyrights, Patents or Trademarks acquired by Assignor after the execution hereof or to delete any reference to any right, title or interest in any Copyrights, Patents or Trademarks in which Assignor no longer has or claims any right, title or interest; and

(ii) To file, in its sole discretion, one or more financing or continuation statements and amendments thereto, relative to any of the Collateral without the signature of Assignor where permitted by law.

7. Events of Default. The occurrence of any of the following shall constitute an Event of Default under the Assignment:

(a) An Event of Default occurs under the Loan Agreement; or

(b) Assignor breaches any warranty or agreement made by Assignor in this Assignment.

8. Remedies. Upon the occurrence and continuance of an Event of Default, Assignee shall have the right to exercise all the remedies of a secured party under the California Uniform Commercial Code, including without limitation the right to require Assignor to assemble the Collateral and any tangible property in which Assignee has a security interest and to make it available to Assignee at a place designated by Assignee. Assignee shall have a nonexclusive, royalty free license to use the Copyrights, Patents and Trademarks to the extent reasonably necessary to permit Assignee to exercise its rights and remedies upon the occurrence of an Event of Default. Assignor will pay any expenses (including reasonable attorney's fees)

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incurred by Assignee in connection with the exercise of any of Assignee's rights hereunder, including without limitation any expense incurred in disposing of the Collateral. All of Assignee's rights and remedies with respect to the Collateral shall be cumulative.

9. Indemnity. Assignor agrees to defend, indemnify and hold harmless Assignee 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 expenses in any way suffered, incurred, or paid by Assignee as a result of or in any way arising out of, following or consequential to transactions between Assignee and Assignor, whether under this Assignment or otherwise (including without limitation, reasonable attorneys fees and reasonable expenses), except for losses arising from or out of Assignee's gross negligence or willful misconduct.

10. Release. At such time as Assignor shall completely satisfy all of the obligations secured hereunder, Assignee shall execute and deliver to

Assignor all assignments and other instruments as may be reasonably necessary or proper to terminate Assignee's security interest in the Collateral, subject to any disposition of the Collateral which may have been made by Assignee pursuant to this Agreement. For the purpose of this Agreement, the obligations secured hereunder shall be deemed to continue if Assignor enters into any bankruptcy or similar proceeding at a time when any amount paid to Assignee could be ordered to be repaid as a preference or pursuant to a similar theory, and shall continue until it is finally determined that no such repayment can be ordered.

11. No Waiver. No course of dealing between Assignor and Assignee, nor any failure to exercise nor any delay in exercising, on the part of Assignee, any right, power, or privilege under this Agreement or under the Loan Agreement or any other agreement, shall operate as a waiver. No single or partial exercise of any right, power, or privilege under this Agreement or under the Loan Agreement or any other agreement by Assignee shall preclude any other or further exercise of such right, power, or privilege or the exercise of any other right, power, or privilege by Assignee.

12. Rights Are Cumulative. All of Assignee's rights and remedies with respect to the Collateral whether established by this Agreement, the Loan Agreement, or any other documents or agreements, or by law shall be cumulative and may be exercised concurrently or in any order.

13. Course of Dealing. No course of dealing, nor any failure to exercise, nor any delay in exercising any right, power or privilege hereunder shall operate as a waiver thereof.

14. Attorneys' Fees. If any action relating to this Assignment is brought by either party hereto against the other party, the prevailing party shall be entitled to recover reasonable attorneys fees, costs and disbursements.

15. Amendments. This Assignment may be amended only by a written instrument signed by both parties hereto. To the extent that any provision of this Agreement conflicts with any provision of the Loan Agreement, the provision giving Assignee greater rights or remedies shall govern, it being understood that the purpose of this Agreement is to add to, and not detract from, the rights granted to Assignee under the Loan Agreement. This Agreement, the Loan Agreement, and the documents relating thereto comprise the entire agreement of the parties with respect to the matters addressed in this Agreement.

16. Severability. The provisions of this Agreement are severable. If any provision of this Agreement is held invalid or unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such provision, or part thereof, in such jurisdiction, and shall not in any manner affect such provision or part thereof in any other jurisdiction, or any other provision of this Agreement in any jurisdiction.

17. Counterparts. This Assignment 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.

18. California Law and Jurisdiction. This Assignment shall be governed by the laws of the State of California, without regard for choice of law provisions. Assignor and Assignee consent to the nonexclusive jurisdiction of any state or federal court located in Orange County, California.



and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

Witness my hand and official seal.

---

(Seal)

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Exhibit "A-1" attached to that certain Collateral Assignment, Patent Mortgage and Security Agreement

EXHIBIT "A-1"

REGISTERED COPYRIGHTS

<TABLE>

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REG. NO.

- - - - -

</TABLE>

<C>

REG. DATE

- - - - -

<C>

COPYRIGHT

- - - - -

See listing on Exhibit A-1 Continuation, attached hereto and made a part hereof.

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EXHIBIT A-1 CONTINUATION

COPYRIGHT LISTS

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COPYRIGHTS APPLIED FOR

- - - - -

<S>

16 PORT AM113 AUTOGEN 1.0 (B06)

8 PORT AM113 AUTOGEN 1.0 (B04)

16 PORT AM113 AUTOGEN 1.0 (B04)

REGISTRATION DATE

- - - - -

<C>

09/02/88

09/02/88

09/02/88

NUMBER

- - - - -

<C>

346 916

346 920

346 919

4 PORT AM1 13 AUTOGEN 1.0 (B04)	09/02/88	346 889
32 PORT AM113 AUTOGEN 1.0 (B04)	09/02/88	346 918
32 Port AM113 Autogen 1.0 (B06)	09/02/88	346 917
ALPHAMATE 2.0(A00)	09/02/88	346 890
ALPHAMATE 1.0(A00)	09/02/88	346 914
UNLIMITED PORT AM-113 AUTOGEN 1.0 (B04)	09/02/88	346 915
UNLIMITED PORT AM-113 AUTOGEN 1.0 (B06)	09/02/88	346 913
Hdw Supp 1.6 (for AMOS "D") (D00)	11/15/88	351 885
Hdw Supp 2.2 (for AMOS 2.0) (D00)	11/15/88	351 893
AlphaNET 2.0(A00)	11/15/88	351 577
AlphaCALC 1.2A(A00)	11/15/88	351 888
AlphaCOBOL 2.0(A00)	11/15/88	351 545
Amigos 1.0A(B00)	11/15/88	351 918
AM-72/AM62G Terminal Support 1.0A(B00)	11/15/88	351 940
AMOS/32 2.0A(C01)	02/06/89	375 500
AlphaC 1.0B (A00)		
AMOS/L 2.0A (C01)	02/06/89	375 498
SMC BASIC 1.0(A00)	11/12/86	260-172
SMC BASIC 1.0A(A01)	11/12/86	260-174
ALPHACALC 1.2(C01)	03/30/87	276-619
ALPHACALC 1.0(A01)	05/26/87	283 136
ALPHACALC 1.1(B00)	05/26/87	283 135
ALPHACALC 1.1-3(B01)	05/26/87	283 137
ALPHACOBOL 1.2A(A00)	11/12/86	260 173
ALPHACOBOL 1.2A(B00)	11/12/86	261 955
Videotrax German 2.1 (A00)	09/28/87	299 430
Videotrax Spanish 2.1 (A00)	09/28/87	299 431
Videotrax French 2.1 (A00)	09/28/87	299 432
Videotrax 3.1 (A00)	09/28/87	299 427
Videotrax 3.06 (A00)	09/28/87	299 424
Videotrax 2.2 (A00)	09/28/87	299 428
Alpha RJE/L 2.0 (B01)	03/30/87	276 620
Alpha RJE/L JES III	03/30/87	276 621
Alpha RJE/L 1.0 (A00)	03/30/87	276 626
AM-515 1.0(A00)	09/28/87	299 426
AM-515 Phase II 1.0(A01)	09/28/87	299 429

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AM 350 PHASE I UPDATE 1.0 (A00)	11/03/87	305 356
AM 350 PHASE II 1.1 (A00)	11/03/87	305 357
AM 350 PHASE II 1.1 (A01)	11/03/87	305 358
ALPHAWRITE 1.1A-A (B01)	03/30/87	276 625
ALPHAWRITE 1.0 (A00)	03/30/87	276 624
ALPHAWRITE 1.0A(A01)	03/30/87	276 623
ALPHAWRITE 1.1 (B00)	03/30/87	276 622
ALPHAWRITE 1.2 (C00)	11/17/86	275 799



UNIX PORTING TOOLS 1.0	07/18/86	268-178
ALPHA C 1.0	07/18/86	268-179
AM-640 1.0 (A00)	10/02/87	307 324
AMOS/L 2.0 (B03)	06/09/88	333-277
AMOS/L 1.3C (A00)	09/28/87	299 433
	06/09/88	333 278
AMOS/L 1.3D (A00)	06/27/88	331 385
AMOS/L 1.0A (C00)	10/02/87	307 325
AMOS/L 1.0B (D00)	10/02/87	307 323
AMOS/L 1.0 (A01)	10/02/87	307 322
AMOS/L VERSION 1.3	11/10/86	268-177
AMOS/L VERSION 1.2	10/10/85	218 563
AMOS/L VERSION 1.1	10/10/85	218 562
AMOS VERSION 1.0	10/10/85	227 303
AMOS/L VERSION 1.3B (A02)	12/23/86	266 880
AMOS/L VERSION 1.1 A	12/09/83	403 376
AMOS/32 1.0A (A00)	06/09/88	342 755
AMOS/32 2.0 (B03)	06/09/88	342 768
AMOS/32 1.0D (A00)	06/27/88	331-384
AMOS/32 1.0B (B06)	08/18/88	340-147
AMOS/32 1.01 (A00)	09/28/87	299 423
AlphaMAIL 1.0A (A00)	06/27/88	331 386
AlphaMAIL 1.0A (B00)	06/27/88	331 387
AlphaMAIL 1.0 (A00)	11/12/86	260-168
Hardware Support Software 2.0 (B00)	06/09/88	333-276
Hardware Support Software 1.2 (C00)	06/27/88	333-120
Hardware Support Software 1.1 (B06)	06/27/88	333-121
4 PORT AM113 AUTOGEN 1.0 (B06)	08/18/88	341-985
AMIGOS 1.0 (A01)	08/18/88	340-145
LASER PRINTER SUPPORT 1.0 (A00)	08/18/88	340-146
AMOS 32 1.0B (B06)	08/18/88	340-147
SYSXER 1.0 (A00)	03/18/88	340-148
Hdw Supp 1.5 (for 1.3/D1.0D) (A00)	09/09/88	346-086
AlphaWRITE 1.2A (A00)	09/09/88	346-087
AM-324 VME LPR Support	09/09/88	346-084
4 Port AM-113 Autogen 1.0 (B06)	09/09/88	346-083
8 Port AM-113 Autogen 1.0 (B06)	09/09/88	346-085

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<S>	<C>	<C>
16 PORT AM-113 AUTOGEN 1.0	02/13/90	410-288
8 PORT AM-113 AUTOGEN 1.0	02/13/90	410-289
ALPHAMATE/AMOS 2.0	02/13/90	410-287
ALPHAMATE 2.0 PC SUPPORT	09/20/89	386-541
ALPHAMATE 3.0 PC SUPPORT	09/20/89	386-542
ALPHAMATE/DOS 2.0	09/20/89	386-538
ALPHANET 1.0	02/13/90	410-286
32 PORT AM-113 AUTOGEN 1.0	09/20/89	386-540

ELS/MS-DOS UPDATE 2.0	09/20/89	386-539
ALPHAMATE 3.0 AMOS SUPPORT	09/20/89	386-537
Hdw Sup 3.0 (for Amos 2.1) (A00)	12/20/89	397-590
AlphaCOBOL 1.2B(A01)	12/20/89	397-533
Amos/L 2.1(A00)	12/20/89	409-166
Amos/32 2.1(A00)	12/20/89	397-591
Amos 645 Support 1.0(A00)	12/20/89	398-319
Hdw Sup 2.5 (For AMOS 2.0A) (A00)	12/20/89	398-318
AlphaPASCAL 1.0(A01)	12/20/89	398-317
AlphaMATE/MS DOS 1.0(B00)	12/20/89	398-316
Hdw Sup 2.6 (For AMOS 2.0A) (B00)	12/20/89	398-315
Hdw Sup 1.7 (For AMOS "D") (F00)	12/20/89	398-314
ELS/MS-DOS Supp 1.0A(A02)	12/20/89	398-313
ELS/MS-DOS Update 1.0A(A00)	12/20/89	398-312
Unlimited Port AM-113 Autogen 1.0(B03)	12/20/89	398-311
4 Port AM-113 Autogen 1.0(B03)		
AlphaNet 2.1 (B00)	04/18/90	412-292
Ver-A-Tel 1.0 EL TIS (A00)	04/18/90	423-849
Ver-A-Tel 1.0 TIS (A00)	04/18/90	423-853
Ver-A-Tel 1.0 EL RACS (A00)	04/18/90	423-850
Ver-A-Tel 1.0 RACS (A00)	04/18/90	423-851
Ver-A-Tel 1.0 Prompts(A00)	04/18/90	423-852
Videotrax 4.0 (A00)	04/18/90	412-291
Monver 1.0 (A00)	04/18/90	423-848
Multi 1.0 (A01)	04/18/90	412-290
Multi 2.0 (A00)	04/18/90	412-289
Hdw Sup 1.8 (For AMOS "D") (G00)	04/18/90	412-285
Hdw Sup 1.9 (For AMOS "D") (J00)	04/18/90	412-288
Hdw Sup 2.7 (For AMOS 2.0A) (C00)	04/18/90	412-287
Hdw Sup 2.8 (For AMOS 2.0A) (D00)	04/18/90	412-286
Hdw Sup Software 1.0(A00)	09/27/90	434-955
Hdw Sup Software 1.0(A03)	09/27/90	434-956
Hdw Sup Software 1.1(A05)	09/27/90	434-954
Hdw Sup 1.6 PRI (For AMOS "D") (E00)	09/27/90	434-953
Hdw Sup 1.8 PR3 (For AMOS "D") (H00)	09/27/90	434-952
Hdw Sup 2.0 (A04)	09/27/90	434-951
Hdw Sup 3.1 (For AMOS 2.1) (B00)	09/27/90	434-950
Hdw Sup 3.2 (For AMOS 2.1) (D00)	09/27/90	434-949
Ver-A-Tel 1.0A RACS(B00)	09/27/90	434-948
Ver-A-Tel VVS 2.0(B00)		

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Ver-A-Tel 1.0A El Racs(B00)	09/27/90	434-947
Ver-A-Tel 1.0A El Tis(B00)	09/27/90	434-945
Ver-A-Tel 1.0A Tis(B00)	09/27/90	434-946
Ver-A-Tel VVS 2.0(B00)	09/27/90	434-938
AMOS/L 1.3E(A00)	09/27/90	434-939
AMOS/LC 1.3E(A00)	09/27/90	434-957
AMOS/LC 1.3F(B00)	09/27/90	434-959
AMOS/LC 2.1A(A00)	09/27/90	434-958
AM-645 Support 1.0A(B00)		

Rexon Disk Diagnostics 1.32 (A00)	09/27/90	434-937
Rexon Disk Diagnostics 1.33 (B00)	09/27/90	434-942
Rexon Disk Diagnostics 1.4 (C00)	09/27/90	434-943
Rexon Disk Diagnostics 1.5 (D00)	09/27/90	434-941
E3270 3.0 (C00)	09/27/90	434-940
AlphaHealthCare FOCUS M	07/06/93	545-934
AlphaHealthCare FOCUS 5.2	7/20/93	546-052
RJE Plus 3.0 (A00)	09/27/90	434-944
AMOS/L 2.1B	09/27/94	656-550
8 PORT AM-113 AUTOGEN 1.2	09/27/94	648-554
4 PORT AM-113 AUTOGEN 1.2	09/27/94	648-940
AMPC 2.0 AUTOGEN 2.2A PR 5/92		
8 PORT AMPC 2.0 AGEN 1.4		
AMOS 2.2A PR5/92	09/27/94	648-939
4 PORT AM-113 AGEN 1.4	09/27/94	648-941
AMPC 2.0 AGEN 2.2B PR 11/92	09/27/94	656-556
AMOS/L 1.4	09/27/94	656-543
AMOS/32 1.4	09/27/94	652-520
AMOS/LC 1.4	09/27/94	652-521
AMOS/32 1.4A	09/27/94	652-522
AMOS/L 1.4A	09/27/94	652-523
AMOS/LC 1.4A	09/27/94	652-517
4 PORT AMPC 2.0 AGEN 1.4	09/27/94	653-557
AMOS 2.2B PR8/92	09/27/94	653-555
AMOS/LC 2.1B	09/27/94	656-553
ALPHARJE 3.0	09/27/94	656-551
8 PORT AM-113 AGEN 1.4		
ALPHAOFFICE 1.0	12/12/94	664-315
ALPHACALC 2.0	12/12/94	663-955
ALPHANET 2.3	12/12/94	663-616
ALPHAC 1.1	12/12/94	663-954
AMIGOS 1.1	12/12/94	664-540
ESP 2.1 PR5/93		
ALPHANET 2.2A	12/12/94	663-617
ALPHANET 2.2	12/12/94	663-618
SYSXER/DIAGNOSTICS 2.4	12/12/94	663-957
SYSXER/DIAGNOSTICS 3.0 (D00)	12/12/94	663-959
SYSXER/DIAGNOSTICS 2.5	12/12/94	663-956
ALPHAWRITE 2.1A	12/12/94	664-759
ALPHAWRITE 2.1	12/12/94	664-758
ALPHAWRITE 2.1B	12/12/94	664-760
ALPHAWRITE 2.0	12/12/94	664-757
ALPHAWRITE 2.1C	12/12/94	664-539

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MUTI 2.1	12/12/94	664-542
ALPHATCP 1.0	12/12/94	664-314
ALPHATCP 1.1	12/12/94	664-756
SYSXER/DIAGNOSTICS 3.0 (C00)	12/12/94	663-958
PANDA 1.0 (BP4)		
Voice Oper. Sys 1.0 (A00)	04/04/94	629-496
Hdw. Sup 1.11 (M00)	04/04/94	629-022

Hdw. Sup 1.12 (P00)	04/04/94	626-024
Hdw. Sup 3.3 (F00)	04/04/94	629-023
Hdw. Sup 1.10 (K00)	04/04/94	629-025
AMOS/32 1.0B (B06)	06/27/88	341-664
AMOS/32 1.0 (A00)	09/28/87	299-422
AMOS/L Version 1.0	10/10/85	227-304
AMOS/L Version 1.1 A (68)	10/15/85	222-223
AlphaC 1.0B(A00)	02/06/89	375-499

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Exhibit "A-2" attached to that certain Collateral Assignment, Patent Mortgage and Security Agreement

EXHIBIT "A-2"

UNREGISTERED COPYRIGHTS

DESCRIPTION OF COPYRIGHTS

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Exhibit "A-3" attached to that certain Collateral Assignment, Patent Mortgage and Security Agreement

EXHIBIT "A-3"

DESCRIPTION OF LICENSE AGREEMENTS

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Exhibit "B" attached to that certain Collateral Assignment, Patent Mortgage and Security Agreement

EXHIBIT "B"

PATENTS

<TABLE> <S> DOCKET NO. -----	<C> COUNTRY SERIAL NO. -----	<C> FILING DATE -----	<C> STATUS -----
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Exhibit "C" attached to that certain Collateral Assignment, Patent Mortgage and Security Agreement

EXHIBIT "C"

TRADEMARKS

<TABLE> <S> MARK -----	<C> COUNTRY -----	<C> SERIAL NO. -----	<C> STATUS -----
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[LOGO] SILICON VALLEY BANK

SECURITY AGREEMENT

OBLIGOR: ALPHAHEALTHCARE, INC.  
ADDRESS: 10 COBURG ROAD  
EUGENE, OREGON 97401

DATE: JULY 10, 1995

THIS SECURITY AGREEMENT is entered into on the above date between SILICON VALLEY BANK ("Silicon"), whose address is 3000 Lakeside Drive, Santa Clara, California 95054-2895 and the person named above (the "Obligor"), whose chief executive office is located at the above address ("Obligor's Address").

1. GRANT OF SECURITY INTEREST.

1.1 OBLIGATIONS. The term "Obligations" as used in this Agreement means the following: the obligation to pay and perform when due all present and future indebtedness, liabilities, obligations, guarantees, covenants, agreements, warranties and representations of the Obligor to Silicon, whether joint or several, monetary or non-monetary, and whether created pursuant to this Agreement or any other present or future agreement or otherwise, including without limitation the obligations of the Obligor under the Obligor's Guarantee in favor of Silicon of all present and future indebtedness, liabilities and obligations of ALPHA MICROSYSTEMS to Silicon.

1.2 COLLATERAL. As security for all Obligations, the Obligor hereby grants Silicon a continuing security interest in all of the Obligor's interest in the types of property described below, whether now owned or hereafter acquired, and wherever located (collectively, the "Collateral"): (a) All accounts, contract rights, chattel paper, letters of credit, documents, securities, money, and instruments, and all other obligations now or in the future owing to the Obligor; (b) All inventory, goods, merchandise, materials, raw materials, work in process, finished goods, farm products, advertising, packaging and shipping materials, supplies, and all other tangible personal property which is held for sale or lease or furnished under contracts of service or consumed in the Obligor's business, and all warehouse receipts and other documents; and (c) All equipment, including without limitation all machinery, fixtures, trade fixtures, vehicles, furnishings, furniture, materials, tools, machine tools, office equipment, computers and peripheral devices, appliances, apparatus, parts, dies, and jigs; (d) All general intangibles including, but not limited to, deposit accounts, goodwill, names, trade names, trademarks and the goodwill of the business symbolized thereby, trade secrets, drawings, blueprints, customer lists, patents, patent applications, copyrights, security deposits, loan commitment fees, federal, state and local tax refunds and claims, all rights in all litigation presently or hereafter pending for any cause or claim (whether in contract, tort or otherwise), and all judgments now or hereafter arising therefrom, all claims of Obligor against Silicon, all rights to purchase or sell real or personal property, all rights as a licensor or licensee of any kind, all royalties, licenses, processes, telephone numbers, proprietary information, purchase orders, and all insurance policies and claims (including without limitation credit, liability, property and other insurance), and all other rights, privileges and franchises of every kind; (e) All books and records, whether stored on computers or otherwise maintained; and (f) All substitutions, additions and accessions to any of the foregoing, and all products, proceeds and insurance proceeds of the foregoing, and all guaranties of and security for the foregoing; and all books and records relating to any of the foregoing. Silicon's security interest in any present or future technology (including patents, trade secrets, and other technology) shall be subject to any licenses or rights now or in the future granted by the Obligor to any third parties in the ordinary course of Obligor's business; provided that if the Obligor proposes to sell, license or grant any other rights with respect to any technology in a transaction that, in substance, conveys a major part of the economic value of that technology, Silicon shall first be requested to release its security interest in the same, and Silicon may withhold such release in its discretion.

2. REPRESENTATIONS, WARRANTIES AND COVENANTS OF OBLIGOR.

The Obligor represents and warrants to Silicon as follows, and the Obligor covenants that the following

representations will continue to be true, and that the Obligor will comply with all of the following covenants:

2.1 CORPORATE EXISTENCE AND AUTHORITY. The Obligor, if a corporation, is and will continue to be, duly authorized, validly existing and in good standing under the laws of the jurisdiction of its incorporation. The Obligor is and will continue to be qualified and licensed to do business in all jurisdictions in which any failure to do so would have a material adverse effect on the Obligor. The execution, delivery and performance by the Obligor of this Agreement, and all other documents contemplated hereby have been duly and validly authorized, are enforceable against the Obligor in accordance with their terms, and do not violate any law or any provision of, and are not grounds for acceleration under, any agreement or instrument which is binding upon the Obligor.

2.2 NAME; TRADE NAMES AND STYLES. The name of the Obligor set forth in the heading to this Agreement is its correct name. Listed on the Schedule to this Agreement (the "Schedule") are all prior names of the Obligor and all of Obligor's present and prior trade names. The Obligor shall give Silicon 15 days' prior written notice before changing its name or doing business under any other name. The Obligor has complied, and will in the future comply, with all laws relating to the conduct of business under a fictitious business name.

2.3 PLACE OF BUSINESS; LOCATION OF COLLATERAL. The address set forth in the heading to this Agreement is the Obligor's chief executive office. In addition, the Obligor has places of business and Collateral is located only at the locations set forth on the Schedule to this Agreement. The Obligor will give Silicon at least 15 days prior written notice before changing its chief executive office or locating the Collateral at any other location.

2.4 TITLE TO COLLATERAL; PERMITTED LIENS. The Obligor is now, and will at all times in the future be, the sole owner of all the Collateral, except for items of equipment which are leased by the Obligor. The Collateral now is and will remain free and clear of any and all liens, charges, security interests, encumbrances and adverse claims, except for the following ("Permitted Liens"): (i) purchase money security interests in specific items of equipment; (ii) leases of specific items of equipment; (iii) liens for taxes not yet payable; (iv) additional security interests and liens consented to in writing by Silicon in its sole discretion, which consent shall not be unreasonably withheld; and (v) security interests being terminated substantially concurrently with this Agreement. Silicon will have the right to require, as a condition to its consent under subparagraph (iv) above, that the holder of the additional security interest or lien sign an intercreditor agreement on Silicon's then standard form, acknowledge that the security interest is subordinate to the security interest in favor of Silicon, and agree to give written notice of any default to Silicon at least 60 days prior to taking any action to enforce its subordinate security interest, and that the Obligor agree that any uncured default in any obligation secured by the subordinate security interest shall also constitute an Event of Default under this Agreement. Silicon now has, and will continue to have, a perfected and enforceable security interest in all of the Collateral, subject only to the Permitted Liens, and the Obligor will at all times defend Silicon and the Collateral against all claims of others. None of the Collateral now is or will be affixed to any real property in such a manner, or with such intent, as to become a fixture.

2.5 MAINTENANCE OF COLLATERAL. The Obligor will maintain the Collateral in good working condition, and the Obligor will not use the Collateral for any unlawful purpose. The Obligor will immediately advise Silicon in writing of any material loss or damage to the Collateral.

2.6 BOOKS AND RECORDS. The Obligor has maintained and will maintain at the Obligor's Address complete and accurate books and records, comprising an accounting system in accordance with generally accepted accounting principles.

2.7 FINANCIAL CONDITION AND STATEMENTS. All financial statements now or in the future delivered to Silicon have been, and will be, prepared in conformity with generally accepted accounting principles and now and in the future will completely and accurately reflect the financial condition of the Obligor, at the times and for the periods therein stated. Since the last date covered by any such statement, there has been no material adverse change in the financial condition or business of the Obligor. The Obligor is now and will continue to be solvent. \* The Obligor will provide Silicon: (i) within 30 days after the end of each month, a monthly financial statement prepared by the Obligor, and setting forth such other information as Silicon shall reasonably request; and (ii) within 120 days following the end of the Obligor's fiscal year, complete annual financial statements, certified by independent certified public accountants acceptable to Silicon.

\* IF SO REQUESTED BY SILICON, THE

2.8 TAX RETURNS AND PAYMENTS; PENSION CONTRIBUTIONS. The Obligor has timely filed, and will timely file, all tax returns and reports required by foreign, federal, state and local law, and the Obligor has timely paid, and will timely pay, all foreign, federal, state and local taxes, assessments, deposits and contributions now or in the future owed by the Obligor. The Obligor may, however, defer payment of any contested taxes, provided that the Obligor (i) in good faith contests the Obligor's obligation to pay the taxes by appropriate proceedings promptly and diligently instituted and conducted, (ii) notifies Silicon in writing of the commencement of, and any material development in, the proceedings, and (iii) posts bonds or takes any other steps required to keep the contested taxes from becoming a lien upon any of the Collateral. The Obligor is unaware of any claims or adjustments proposed for any of the Obligor's prior tax years which could result in additional taxes becoming due and payable by the Obligor. The Obligor has paid, and shall continue to pay all amounts necessary to fund all present and future pension, profit sharing and deferred compensation plans in accordance with their terms, and the Obligor has not and will not withdraw from participation

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in, permit partial or complete termination of, or permit the occurrence of any other event with respect to, any such plan which could result in any liability of the Obligor, including, without limitation, any liability to the Pension Benefit Guaranty Corporation or its successors or any other governmental agency.

2.9 COMPLIANCE WITH LAW. The Obligor has complied, and will comply, in all material respects, with all provisions of all foreign, federal, state and local laws and regulations relating to the Obligor, including, but not limited to, those relating to the Obligor's ownership of real or personal property, conduct and licensing of the Obligor's business, and environmental matters.

2.10 LITIGATION. Except as disclosed in the schedule, there is no claim, suit, litigation, proceeding or investigation pending or (to best of the Obligor's knowledge) threatened by or against or affecting the Obligor in any court or before any governmental agency (or any basis therefor known to the Obligor) which may result, either separately or in the aggregate, in any material adverse change in the financial condition or business of the Obligor, or in any material impairment in the ability of the Obligor to carry on its business in substantially the same manner as it is now being conducted. The Obligor will promptly inform Silicon in writing of any claim, proceeding, litigation or investigation in the future threatened or instituted by or against the Obligor involving amounts in excess of \$100,000.

### 3. ADDITIONAL DUTIES OF OBLIGOR.

3.1 Insurance. The Obligor shall, at all times insure all of the tangible personal property Collateral and carry such other business insurance, with insurers reasonably acceptable to Silicon, in such form and amounts as Silicon may reasonably require. All such insurance policies shall name Silicon as an additional loss payee, and shall contain a lenders loss payee endorsement in form reasonably acceptable to Silicon. Upon receipt of the proceeds of any such insurance, Silicon shall apply such proceeds in reduction of the Obligations as Silicon shall determine in its sole and absolute discretion, except that, provided no Event of Default has occurred, Silicon shall release to the Obligor insurance proceeds with respect to equipment totalling less than \$100,000, which shall be utilized by the Obligor for the replacement of the equipment with respect to which the insurance proceeds were paid. Silicon may require reasonable assurance that the insurance proceeds so released will be so used. If the Obligor fails to provide or pay for any insurance, Silicon may, but is not obligated to, obtain the same at the Obligor's expense. The Obligor shall promptly deliver to Silicon copies of all reports made to insurance companies.

3.2 REPORTS. The Obligor shall provide Silicon with such written reports with respect to the Obligor, as Silicon shall from time to time reasonably specify \*.

\* , WHICH, IF THE OBLIGOR IDENTIFIES SUCH INFORMATION AS CONFIDENTIAL, SILICON WILL REGARD AS SUCH IN ACCORDANCE WITH THE CONFIDENTIALITY PROVISION (AS DEFINED IN SECTION 3.3)

3.3 ACCESS TO COLLATERAL, BOOKS AND RECORDS. At all reasonable times, and upon one business day notice, Silicon, or its agents, shall have the right to inspect the Collateral, and the right to audit and copy the Obligor's accounting books and records and Obligor's books and records relating to the Collateral. Silicon shall take reasonable steps to keep confidential all information obtained in any such inspection or audit, but Silicon shall have the right to disclose any such information to its auditors, regulatory



agencies, and attorneys, and pursuant to any subpoena or other legal process \*.

\* (THE "CONFIDENTIALITY PROVISION")

3.4 NEGATIVE COVENANTS. Except as may be permitted in the Schedule hereto, the Obligor shall not, without Silicon's prior written consent, do any of the following: (i) merge or consolidate with another corporation, except that the Obligor may merge or consolidate with another corporation if the Obligor is the surviving corporation in the merger, and the assets of the corporation acquired in the merger are not subject to any liens or encumbrances, except Permitted Liens; (ii) enter into any transaction outside the ordinary course of business; (iii) sell or transfer any Collateral, except for the sale of finished inventory in the ordinary course of the Obligor's business, and except for the sale of obsolete or unneeded equipment \* in the ordinary course of business; (iv) make any loans of any money or any other assets; (v) incur any debts, outside the ordinary course of business, which would have a material, adverse effect on the Obligor or on the prospect of repayment of the Obligations; (vi) guarantee or otherwise become liable with respect to the obligations of another party or entity; (vii) pay or declare any dividends on the Obligor's stock (except for dividends payable solely in stock of the Obligor); (viii) redeem, retire, purchase or otherwise acquire, directly or indirectly, any of the Obligor's stock; (ix) make any change in the Obligor's capital structure which has a material adverse effect on the Obligor or on the prospect of repayment of the Obligations; or (x) dissolve or elect to dissolve. Transactions permitted by the foregoing provisions of this Section are only permitted if no Event of Default and no event which (with notice or passage of time or both) would constitute an Event of Default would occur as a result of such transaction.

\* OR SOFTWARE

3.5 LITIGATION COOPERATION. Should any third-party suit or proceeding be instituted by or against Silicon with respect to any Collateral or in any manner relating to the Obligor, the Obligor shall, without expense to Silicon, make available the Obligor and its officers, employees and agents and the Obligor's books and records to the extent that Silicon may deem them reasonably necessary in order to prosecute or defend any such suit or proceeding.

3.6 VERIFICATION. Silicon may, from time to time, following prior notification to Obligor, verify directly with the respective account debtors the validity, amount and other matters relating to the Obligor's accounts, by means of mail, telephone or otherwise, either in the name of the

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Obligor or Silicon or such other name as Silicon may reasonably choose, provided that no prior notification to Obligor shall be required following an Event of Default.

3.7 EXECUTE ADDITIONAL DOCUMENTATION. The Obligor agrees, at its expense, on request by Silicon, to execute all documents in form satisfactory to Silicon, as Silicon, may deem reasonably necessary or useful in order to perfect and maintain Silicon's perfected security interest in the Collateral, and in order to fully consummate all of the transactions contemplated by this Agreement.

4. TERM.

4.1 Maturity Date. This Agreement shall continue in effect until all Obligations have been paid and performed in full.

4.2 PAYMENT OF OBLIGATIONS. Upon payment and performance in full of all the Obligations, Silicon shall promptly deliver to the Obligor termination statements, requests for reconveyances and such other documents as may be required to fully terminate any of Silicon's security interests.

5. EVENTS OF DEFAULT AND REMEDIES.

5.1 Events of Default. The occurrence of any of the following events shall constitute an "Event of Default" under this Agreement, and the Obligor shall give Silicon immediate written notice thereof: (a) Any warranty, representation, statement, report or certificate made or delivered to Silicon by the Obligor or any of the Obligor's officers, employees or agents, now or in the future, shall be untrue or misleading in any material respect; or (b) the Obligor shall fail to pay when due any monetary Obligation; or (c) the Obligor shall fail to perform any non-monetary Obligation which by its nature cannot be

cured; or (d) the Obligor shall fail to pay or perform any other non-monetary Obligation, which failure is not cured \* days after the date due; or (e) Any levy, assessment, attachment, seizure, lien or encumbrance is made on all or any part of the Collateral which is not cured \* days after the occurrence of the same; or (f) Dissolution, termination of existence, insolvency or business failure of the Obligor; or appointment of a receiver, trustee or custodian, for all or any part of the property of, assignment for the benefit of creditors by, or the commencement of any proceeding by the Obligor under any reorganization, bankruptcy, insolvency, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, now or in the future in effect; or (g) the commencement of any proceeding against the Obligor or any guarantor of any of the Obligations under any reorganization, bankruptcy, insolvency, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, now or in the future in effect, which is not cured by the dismissal thereof within 30 days after the date commenced; (h) revocation or termination of, or limitation of liability upon, any guaranty of the Obligations; or commencement of proceedings by any guarantor of any of the Obligations under any bankruptcy or insolvency law; or (j) the Obligor makes any payment on account of any indebtedness or obligation which has been subordinated to the Obligations or if any person who has subordinated such indebtedness or obligations terminates or in any way limits his subordination agreement; or (k) the Obligor shall generally not pay its debts as they become due; or the Obligor shall conceal, remove or transfer any part of its property, with intent to hinder, delay or defraud its creditors, or make or suffer any transfer of any of its property which may be fraudulent under any bankruptcy, fraudulent conveyance or similar law.

\* 30

5.2 REMEDIES. Upon the occurrence of any Event of Default, and at any time thereafter, Silicon, at its option, and without notice or demand of any kind (all of which are hereby expressly waived by the Obligor), may do any one or more of the following: (a) Accelerate and declare all or any part of the Obligations to be immediately due, payable, and performable, notwithstanding any deferred or installment payments allowed by any instrument evidencing or relating to any Obligation; (b) Take possession of any or all of the Collateral wherever it may be found, and for that purpose the Obligor hereby authorizes Silicon without judicial process to enter onto any of the Obligor's premises without interference to search for, take possession of, keep, store, or remove any of the Collateral, and remain on the premises or cause a custodian to remain on the premises in exclusive control thereof without charge for so long as Silicon deems it reasonably necessary in order to complete the enforcement of its rights under this Agreement or any other agreement; provided, however, that should Silicon seek to take possession of any or all of the Collateral by Court process, the Obligor hereby irrevocably waives: (i) any bond and any surety or security relating thereto required by any statute, court rule or otherwise as an incident to such possession; (ii) any demand for possession prior to the commencement of any suit or action to recover possession thereof; and (iii) any requirement that Silicon retain possession of and not dispose of any such Collateral until after trial or final judgment; (c) Require the Obligor to assemble any or all of the Collateral and make it available to Silicon at places designated by Silicon which are reasonably convenient to Silicon and the Obligor, and to remove the Collateral to such locations as Silicon may deem advisable; (d) Require Obligor to deliver to Silicon, in kind, all checks and other payments received with respect to all accounts and general intangibles, together with any necessary indorsements, within one day after the date received by the Obligor; (e) Complete the processing, manufacturing or repair of any Collateral prior to a disposition thereof and, for such purpose and for the purpose of removal, Silicon shall have the right to use the Obligor's premises, vehicles, hoists, lifts, cranes, equipment and all other property without charge; (f) Sell, lease or otherwise dispose of any of the Collateral in its condition at the time Silicon obtains possession of it or after further manufacturing, processing or repair, at any one or more public and/or private sales, in lots or in bulk, for cash, exchange or other property, or on credit, and to adjourn any such sale from time to time without notice

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other than oral announcement at the time scheduled for sale. Silicon shall have the right to conduct such disposition on the Obligor's premises without charge, for such time or times as Silicon deems reasonable, or on Silicon's premises, or elsewhere and the Collateral need not be located at the place of disposition. Silicon may directly or through any affiliated company purchase or lease any Collateral at any such public disposition, and if permissible under applicable law, at any private disposition. Any sale or other disposition of Collateral shall not relieve the Obligor of any liability the

Obligor may have if any Collateral is defective as to title or physical condition or otherwise at the time of sale; (g) Demand payment of, and collect any accounts and general intangibles comprising Collateral and, in connection therewith, the Obligor irrevocably authorizes Silicon to endorse or sign the Obligor's name on all collections, receipts, instruments and other documents, to take possession of and open mail addressed to the Obligor and remove therefrom payments made with respect to any item of the Collateral or proceeds thereof, and, in Silicon's sole discretion, to grant extensions of time to pay, compromise claims and settle accounts and the like for less than face value; (i) Offset against any sums in any of Obligor's general, special or other deposit accounts with Silicon; and (h) Demand and receive possession of any of the Obligor's federal and state income tax returns and the books and records utilized in the preparation thereof or referring thereto. All reasonable attorneys' fees, expenses, costs, liabilities and obligations incurred by Silicon with respect to the foregoing shall be added to and become part of the Obligations, shall be due on demand, and shall bear interest at a rate equal to the highest interest rate applicable to any of the Obligations. Without limiting any of Silicon's rights and remedies, from and after the occurrence of any Event of Default, the interest rate applicable to the Obligations shall be increased by an additional four percent per annum.

5.3 STANDARDS FOR DETERMINING COMMERCIAL REASONABLENESS. The Obligor and Silicon agree that a sale or other disposition (collectively, "sale") of any Collateral which complies with the following standards will conclusively be deemed to be commercially reasonable: (i) Notice of the sale is given to the Obligor at least seven days prior to the sale, and, in the case of a public sale, notice of the sale is published at least seven days before the sale in a newspaper of general circulation in the county where the sale is to be conducted; (ii) Notice of the sale describes the collateral in general, non-specific terms; (iii) The sale is conducted at a place designated by Silicon, with or without the Collateral being present; (iv) The sale commences at any time between 8:00 a.m. and 6:00 p.m.; (v) Payment of the purchase price in cash or by cashier's check or wire transfer is required; (vi) With respect to any sale of any of the Collateral, Silicon may (but is not obligated to) direct any prospective purchaser to ascertain directly from the Obligor any and all information concerning the same. Silicon may employ other methods of noticing and selling the Collateral, in its discretion, if they are commercially reasonable.

5.4 POWER OF ATTORNEY. Upon the occurrence of any Event of Default, without limiting Silicon's other rights and remedies, the Obligor grants to Silicon an irrevocable power of attorney coupled with an interest, authorizing and permitting Silicon (acting through any of its employees, attorneys or agents) at any time, at its option, but without obligation, with or without notice to the Obligor, and at the Obligor's expense, to do any or all of the following, in the Obligor's name or otherwise: (a) Execute on behalf of the Obligor any documents that Silicon may, in its sole and absolute discretion, deem advisable in order to perfect and maintain Silicon's security interest in the Collateral, or in order to exercise a right of the Obligor or Silicon, or in order to fully consummate all the transactions contemplated under this Agreement, and all other present and future agreements; (b) Execute on behalf of the Obligor any document exercising, transferring or assigning any option to purchase, sell or otherwise dispose of or to lease (as lessor or lessee) any real or personal property which is part of Silicon's Collateral or in which Silicon has an interest; (c) Execute on behalf of the Obligor, any invoices relating to any account, any draft against any account debtor and any notice to any account debtor, any proof of claim in bankruptcy, any Notice of Lien, claim of mechanic's, materialman's or other lien, or assignment or satisfaction of mechanic's, materialman's or other lien; (d) Take control in any manner of any cash or non-cash items of payment or proceeds of Collateral; endorse the name of the Obligor upon any instruments, or documents, evidence of payment or Collateral that may come into Silicon's possession; (e) Endorse all checks and other forms of remittances received by Silicon; (f) Pay, contest or settle any lien, charge, encumbrance, security interest and adverse claim in or to any of the Collateral, or any judgment based thereon, or otherwise take any action to terminate or discharge the same; (g) Grant extensions of time to pay, compromise claims and settle accounts and general intangibles for less than face value and execute all releases and other documents in connection therewith; (h) Pay any sums required on account of the Obligor's taxes or to secure the release of any liens therefor, or both; (i) Settle and adjust, and give releases of, any insurance claim that relates to any of the Collateral and obtain payment therefor; (j) Instruct any third party having custody or control of any books or records belonging to, or relating to, the Obligor to give Silicon the same rights of access and other rights with respect thereto as Silicon has under this Agreement; and (k) Take any action or pay any sum required of the Obligor pursuant to this Agreement and any other present or future agreements. Silicon shall exercise the foregoing powers in a commercially reasonable manner. Any and all reasonable sums paid and any and all reasonable costs, expenses, liabilities, obligations and attorneys' fees incurred by Silicon with respect to the foregoing shall be added to and become part of the Obligations, shall be payable on demand, and shall bear interest at a rate equal to the highest interest rate applicable to any of the Obligations. In no event shall Silicon's rights under the foregoing power of attorney or any of Silicon's other rights under this Agreement be deemed to indicate

that Silicon is in control of the business, management or properties of the Obligor.

5.5 APPLICATION OF PROCEEDS. All proceeds realized as the result of any sale of the Collateral shall be applied by Silicon first to the costs, expenses, liabilities, obligations and attorneys' fees incurred by Silicon in the exercise of its rights under this Agreement, second to the interest due upon any of the Obligations, and third to the principal of the Obligations, in such order as Silicon shall determine in its sole discretion. Any surplus shall be paid to the Obligor or other persons legally entitled thereto; the Obligor shall remain liable to Silicon for any deficiency. If, Silicon, in its sole discretion, directly or indirectly enters into a deferred payment or other credit transaction with any purchaser at any sale or other disposition of Collateral, Silicon shall have the option, exercisable at any time, in its sole discretion, of either reducing the Obligations by the principal amount of purchase price or deferring the reduction of the Obligations until the actual receipt by Silicon of the cash therefor.

5.6 REMEDIES CUMULATIVE. In addition to the rights and remedies set forth in this Agreement, Silicon shall have all the other rights and remedies accorded a secured party under the California Uniform Commercial Code and under all other applicable laws, and under any other instrument or agreement now or in the future entered into between Silicon and the Obligor, and all of such rights and remedies are cumulative and none is exclusive. Exercise or partial exercise by Silicon of one or more of its rights or remedies shall not be deemed an election, nor bar Silicon from subsequent exercise or partial exercise of any other rights or remedies. The failure or delay of Silicon to exercise any rights or remedies shall not operate as a waiver thereof, but all rights and remedies shall continue in full force and effect until all of the Obligations have been fully paid and performed.

6. GENERAL PROVISIONS.

6.1 NOTICES. All notices to be given under this Agreement shall be in writing and shall be given either personally or by regular first-class mail, or certified mail return receipt requested, addressed to Silicon or the Obligor at the addresses shown in the heading to this Agreement, or at any other address designated in writing by one party to the other party. All notices shall be deemed to have been given upon delivery in the case of notices personally delivered to the Obligor or to Silicon, or at the expiration of two business days following the deposit thereof in the United States mail, with postage prepaid.

6.2 SEVERABILITY. Should any provision of this Agreement be held by any court of competent jurisdiction to be void or unenforceable, such defect shall not affect the remainder of this Agreement, which shall continue in full force and effect.

6.3 INTEGRATION. This Agreement and such other written agreements, documents and instruments as may be executed in connection herewith are the final, entire and complete agreement between the Obligor and Silicon and supersede all prior and contemporaneous negotiations and oral representations and agreements, all of which are merged and integrated in this Agreement. There are no oral understandings, representations or agreements between the parties which are not set forth in this Agreement or in other written agreements signed by the parties in connection herewith.

6.4 WAIVERS. The failure of Silicon at any time or times to require the Obligor to strictly comply with any of the provisions of this Agreement or any other present or future agreement between the Obligor and Silicon shall not waive or diminish any right of Silicon later to demand and receive strict compliance therewith. Any waiver of any default shall not waive or affect any other default, whether prior or subsequent thereto. None of the provisions of this Agreement or any other agreement now or in the future executed by the Obligor and delivered to Silicon shall be deemed to have been waived by any act or knowledge of Silicon or its agents or employees, but only by a specific written waiver signed by an officer of Silicon and delivered to the Obligor. The Obligor waives demand, protest, notice of protest and notice of default or dishonor, notice of payment and nonpayment, release, compromise, settlement, extension or renewal of any commercial paper, instrument, account, general intangible, document or guaranty at any time held by Silicon on which the Obligor is or may in any way be liable, and notice of any action taken by Silicon, unless expressly required by this Agreement.

6.5 NO LIABILITY FOR ORDINARY NEGLIGENCE. Neither Silicon, nor any of its directors, officers, employees, agents, attorneys or any other person affiliated with or representing Silicon shall be liable for any claims, demands, losses or damages, of any kind whatsoever, made, claimed, incurred or suffered by the Obligor or any other party through the ordinary negligence of Silicon, or any of its directors, officers, employees, agents, attorneys or any other person affiliated with or representing Silicon.

6.6 AMENDMENT. The terms and provisions of this Agreement may not be waived or amended, except in a writing executed by the Obligor and a duly authorized officer of Silicon.

6.7 TIME OF ESSENCE. Time is of the essence in the performance by the Obligor of each and every obligation under this Agreement.

6.8 ATTORNEYS FEES AND COSTS. The Obligor shall reimburse Silicon for all reasonable attorneys' fees and all filing, recording, search, title insurance, appraisal, audit, and other reasonable costs incurred by Silicon, pursuant to, or in connection with, or relating to this Agreement (whether or not a lawsuit is filed), including, but not limited to, any reasonable attorneys' fees and costs Silicon incurs in order to do the following: prepare and negotiate this Agreement and the documents relating to this Agreement; obtain legal advice in connection with this Agreement; enforce, or seek to enforce, any of its rights; prosecute actions against, or defend actions by, account debtors; commence, intervene in, or defend any action or

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SILICON VALLEY BANK

SECURITY AGREEMENT

proceeding; initiate any complaint to be relieved of the automatic stay in bankruptcy; file or prosecute any probate claim, bankruptcy claim, third-party claim, or other claim; examine, audit, copy, and inspect any of the Collateral or any of the Obligor's books and records; protect, obtain possession of, lease, dispose of, or otherwise enforce Silicon's security interest in, the Collateral; and otherwise represent Silicon in any litigation relating to the Obligor. If either Silicon or the Obligor files any lawsuit against the other predicated on a breach of this Agreement, the prevailing party in such action shall be entitled to recover its reasonable costs and attorneys' fees, including (but not limited to) reasonable attorneys' fees and costs incurred in the enforcement of, execution upon or defense of any order, decree, award or judgment. All attorneys' fees and costs to which Silicon may be entitled pursuant to this Paragraph shall immediately become part of the Obligor's Obligations, shall be due on demand, and shall bear interest at a rate equal to the highest interest rate applicable to any of the Obligations.

6.9 BENEFIT OF AGREEMENT. The provisions of this Agreement shall be binding upon and inure to the benefit of the respective successors, assigns, heirs, beneficiaries and representatives of the parties hereto; provided, however, that the Obligor may not assign or transfer any of its rights under this Agreement without the prior written consent of Silicon, and any prohibited assignment shall be void. No consent by Silicon to any assignment shall release the Obligor from its liability for the Obligations.

6.10 JOINT AND SEVERAL LIABILITY. If the Obligor consists of more than one person, their liability shall be joint and several, and the compromise of any claim with, or the release of, any Obligor shall not constitute a compromise with, or a release of, any other Obligor.

6.11 PARAGRAPH HEADINGS; CONSTRUCTION. Paragraph headings are only used in this Agreement for convenience. The Obligor acknowledges that the headings may not describe completely the subject matter of the applicable paragraph, and the headings shall not be used in any manner to construe, limit, define or interpret any term or provision of this Agreement. This Agreement has been fully reviewed and negotiated between the parties and no uncertainty or ambiguity in any term or provision of this Agreement shall be construed strictly against Silicon or the Obligor under any rule of construction or otherwise.

6.12 MUTUAL WAIVER OF JURY TRIAL. THE OBLIGOR AND SILICON 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, THIS AGREEMENT OR ANY OTHER PRESENT OR FUTURE INSTRUMENT OR AGREEMENT BETWEEN SILICON AND THE OBLIGOR, OR ANY CONDUCT, ACTS OR OMISSIONS OF SILICON OR THE OBLIGOR OR ANY OF THEIR DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, ATTORNEYS OR ANY OTHER PERSONS AFFILIATED WITH SILICON OR THE OBLIGOR, IN ALL OF THE FOREGOING CASES, WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE.

6.13 GOVERNING LAW; JURISDICTION; VENUE. This Agreement and all acts and transactions hereunder and all rights and obligations of Silicon and the Obligor shall be governed by, and in accordance with, the laws of the State of California. Any undefined term used in this Agreement that is defined in the California Uniform Commercial Code shall have the meaning assigned to that term in the California Uniform Commercial Code. As a material part of the consideration to Silicon to enter into this Agreement, the Obligor (i) agrees that all actions and proceedings relating directly or indirectly hereto shall, at Silicon's option, be litigated in courts located within California, and that the exclusive venue therefor shall be Orange County; (ii) consents to the jurisdiction and venue of any such court and consents to service of process in any such action or proceeding by personal delivery or any other method permitted by law; and (iii) waives any and all rights the Obligor may have to object to the jurisdiction of any such court, or to transfer or change the venue of any such action or proceeding.

OBLIGOR:

ALPHAHEALTHCARE, INC.

BY DOUGLAS J. TULLIO

-----  
PRESIDENT OR VICE PRESIDENT

BY JOHN F. GLADE

-----  
SECRETARY OR ASS'T SECRETARY

SILICON:

SILICON VALLEY BANK

BY TERRY BESS

-----  
TITLE VICE PRESIDENT  
-----

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[LOGO] SILICON VALLEY BANK

SCHEDULE TO  
SECURITY AGREEMENT

OBLIGOR: ALPHAHEALTHCARE, INC.  
ADDRESS: 10 COBURG ROAD  
EUGENE, OREGON 97401

DATE: JULY \_\_, 1995

PRIOR NAMES OF OBLIGOR  
(Section 3.2): ALPHA MICROSYSTEMS DENTAL PRODUCTS, INC.

TRADE NAMES OF OBLIGOR  
(Section 3.2): NONE

OTHER LOCATIONS AND  
ADDRESSES (Section 3.3): 2722 SOUTH FAIRVIEW STREET, SANTA ANA, CA 92704

MATERIAL ADVERSE  
LITIGATION (Section 3.10): NONE

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This FINANCING STATEMENT is presented for filing and will remain effective, with certain exceptions, for five years from the date of filing, pursuant to Section 9403 of the California Uniform Commercial Code.

<TABLE>		
<S>	<C>	<C> <C>
1. DEBTOR (Last Name First - If An Individual) ALPHA MICROSYSTEMS		1A.Soc Sec No or Id No.
1B. MAILING ADDRESS 2722 South Fairview Street	1C. CITY, STATE Santa Ana, California	1D. ZIP CODE 92704
2. ADDITIONAL DEBTOR (IF ANY) (Last Name First - If An Individual)		2A.Soc Sec No or Id No.
2B. MAILING ADDRESS	2C. CITY, STATE	2D. ZIP CODE
3. DEBTOR'S TRADE NAMES OR STYLES (IF ANY) None		3A. FED TAX NO. .
4. SECURED PARTY Name: SILICON VALLEY BANK Mailing Address: 3000 Lakeside Drive Santa Clara, California 95054-2895		4A.Soc Sec No or Id No.
5. ASSIGNEE OF SECURED PARTY Name: Mailing Address:		5A.Soc Sec No or Id No.
</TABLE>		

6. This FINANCING STATEMENT covers the following types or items of property (include description of real property on which located and owner of record when required by instruction 4).

Debtor hereby grants Secured Party a security interest in all of the following, whether now owned or hereafter payment and performance of all present and future indebtedness, liabilities, guarantees and obligations of Debtor to Secured Party: All "accounts," "general intangibles," "chattel paper," "documents," "letters of credit," "instruments," "deposit accounts," "inventory," "farm products," "fixtures" and "equipment," as such terms are defined in Division 9 of the California Uniform Commercial Code in effect on the date hereof, and all life and other insurance policies and claims, and all rights in all litigation presently or hereafter pending for any cause or claim (whether in contract, tort or otherwise), and all judgments now or hereafter arising therefrom; and all products, proceeds and insurance proceeds of any or all of the foregoing; including without limitation all types and items of property described on Exhibit A hereto (but this Financing Statement and Security Agreement shall be fully effective notwithstanding any lack of any Exhibit A). Debtor is not authorized to sell, transfer, or further encumber any of the foregoing collateral, except for the sale of finished inventory in the ordinary course of business.

7. CHECK IF APPLICABLE: X-PRODUCTS OF COLLATERAL ARE ALSO COVERED.

<TABLE>		
<S>	<C>	<C>
SIGNATURE(S) OF DEBTOR: ALPHA MICROSYSTEMS	DATE: July __, 1995	THIS SPACE FOR USE OF FILING OFFICER (DATE, TIME, FILE NUMBER AND FILING OFFICER)
By MICHAEL J. LOWELL		
Title CFO AND V.P.		
	1	
SIGNATURE(S) OF SECURED PARTY:	2	
	3	
SILICON VALLEY BANK	4	
	5	
By _____	6	
Title _____	7	
	8	
	9	
RETURN COPY TO:	0	

SILICON VALLEY BANK  
3000 LAKESIDE DRIVE  
SANTA CLARA, CALIFORNIA 95054-2895  
ATTENTION: DOCUMENTATION DEPT.

</TABLE>

## EXHIBIT "A"

## TO FINANCING STATEMENT AND SECURITY AGREEMENT

This FINANCING STATEMENT and SECURITY AGREEMENT covers the following types or items of property, and the undersigned, ALPHA MICROSYSTEMS ("Debtor") hereby grants SILICON VALLEY BANK ("Secured Party") a security interest therein as collateral for the payment and performance of all present and future indebtedness, liabilities, guarantees and obligations of Debtor to Secured Party. Debtor agrees that said security interest may be enforced by Secured Party in accordance with the terms and provisions of all security and other agreements between Secured Party and Debtor, the California Uniform Commercial Code, or both (but this document shall be fully effective as a security agreement, even if there is no other security or other agreement between Secured Party and Debtor): (a) All accounts, contract rights, chattel paper, letters of credit, documents, securities, money, and instruments, and all other obligations now or in the future owing to the Debtor; (b) All inventory, goods, merchandise, materials, raw materials, work in process, finished goods, farm products, advertising, packaging and shipping materials, supplies, and all other tangible personal property which is held for sale or lease or furnished under contracts of service or consumed in the Debtor's business, and all warehouse receipts and other documents; and (c) All equipment, including without limitation all machinery, fixtures, trade fixtures, vehicles, furnishings, furniture, materials, tools, machine tools, office equipment, computers and peripheral devices, appliances, apparatus, parts, dies, and jigs; (d) All general intangibles including, but not limited to, deposit accounts, goodwill, names, trade names, trademarks and the goodwill of the business symbolized thereby, trade secrets, drawings, blueprints, customer lists, patents, patent applications, copyrights, security deposits, loan commitment fees, federal, state and local tax refunds and claims, all rights in all litigation presently or hereafter pending for any cause or claim (whether in contract, tort or otherwise), and all judgments now or hereafter arising therefrom, all claims of Debtor against Secured Party, all rights to purchase or sell real or personal property, all rights as a licensor or licensee of any kind, all royalties, licenses, processes, telephone numbers, proprietary information, purchase orders, and all insurance policies and claims (including without limitation credit, liability, property and other insurance), and all other rights, privileges and franchises of every kind; (e) All books and records, whether stored on computers or otherwise maintained; and (f) All substitutions, additions and accessions to any of the foregoing, and all products, proceeds and insurance proceeds of the foregoing, and all guaranties of and security for the foregoing; and all books and records relating to any of the foregoing.

ALPHA MICROSYSTEMS

By MICHAEL J. LOWELL

Title CFO and V.P.

This FINANCING STATEMENT is presented for filing and will remain effective, with certain exceptions, for five years from the date of filing, pursuant to Section 9403 of the California Uniform Commercial Code.

&lt;TABLE&gt;

&lt;S&gt;

1. DEBTOR (Last Name First - If An Individual)  
ALPHAHEALTHCARE, INC.

1B. MAILING ADDRESS  
10 Coburg Road

2. ADDITIONAL DEBTOR (IF ANY) (Last Name First - If An Individual)

&lt;C&gt;

1C. CITY, STATE  
Eugene, Oregon

&lt;C&gt;

1A.Soc Sec No or Id No.

&lt;C&gt;

1D. ZIP CODE  
97401

2A.Soc Sec No or Id No.



2B. MAILING ADDRESS

2C. CITY, STATE

2D. ZIP CODE

3. DEBTOR'S TRADE NAMES OR STYLES (IF ANY)  
None

3A. FED TAX NO.  
.

4. SECURED PARTY  
Name: SILICON VALLEY BANK  
Mailing Address: 3000 Lakeside Drive  
Santa Clara, California 95054-2895

4A.Soc Sec No or Id No.

</TABLE>

5. ASSIGNEE OF SECURED PARTY  
5A.Soc Sec No or Id No.

Name:

Mailing Address:

6. This FINANCING STATEMENT covers the following types or items of property (include description of real property on which located and owner of record when required by instruction 4).

Debtor hereby grants Secured Party a security interest in all of the following, whether now owned or hereafter acquired, and wherever located, as collateral for the payment and performance of all present and future indebtedness, liabilities, guarantees and obligations of Debtor to Secured Party: All "accounts," "general intangibles," "chattel paper," "documents," "letters of credit," "instruments," "deposit accounts," "inventory," "farm products," "fixtures" and "equipment," as such terms are defined in Division 9 of the California Uniform Commercial Code in effect on the date hereof, and all life and other insurance policies and claims, and all rights in all litigation presently or hereafter pending for any cause or claim (whether in contract, tort or otherwise), and all judgments now or hereafter arising therefrom; and all products, proceeds and insurance proceeds of any or all of the foregoing; including without limitation all types and items of property described on Exhibit A hereto (but this Financing Statement and Security Agreement shall be fully effective notwithstanding any lack of any Exhibit A). Debtor is not authorized to sell, transfer, or further encumber any of the foregoing collateral, except for the sale of finished inventory in the ordinary course of business.

<TABLE>

<S>

<C> <C>

7. CHECK IF APPLICABLE: X-PRODUCTS OF COLLATERAL ARE ALSO COVERED.

SIGNATURE(S) OF DEBTOR: DATE: July \_\_, 1995

C THIS SPACE FOR USE OF FILING OFFICER  
(DATE, TIME, FILE NUMBER AND FILING  
OFFICER)

ALPHAHEALTHCARE, INC.

D

By DOUGLAS J. TULLIO

E

-----  
Title PRESIDENT  
-----

1

SIGNATURE(S) OF SECURED PARTY:

2

SILICON VALLEY BANK

3

4

By TERRY BESS

5

-----  
Title VICE PRESIDENT  
-----

6

7

8

RETURN COPY TO:

9

SILICON VALLEY BANK  
3000 Lakeside Drive  
Santa Clara, California 95054-2895  
Attention: DOCUMENTATION DEP'T

0

</TABLE>

## EXHIBIT "A"

## TO FINANCING STATEMENT AND SECURITY AGREEMENT

This FINANCING STATEMENT and SECURITY AGREEMENT covers the following types or items of property, and the undersigned, ALPHAHEALTHCARE, INC. ("Debtor") hereby grants SILICON VALLEY BANK ("Secured Party") a security interest therein as collateral for the payment and performance of all present and future indebtedness, liabilities, guarantees and obligations of Debtor to Secured Party. Debtor agrees that said security interest may be enforced by Secured Party in accordance with the terms and provisions of all security and other agreements between Secured Party and Debtor, the California Uniform Commercial Code, or both (but this document shall be fully effective as a security agreement, even if there is no other security or other agreement between Secured Party and Debtor): (a) All accounts, contract rights, chattel paper, letters of credit, documents, securities, money, and instruments, and all other obligations now or in the future owing to the Debtor; (b) All inventory, goods, merchandise, materials, raw materials, work in process, finished goods, farm products, advertising, packaging and shipping materials, supplies, and all other tangible personal property which is held for sale or lease or furnished under contracts of service or consumed in the Debtor's business, and all warehouse receipts and other documents; and (c) All equipment, including without limitation all machinery, fixtures, trade fixtures, vehicles, furnishings, furniture, materials, tools, machine tools, office equipment, computers and peripheral devices, appliances, apparatus, parts, dies, and jigs; (d) All general intangibles including, but not limited to, deposit accounts, goodwill, names, trade names, trademarks and the goodwill of the business symbolized thereby, trade secrets, drawings, blueprints, customer lists, patents, patent applications, copyrights, security deposits, loan commitment fees, federal, state and local tax refunds and claims, all rights in all litigation presently or hereafter pending for any cause or claim (whether in contract, tort or otherwise), and all judgments now or hereafter arising therefrom, all claims of Debtor against Secured Party, all rights to purchase or sell real or personal property, all rights as a licensor or licensee of any kind, all royalties, licenses, processes, telephone numbers, proprietary information, purchase orders, and all insurance policies and claims (including without limitation credit, liability, property and other insurance), and all other rights, privileges and franchises of every kind; (e) All books and records, whether stored on computers or otherwise maintained; and (f) All substitutions, additions and accessions to any of the foregoing, and all products, proceeds and insurance proceeds of the foregoing, and all guaranties of and security for the foregoing; and all books and records relating to any of the foregoing.

ALPHAHEALTHCARE, INC.

By DOUGLAS J. TULLIO

-----  
 Title PRESIDENT  
 -----

[LOGO] SILICON VALLEY BANK

CONTINUING GUARANTY

BORROWER: ALPHA MICROSYSTEMS

GUARANTOR: ALPHAHEALTHCARE, INC.

DATE: JULY 10, 1995

THIS CONTINUING GUARANTY is executed by the above-named guarantor (the "Guarantor"), as of the above date, in favor of SILICON VALLEY BANK ("Silicon"), whose address is 3000 Lakeside Drive, Santa Clara, California 95054-2895, with respect to the Indebtedness of the above-named borrower ("Borrower")

1. CONTINUING GUARANTY. Guarantor hereby unconditionally guarantees and promises to pay on demand to Silicon, at the address indicated above, or at such other address as Silicon may direct, in lawful money of the United States, and to perform for the benefit of Silicon, all Indebtedness of Borrower now or hereafter owing to or held by Silicon. As used herein, the term "Indebtedness" is used in its most comprehensive sense and shall mean and include without limitation: (a) any and all debts, duties, obligations, liabilities, representations, warranties and guaranties of Borrower or any one or more of them, heretofore, now, or hereafter made, incurred, or created, whether directly to Silicon or acquired by Silicon by assignment or otherwise, or held by Silicon on behalf of others, however arising, whether voluntary or involuntary, due or not due, absolute or contingent, liquidated or unliquidated, certain or uncertain, determined or undetermined, monetary or nonmonetary, written or oral, and whether Borrower may be liable individually or jointly with others, and regardless of whether recovery thereon may be or hereafter become barred by any statute of limitations, discharged or uncollectible in any bankruptcy, insolvency or other proceeding, or otherwise unenforceable; and (b) any and all amendments, modifications, renewals and extensions of any or all of the foregoing, including without limitation amendments, modifications, renewals and extensions which are evidenced by any new or additional instrument, document or agreement; and (c) any and all attorneys' fees, court costs, and collection charges incurred in endeavoring to collect or enforce any of the foregoing against Borrower, Guarantor, or any other person liable thereon (whether or not suit be brought) and any other expenses of, for or incidental to collection thereof. As used herein, the term "Borrower" shall include any successor to the business and assets of Borrower, and shall also include Borrower in its capacity as a debtor or debtor in possession under the federal Bankruptcy Code, and any trustee, custodian or receiver for Borrower or any of its assets, should Borrower hereafter become

the subject of any bankruptcy or insolvency proceeding, voluntary or involuntary; and all indebtedness, liabilities and obligations incurred by any such person shall be included in the Indebtedness guaranteed hereby. This Guaranty is given in consideration for credit and other financial accommodations which may, from time to time, be given by Silicon to Borrower in Silicon's sole discretion, but Guarantor acknowledges and agrees that acceptance by Silicon of this Guaranty shall not constitute a commitment of any kind by Silicon to extend such credit or other financial accommodation to Borrower or to permit Borrower to incur Indebtedness to Silicon. All sums due under this Guaranty shall bear interest from the date due until the date paid at the highest rate charged with respect to any of the Indebtedness.

2. WAIVERS. Guarantor hereby waives: (a) presentment for payment, notice of dishonor, demand, protest, and notice thereof as to any instrument, and all other notices and demands to which Guarantor might be entitled, including without limitation notice of all of the following: the acceptance hereof; the creation, existence, or acquisition of any Indebtedness; the amount of the Indebtedness from time to time outstanding; any foreclosure sale or other disposition of any property which secures any or all of the Indebtedness or which secures the obligations of any other guarantor of any or all of the Indebtedness; any adverse change in Borrower's financial position; any other fact which might increase Guarantor's risk; any default, partial payment or non-payment of all or any part of the Indebtedness; the occurrence of any other Event of Default (as hereinafter defined); any and all agreements and arrangements between

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SILICON VALLEY BANK

CONTINUING GUARANTY

Silicon and Borrower and any changes, modifications, or extensions thereof, and any revocation, modification or release of any guaranty of any or all of the Indebtedness by any person (including without limitation any other person signing this Guaranty); (b) any right to require Silicon to institute suit against, or to exhaust its rights and remedies against, Borrower or any other person, or to proceed against any property of any kind which secures all or any part of the Indebtedness, or to exercise any right of offset or other right with respect to any reserves, credits or deposit accounts held by or maintained with Silicon or any indebtedness of Silicon to Borrower, or to exercise any other right or power, or pursue any other remedy Silicon may have; (c) any defense arising by reason of any disability or other defense of Borrower or any other guarantor or any endorser, co-maker or other person, or by reason of the cessation from any cause whatsoever of any liability of Borrower or any other guarantor or any endorser, co-maker or other person, with respect to all or any part of the Indebtedness, or by reason of any act or omission of Silicon or

others which directly or indirectly results in the discharge or release of Borrower or any other guarantor or any other person or any Indebtedness or any security therefor, whether by operation of law or otherwise; (d) any defense arising by reason of any failure of Silicon to obtain, perfect, maintain or keep in force any security interest in, or lien or encumbrance upon, any property of Borrower or any other person; (e) any defense based upon any failure of Silicon to give Guarantor notice of any sale or other disposition of any property securing any or all of the Indebtedness, or any defects in any such notice that may be given, or any failure of Silicon to comply with any provision of applicable law in enforcing any security interest in or lien upon any property securing any or all of the Indebtedness including, but not limited to, any failure by Silicon to dispose of any property securing any or all of the Indebtedness in a commercially reasonable manner; (f) any defense based upon or arising out of any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, liquidation or dissolution proceeding commenced by or against Borrower or any other guarantor or any endorser, co-maker or other person, including without limitation any discharge of, or bar against collecting, any of the Indebtedness (including without limitation any interest thereon), in or as a result of any such proceeding; and (g) the benefit of any and all statutes of limitation with respect to any action based upon, arising out of or related to this Guaranty. Until all of the Indebtedness has been paid, performed, and discharged in full, nothing shall discharge or satisfy the liability of Guarantor hereunder except the full performance and payment of all of the Indebtedness. If any claim is ever made upon Silicon for repayment or recovery of any amount or amounts received by Silicon in payment of or on account of any of the Indebtedness, because of any claim that any such payment constituted a preferential transfer or fraudulent conveyance, or for any other reason whatsoever, and Silicon repays all or part of said amount by reason of any judgment, decree or order of any court or administrative body having jurisdiction over Silicon or any of its property, or by reason of any settlement or compromise of any such claim effected by Silicon with any such claimant (including without limitation the Borrower), then and in any such event, Guarantor agrees that any such judgment, decree, order, settlement and compromise shall be binding upon Guarantor, notwithstanding any revocation or release of this Guaranty or the cancellation of any note or other instrument evidencing any of the Indebtedness, or any release of any of the Indebtedness, and the Guarantor shall be and remain liable to Silicon under this Guaranty for the amount so repaid or recovered, to the same extent as if such amount had never originally been received by Silicon, and the provisions of this sentence shall survive, and continue in effect, notwithstanding any revocation or release of this Guaranty. Until all of the Indebtedness has been irrevocably paid and performed in full, Guarantor hereby expressly and unconditionally waives all rights of subrogation, reimbursement and indemnity of every kind against Borrower, and all rights of recourse to any assets or property of Borrower, and all rights to any collateral or security held for the payment and performance of any Indebtedness, including (but not limited to) any of the foregoing rights which Guarantor may have under any present or future document or agreement with any Borrower or other person, and including (but not limited to) any of the foregoing rights which Guarantor may have under any equitable doctrine of subrogation, implied contract, or unjust enrichment, or any other equitable or legal doctrine. Neither Silicon, nor any of its directors,

officers, employees, agents, attorneys or any other person affiliated with or representing Silicon shall be liable for any claims, demands, losses or damages, of any kind whatsoever, made, claimed, incurred or suffered by Guarantor or any other party through the ordinary negligence of Silicon, or any of its directors, officers, employees, agents, attorneys or any other person affiliated with or representing Silicon.

3. CONSENTS. Guarantor hereby consents and agrees that, without notice to or by Guarantor and without affecting or impairing in any way the obligations or liability of Guarantor hereunder, Silicon may, from time to time before or after revocation of this Guaranty, do any one or more of the following in Silicon's sole and absolute discretion: (a) accelerate, accept partial payments of, compromise or settle, renew, extend the time for the payment, discharge, or performance of, refuse to enforce, and release all or any parties to, any or all of the Indebtedness; (b) grant any other indulgence to Borrower or any other person in respect of any or all of the Indebtedness or any other matter; (c) accept, release, waive, surrender, enforce, exchange, modify, impair, or extend the time for the performance, discharge, or payment of, any and all property of any kind securing any or all of the Indebtedness or any guaranty of any or all of the Indebtedness, or on which Silicon at any time may have a lien, or refuse to enforce its rights or make any compromise or settlement or agreement therefor in respect of any or all of such property; (d) substitute or add, or take any action or omit to take any action which results in the release of, any one or more endorsers or guarantors of all or any part of the Indebtedness, including, without limitation one or more parties to this Guaranty, regardless of any destruction or impairment of any right of contribution or other right of Guarantor; (e) amend, alter or change in any respect whatsoever any term or provision relating to any or all of the Indebtedness, including the rate of interest thereon; (f) apply any sums received from Borrower, any other

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SILICON VALLEY BANK

CONTINUING GUARANTY

guarantor, endorser, or co-signer, or from the disposition of any collateral or security, to any indebtedness whatsoever owing from such person or secured by such collateral or security, in such manner and order as Silicon determines in its sole discretion, and regardless of whether such indebtedness is part of the Indebtedness, is secured, or is due and payable; (g) apply any sums received from Guarantor or from the disposition of any collateral or security securing the obligations of Guarantor, to any of the Indebtedness in such manner and order as Silicon determines in its sole discretion, regardless of whether or not such Indebtedness is secured or is due and payable. Guarantor consents and agrees that Silicon shall be under no obligation to marshal any assets in favor of Guarantor, or against or in payment of any or all of the Indebtedness. Guarantor further consents and agrees that Silicon shall have no duties or

responsibilities whatsoever with respect to any property securing any or all of the Indebtedness. Without limiting the generality of the foregoing, Silicon shall have no obligation to monitor, verify, audit, examine, or obtain or maintain any insurance with respect to, any property securing any or all of the Indebtedness.

4. ACCOUNT STATED. Silicon's books and records showing the account between it and the Borrower shall be admissible in evidence in any action or proceeding as prima facie proof of the items therein set forth. Silicon's monthly statements rendered to the Borrower shall be binding upon the Guarantor (whether or not the Guarantor receives copies thereof), and shall constitute an account stated between Silicon and the Borrower, unless Silicon receives a written statement of the Borrower's exceptions within 30 days after the statement was mailed to the Borrower. The Guarantor assumes full responsibility for obtaining copies of such monthly statements from the Borrower, if the Guarantor desires such copies.

5. EXERCISE OF RIGHTS AND REMEDIES; FORECLOSURE OF TRUST DEEDS. Guarantor consents and agrees that, without notice to or by Guarantor and without affecting or impairing in any way the obligations or liability of Guarantor hereunder, Silicon may, from time to time, before or after revocation of this Guaranty, exercise any right or remedy it may have with respect to any or all of the Indebtedness or any property securing any or all of the Indebtedness or any guaranty thereof, including without limitation judicial foreclosure, nonjudicial foreclosure, exercise of a power of sale, and taking a deed, assignment or transfer in lieu of foreclosure as to any such property, and Guarantor expressly waives any defense based upon the exercise of any such right or remedy, notwithstanding the effect thereof upon any of Guarantor's rights, including without limitation, any destruction of Guarantor's right of subrogation against Borrower and any destruction of Guarantor's right of contribution or other right against any other guarantor of any or all of the Indebtedness or against any other person, whether by operation of Sections 580a, 580d or 726 of the California Code of Civil Procedure, or any comparable provisions of the laws of any other jurisdiction, or any other statutes or rules of law now or hereafter in effect, or otherwise. Without limiting the generality of the foregoing, (a) Guarantor waives all rights and defenses arising out of an election of remedies by Silicon, even though that election of remedies, such as a nonjudicial foreclosure with respect to security for any of the Indebtedness, has destroyed the guarantor's rights of subrogation and reimbursement against the principal by the operation of Section 580d of the Code of Civil Procedure or otherwise. (b) Guarantor further waives all rights and defenses arising out of an election of remedies by Silicon, even though that election of remedies, such as a nonjudicial foreclosure with respect to security for any of the Indebtedness, has destroyed the guarantor's rights of subrogation, reimbursement and contribution against any other guarantor of the guaranteed obligation, by the operation of Section 580d of the Code of Civil Procedure or otherwise. (c) Guarantor understands that if Silicon forecloses any present or future trust deed, which secures any or all of the Indebtedness or which secures any other guaranty of any or all of the Indebtedness, by nonjudicial foreclosure, Guarantor may, as a result, have a complete defense to liability under this Guaranty, based on the legal doctrine of estoppel and

Sections 580a, 580d or 726 of the California Code of Civil Procedure, and Guarantor hereby expressly waives all such defenses. (d) Guarantor understands and agrees that, in the event Silicon in its sole discretion forecloses any trust deed now or hereafter securing any or all of the Indebtedness, by nonjudicial foreclosure, Guarantor will remain liable to Silicon for any deficiency, even though Guarantor will lose his right of subrogation against the Borrower, and even though Guarantor will be unable to recover from the Borrower the amount of the deficiency for which Guarantor is liable, and even though Guarantor may have retained his right of subrogation against Borrower if Silicon had foreclosed said trust deed by judicial foreclosure as opposed to nonjudicial foreclosure, and even though absent the waivers set forth herein Guarantor may have had a complete defense to any liability for any deficiency hereunder. (e) Guarantor understands and agrees that, in the event Silicon in its sole discretion forecloses any trust deed now or hereafter securing any other guaranty of any or all of the Indebtedness, by nonjudicial foreclosure, Guarantor will remain liable to Silicon for any deficiency, even though Guarantor will lose his right of subrogation or contribution against the other guarantor, and even though Guarantor will be unable to recover from the other guarantor any part of the deficiency for which Guarantor is liable, and even though Guarantor may have retained his right of subrogation or contribution against the other guarantor if Silicon had foreclosed said trust deed by judicial foreclosure as opposed to nonjudicial foreclosure, and even though absent the waivers set forth herein Guarantor may have had a complete defense to any liability for any deficiency hereunder.

6. ACCELERATION. Notwithstanding the terms of all or any part of the Indebtedness, the obligations of the Guarantor hereunder to pay and perform all of the Indebtedness shall, at the option of Silicon, immediately become due and payable, without notice, and without regard to the expressed maturity of any of the Indebtedness, in the event: (a) any warranty, representation, statement, report, or certificate made or delivered to Silicon by Borrower or Guarantor, or any of their respective officers, partners,

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employees, or agents, is incorrect, false, untrue, or misleading when given in any material respect; or (b) Borrower or Guarantor shall fail to pay or perform when due all or any part of the Indebtedness; or (c) Guarantor shall fail to pay or perform when due any indebtedness or obligation of Guarantor to Silicon or to any parent, subsidiary or corporate affiliate of Silicon, whether under this Guaranty or any other instrument, document, or agreement heretofore or hereafter entered into\*; or (d) there occurs in Silicon's judgment a material impairment of the prospect of payment or performance of any or all of the



Indebtedness; or (e) any event shall occur which may or does result in the acceleration of the maturity of any indebtedness of Borrower or Guarantor to others (regardless of any requirement of notice, opportunity to cure or other condition prior to the exercise of any right of acceleration); or (f) Borrower or Guarantor shall fail promptly to perform or comply with any term or condition of any agreement with any third party which does or may result in a material adverse effect on the business of Borrower or Guarantor; or (g) there shall be made or exist any levy, assessment, attachment, seizure, lien, or encumbrance for any cause or reason whatsoever upon all or any part of the property of Borrower or Guarantor (unless discharged by payment, release or bond not more than [ten] \*\* days after such event has occurred); or (h) there shall occur the dissolution, termination of existence, insolvency, or business failure of Borrower or Guarantor, or the appointment of a receiver, trustee or custodian for Borrower or Guarantor or all or any part of the property of either of them, or the assignment for the benefit of creditors by Borrower or Guarantor, or the commencement of any proceeding by or against Borrower or Guarantor under any reorganization, bankruptcy, insolvency, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, now or hereafter in effect; or (i) Borrower or Guarantor shall be deceased or declared incompetent by any court or a guardian or conservator shall be appointed for either of them or for the property of either of them; or (j) Guarantor or Borrower shall generally not pay their respective debts as they become due or shall enter into any agreement (whether written or oral), or offer to enter into any such agreement, with all or a significant number of its creditors regarding any moratorium or other indulgence with respect to its debts or the participation of such creditors or their representatives in the supervision, management, or control of the business of either of them; or (k) Borrower or Guarantor shall conceal, remove or permit to be concealed or removed any part of its property, with intent to hinder, delay or defraud its creditors, or make or suffer any transfer of any of its property which may be fraudulent under any bankruptcy, fraudulent conveyance or similar law, or shall make any transfer of its property to or for the benefit of any creditor at a time when other creditors similarly situated have not been paid; or (l) the board of directors or shareholders of Borrower or Guarantor shall adopt any resolution or plan for its dissolution or the liquidation of all or substantially all of its assets; or (m) Guarantor shall revoke this Guaranty or contest or deny liability under this Guaranty. All of the foregoing are hereinafter referred to as "Events of Default".

\* , PROVIDED THAT WITH RESPECT TO THE FAILURE TO PERFORM ANY NON-MONETARY OBLIGATION ONLY, SUCH FAILURE IS NOT CURED WITHIN 30 DAYS AFTER THE DATE DUE

\*\* 30

7. RIGHT TO ATTACHMENT REMEDY. Guarantor agrees that, notwithstanding the existence of any property securing any or all of the Indebtedness, Silicon shall have all of the rights of an unsecured creditor of Guarantor, including without limitation the right to obtain a temporary protective order and writ of attachment against Guarantor with respect to any sums due under this Guaranty. Guarantor further agrees that in the event any property secures the obligations of Guarantor under this Guaranty, to the extent that Silicon, in its sole and

absolute discretion, determines prior to the disposition of such property that the amount to be realized by Silicon therefrom may be less than the indebtedness of the Guarantor under this Guaranty, Silicon shall have all the rights of an unsecured creditor against Guarantor, including without limitation the right of Silicon, prior to the disposition of said property, to obtain a temporary protective order and writ of attachment against Guarantor. Guarantor waives the benefit of Section 483.010(b) of the California Code of Civil Procedure and of any and all other statutes and rules of law now or hereafter in effect requiring Silicon to first resort to or exhaust all such collateral before seeking or obtaining any attachment remedy against Guarantor. Silicon shall have no liability to Guarantor as a result thereof, whether or not the actual deficiency realized by Silicon is less than the anticipated deficiency on the basis of which Silicon obtains a temporary protective order or writ of attachment.

8. INDEMNITY. Guarantor hereby agrees to indemnify Silicon and hold Silicon harmless from and against any and all claims, debts, liabilities, demands, obligations, actions, causes of action, penalties, costs and expenses (including without limitation attorneys' fees), of every nature, character and description, which Silicon may sustain or incur based upon or arising out of any of the Indebtedness, any actual or alleged failure to collect and pay over any withholding or other tax relating to Borrower or its employees, any relationship or agreement between Silicon and Borrower, any actual or alleged failure of Silicon to comply with any writ of attachment or other legal process relating to Borrower or any of its property, or any other matter, cause or thing whatsoever occurred, done, omitted or suffered to be done by Silicon relating in any way to Borrower or the Indebtedness (except any such amounts sustained or incurred as the result of the gross negligence or willful misconduct of Silicon or any of its directors, officers, employees, agents, attorneys, or any other person affiliated with or representing Silicon). Notwithstanding any provision in this Guaranty to the contrary, the indemnity agreement set forth in this Section shall survive any termination or revocation of this Guaranty and shall for all purposes continue in full force and effect.

9. SUBORDINATION. Any and all rights of Guarantor under any and all debts, liabilities and obligations owing from Borrower to Guarantor, including any security for and guaranties of any such obligations, whether now existing or

hereafter arising, are hereby subordinated in right of payment to the prior payment in full of all of the Indebtedness. No payment in respect of any such

subordinated obligations shall at any time be made to or accepted by Guarantor if at the time of such payment any Indebtedness is outstanding. If any Event of Default has occurred, Borrower and any assignee, trustee in bankruptcy, receiver, or any other person having custody or control over any or all of Borrower's property are hereby authorized and directed to pay to Silicon the entire unpaid balance of the Indebtedness before making any payments whatsoever to Guarantor, whether as a creditor, shareholder, or otherwise; and insofar as may be necessary for that purpose, Guarantor hereby assigns and transfers to Silicon all rights to any and all debts, liabilities and obligations owing from Borrower to Guarantor, including any security for and guaranties of any such obligations, whether now existing or hereafter arising, including without limitation any payments, dividends or distributions out of the business or assets of Borrower. Any amounts received by Guarantor in violation of the foregoing provisions shall be received and held as trustee for the benefit of Silicon and shall forthwith be paid over to Silicon to be applied to the Indebtedness in such order and sequence as Silicon shall in its sole discretion determine, without limiting or affecting any other right or remedy which Silicon may have hereunder or otherwise and without otherwise affecting the liability of Guarantor hereunder. Guarantor hereby expressly waives any right to set-off or assert any counterclaim against Borrower.

10. REVOCATION. This is a Continuing Guaranty relating to all of the Indebtedness, including Indebtedness arising under successive transactions which from time to time continue the Indebtedness or renew it after it has been satisfied. Guarantor waives all benefits of California Civil Code Section 2815, and agrees that the obligations of Guarantor hereunder may not be terminated or revoked in any manner except by giving 90 days' advance written notice of revocation to Silicon at its address above by registered first-class U.S. mail, postage prepaid, return receipt requested, and only as to new loans made by Silicon to Borrower more than 90 days after actual receipt of such written notice by Silicon. No termination or revocation of this Guaranty shall be effective until 90 days following the date of actual receipt of said written notice of revocation by Silicon. Notwithstanding such written notice of revocation or any other act of Guarantor or any other event or circumstance, Guarantor agrees that this Guaranty and all consents, waivers and other provisions hereof shall continue in full force and effect as to any and all Indebtedness which is outstanding on or before the 90th day following actual receipt of said written notice of revocation by Silicon, and all extensions, renewals and modifications of said Indebtedness (including without limitation amendments, extensions, renewals and modifications which are evidenced by new or additional instruments, documents or agreements executed before or after expiration of said 90-day period), and all interest thereon, accruing before or after expiration of said 90-day period, and all attorneys' fees, court costs and collection charges, incurred before or after expiration of said 90-day period, in endeavoring to collect or enforce any of the foregoing against Borrower, Guarantor or any other person liable thereon (whether or not suit be brought) and any other expenses of, for or incidental to collection thereof.

11. INDEPENDENT LIABILITY. Guarantor hereby agrees that one or more successive or concurrent actions may be brought hereon against Guarantor, in the same action in which Borrower may be sued or in separate actions, as often

as deemed advisable by Silicon. The liability of Guarantor hereunder is exclusive and independent of any other guaranty of any or all of the Indebtedness whether executed by Guarantor or by any other guarantor (including without limitation any other persons signing this Guaranty). The liability of Guarantor hereunder shall not be affected, revoked, impaired, or reduced by any one or more of the following: (a) the fact that the Indebtedness exceeds the maximum amount of Guarantor's liability, if any, specified herein or elsewhere (and no agreement specifying a maximum amount of Guarantor's liability shall be enforceable unless set forth in a writing signed by Silicon or set forth in this Guaranty); or (b) any direction as to the application of payment by Borrower or by any other party; or (c) any other continuing or restrictive guaranty or undertaking or any limitation on the liability of any other guarantor (whether under this Guaranty or under any other agreement); or (d) any payment on or reduction of any such other guaranty or undertaking; or (e) any revocation, amendment, modification or release of any such other guaranty or undertaking; or (f) any dissolution or termination of, or increase, decrease, or change in membership of any Guarantor which is a partnership. Guarantor hereby expressly represents that he was not induced to give this Guaranty by the fact that there are or may be other guarantors either under this Guaranty or otherwise, and Guarantor agrees that any release of any one or more of such other guarantors shall not release Guarantor from his obligations hereunder either in full or to any lesser extent. If Guarantor is a married person, Guarantor hereby expressly agrees that recourse may be had against his or her separate property for all of his or her obligations hereunder.

12. FINANCIAL CONDITION OF BORROWER. Guarantor is fully aware of the financial condition of Borrower and is executing and delivering this Guaranty at Borrower's request and based solely upon his own independent investigation of all matters pertinent hereto, and Guarantor is not relying in any manner upon any representation or statement of Silicon with respect thereto. Guarantor represents and warrants that he is in a position to obtain, and Guarantor hereby assumes full responsibility for obtaining, any additional information concerning Borrower's financial condition and any other matter pertinent hereto as Guarantor may desire, and Guarantor is not relying upon or expecting Silicon to furnish to him any information now or hereafter in Silicon's possession concerning the same or any other matter. By executing this Guaranty, Guarantor knowingly accepts the full range of risks encompassed within a contract of continuing guaranty, which risks Guarantor acknowledges include without limitation the possibility that Borrower will incur additional Indebtedness for which Guarantor will be liable hereunder after Borrower's financial condition or ability to pay such Indebtedness has deteriorated and/or after bankruptcy or insolvency proceedings have been

commenced by or against Borrower. Guarantor shall have no right to require Silicon to obtain or disclose any information with respect to the Indebtedness, the financial condition or character of Borrower, the existence of any collateral or security for any or all of the Indebtedness, the filing by or against Borrower of any bankruptcy or insolvency proceeding, the existence of any other guaranties of all or any part of the Indebtedness, any action or non-action on the part of Silicon, Borrower, or any other person, or any other matter, fact, or occurrence.

13. REPORTS AND FINANCIAL STATEMENTS OF GUARANTOR. Guarantor shall, at its sole cost and expense, at any time and from time to time, prepare or cause to be prepared, and provide to Silicon upon Silicon's request (i) such financial statements and reports concerning Guarantor for such periods of time as Silicon may designate, (ii) any other information concerning Guarantor's business, financial condition or affairs as Silicon may request, and (iii) copies of any and all foreign, federal, state and local tax returns and reports of or relating to Guarantor as Silicon may from time to time request. Guarantor hereby intentionally and knowingly waives any and all rights and privileges it may have not to divulge or deliver said tax returns, reports and other information which are requested by Silicon hereunder or in any litigation in which Silicon may be involved relating directly or indirectly to Borrower or to Guarantor. Guarantor further agrees immediately to give written notice to Silicon of any adverse change in Guarantor's financial condition and of any condition or event which constitutes an Event of Default under this Guaranty. All reports and information furnished to Silicon hereunder shall be complete, accurate and correct in all respects. Whenever requested, Guarantor shall further deliver to Silicon a certificate signed by Guarantor (and, if Guarantor is a partnership, by all general partners of Guarantor, in their individual capacities, and, if Guarantor is a corporation, by the president and secretary of Guarantor, in their individual capacities) warranting and representing that all reports, financial statements and other documents and information delivered or caused to be delivered to Silicon under this Guaranty, are complete, correct and thoroughly and accurately present the financial condition of Guarantor, and that there exists on the date of delivery of said certificate to Silicon no condition or event which constitutes an Event of Default under this Guaranty.

14. REPRESENTATIONS AND WARRANTIES. Guarantor hereby represents and warrants that (i) it is in Guarantor's direct interest to assist Borrower in procuring credit, because Borrower is an affiliate of Guarantor, furnishes goods or services to Guarantor, purchases or acquires goods or services from Guarantor, and/or otherwise has a direct or indirect corporate or business relationship with Guarantor, (ii) this Guaranty has been duly and validly authorized, executed and delivered and constitutes the valid and binding obligation of Guarantor, enforceable in accordance with its terms, and (iii) the execution and delivery of this Guaranty does not violate or constitute a default under (with or without the giving of notice, the passage of time, or both) any order, judgment, decree, instrument or agreement to which Guarantor is a party or by which it or its assets are affected or bound.

15. COSTS. Whether or not suit be instituted, Guarantor agrees to reimburse Silicon on demand for all reasonable attorneys' fees and all other reasonable costs and expenses incurred by Silicon in enforcing this Guaranty, or arising out of or relating in any way to this Guaranty, or in enforcing any of the Indebtedness against Borrower, Guarantor, or any other person, or in connection with any property of any kind securing all or any part of the Indebtedness. Without limiting the generality of the foregoing, and in addition thereto, Guarantor shall reimburse Silicon on demand for all reasonable attorneys' fees and costs Silicon incurs in any way relating to Guarantor, Borrower or the Indebtedness, in order to: obtain legal advice; enforce or seek to enforce any of its rights; commence, intervene in, respond to, or defend any action or proceeding; file, prosecute or defend any claim or cause of action in any action or proceeding (including without limitation any probate claim, bankruptcy claim, third-party claim, secured creditor claim, reclamation complaint, and complaint for relief from any stay under the Bankruptcy Code or otherwise); protect, obtain possession of, sell, lease, dispose of or otherwise enforce any security interest in or lien on any property of any kind securing any or all of the Indebtedness; or represent Silicon in any litigation with respect to Borrower's or Guarantor's affairs. In the event either Silicon or Guarantor files any lawsuit against the other predicated on a breach of this Guaranty, the prevailing party in such action shall be entitled to recover its attorneys' fees and costs of suit from the non-prevailing party.

16. NOTICES. Any notice which a party shall be required or shall desire to give to the other hereunder (except for notice of revocation, which shall be governed by Section 10 of this Guaranty) shall be given by personal delivery or by telecopier or by depositing the same in the United States mail, first class postage pre-paid, addressed to Silicon at its address set forth in the heading of this Guaranty and to Guarantor at his address set forth under his signature hereon, and such notices shall be deemed duly given on the date of personal delivery or one day after the date telecopied or 3 business days after the date of mailing as aforesaid. Silicon and Guarantor may change their address for purposes of receiving notices hereunder by giving written notice thereof to the other party in accordance herewith. Guarantor shall give Silicon immediate written notice of any change in his address.

17. CLAIMS. Guarantor agrees that any claim or cause of action by Guarantor against Silicon, or any of Silicon's directors, officers, employees, agents, accountants or attorneys, based upon, arising from, or relating to this Guaranty, or any other present or future agreement between Silicon and Guarantor or between Silicon and Borrower, or any other transaction contemplated hereby or thereby or relating hereto or thereto, or any other matter, cause or thing whatsoever, whether or not relating hereto or thereto, occurred, done, omitted or suffered to be done by Silicon, or by Silicon's directors, officers, employees, agents, accountants or attorneys, whether sounding in contract or in

tort or otherwise, shall be barred unless asserted by Guarantor by the commencement of an action or proceeding in a court of competent jurisdiction within Los Angeles County, California, by the filing of a complaint within one year after the first act, occurrence or omission upon which such claim or cause of action, or any part thereof, is based and service of a summons and complaint on an officer of Silicon or any other person authorized to accept service of process on behalf of Silicon, within 30 days thereafter. Guarantor agrees that such one year period is a reasonable and sufficient time for Guarantor to investigate and act upon any such claim or cause of action. The one year period provided herein shall not be waived, tolled, or extended except by a specific written agreement of Silicon. This provision shall survive any termination of this Guaranty or any other agreement.

18. CONSTRUCTION; SEVERABILITY. If more than one person has executed this Guaranty, the term "Guarantor" as used herein shall be deemed to refer to all and any one or more such persons and their obligations hereunder shall be joint and several. Without limiting the generality of the foregoing, if more than one person has executed this Guaranty, this Guaranty shall in all respects be interpreted as though each person signing this Guaranty had signed a separate Guaranty, and references herein to "other guarantors" or words of similar effect shall include without limitation other persons signing this Guaranty. As used in this Guaranty, the term "property" is used in its most comprehensive sense and shall mean all property of every kind and nature whatsoever, including without limitation real property, personal property, mixed property, tangible property and intangible property. Words used herein in the masculine gender shall include the neuter and feminine gender, words used herein in the neuter gender shall include the masculine and feminine, words used herein in the singular shall include the plural and words used in the plural shall include the singular, wherever the context so reasonably requires. If any provision of this Guaranty or the application thereof to any party or circumstance is held invalid, void, inoperative or unenforceable, the remainder of this Guaranty and the application of such provision to other parties or circumstances shall not be affected thereby, the provisions of this Guaranty being severable in any such instance.

19. GENERAL PROVISIONS. Silicon shall have the right to seek recourse against Guarantor to the full extent provided for herein and in any other instrument or agreement evidencing obligations of Guarantor to Silicon, and against Borrower to the full extent of the Indebtedness. No election in one form of action or proceeding, or against any party, or on any obligation, shall constitute a waiver of Silicon's right to proceed in any other form of action or proceeding or against any other party. The failure of Silicon to enforce any of the provisions of this Guaranty at any time or for any period of time shall not be construed to be a waiver of any such provision or the right

thereafter to enforce the same. All remedies hereunder shall be cumulative and shall be in addition to all rights, powers and remedies given to Silicon by law or under any other instrument or agreement. Time is of the essence in the performance by Guarantor of each and every obligation under this Guaranty. If Borrower is a corporation, partnership or other entity, Guarantor hereby agrees that Silicon shall have no obligation to inquire into the power or authority of Borrower or any of its officers, directors, partners, or agents acting or purporting to act on its behalf, and any Indebtedness made or created in reliance upon the professed exercise of any such power or authority shall be included in the Indebtedness guaranteed hereby. This Guaranty is the entire and only agreement between Guarantor and Silicon with respect to the guaranty of the Indebtedness of Borrower by Guarantor, and all representations, warranties, agreements, or undertakings heretofore or contemporaneously made, which are not set forth herein, are superseded hereby. No course of dealings between the parties, no usage of the trade, and no parol or extrinsic evidence of any nature shall be used or be relevant to supplement or explain or modify any term or provision of this Guaranty. There are no conditions to the full effectiveness of this Guaranty. The terms and provisions hereof may not be waived, altered, modified, or amended except in a writing executed by Guarantor and a duly authorized officer of Silicon. All rights, benefits and privileges hereunder shall inure to the benefit of and be enforceable by Silicon and its successors and assigns and shall be binding upon Guarantor and his heirs, executors, administrators, personal representatives, successors and assigns. Neither the death of Guarantor nor notice thereof to Silicon shall terminate this Guaranty as to his estate, and, notwithstanding the death of Guarantor or notice thereof to Silicon, this Guaranty shall continue in full force and effect with respect to all Indebtedness, including without limitation Indebtedness incurred or created after the death of Guarantor and notice thereof to Silicon. Section headings are used herein for convenience only. Guarantor acknowledges that the same may not describe completely the subject matter of the applicable Section, and the same shall not be used in any manner to construe, limit, define or interpret any term or provision hereof.

20. GOVERNING LAW; VENUE AND JURISDICTION. This instrument and all acts and transactions pursuant or relating hereto and all rights and obligations of the parties hereto shall be governed, construed, and interpreted in accordance with the internal laws of the State of California. In order to induce Silicon to accept this Guaranty, and as a material part of the consideration therefor, Guarantor (i) agrees that all actions or proceedings relating directly or indirectly hereto shall, at the option of Silicon, be litigated in courts located within Los Angeles County, California, (ii) consents to the jurisdiction of any such court and consents to the service of process in any such action or proceeding by personal delivery or any other method permitted by law; and (iii) waives any and all rights Guarantor may have to transfer or change the venue of any such action or proceeding.

21. MUTUAL WAIVER OF RIGHT TO JURY TRIAL. SILICON AND GUARANTOR HEREBY WAIVE THE RIGHT TO TRIAL BY JURY IN ANY ACTION, CLAIM, LAWSUIT OR PROCEEDING BASED UPON, ARISING OUT OF, OR IN ANY WAY RELATING TO: (i) THIS GUARANTEE OR ANY SUPPLEMENT OR



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AMENDMENT THERETO; OR (ii) ANY OTHER PRESENT OR FUTURE INSTRUMENT OR AGREEMENT BETWEEN SILICON AND GUARANTOR; OR (iii) ANY BREACH, CONDUCT, ACTS OR OMISSIONS OF SILICON OR GUARANTOR OR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, ATTORNEYS OR ANY OTHER PERSON AFFILIATED WITH OR REPRESENTING SILICON OR GUARANTOR; IN EACH OF THE FOREGOING CASES, WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE.

22. RECEIPT OF COPY. Guarantor acknowledges receipt of a copy of this Guaranty.

Guarantor Signature: ALPHAHEALTHCARE, INC.

By Douglas J. Tullio  
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Title President  
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Address: 10 Coburg Road  
Eugene, Oregon 97401

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