FORM 8-K

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ISCO INTERNATIONAL INC

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Mailing Address
1001 CAMBRIDGE DRIVE
ELK GROVE VILLAGE IL 60007

Business Address
1001 CAMBRIDGE DRIVE
ELK GROVE VILLAGE IL 60007
8473919400

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 18, 2008

ISCO INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware	001-22302	36-3688459
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification Number)

1001 Cambridge Drive Elk Grove Village, IL (Address of principal executive offices)	60007 (Zip Code)

(847) 391-9400
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

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

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement.

The information required by this Item 1.01 is included in Item 2.03 of this Current Report on Form 8-K and is hereby incorporated by reference.

Item 2.02 Results of Operations and Financial Condition.

On August 18, ISCO International, Inc. (the "Company") issued a press release to announce its second quarter financial results, and an investor call to be held on Tuesday, August 19, 2008 at 4:00 p.m. Eastern. A copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

The information in this Item 2.02 and Exhibit 99.1 to this Current Report on Form 8-K shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

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

On August 18, 2008, the Company entered into the August 2008 Loan Agreement (the "August Loan Agreement") with its two largest stockholders, Manchester Securities Corporation ("Manchester") and Alexander Finance, L.P. ("Alexander," and together with Manchester, the "Lenders"). Under the terms of the August Loan Agreement, the Lenders provided to the Company a credit line in the aggregate principal amount of $3 million and reduced the amount of advances that may be made under the 2008 Loan Agreement (defined below) by $550,000. The indebtedness under the August Loan Agreement is evidenced by the Company's 9½% Secured Convertible Notes (each a "Convertible Note," together the "Convertible Notes") due August 1, 2010. The Company issued a Convertible Note to Alexander in the principal amount not to exceed $1.65 million and a Convertible Note to Manchester in the principal amount not to exceed $1.35 million. Interest on the Convertible Notes accrues at 9½% per annum and the holders of the Convertible Notes have the right to convert the principal amount under the Convertible Notes, and all accrued but unpaid interest, at any time, in whole or in part, into shares of the Company's common stock at an original conversion price of $0.20 per share.

In connection with the August Loan Agreement and the issuance of the Convertible Notes, the Company entered into a Registration Rights Agreement (the "Registration Rights Agreement") with the Lenders dated August 18, 2008. Pursuant to the Registration Rights Agreement, the Company is required to file a registration statement under the Securities Act within 90 days of August 18, 2008 covering the resale of 15,000,000 shares of its common stock (the "Registrable Securities"), representing the number of shares of common stock issuable upon conversion of the maximum principal amount due on the Convertible Notes ($3 million) at the initial conversion price of $0.20 per share. Under the Registration Rights Agreement, the registration statement must be declared effective by the Securities and Exchange Commission (the "SEC") within 180 days after August 18, 2008, or within 240 days of August 18, 2008 if the registration statement is reviewed by the SEC, or the Company will be obligated to make certain delay payments. The Company is also required to list the Registrable Securities on the American Stock Exchange by the same date the registration statement is required to be declared effective by the SEC.

To secure and guarantee payment of the Convertible Notes, also on August 18, 2008, the Company, the Lenders and the Company's wholly-owned subsidiary, Clarity Communication Systems, Inc. ("Clarity"), entered into a Seventh Amended and Restated Security Agreement (the "New Security Agreement") and an Amended and Restated Guaranty of Clarity (the "New Clarity Guaranty"), in favor of the Lenders. The New Security Agreement amends and restates the Sixth Amended and Restated Security Agreement dated May 29, 2008 to add the August Loan Agreement and the Convertible Notes to the list of obligations secured by all of the Company's assets. The New Clarity Guaranty amends and restates the Amended and Restated Guaranty of Clarity dated May 29, 2008 to add the Convertible Notes to the list of obligations for which Clarity is guaranteeing the full payment and performance by the Company to the Lenders.

As previously reported, the Company borrowed funds (i) from the Lenders pursuant to notes issued under the Third Amended and Restated Loan Agreement dated November 10, 2004, as amended (the "2004 Loan Agreement"), the Securities Purchase Agreement, dated June 22, 2006 (the "2006 Purchase Agreement") and the 2008 Loan Agreement dated May 29, 2008 (the "2008 Loan Agreement"), and (ii) from Alexander pursuant to a note issued by the Company as of January 3, 2008 (together with the notes issued under the 2004 Loan Agreement, the 2006 Purchase Agreement and the 2008 Loan Agreement, the "Prior ISCO Notes").

The material terms of the August Loan Agreement and the Convertible Notes include the following:

- Interest on advances made pursuant to the August Loan Agreement (the "Loans") is calculated on a 360-day year simple interest basis and paid for the actual number of days elapsed. All interest due on such Loans is payable on August 1, 2010, the maturity date of the 2008 Loan Agreement. After the occurrence and during the continuance of an event of default, the interest rate on the Loans is increased to the lesser of 20% per annum, or the highest rate permitted by law and is payable on the demand of the Lenders.

- The repayment of the principal amount of the Convertible Notes, as well as the Prior ISCO Notes and all accrued and unpaid interest may be accelerated in the event of (i) a failure to pay any principal amount on the Convertible Notes; (ii) a failure to pay the principal amount or accrued but unpaid interest upon any of the Prior ISCO Notes as and when due; (iii) a failure by the Company for ten (10) days after notice to it, to comply with any other material provision of any of the Convertible Notes, the Prior ISCO Notes, the August Loan Agreement or the Registration Rights Agreement; (iv) a default under the New Security Agreement or any of the Convertible Notes or Prior ISCO Notes; (v) a breach by the Company of its representations or warranties under the August Loan Agreement or under the New Guaranty; (vi) defaults under any other indebtedness of the Company in excess of $500,000; (vii) a final judgment involving, in the aggregate, liability of the Company in excess of $500,000 that remains unpaid for a period of 45 days; or (viii) upon a bankruptcy event related to the Company or Clarity.

- The Company may not prepay any portion of the Loans.

The descriptions of the August Loan Agreement, the Convertible Notes, the Registration Rights Agreement, the New Security Agreement and the New Clarity Guaranty contained herein do not purport to be complete and are qualified in their entirety by reference to the full text of the August Loan Agreement, the Convertible Notes, the Registration Rights Agreement, the New Security Agreement and the New Clarity Guaranty, copies of which are attached as exhibits to this Current Report on Form 8-K and are incorporated herein by reference in their entirety.

Item 3.02 Unregistered Sales of Equity Securities.

The information required by this Item 3.02 is included in Item 2.03 of this Current Report on Form 8-K and is hereby incorporated by reference.

Item 9.01 Financial Statements and Exhibits.

d) Exhibits

Exhibit No.	Exhibit
10.1	August 2008 Loan Agreement dated as of August 18, 2008 by and among ISCO International, Inc., Manchester Securities Corporation and Alexander Finance, L.P.
10.2	Form of 9½% Secured Convertible Note Due August 1, 2010.
10.3	Registration Rights Agreement dated as of August 18, 2008 by and among ISCO International, Inc., Manchester Securities Corporation and Alexander Finance, L.P.
10.4	Seventh Amended and Restated Security Agreement dated as of August 18, 2008 by and among ISCO International, Inc., Clarity Communication Systems Inc., Manchester Securities Corporation and Alexander Finance, L.P.
10.5	Amended and Restated Guaranty of Clarity Communication Systems Inc. dated as of August 18, 2008.
99.1	Press release of ISCO International, Inc. dated August 18, 2008.

SIGNATURES

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

ISCO INTERNATIONAL, INC.

By:/s/ Gary Berger
Name: Gary Berger
Title: Chief Financial Officer
Date: August 18, 2008

Exhibit Index

Exhibit No.	Exhibit
10.1	August 2008 Loan Agreement dated as of August 18, 2008 by and among ISCO International, Inc., Manchester Securities Corporation and Alexander Finance, L.P.
10.2	Form of 9½% Secured Convertible Note Due August 1, 2010.
10.3	Registration Rights Agreement dated as of August 18, 2008 by and among ISCO International, Inc., Manchester Securities Corporation and Alexander Finance, L.P.
10.4	Seventh Amended and Restated Security Agreement dated as of August 18, 2008 by and among ISCO International, Inc., Clarity Communication Systems Inc., Manchester Securities Corporation and Alexander Finance, L.P.
10.5	Amended and Restated Guaranty of Clarity Communication Systems Inc. dated as of August 18, 2008.
99.1	Press release of ISCO International, Inc. dated August 18, 2008.

AUGUST 2008 LOAN AGREEMENT

AUGUST 2008 LOAN AGREEMENT ("**Agreement**") dated as of August 18, 2008 (the "**Closing Date**") by and among Manchester Securities Corporation, a New York corporation ("**Manchester**"), Alexander Finance, L.P., an Illinois limited partnership ("**Alexander**" and together with Manchester, the "**Lenders**") and ISCO International, Inc., a corporation organized and existing under the laws of Delaware and formerly known as Illinois Superconductor Corporation (the "**Company**").

W I T N E S S E T H:

WHEREAS, the Company and the Lenders previously entered into that certain 2008 Loan Agreement, dated as of May 29, 2008 (the "**2008 Loan Agreement**"), pursuant to which the Lenders, severally, but not jointly, agreed to make the Company advances in an aggregate amount of up to $2,500,000;

WHEREAS, the Company and the Lenders now desire to reduce the aggregate amount of advances that may be made under the 2008 Loan Agreement by $550,000, and that such amount be included in the aggregate amount of advances that may be under this August 2008 Loan Agreement;

WHEREAS, the Company now desires to borrow from the Lenders, and the Lenders desire to advance to the Company, subject to the terms and provisions of this Agreement and further subject to their absolute discretion, from time to time during the period commencing on the date hereof until August 1, 2010 (the "**Termination Date**"), amounts up to the sum of their aggregate individual Commitments as set forth on Schedule A attached hereto;

WHEREAS, the Company and the Lenders desire that the amounts advanced by the Lenders to the Company hereunder (the "**Loans**") with respect to the Commitments set forth in Section 1.1 below, be evidenced by secured notes convertible into shares of the Company's Common Stock, par value $0.001 per share (the "**Common Stock**"), having the rights and privileges set forth in the notes in the form and substance of Exhibit A in the aggregate principal amount of up to $3,000,000 (the "**Convertible Notes**") hereto and which will be secured by all of the assets of the Company and its subsidiaries pursuant to a Seventh Amended and Restated Security Agreement in the form and substance of Exhibit B hereto (the "**Security Agreement**");

WHEREAS, pursuant to an Amended and Restated Guaranty in favor of the Lenders dated the date hereof and in the form and substance of Exhibit C hereto (the "**Guaranty**"), the Company's subsidiary, Clarity Communication Systems Inc. (the "**Guarantor**") will guaranty the Company's obligations under this Agreement, the Security Agreement and the Convertible Notes (and the other notes described in the Security Agreement);

WHEREAS, pursuant to the Registration Rights Agreement, of even date herewith and in the form and substance of Exhibit D hereto (the "**Registration Rights Agreement**"), the Company shall register under the Securities Act of 1933, as amended (the "**Securities Act**"), the Conversion Shares (as defined below).

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

ARTICLE 1

AMOUNT AND TERMS OF LOANS

Section 1.1 The Advances; Commitment. Each Lender severally and further subject to such Lender's sole and absolute discretion and not jointly with the other Lender, agrees, on the terms and conditions hereinafter set forth, to make advances ("**Advances**") to the Company from time to time on any Business Day (as defined below) during the period commencing on the date hereof and terminating on the Termination Date. Any such Advances by a Lender shall be in an aggregate amount outstanding not to exceed at any time such Lender's Commitment; provided, however, that the aggregate amount available to be borrowed under the "Commitments" shall not exceed $3,000,000. The aggregate Commitments of the Lenders are set forth on Schedule A hereto. Within the limits of each Lender's Commitment in effect from time to time, and subject to both the Lenders' discretion (as referred to above) and the terms and conditions set forth above, the Company may borrow under this Section 1.1. The Loans shall be evidenced by the Convertible Notes, which in turn are guaranteed by the Guaranties and secured pursuant to the Security Agreement.

As used herein, "**Business Day**" shall mean any day other than a Saturday, Sunday or other day on which commercial banks in New York City are required or authorized to close.

Section 1.2 Amendment to the 2008 Loan Agreement. In consideration of each Lender's Commitment pursuant to Section 1.1 hereof, the parties hereto acknowledge and agree that the aggregate amount of advances available under the 2008 Loan Agreement shall be permanently reduced by $550,000, and the Company agrees that it shall not be entitled to advances in excess of $1,950,000 in the aggregate under the 2008 Loan Agreement and that it shall not make any request to the Lenders under the 2008 Loan Agreement for advances in excess of such amount.

Section 1.3 Cross-Default. Any Event of Default under a note issued pursuant to the Third Amended and Restated Loan Agreement, dated as of November 10, 2004, entered into by and among the Company and Lenders, as amended from time to time (the "**2004 Loan Agreement**"), a note issued pursuant to the Securities Purchase Agreement, dated as of June 22, 2006, entered into by and among the Company and the Lenders, as amended from time to time (the "**2006 Purchase Agreement**"), the note issued to Alexander dated as of January 3, 2008 (the "**January 2008 Note**"), or a note issued under the 2008 Loan Agreement (the "**2008** Note" and with the notes issued pursuant to the 2004 Loan Agreement and the 2006 Purchase Agreement, each as amended from time to time, collectively being referred to herein as the "**Prior ISCO Notes**") shall be an Event of Default with respect to the Convertible Notes.

Section 1.4 Making the Advances.

(a) Each set of Advances made by the Lenders (a "**Borrowing**") after the date hereof shall be made on notice (a "**Borrowing Request**"), given not later than 11:00 A.M. (New York City time) on the first or fifteenth day of the month, by the Company to the Lenders, which date shall be five (5) Business Days prior to the date of the proposed Borrowing. Each Borrowing Request shall be by telecopier and email, in substantially the form of Exhibit E hereto, specifying therein the requested (i) date of such Borrowing and (ii) aggregate amount of such Borrowing. The amount of such Borrowing shall be at least $250,000 (or less only if such amount is the balance of the Advances available under the Convertible Notes at such time). In the event that no Default (as defined below) or Event of Default (as defined in the Convertible Notes) shall have occurred and be continuing and all conditions to a Borrowing (including those set forth in Article III) shall have been satisfied and each Lender, in its sole and absolute discretion, shall have deemed it advisable to make the requested Advance, then the Company shall be entitled to make Borrowings under the Financing Documents (as defined in Section 1.10 below).

(b) Notwithstanding the foregoing, no Loan shall be made unless both Lenders shall have agreed to fund their respective Advances. If either Lender does not agree to make its Advance, then the other shall not make its Advance.

(c) The aggregate indebtedness of the Company hereunder to each Lender shall be evidenced by one or more Convertible Notes.

Section 1.5 Repayment. On the Termination Date, the Company shall repay to the Lenders the outstanding principal amount of the Advances evidenced by the Convertible Notes, together with (a) all accrued interest (such interest accruing whether or not allowable under any applicable bankruptcy laws after a bankruptcy filing by the Company) and (b) all other amounts due under the Loan Documents. Upon any of the Company's obligations hereunder or under the other Loan Documents (as defined in Section 4.1 below) becoming due and payable (by acceleration or otherwise), the Lenders shall be entitled to immediate payment of such obligations.

Section 1.6 Termination of the Commitments. On the Termination Date the Commitments of the Lenders shall be terminated in whole and the Convertible Notes shall be due and payable in their entirety.

Section 1.7 Prepayments. The Company may not prepay any portion of the Loans at any time prior to the Termination Date.

Section 1.8 Interest. Interest shall accrue on the Advances as set forth in the Convertible Notes.

Section 1.9 Payments and Computations.

(a) The Company shall make each payment hereunder and under the Convertible Notes not later than 3 P.M. (New York City time) on the day when due, in U.S. dollars, to the Lenders at accounts designated by the Lenders to the Company.

(b) All computations of interest, fees, and charges shall be made by the Lenders on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest, fees, or charges are payable. Each determination by the Lenders of an interest rate, fee, or charge hereunder shall be conclusive and binding for all purposes, absent manifest error.

(c) Whenever any payment hereunder or under the Convertible Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of the payment of interest or fees, as the case may be.

Section 1.10 Financing Documents. Concurrently with the execution and delivery of this Agreement and the Convertible Notes, the Company is delivering to the Lenders the following additional documents, each dated as of the date hereof, the execution and delivery of which are a condition to the Lenders' Commitments set forth in Section 1.1(a) above:

(i) the Guaranty;

(ii) the Security Agreement;

(iii) Amendments (the "**UCC Amendments**") to UCC financing statements, naming Lenders as the secured parties and the Company as the debtor (the "**UCC Financing Statements**" and together with the UCC Amendments, the "**Amended UCC Financing Statements**") if required by Lenders;

(iv) Amendments (the "**PTO Amendments**") to Patent and Trademark financing statements naming the Lenders as secured parties and the Company as the debtor (the "**Patent and Trademark Financing Statements**" and together with the PTO Amendments, the "**Amended Patent and Trademark Statements**") if required by Lenders;

(v) The Registration Rights Agreement;

(vi) Legal Opinion of outside counsel to the Company, in the form of Exhibit F hereto delivered not later than five (5) Business after the date hereof.

(vii) A secretary's certificate and an incumbency certificate each in a form satisfactory to the Lenders; and

(viii) UCC Lien Searches**.**

It shall be an Event of Default under the Convertible Notes if the legal opinion referred to in clause (v) above is not delivered within five (5) Business Days of the date hereof.

Section 1.11 This Agreement, the Guaranties, the Security Agreement, the Convertible Notes, the Amended UCC Financing Statements and the Amended Patent and Trademark Financing Statements are collectively referred to herein as the "**Financing Documents.**"

ARTICLE 2

REPRESENTATIONS AND WARRANTIES

Section 2.1 Representations, Warranties and Agreements of the Company. The Company hereby makes the following representations and warranties to the Lenders as of the date hereof:

(a) Organization and Qualification. The Company is a corporation, duly incorporated, validly existing and in good standing under the laws of the State of Delaware, with the requisite corporate power and authority to own and use its properties and assets and to carry on its business as currently conducted. The Company has no subsidiaries other than the Guarantor. The Company is duly qualified to do business and is in good standing as a foreign corporation in each jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, except where the failure to be so qualified or in good standing, as the case may be, could not, individually or in the aggregate, (x) adversely affect the legality, validity or enforceability of any of the Loan Documents in any material respect, (y) have a material adverse effect on the results of operations, assets, or financial condition of the Company or (z) adversely impair in any material respect the Company's ability to perform fully on a timely basis its obligations under the Loan Documents (a "**Material Adverse Effect**").

(b) Authorization; Enforcement. The Company has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by the Financing Documents, and otherwise to carry out its obligations thereunder. The execution and delivery of each of the Financing Documents by the Company and the consummation by it of the transactions contemplated thereby, have been duly authorized by all requisite corporate action on the part of the Company. Each of the Financing Documents has been duly executed and delivered by the Company and constitutes the valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, liquidation or similar laws relating to, or affecting generally the enforcement of, creditors' rights and remedies or by other equitable principles of general application.

(c) Capitalization. The authorized, issued and outstanding capital stock of the Company is set forth in Schedule 2.1(c). No shares of Common Stock are entitled to preemptive or similar rights, nor is any holder of the Common Stock entitled to preemptive or similar rights arising out of any agreement or understanding with the Company by virtue of any of the Financing Documents. Except as disclosed in Schedule 2.1(c), there are no outstanding options, warrants, scrip rights to subscribe to, calls or commitments of any character whatsoever relating to, securities, rights or obligations convertible into or exchangeable for, or giving any person any right to subscribe for or acquire any shares of Common Stock, or contracts, commitments, understandings, or arrangements by which the Company is or may become bound to issue additional shares of Common Stock, or securities or rights convertible or exchangeable into shares of Common Stock.

(d) Issuance of Conversion Shares. The shares of Common Stock issuable upon conversion of the Convertible Notes (the "**Conversion Shares**") have been reserved for issuance and when issued in accordance with the terms of the Convertible Notes will be duly authorized, validly issued, fully paid and non-assessable shares of Common Stock.

(e) No Conflicts. The execution, delivery and performance of the Financing Documents by the Company and the consummation by the Company of the transactions contemplated thereby, do not and will not (i) conflict with or violate any provision of its certificate of incorporation or by-laws or (ii) conflict with, constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture or instrument to which the Company is a party, or (iii) result in a violation of any law, rule, regulation, order, judgment, injunction, decree or other restriction of any court or governmental authority to which the Company is subject (including Federal and state securities laws and regulations), or by which any material property or asset of the Company is bound or affected, except in the case of each of clauses (ii) and (iii), such conflicts, defaults, terminations, amendments, accelerations, cancellations and violations as could not, individually or in the aggregate, have or result in a Material Adverse Effect. The business of the Company is not being conducted in violation of any law, ordinance or regulation of any governmental authority, except for violations which, individually or in the aggregate, do not have a Material Adverse Effect.

(f) Consents and Approvals. The Company is not required to obtain any consent, waiver, authorization or order of, or make any filing or registration with, any court or other federal, state, local or other governmental authority or other person in connection with the execution, delivery and performance by the Company of the Financing Documents other than: (i) the filing of the Amendments to the UCC and Patent and Trademark Financing Statements if any are required by Lenders; and (ii) in all other cases, where the failure to obtain such consent, waiver, authorization or order, or to give or make such notice or filing, would not materially impair or delay the ability of the Company to effect the transactions contemplated by this Agreement free and clear of all liens and encumbrances of any nature whatsoever or would not otherwise have a Material Adverse Effect (the approvals referred to in clause (i) are hereinafter referred to as the "**Required Approvals**"). The Company has no reason to believe that it will be unable to obtain the Required Approvals.

(g) Private Offering. Assuming (without any independent investigation or verification by or on behalf of the Company) the accuracy of the representations and warranties of Lenders set forth herein, the offer and sale of the Convertible Notes and the issuance of the Conversion Shares are exempt from registration under Section 5 of the Securities Act. Neither the Company nor any person acting on its behalf has taken or will take any action which might subject the offering, issuance or sale of the Convertible Notes to the registration requirements of Section 5 of the Securities Act.

(h) SEC Documents. The Company has filed all reports or other filings required to be filed by it under Securities Act and the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), including pursuant to Section 13(a) or 15(d) thereof, for the three years preceding the date hereof (the foregoing materials being collectively referred to herein as the "**SEC Documents**"), on a timely basis. As of their respective dates, the SEC Documents complied in all material respects with the requirements of the Securities Act and the Exchange Act, and the rules and regulations of the Securities and Exchange Commission promulgated thereunder, and none of the SEC Documents, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The financial statements of the Company included in the SEC Documents comply in all material respects with applicable accounting requirements and the published rules and regulations of the Securities and Exchange Commission with respect thereto. Such financial statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis during the periods involved, except as may be otherwise indicated in such financial statements or the notes thereto, and fairly present in all material respects the financial position of the Company as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal year-end audit adjustments. Since the date of the financial statements included in the Company's last filed Annual Report on Form 10-K, there has been no event, occurrence or development that has had a Material Adverse Effect which is not specifically disclosed in any of the SEC Documents.

(i) Compliance with Obligations to the Lenders. The Company is in compliance with all of its obligations to the Lenders, including without limitation, pursuant to prior agreements.

(j) Shell Company Status. The Company is not presently, and has never been, an issuer of the kind described in paragraph (i)(1) of Rule 144 under the Securities Act.

Section 2.2 Representations and Warranties of Lenders. Each Lender severally hereby makes the following representations and warranties to the Company as to itself only as of the date hereof:

(a) Organization; Authority. The Lender is a corporation or partnership duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization with the requisite legal power and authority to enter into and to consummate the transactions contemplated hereby, by the Security Agreement and by the Convertible Notes and otherwise to carry out its obligations hereunder and thereunder. The purchase by the Lender of its Convertible Notes and the Commitments, if any, under this Agreement and the making of Loans from time to time hereunder at such Lender's discretion, has been duly authorized by all necessary action on the part of the Lender. This Agreement has been duly executed and delivered by the Lender and constitutes its valid and legally binding obligation, enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights generally and to general principles of equity.

(b) Investment Intent. Each Lender is acquiring its Convertible Notes and any Conversion Shares for its own account and without a present intention to distribute or resell it in violation of applicable securities laws. No Lender will offer, sell, transfer, assign, pledge or hypothecate any portion of the Convertible Notes or the Conversion Shares in the absence of a registration under the Securities Act, or pursuant to an applicable exemption from, federal and applicable state securities laws.

(c) Experience. The Lender has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Convertible Notes and the Conversion Shares and has so evaluated the merits and risks of such investment.

(d) Ability of Lender to Bear Risk of Investment; Accredited Investor. The Lender is able to bear the economic risk of an investment in the Convertible Notes and the Conversion Shares at the present time, is able to afford a complete loss of such investment. The Lender is an "accredited investor" as such term is defined in Rule 501 under the Securities Act.

(e) Access to Information. The Lender acknowledges that it has been afforded (i) the opportunity to ask such questions as it has deemed necessary of, and to receive answers from, representatives of the Company concerning the terms and conditions of the Convertible Notes and the merits and risks of investing in the Convertible Notes and the Conversion Shares; (ii) access to information about the Company and the Company's financial condition, results of operations, business, properties, management and prospects sufficient to enable it to evaluate its investment; and (iii) the opportunity to obtain such additional information which the Company possesses or can acquire without unreasonable effort or expense that is necessary to make an informed investment decision with respect to the investment.

ARTICLE 3

CONDITIONS TO ADVANCES

Any making of any Advance by each Lender is subject to the satisfaction at or before the date of such Advance of each of the conditions set forth below. These conditions are for the benefit of each Lender and may be waived by such Lender at any time at its discretion.

(a) Discretion of Lender. The Lender shall have determined, in its sole and absolute discretion that the making of such Advance is desirable;

(b) Absence of Default or Event of Default. There shall be no Event of Default (as defined in the Convertible Notes) or any event which, with the passage of time and/or the giving of notice, would constitute an Event of Default ("Default");

(c) Accuracy of the Company's Representations and Warranties. The representations and warranties of the Company under this Agreement shall be true and correct in all material respects as of the date of this Agreement, as of the date on which the Borrowing Request with respect to such Borrowing was delivered by the Company to the Lenders, and as of the date of such Borrowing as though made at that time (except for representations and warranties as of an earlier date, which shall be true and correct in all material respects as of such date); provided, that any representations and warranties which are limited by their terms to materiality shall have been or shall be (as applicable) true and correct in all respects.

(d) Performance by the Company. The Company shall have performed all agreements and satisfied all conditions required to be performed or satisfied by the Company at or prior to the delivery of the Borrowing Request and at or prior to the Borrowing.

(e) Legality and Possibility. No statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by any court or governmental authority of competent jurisdiction which prohibits the consummation of any of the transactions contemplated by the Financing Documents.

(f) Security. No changes to the type, validity and sufficiency of the Lender's collateral security shall have occurred, in the good faith judgment of the Lender, to cause the value of such collateral to be impaired.

(g) Miscellaneous. The Company shall have delivered to the Lenders such other documents relating to the transactions contemplated by this Agreement and the other Financing Documents as the Lenders may reasonably request.

ARTICLE 4

COVENANTS

Section 4.1 Affirmative Covenants. The Company covenants that from the date hereof and for so long as any portion of the Loans or other obligation under (a) the Financing Documents, (b) the 2004 Loan Agreement, (b) the 2006 Purchase Agreement, (c) the 2008 Loan Agreement, (d) each Prior ISCO Note, (e) the Registration Rights Agreements entered into by and among the Company and Lenders relating to the securities issued or to be issued pursuant to the 2004 Loan Agreement, 2006 Purchase Agreement and/or any of the Prior ISCO Notes (the "**Registration Rights Agreements**" and collectively with the Financing Documents, 2004 Loan Agreement, 2006 Purchase Agreement, the 2008 Loan Agreement and Prior ISCO Notes, the "**Loan Documents**") shall remain outstanding, it will observe or perform each of the following unless such observance or performance is expressly waived by the Lenders in writing:

(a) Corporate Existence. It will maintain its corporate existence in good standing and remain qualified to do business as a foreign corporation in each jurisdiction in which the nature of its activities or the character of the properties it owns or leases makes such qualification necessary.

(b) Continuation of Business. Except as set forth on Schedule 4.1(b), it will continue to conduct its business, in all material aspects, as conducted on the day hereof in compliance in all material respects with all applicable rules and regulations of applicable governmental authorities.

Section 4.2 Dividends; Stock Repurchases. So long as any Convertible Notes remain outstanding, the Company will not declare any dividends on any shares of any class of its capital stock (other than dividends consisting solely of Common Stock or rights to purchase Common Stock of the Company), or apply any of its property or assets to the purchase, redemption or other retirement of, or set apart any sum for the payment of any dividends on, or for the purchase, redemption or other retirement of, or make any other distribution by reduction of capital or otherwise in respect of, any shares of any class of its capital stock.

Section 4.3 Incurrence of Debt; Liens; Transfer of Assets to Subsidiaries. For so long as any Commitments or portion of the Loans (or any other obligation under the Loan Documents) remain outstanding, neither the Company nor any subsidiary of the Company shall:

(a) Directly or indirectly create, incur, assume, guarantee, or otherwise become or remain directly or indirectly liable with respect to, any indebtedness of any kind, other than (i) indebtedness under the Convertible Notes; (ii) indebtedness under the 2004 Loan Agreement, the 2006 Purchase Agreement, the 2008 Loan Agreement and the Prior ISCO Notes, (iii) other indebtedness to the Lenders which indebtedness is either expressly subordinated in writing to the indebtedness under the Loan Documents or is, with the prior written consent of the Lenders, pari passu to the indebtedness under the Loan Documents; or (iv) indebtedness to trade creditors in the ordinary course of business consistent with past practice.

(b) Directly or indirectly create, incur, assume or permit to exist any lien, pledge, charge or encumbrance on or with respect to any of its property or assets (including any document or instrument in respect of goods or accounts receivable) whether now owned or held or hereafter acquired, or any income or profits therefrom, except for Permitted Liens.

(c) Directly or indirectly transfer any of its assets to any subsidiary of the Company.

As used herein, "Permitted Liens" means (i) liens granted under the Security Agreement; (ii) liens imposed by mandatory provisions of law such as materialmen's, mechanic's or warehousemen's; (iii) liens for taxes, assessments and governmental charges or levies imposed upon the Company or any subsidiaries or their income, profits or property, if the same are not yet due and payable or if the same are contested in good faith and as to which adequate reserves have been provided; (iv) pledges or deposits made to secure payment of worker's compensation insurance, unemployment insurance, pensions or social security programs or to secure the performance of letters of credits, bids, tenders, public or statutory obligations, surety, performance bonds and other similar obligations; (v) encumbrances consisting of zoning restrictions, easements, or other restrictions on the use of real property, provided that such do not impair the use of such property for the uses intended and none of which is violated by existing or proposed structures or land use and (vi) the liens and encumbrances disclosed on Schedule A of the Security Agreement.

Section 4.4 Convertible Prior ISCO Notes. With respect to any of the Prior ISCO Notes that are convertible into shares of the Company's common stock, the provisions of the applicable registration rights agreement relating to such Prior ISCO Notes shall continue to apply.

Section 4.5 AMEX Rule. Notwithstanding any other provision of this Agreement, the Convertible Notes and the Registration Rights Agreement, the total number of Conversion Shares issuable upon conversion of the Convertible Notes at prices below the "book or market value" (as such terms are used in Section 713 of the AMEX Company Guide) of the Common Stock on the date hereof shall be no more than 19.9% of the Common Stock issued and outstanding on the date hereof, which number shall be subject to readjustment for any stock split, stock dividend or reclassification of the Common Stock.

ARTICLE 5

LEGEND AND STOCK

Section 5.1 Stock Legends. Each Lender agrees to the imprinting, so long as is required by this Section 5.1, of the following legend on its Convertible Notes and Conversion Shares:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS.

The Conversion Shares shall not contain the legend set forth above if the issuance thereof occurs at any time while the registration statement ("Registration Statement") filed pursuant to the Registration Rights Agreement is effective under the Securities Act or in the event that the Conversion Shares may be sold pursuant to Rule 144(b)(1)(i) under the Securities Act. The Company agrees that it will provide each Lender, upon request, with a certificate or certificates representing Conversion Shares free from such legend at such time as such legend is no longer required hereunder. Each Lender agrees that, in connection with any transfer of Conversion Shares by it pursuant to an effective Registration Statement under the Securities Act, it will comply with the prospectus delivery requirements of the Securities Act provided copies of a current prospectus relating to such effective Registration Statement are or have been supplied to such Lender.

ARTICLE 6

MISCELLANEOUS

Section 6.1 Fees and Expenses. The Company shall pay, concurrently with the execution and delivery of this Agreement, the reasonable fees and expenses of legal counsel for the Lenders incident to the negotiation, preparation, execution, delivery and performance of the Loan Documents incurred to date and, thereafter, upon request of a Lender, the Company, shall pay any additional fees and expenses incurred by the Lenders and incident to the filing, negotiation, preparation, performance or amendment of the Loan Documents.

Section 6.2 Entire Agreement. This Agreement, together with the Convertible Notes, the Security Agreement, the Guaranties, the Registration Rights Agreement and the other Loan Documents, contains the entire understanding of the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral or written, with respect to such matters.

Section 6.3 Notices. Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be deemed to have been delivered (i) upon receipt, when delivered personally; (ii) when sent by facsimile, upon receipt if received on a business day prior to 5:00 p.m. (Central Time), or the first Business Day following such receipt if received on a business day after 5:00 p.m. (Central Time); or (iii) upon receipt, when deposited with a nationally recognized overnight express courier service, fully prepaid, in each case properly addressed to the party to receive the same. The addresses and facsimile numbers for such communications shall be:

If to the Company:

ISCO International, Inc.
1001 Cambridge Drive
Elk Grove Village, Illinois 60007
Attn: Gary Berger
Fax: (847) 391-5015

With copies to:

McGuireWoods LLP
Suite 4100
77 Wacker Drive
Chicago, IL 60601-1818
Attn: Scott Glickson, Esq.
Fax: (312) 698-4585

If to Manchester:

Manchester Securities Corporation
712 Fifth Avenue, 36th Floor
New York, New York 10019
Attn: Dave Miller
Fax: (212) 974-2092

With copies to:

Kleinberg, Kaplan, Wolff & Cohen, P.C.
551 Fifth Avenue
New York, NY 10176
Attn: Lawrence D. Hui
Fax: (212) 986-8866

If to Alexander:

Alexander Finance, LP
1560 Sherman Avenue, Suite 900
Evanston, Illinois 60201
Attn: Bradford T. Whitmore
Fax: (847) 733-0339

With copies to:

Reed Smith LLP
10 South Wacker Drive
Chicago, IL 60606-7507
Attn: Evelyn C. Arkebauer, Esq.
Fax: (312) 207-6400

or such other address or facsimile number as may be designated in writing hereafter, in the same manner, by such person.

Section 6.4 Amendments; Waivers. No provision of this Agreement may be waived or amended except in a written instrument signed, in the case of an amendment, by the Company and by Lenders holding at least 75% of the Commitments; or, in the case of a waiver, by the party against whom enforcement of any such waiver is sought. No waiver of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of any party to exercise any right hereunder in any manner impair the exercise of any such right accruing to it thereafter.

Section 6.5 Headings. The headings herein are for convenience only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof.

Section 6.6 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns. Neither the Company nor any Lender may assign this Agreement or any rights or obligations hereunder (other than an assignment from a Lender to an affiliate of such Lender) without the prior written consent of the other; provided that in the event of an assignment by a Lender requiring the Company's consent, the Company's consent shall not be unreasonably withheld. Any transfer made in violation of this provision shall be null and void. The assignment by a party of this Agreement or any rights hereunder shall not affect the obligations of such party under this Agreement.

Section 6.7 No Third-Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other person.

Section 6.8 Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of New York without regard to the principles of conflicts of law thereof.

Section 6.9 Survival. The agreements, representations and warranties and covenants contained in this Agreement shall survive the delivery of the Convertible Notes pursuant to this Agreement and any Advances made thereunder.

Section 6.10 Counterpart and Facsimile Signatures. This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party, it being understood that both parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission, such signature shall create a valid and binding obligation of the executing party with the same force and effect as if such facsimile signature page were an original thereof.

Section 6.11 Publicity. The Company and the Lenders shall consult with each other in issuing any press releases or otherwise making public statements with respect to the transactions contemplated hereby and neither the Company nor any Lender shall issue any such press release or otherwise make any such public statement without the prior consent of the other, which consent shall not be unreasonably withheld or delayed, except that no prior consent shall be required if such disclosure is required by law, in which such case the disclosing party shall provide the other party with prior notice of such public statement.

Section 6.12 Severability. In case any one or more of the provisions of this Agreement shall be invalid or unenforceable in any respect, the validity and enforceability of the remaining terms and provisions of this Agreement shall not in any way be affected or impaired thereby and the parties will attempt to agree upon a valid and enforceable provision which shall be a reasonable substitute therefor, and upon so agreeing, shall incorporate such substitute provision in this Agreement.

Section 6.13 Payment of Expenses. The Company agrees to pay all costs and expenses, including reasonable attorneys' fees and expenses, which may be incurred by any Lender in successfully enforcing any Loan Document, including without limitation in enforcing Section 6.14 below.

Section 6.14 Indemnification. The Company hereby agrees to indemnify, defend and hold harmless each Lender and its respective partners, shareholders, officers, affiliates, employees or agents ("**Indemnified Parties**"), from and against any and all losses, claims, damages, liabilities and costs, including reasonable legal fees (collectively "**Losses**") (i) incurred as a result of the breach by the Company or any subsidiary of any representation, covenant or other provision in any Loan Document; (ii) incurred as a result of entering into this Agreement; (iii) incurred in enforcing this Section 6.14 or (iv) incurred involving a third-party claim and arising out of the acquisition, holding and/or enforcement by such Lender of any of the Loan Documents.

Section 6.15 Like Treatment of Lenders. Neither the Company nor any of its affiliates shall, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee, payment for the redemptions or exchange of the Convertible Notes, or any Advance thereunder or otherwise, to any holder of Convertible Notes, for or as an inducement to, or in connection with the solicitation of, any consent, waiver or amendment of any terms or provisions of the Loan Documents, unless such consideration is required to be paid to all holders of Convertible Notes bound by such consent, waiver or amendment whether or not such holders so consent, waive or agree to amend and whether or not such holders tender their Convertible Notes for redemption or exchange. The Company shall not, directly or indirectly, redeem to prepay any Advances unless such offer of redemption is made pro rata to all holders on identical terms.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized persons as of the date first indicated above.

ISCO INTERNATIONAL, INC.

By: /s/ Gary Berger
Name: Gary Berger
Title: Chief Financial Officer

MANCHESTER SECURITIES CORPORATION

By: /s/ Elliot Greenberg
Name: Elliot Greenberg
Title: Vice President

ALEXANDER FINANCE, L.P.

By: /s/ Bradford Whitmore
Name: Bradford Whitmore
Title President Bun Partners, Inc.
Its: General Partner

NEITHER THESE SECURITIES NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE CONVERTIBLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

THIS NOTE DOES NOT REQUIRE PHYSICAL SURRENDER OF THE NOTE IN THE EVENT OF A PARTIAL REDEMPTION OR CONVERSION. AS A RESULT, FOLLOWING ANY REDEMPTION OR CONVERSION OF ANY PORTION OF THIS NOTE, THE OUTSTANDING PRINCIPAL AMOUNT REPRESENTED BY THIS NOTE MAY BE LESS THAN THE PRINCIPAL AMOUNT AND ACCRUED INTEREST SET FORTH BELOW.

9 ½% SECURED CONVERTIBLE NOTE DUE AUGUST 1, 2010

OF

ISCO INTERNATIONAL, INC.

Note No.: AUG-[ ]

Original Principal Amount: $[ ]

Issuance Date: August 18, 2008
Elk Grove Village, Illinois

This Note ("**Note**") is one of a duly authorized issue of Notes of **ISCO INTERNATIONAL, INC.**, a corporation duly organized and existing under the laws of the State of Delaware (the "**Company**"), designated as the Company's 9 ½% Secured Convertible Notes Due August 1, 2010 (**"Maturity Date"**) in an aggregate principal amount (when taken together with the original principal amounts of all other Notes) which does not exceed THREE MILLION U.S. Dollars (U.S. $3,000,000.00) (the "**Notes"**). The Notes have been issued pursuant to the terms of that certain August 2008 Loan Agreement dated as of the date hereof by and among the Company, the Holder (as defined below) and **[ ]** (the "August 2008 Loan Agreement"). Capitalized terms used herein not otherwise defined herein shall have the meaning ascribed to such terms in the August 2008 Loan Agreement.

For Value Received, the Company hereby promises to pay to the order of **[ ]** or its registered assigns or successors-in-interest (**"Holder"**) the principal sum of **[ ]** U.S. DOLLARS (U.S. $**[ ]**), or, if less the outstanding principal amount of advances made under the August 2008 Loan Agreement, together with all accrued but unpaid interest thereon, if any, on the Maturity Date, to the extent such principal amount and interest has not been converted into the Company's Common Stock, $0.001 par value per share (the **"Common Stock"**), in accordance with the terms hereof. Interest on the unpaid principal balance hereof shall accrue at the rate of 9 ½% per annum from the original date of issuance, August 18, 2008 (the **"Issuance Date"**), until the same becomes due and payable on the Maturity Date, or such earlier date upon acceleration or by conversion or redemption in accordance with the terms hereof or of the other Loan Documents. Interest on this Note shall accrue daily commencing on the Issuance Date, shall be compounded monthly and shall be computed on the basis of a 360-day year, 30-day months and actual days elapsed and shall be payable in accordance with Section 1 hereof. Notwithstanding anything contained herein, this Note shall bear interest on the due and unpaid Principal Amount from and after the occurrence and during the continuance of an Event of Default pursuant to Section 5(a), at the rate (the "**Default Rate**") equal to the lower of 20% per annum or the highest rate permitted by law. Unless otherwise agreed or required by applicable law, payments will be applied first to any unpaid collection costs, then to unpaid interest and fees (including late charges, if applicable) and any remaining amount to principal.

Except as otherwise provided herein, all payments of principal and interest (including late charges, if applicable) on this Note shall be made in lawful money of the United States of America by wire transfer of immediately available funds to such account as the Holder may from time to time designate by written notice in accordance with the provisions of this Note. This Note may not be prepaid in whole or in part except as otherwise provided herein. Whenever any amount expressed to be due by the terms of this Note is due on any day which is not a Business Day (as defined below), the same shall instead be due on the next succeeding day which is a Business Day.

*"**Business Day**"* shall mean any day other than a Saturday, Sunday or a day on which commercial banks in the City of New York are authorized or required by law or executive order to remain closed.

"***Change in Control Transaction***" will be deemed to exist if (i) there occurs any consolidation, merger or other business combination of the Company with or into any other corporation or other entity or person (whether or not the Company is the surviving corporation), or any other corporate reorganization or transaction or series of related transactions in which in any of such events the voting stockholders of the Company prior to such event cease to own 50% or more of the voting stock, or corresponding voting equity interests, of the surviving corporation after such event (including without limitation any "going private" transaction under Rule 13e-3 promulgated pursuant to the Exchange Act (as defined below) or tender offer by the Company under Rule 13e-4 promulgated pursuant to the Exchange Act for 20% or more of the Company's Common Stock), (ii) any person (as defined in Section 13(d) of the Exchange Act), together with its affiliates and associates (as such terms are defined in Rule 405 under the Securities Act), beneficially owns or is deemed to beneficially own (as described in Rule 13d-3 under the Exchange Act without regard to the 60-day exercise period) in excess of 50% of the Company's voting power, (iii) there is a replacement of more than one-half of the members of the Company's Board of Directors which is not approved by those individuals who are members of the Company's Board of Directors on the date thereof, or (iv) in one or a series of related transactions, there is a sale or transfer of all or substantially all of the assets of the Company, determined on a consolidated basis, or (v) the execution by the Company of an agreement to which the Company is a party or which it is bound providing for an event set forth in (i), (ii), (iii) or (iv) above.

*"**Conversion Ratio**"* means, at any time, a fraction, of which the numerator is the entire outstanding Principal Amount of this Note (or such portion thereof that is being redeemed or repurchased), and of which the denominator is the then applicable Conversion Price.

*"**Conversion Price**"* shall equal $0.20 (which Conversion Price shall be subject to adjustment as set forth herein).

*"**Conversion Shares**"* means the shares of Common Stock into which the Notes are convertible (including repayment in Common Stock as set forth herein) in accordance with the terms hereof and the Agreement.

*"**Convertible Securities**"* means any convertible securities, warrants, options or other rights to subscribe for or to purchase or exchange for, shares of Common Stock.

*"**Debt**"* shall mean indebtedness of any kind.

"***Effective Date***" means the date on which a Registration Statement covering all the Conversion Shares and other Registrable Securities (as defined in the Registration Rights Agreement) is declared effective by the Securities and Exchange Commission.

"***Exchange Act***" shall mean the Securities Exchange Act of 1934, as amended.

"***Fair Market Price***" shall mean the closing price (or closing bid price) for the Common Stock on the Principal Market as reported by Bloomberg Financial L.P. on the Trading Day immediately preceding the date on which the price is being determined.

"***Market Price***" shall equal 90% of the average of the VWAP for each of the twenty (20) Trading Days, excluding the five (5) highest Trading Days (i.e. the Trading Days with the highest VWAP) from the average, immediately preceding the date on which such Market Price is being determined.

"***MFN Transaction***" shall mean a transaction in which the Company issues or sells any securities in a capital raising transaction or series of related transactions (the "**MFN Offering**") which grants to the investor (the "**MFN Investor**") the right to receive additional securities based upon future capital raising transactions of the Company on terms more favorable than those granted to the MFN Investor in the MFN Offering.

"***Per Share Selling Price***" shall include the amount actually paid by third parties for each share of Common Stock in a sale or issuance by the Company. In the event a fee is paid by the Company in connection with such transaction directly or indirectly to such third party or its affiliates, any such fee shall be deducted from the selling price pro rata to all shares sold in the transaction to arrive at the Per Share Selling Price. A sale of shares of Common Stock shall include the sale or issuance of rights, options, warrants or convertible, exchangeable or exercisable securities, issued or sold on or subsequent to the Closing Date, under which the Company is or may become obligated to issue shares of Common Stock, and in such circumstances the Per Share Selling Price of the Common Stock covered thereby shall also include the exercise, exchange or conversion price thereof (in addition to the consideration received by the Company upon such sale or issuance less the fee amount as provided above). In case of any such security issued or sold on or subsequent to the Closing Date in an MFN Transaction, the Per Share Selling Price shall be deemed to be the lowest conversion or exercise price at which such securities are converted or exercised, or the lowest adjustment price in the case of an MFN Transaction, over the life of such securities. If shares are issued for a consideration other than cash, the Per Share Selling Price shall be the fair value of such consideration as determined in good faith by independent certified public accountants mutually acceptable to the Company and the Purchaser. In the event the Company directly or indirectly effectively reduces the conversion, exercise or exchange price for any Convertible Securities issued or sold on or subsequent to the Closing Date which are currently outstanding (other than pursuant to the terms of the transaction documentation for such securities as in effect on the date hereof), then the Per Share Selling Price shall equal such effectively reduced conversion, exercise or exchange price.

"***Principal Amount***" shall refer to the sum of (i) the original principal amount of this Note, (ii) all accrued but unpaid interest hereunder, and (iii) any default payments owing under the Loan Documents but not previously paid or added to the Principal Amount.

*"**Principal Market**"* shall mean the American Stock Exchange or such other principal market or exchange on which the Common Stock is then listed for trading.

"***Registration Statement***" shall have the meaning set forth in the Registration Rights Agreement.

"***Securities Act***" shall mean the Securities Act of 1933, as amended.

*"**Trading Day**"* shall mean (x) if the Common Stock is listed on the New York Stock Exchange or the American Stock Exchange, a day on which there is trading on such stock exchange, or (y) if the Common Stock is not listed on either of such stock exchanges but sale prices of the Common Stock are reported on an automated quotation system, a day on which trading is reported on the principal automated quotation system on which sales of the Common Stock are reported, or (z) if the foregoing provisions are inapplicable, a day on which quotations are reported by National Quotation Bureau Incorporated.

*"**VWAP**"* shall mean the daily volume weighted average price of the Common Stock on the Principal Market as reported by Bloomberg Financial L.P. (based on a trading day from 9:30 a.m. Eastern Time to 4:00 p.m. Eastern Time) using the AQR function on the date in question.

The following terms and conditions shall apply to this Note:

Section 1. **Payments of Principal and Interest.**

(a) Interest. This Note shall accrue interest at a rate of 9 ½% per annum daily commencing on the Issuance Date, shall be compounded monthly and shall be computed on the basis of a 360-day year, 30-day months and actual days elapsed. Accrued interest shall be added to the Principal Amount of this Note.

(b) Advances Under the Loan Agreement. Upon the closing of each Advance made by Lender under the August 2008 Loan Agreement, Lender shall adjust the grid schedule attached to this Note as Schedule 1 to reflect the principal amount and the terms of such Advance. Notwithstanding anything to the contrary contained herein or in the August 2008 Loan Agreement, Lender's failure to so adjust the grid schedule shall not in any manner affect Borrower's obligation to repay the amount of any Advances made by Lender under the August 2008 Loan Agreement in accordance with the terms of the August 2008 Loan Agreement and this Note.

(c) Payment of Principal. Subject to the provisions hereof, the Principal Amount of this Note shall be due and payable in cash on the Maturity Date.

(d) Prepayment. The Company may not prepay any part of the outstanding Principal Amount prior to the Maturity Date.

Section 2. **Rank**. The obligations of the Company hereunder shall rank pari passu with the Company's Notes governed by the Third Amended and Restated Loan Agreement, dated as of November 10, 2004, by and among the Company and the Holder and **[ ]**, as amended (the "**2004 Loan Agreement**"), shall be pari passu with the Company's 9½% Grid Notes governed by the 2008 Loan Agreement, dated May 29, 2008, by and among the Company, Holder and **[ ]** (the "**2008 Loan Agreement**") and shall be senior to the Company's unsecured indebtedness.

Section 3. Conversion.

(a) Conversion by Holder. Subject to the terms hereof and restrictions and limitations contained herein, the Holder shall have the right, at such Holder's option, at any time and from time to time to convert the outstanding Principal Amount under this Note in whole or in part by delivering to the Company a fully executed notice of conversion in the form of conversion notice attached hereto as Exhibit A (the **"Conversion Notice"**), which may be transmitted by facsimile or electronic transmission (with the original mailed on the same day be certified or registered mail, postage prepaid and return receipt requested), on the date of conversion (the "**Conversion Date**"). A Conversion Notice shall be deemed sent on the date of delivery if delivered before 5:00 p.m. Eastern Standard Time on such date, or the day following such date if delivered after 5:00 p.m. Eastern Standard Time. Notwithstanding anything to the contrary herein, this Note and the outstanding Principal Amount hereunder shall not be convertible into Common Stock to the extent that such conversion would result in the Holder hereof exceeding the limitations contained in, or otherwise violating the provisions of Section 3(i) below.

(b) *Conversion Date Procedures*. Upon conversion of this Note pursuant to this Section 3, the outstanding Principal Amount hereunder shall be converted into such number of fully paid, validly issued and non-assessable shares of Common Stock, free of any liens, claims and encumbrances, as is determined by dividing the outstanding Principal Amount (and, at the election of the Holder, any accrued interest or applicable late charges) being converted by the then applicable Conversion Price. If a conversion under this Note cannot be effected in full for any reason, or if the Holder is converting less than all of the outstanding Principal Amount hereunder pursuant to a Conversion Notice, the Company shall, upon request by the Holder, promptly deliver to the Holder (but no later than five Trading Days after the Conversion Date) a Note for such outstanding Principal Amount (and, at the election of the Holder, any accrued interest or applicable late charges) as has not been converted if this Note has been surrendered to the Company for partial conversion. The Holder shall not be required to physically surrender this Note to the Company upon any conversion hereunder unless the full outstanding Principal Amount (and, at the election of the Holder, any accrued interest or applicable late charges) represented by this Note is being converted or repaid. The Holder and the Company shall maintain records showing the outstanding Principal Amount (and, at the election of the Holder, any accrued interest or applicable late charges) so converted and repaid and the dates of such conversions or repayments or shall use such other method, reasonably satisfactory to the Holder and the Company, so as not to require physical surrender of this Note upon each such conversion or repayment.

(i) Stock Certificates or DWAC. The Company will deliver to the Holder not later than three (3) Trading Days after the Conversion Date, a certificate or certificates which shall be free of restrictive legends and trading restrictions (assuming that the Registration Statement has been declared effective), representing the number of shares of Common Stock being acquired upon the conversion of this Note. In lieu of delivering physical certificates representing the shares of Common Stock issuable upon conversion of this Note, provided the Company's transfer agent is participating in the Depository Trust Company ("**DTC**") Fast Automated Securities Transfer ("**FAST**") program, upon request of the Holder, the Company shall use commercially reasonable efforts to cause its transfer agent to electronically transmit such shares issuable upon conversion to the Holder (or its designee), by crediting the account of the Holder's (or such designee's) prime broker with DTC through its Deposit/Withdrawal at Custodian ("**DWAC**") system (provided that the same time periods herein as for stock certificates shall apply). If in the case of any conversion hereunder, such certificate or certificates are not delivered to or as directed by the Holder by the third Trading Day after the Conversion Date, the Holder shall be entitled by written notice to the Company at any time on or before its receipt of such certificate or certificates thereafter, to rescind such conversion, in which event the Company shall immediately return this Note if tendered for conversion.

(c) Conversion Price Adjustments.

(i) Stock Dividends and Splits. If the Company or any of its subsidiaries, at any time while the Notes are outstanding (A) shall pay a stock dividend or otherwise make a distribution or distributions on any equity securities (including instruments or securities convertible into or exchangeable for such equity securities) in shares of Common Stock, or (B) subdivide outstanding Common Stock into a larger number of shares, then the then applicable Conversion Price shall be multiplied by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding before such event and the denominator of which shall be the number of shares of Common Stock outstanding after such event. Any adjustment made pursuant to this Section 3(c)(i) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision.

(ii) Distributions. If the Company or any of its subsidiaries, at any time while the Notes are outstanding, shall distribute to all holders of Common Stock evidences of its indebtedness or assets or cash or rights or warrants to subscribe for or purchase any security of the Company or any of its subsidiaries (excluding those referred to in Section 3(c)(i) above), then concurrently with such distributions to holders of Common Stock, the Company shall distribute to holders of the Notes the amount of such indebtedness, assets, cash or rights or warrants which the holders of the Notes would have received had the Notes been converted into Common Stock.

(iii) Common Stock Issuances. In the event that the Company or any of its subsidiaries on or subsequent to the Closing Date (A) issues or sells any securities which are convertible into or exercisable or exchangeable for Common Stock (other than Notes issued under the August 2008 Loan Agreement or shares or options issued or which may be issued pursuant to the Company's 2003 Equity Incentive Plan, as amended (the "**Incentive Plan**"), up to the Incentive Plan Limit (as defined below)), or any warrants or other rights to subscribe for or to purchase or any options for the purchase of its Common Stock, (B) directly or indirectly effectively reduces the conversion, exercise or exchange price for any Convertible Securities (other than shares or options issued or which may be issued pursuant to the Incentive Plan up to the Incentive Plan Limit) which are currently outstanding (other than pursuant to terms existing on the date hereof) or (C) issues or sells any Common Stock at or to an effective Per Share Selling Price which is less than the Conversion Price in effect immediately prior to such issue or sale or record date, as applicable, then the Conversion Price shall be reduced by multiplying the existing Conversion Price by a fraction (x) the numerator of which shall be the sum of (i) the number of shares of Common Stock outstanding immediately prior to such sale or issuance or reduction and (ii) the number of shares of Common Stock which the aggregate consideration received by the Company would purchase at such Conversion Price; and (y) the denominator of which shall be the number of shares of Common Stock outstanding (or deemed outstanding, as discussed below) immediately after such issue, sale or reduction.

"**Incentive Plan Limit**" shall mean an amount, with respect to each calendar year, equal to 2.5% of the number of the Company's outstanding shares of Common Stock, provided that (AA) this amount shall be net of any shares or options issued under the Incentive Plan which are cancelled, forfeited, expired or redeemed, and (BB) for purposes of calculating this amount, restricted shares shall count as two shares of Common Stock and option shares shall count as one share of Common Stock. To the extent that the Company issues securities under the Incentive Plan beyond the Incentive Plan Limit, such issuances shall not be exempt from the adjustment provisions of this Note.

For the purposes of the foregoing adjustment, in the case of any Convertible Securities, the maximum number of shares of Common Stock issuable upon exercise, exchange or conversion of such Convertible Securities shall be deemed to be outstanding, provided that no further adjustment shall be made upon the actual issuance of Common Stock upon exercise, exchange or conversion of such Convertible Securities. Notwithstanding anything to the contrary herein, the maximum number of Conversion Shares, including such shares of Common Stock issuable pursuant to the adjustment provisions of Section 3(c) hereof, shall not exceed the Maximum Common Stock Issuance (as defined in Section 3(i)).

In the event a fee is paid by the Company in connection with a transaction described in this clause (iii), the portion of such fee in excess of 3% of the purchase price in such transactions shall be deducted from the selling price pro rata to all shares sold in the transaction to arrive at the Per Share Selling Price.

For purposes of this Section 3(c)(iii), if an event occurs that triggers more than one of the above adjustment provisions, then only one adjustment shall be made and the calculation method which yields the greatest downward adjustment in the Conversion Price shall be used.

For purposes of making the foregoing adjustments, the following provisions shall apply.

A. Issuance of Convertible Securities. If the Company in any manner issues or sells any Convertible Securities (other than shares or options issued or which may be issued pursuant to the Incentive Plan up to the Incentive Plan Limit) and the lowest price per share for which one share of Common Stock is issuable upon such conversion, exchange or exercise thereof is less than the Conversion Price in effect immediately prior to such issuance, then such share of Common Stock shall be deemed to be outstanding and to have been issued and sold by the Company at the time of the issuance of sale of such Convertible Securities for such price per share. For the purposes of this Section 3(c)(iii)(A), the "lowest price per share for which one share of Common Stock is issuable upon such conversion, exchange or exercise" shall be equal to the sum of the lowest amounts of consideration (if any) received or receivable by the Company with respect to any one share of Common Stock upon the issuance or sale of the Convertible Security and upon the conversion, exchange or exercise of such Convertible Security. No further adjustment of the Conversion Price shall be made upon the actual issuance of such Common Stock upon conversion, exchange or exercise of such Convertible Securities, and if any such issue or sale of such Convertible Securities is made upon exercise of any options for which adjustment of the Conversion Price had been or are to be made pursuant to other provisions of this Section 3(c)(iii)(A), no further adjustment of the Conversion Price shall be made by reason of such issue or sale.

B. Change in Option Price or Rate of Conversion. Except for shares or options issued or which may be issued pursuant to the Incentive Plan up to the Incentive Plan Limit, if the purchase or exercise price provided for in any Convertible Securities, the additional consideration, if any, payable upon the issue, conversion, exchange or exercise of any Convertible Securities, or the rate at which any Convertible Securities are convertible into or exchangeable or exercisable for Common Stock changes at any time, the Conversion Price in effect at the time of such change shall be adjusted to the Conversion Price that would have been in effect at such time had such Convertible Securities provided for such changed purchase price, additional consideration or changed conversion rate, as the case may be, at the time initially granted, issued or sold. For purposes of this Section 3(c)(iii)(B), if the terms of any option or Convertible Security that was outstanding as of the date of issuance of the Notes are changed in the manner described in the immediately preceding sentence, then such option or Convertible Security and the Common Stock deemed issuable upon exercise, conversion or exchange thereof shall be deemed to have been issued as of the date of such change. No adjustment shall be made if such adjustment would result in an increase of the Conversion Price then in effect.

C. Calculation of Consideration Received. In case any option is issued in connection with the issue or sale of other securities of the Company, together comprising one integrated transaction in which no specific consideration is allocated to such options by the parties thereto, then solely for purposes of this Section 3, the options will be deemed to have been issued for a consideration of $0.01. If any Common Stock or Convertible Securities (other than shares or options issued or which may be issued pursuant to the Incentive Plan up to the Incentive Plan Limit) are issued or sold or deemed to have been issued or sold for cash, the consideration received therefor will be deemed to be the gross amount received by the Company therefor. If any Common Stock or Convertible Securities (other than shares or options issued or which may be issued pursuant to the Incentive Plan up to the Incentive Plan Limit) are issued or sold for a consideration other than cash, the amount of the consideration other than cash received by the Company will be the fair value of such consideration, except where such consideration consists of marketable securities, in which case the amount of consideration received by the Company will be the arithmetic average of the Closing Sale Prices of such securities during the ten (10) consecutive Trading Days ending on the date of receipt of such securities. The fair value of any consideration other than cash or securities will be determined jointly by the Company and the holders of the Notes. If such parties are unable to reach agreement within ten (10) days after the occurrence of an event requiring valuation (the "**Valuation Event**"), the fair value of such consideration will be determined within five (5) Business Days after the tenth (10^{th}) day following the Valuation Event by an independent, reputable appraiser selected by the Company and the holders of the Notes.

D. Record Date. If the Company takes a record of the holders of Common Stock for the purpose of entitling them (A) to receive a dividend or other distribution payable in Common Stock, options or Convertible Securities or (B) to subscribe for or purchase Common Stock, options or Convertible Securities, then such record date will be deemed to be the date of the issue or sale of the shares of Common Stock deemed to have been issued or sold upon the declaration of such dividend or the making of such other distribution or the date of the granting of such right of subscription or purchase, as the case may be.

(iv) Rounding of Adjustments. All calculations under this Section 3 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be.

(v) Notice of Adjustments. Whenever any Affected Conversion Price is adjusted pursuant to Section 3(c)(ii) or (iii) above, the Company shall promptly deliver to each holder of the Notes, a notice setting forth the Affected Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment, provided that any failure to so provide such notice shall not affect the automatic adjustment hereunder.

(vi) Change in Control Transactions. In case of any Change in Control Transaction, the Holder shall have the right thereafter to, at its option, (A) convert this Note, in whole or in part, at the then applicable Conversion Price into the shares of stock and other securities, cash and/or property receivable upon or deemed to be held by holders of Common Stock following such Change in Control Transaction, and the Holder shall be entitled upon such event to receive such amount of securities, cash or property as the shares of the Common Stock of the Company into which this Note could have been converted immediately prior to such Change in Control Transaction would have been entitled if such conversion were permitted, subject to such further applicable adjustments set forth in this Section 3 (provided that the limitations in Section 3(i) shall not apply to the extent that Holder shall have waived them) or (B) require the Company or its successor to redeem this Note, in whole or in part, at a redemption price equal to 110% of the outstanding Principal Amount (plus any accrued interest or applicable late charges) being redeemed. The terms of any such Change in Control Transaction shall include such terms so as to continue to give to the Holders the right to receive the amount of securities, cash and/or property upon any conversion or redemption following such Change in Control Transaction to which a holder of the number of shares of Common Stock deliverable upon such conversion would have been entitled in such Change in Control Transaction, and interest payable hereunder shall be in cash or such new securities and/or property, at the Holder's option. This provision shall similarly apply to successive reclassifications, consolidations, mergers, sales, transfers or share exchanges. Notwithstanding any other provisions of this Note, the Holder shall be permitted to convert all or any portion of the Principal Amount (plus any accrued interest or late charges, if applicable) at the Conversion Price described in Section 3(c) herein at any time until the consummation of the Change in Control Transaction.

(vii) Notice of Certain Events. If:

A. the Company shall declare a dividend (or any other distribution) on its Common Stock; or

B. the Company shall declare a special nonrecurring cash dividend on or a redemption of its Common Stock; or

C. the Company shall authorize the granting to all holders of the Common Stock rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights; or

D. the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock of the Company, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, of any compulsory share of exchange whereby the Common Stock is converted into other securities, cash or property; or

E. the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company;

then the Company shall cause to be filed at each office or agency maintained for the purpose of conversion of this Note, and shall cause to be mailed to the Holder at its last address as it shall appear upon the books of the Company, on or prior to the date notice to the Company's stockholders generally is given, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange.

(d) Reservation and Issuance of Underlying Securities. The Company covenants that it will at all times reserve and keep available out of its authorized and unissued Common Stock solely for the purpose of issuance upon conversion of this Note (including repayments in stock), free from preemptive rights or any other actual contingent purchase rights of persons other than the holders of the Notes, the full number of shares of Common Stock issuable upon conversion of all amounts outstanding under this Note. The Company covenants that all shares of Common Stock that shall be so issuable shall, upon issue, be duly authorized, validly issued, fully paid, nonassessable and freely tradeable.

(e) No Fractions. Upon a conversion hereunder the Company shall not be required to issue stock certificates representing fractions of shares of Common Stock, but may if otherwise permitted, make a cash payment in respect of any final fraction of a share based on the closing price of a share of Common Stock on the Principal Market at such time. If the Company elects not, or is unable, to make such cash payment, the Holder shall be entitled to receive, in lieu of the final fraction of a share, one whole share of Common Stock.

(f) Charges, Taxes and Expenses. Issuance of certificates for shares of Common Stock upon the conversion of this Note (including repayment in stock) shall be made without charge to the holder hereof for any issue or transfer tax or other incidental expense in respect of the issuance of such certificate, all of which taxes and expenses shall be paid by the Company, and such certificates shall be issued in the name of the Holder or in such name or names as may be directed by the Holder; provided, however, that in the event certificates for shares of Common Stock are to be issued in a name other than the name of the Holder, this Note when surrendered for conversion shall be accompanied by an assignment form; and provided further, that the Company shall not be required to pay any tax or taxes which may be payable in respect of any such transfer.

(g) Cancellation. After all of the Principal Amount (including accrued but unpaid interest and default payments (including any applicable late charges) at any time owed on this Note) have been paid in full or converted into Common Stock, this Note shall automatically be deemed canceled and the Holder shall promptly surrender the Note to the Company at the Company's principal executive offices.

(h) Notices Procedures. Any and all notices or other communications or deliveries to be provided by the Holder hereunder, including, without limitation, any Conversion Notice, shall be in writing and delivered personally, by confirmed facsimile, electronic transmission, or by a nationally recognized overnight courier service to the Company at the facsimile telephone number or address of the principal place of business of the Company as set forth in the Purchase Agreement. Any and all notices or other communications or deliveries to be provided by the Company hereunder shall be in writing and delivered personally, by facsimile, electronic transmission, or by a nationally recognized overnight courier service addressed to the Holder at the facsimile telephone number or address of the Holder appearing on the books of the Company, or if no such facsimile telephone number or address appears, at the principal place of business of the Holder. Any notice or other communication or deliveries hereunder shall be deemed delivered (i) upon receipt, when delivered personally, (ii)

when sent by facsimile, upon receipt if received on a Business Day prior to 5:00 p.m. (Eastern Standard Time), or on the first Business Day following such receipt if received on a Business Day after 5:00 p.m. (Eastern Standard Time) or (iii) upon receipt, when deposited with a nationally recognized overnight courier service.

(i) Conversion Limitation; Overall Limit on Common Stock Issuable. Notwithstanding anything contained herein to the contrary, the number of shares of Common Stock issuable by the Company and acquirable by the Holders of Notes at prices below the "book or market value" (as such terms are used in Section 713 of the AMEX Company Guide) of the Common Stock on the date hereof shall not in the aggregate exceed 19.9% of the number of shares of Common Stock outstanding on the date hereof, subject to appropriate adjustment for stock splits, stock dividends, or other similar recapitalizations affecting the Common Stock (the **"Maximum Common Stock Issuance"**). The Maximum Common Stock issuance shall be allocated pro rata to the Holders of the Notes in accordance with their percentage of the purchase price set forth below their signatures on the signature pages to the Purchase Agreement.

Section 4. Defaults and Remedies.

(a) Events of Default. An "**Event of Default**" is: (i) a default in the payment of any Principal Amount of the Notes; (ii) default in payment of the principal amount or accrued but unpaid interest thereon of any of the Prior ISCO Notes, on or after the date such payment is due, (iii) failure by the Company for ten (10) days after notice to it, to comply with any other material provision of any of the Prior ISCO Notes, the 2008 Loan Agreement, the Registration Rights Agreement or the August 2008 Loan Agreement; (iv) an Event of Default under the Security Agreement or the Prior ISCO Notes; (v) a breach by the Company of its representations or warranties in the August 2008 Loan Agreement or under the Guaranty; (vi) any default under or acceleration prior to maturity of any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any indebtedness for money borrowed by the Company or a subsidiary of the Company or for money borrowed the repayment of which is guaranteed by the Company or a subsidiary of the Company, whether such indebtedness or guarantee now exists or shall be created hereafter, provided that the obligations with respect to any such borrowed or accelerated amount exceeds, in the aggregate, $500,000; (vii) any money judgment, writ or warrant of attachment, or similar process in excess of $500,000 in the aggregate shall be entered or filed against the Company or a subsidiary of the Company or any of their respective properties or other assets and shall remain unpaid, unvacated, unbonded and unstayed for a period of 45 days; (viii) if the Company or any subsidiary of the Company pursuant to or within the meaning of any Bankruptcy Law: (A) commences a voluntary case; (B) has an involuntary case commenced against it, and such case is not dismissed within 30 days of such commencement or consents to the entry of an order for relief against it in an involuntary case; (C) consents to the appointment of a Custodian of it for all or substantially all of its property; (D) makes a general assignment for the benefit of its creditors; or (E) admits in writing that it is generally unable to pay its debts as the same become due; or (ix) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that: (1) is for relief against the Company in an involuntary case; (2) appoints a Custodian of the Company or for all or substantially all of its property; or (3) orders the liquidation of the Company or any subsidiary, and the order or decree remains unstayed and in effect for ninety (90) days. The terms "**Bankruptcy Law**" means Title 11, U.S. Code, or any similar federal or state law for the relief of debtors. The term "**Custodian**" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

(b) Remedies. If an Event of Default occurs and is continuing with respect to any of the Notes, the Holder may declare all of the then outstanding Principal Amount of this Note and all other Notes held by the Holder, including any interest due thereon, to be due and payable immediately, except that in the case of an Event of Default arising from events described in clauses (vii) and (viii) of Section 4(a) hereof, this Note shall become due and payable without further action or notice. In the event of an acceleration, the amount due and owing to the Holder shall be the greater of (1) 110% of the outstanding Principal Amount of the Notes held by the Holder (plus all accrued and unpaid interest, if any) and (2) the product of (A) the highest closing price for the five (5) Trading Days immediately preceding the Holder's acceleration and (B) the Conversion Ratio. In either case the Company shall pay interest on such amount in cash at the Default Rate to the Holder if such amount is not paid within seven days of Holder's request. The remedies under this Note shall be cumulative.

Section 5. August 2008 Loan Agreement; Security Agreement; Guaranty. This Note is being issued to the Holder in connection with the August 2008 Loan Agreement and is entitled to the benefits thereof. In addition the Company's obligations under this Note are guaranteed by the Guaranty and this Note is entitled to the benefits thereof. The Company's obligations under this Note are also secured, pursuant to the terms of the Security Agreement by all the assets of the Company and Clarity Communications Systems, Inc.

Section 6. General.

(a) Payment of Expenses. The Company agrees to pay all reasonable charges and expenses, including reasonable attorneys' fees and expenses, which may be incurred by the Holder in successfully enforcing this Note and/or collecting any amount due under this Note.

(b) Savings Clause. In case any provision of this Note is held by a court of competent jurisdiction to be excessive in scope or otherwise invalid or unenforceable, such provision shall be adjusted rather than voided, if possible, so that it is enforceable to the maximum extent possible, and the validity and enforceability of the remaining provisions of this Note will not in any way be affected or impaired thereby. In no event shall the amount of interest paid hereunder exceed the maximum rate of interest on the unpaid principal balance hereof allowable by applicable law. If any sum is collected in excess of the applicable maximum rate, the excess collected shall be applied to reduce the principal debt. If the interest actually collected hereunder is still in excess of the applicable maximum rate, the interest rate shall be reduced so as not to exceed the maximum allowable under law.

(c) Amendment. Neither this Note nor any term hereof may be amended, waived, discharged or terminated other than by a written instrument signed by the Company and holders of 75% of the Principal Amount of all Notes.

(d) Assignment, Etc. The Holder may assign or transfer this Note to any transferee. The Holder shall notify the Company of any such assignment or transfer promptly. This Note shall be binding upon the Company and its successors and shall inure to the benefit of the Holder and its successors and permitted assigns.

(e) No Waiver. No failure on the part of the Holder to exercise, and no delay in exercising any right, remedy or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by the Holder of any right, remedy or power hereunder preclude any other or future exercise of any other right, remedy or power. Each and every right, remedy or power hereby granted to the Holder or allowed it by law or other agreement shall be cumulative and not exclusive of any other, and may be exercised by the Holder from time to time.

(f) Governing Law; Jurisdiction.

(i) Governing Law. THIS NOTE WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO ANY CONFLICTS OF LAWS PROVISIONS THEREOF THAT WOULD OTHERWISE REQUIRE THE APPLICATION OF THE LAW OF ANY OTHER JURISDICTION.

(ii) Jurisdiction. The Company irrevocably submits to the exclusive jurisdiction of any State or Federal Court sitting in the State of New York, County of New York, over any suit, action, or proceeding arising out of or relating to this Note. The Company irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such suit, action, or proceeding brought in such a court and any claim that suit, action, or proceeding has been brought in an inconvenient forum.

The Company agrees that the service of process upon it mailed by certified or registered mail, postage prepaid and return receipt requested (and service so made shall be deemed complete three days after the same has been posted as aforesaid) or by personal service shall be deemed in every respect effective service of process upon it in any such suit or proceeding. Nothing herein shall affect Holder's right to serve process in any other manner permitted by law. The Company agrees that a final non-appealable judgment in any such suit or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on such judgment or in any other lawful manner.

(iii) NO JURY TRIAL. THE COMPANY HEREBY KNOWINGLY AND VOLUNTARILY WAIVES ANY AND ALL RIGHTS IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY LITIGATION BASED ON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS NOTE.

(g) Replacement Notes. This Note may be exchanged by Holder at any time and from time to time for a Note or Notes with different denominations representing an equal aggregate outstanding Principal Amount, as reasonably requested by Holder, upon surrendering the same. No service charge will be made for such registration or exchange. In the event that Holder notifies the Company that this Note has been lost, stolen or destroyed, a replacement Note identical in all respects to the original Note (except for registration number and Principal Amount, if different than that shown on the original Note), shall be issued to the Holder, provided that the Holder executes and delivers to the Company an agreement reasonably satisfactory to the Company to indemnify the Company from any loss incurred by it in connection with the Note.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed on August 18, 2008.

ISCO INTERNATIONAL, INC.

By:
Name: Gary Berger
Title: Chief Financial Officer

Attest:

Sign:
Print Name: Evi Sukandi

EXHIBIT A

FORM OF CONVERSION NOTICE

(To be Executed by the Holder
in order to Convert a Note)

The undersigned hereby elects to convert the aggregate outstanding Principal Amount (as defined in the Note) indicated below of this Note into shares of Common Stock, $0.001 par value per share (the "Common Stock"), of ISCO INTERNATIONAL, INC. (the "Company") according to the conditions hereof, as of the date written below. If shares are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith such certificates and opinions as reasonably requested by the Company in accordance therewith. No fee will be charged to the holder for any conversion, except for such transfer taxes, if any. The undersigned represents as of the date hereof that, after giving effect to the conversion of this Note pursuant to this Conversion Notice, the undersigned will not exceed the "Restricted Ownership Percentage" contained in Section 3(i) of this Note and will remain in compliance with Section 3(i) of this Note.

Conversion information:

Date to Effect Conversion

Aggregate Principal Amount of Note Being Converted

Aggregate Interest (plus any applicable late charges) Being Converted

Number of shares of Common Stock to be Issued

Applicable Conversion Price

Signature

Name

Address

SCHEDULE 1

(Grid Schedule of Advances Made Under the August 2008 Loan Agreement)

Date	Principal Amount of Advance	Interest Rate	Maturity Date

EXHIBIT 10.3

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement ("Agreement") is entered into as of August 18, 2008, among ISCO International, Inc., a Delaware corporation with offices at 1001 Cambridge Drive, Elk Grove Village, Illinois 60007 (the "Company") and the Lenders set forth on the signature page hereto (the "Lenders").

W I T N E S S E T H:

WHEREAS, pursuant to the August 2008 Loan Agreement, dated on or about the date hereof, by and between the Company and the Lenders (the "Loan Agreement"), the Lenders have agreed to advance the Company from time to time up to an aggregate amount of $3,000,000 to be evidenced by secured convertible notes (the "Notes"), subject to the terms and conditions set forth therein; and

WHEREAS, the terms of the Notes provide that they will be convertible into shares (the "Conversion Shares") of the common stock, par value $0.001 per share (the "Common Stock") of the Company; and

NOW, THEREFORE, in consideration of the mutual promises, representations, warranties, covenants and conditions set forth in the Loan Agreement and this Agreement, the Company and each Lender agree as follows:

1. Certain Definitions. Capitalized terms used herein and not otherwise defined shall have the meaning ascribed thereto in the Loan Agreement or the Notes. As used in this Agreement, the following terms shall have the following respective meanings:

"Commission" or "SEC" shall mean the Securities and Exchange Commission or any other federal agency at the time administering the Securities Act.

"Holder" and "Holders" shall include each Lender and any transferee or transferees of Registrable Securities and/or Notes which have not been sold to the public to whom the registration rights conferred by this Agreement have been transferred in compliance with this Agreement and the Loan Agreement.

"1934 Act" shall mean the Securities Exchange Act of 1934, as amended.

The terms "register," "registered" and "registration" shall refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act and applicable rules and regulations thereunder, and the declaration or ordering of the effectiveness of such registration statement.

"Registrable Securities" shall mean: (i) the Conversion Shares (without regard to any limitations on beneficial ownership contained in the Notes) issued or issuable to each Holder (a) upon conversion of the Notes, (b) upon any distribution with respect to, any exchange for or any replacement of such Notes, or (c) upon any conversion or exchange of any securities issued in connection with any such distribution, exchange or replacement; (ii) securities issued or issuable upon any stock split, stock dividend, recapitalization or similar event with respect to the foregoing; and (iii) any other security issued as a dividend or other distribution with respect to, in exchange for or in replacement of the securities referred to in the preceding clauses, except that any such Conversion Shares or other securities shall cease to be Registrable Securities when (x) they have been sold to the public or (y) they may be sold by the Holder thereof under Rule 144(b)(1)(i).

"Registration Expenses" shall mean all reasonable expenses to be incurred by the Company in connection with each Holder's registration rights under this Agreement (such amount not to exceed $5,000 in the aggregate), including, without limitation, all registration and filing fees, printing expenses, fees and disbursements of counsel for the Company, and blue sky fees and expenses, reasonable fees and disbursements of counsel to Holders (using a single counsel selected by a majority in interest of the Holders) for a review of the Registration Statement and related documents, and the expense of any special audits incident to or required by any such registration (but excluding the compensation of regular employees of the Company, which shall be paid in any event by the Company).

"Registration Statement" shall have the meaning set forth in Section 2(a) herein.

"Regulation D" shall mean Regulation D as promulgated pursuant to the Securities Act, and as subsequently amended.

"Securities Act" or "Act" shall mean the Securities Act of 1933, as amended.

"Selling Expenses" shall mean all underwriting discounts, selling commissions and transfer taxes applicable to the sale of Registrable Securities and all fees and disbursements of counsel for Holders not included within "Registration Expenses".

2. Registration Requirements. The Company shall use its best efforts to effect the registration of the resale of the Registrable Securities (including, without limitation, the execution of an undertaking to file post-effective amendments, appropriate qualification under applicable blue sky or other state securities laws and appropriate compliance with applicable regulations issued under the Securities Act) as would permit or facilitate the resale of all the Registrable Securities in the manner (including manner of sale) and in all states reasonably requested by the Holder. Such best efforts by the Company shall include, without limitation, the following:

(a) The Company shall, as expeditiously as possible after the date hereof:

(i) But in any event within 90 days of the date hereof, prepare and file a registration statement with the Commission pursuant to Rule 415 under the Securities Act on Form S-3 under the Securities Act (or in the event that the Company is ineligible to use such form, such other form as the Company is eligible to use under the Securities Act provided that such other form shall be converted into a Form S-3 as soon as Form S-3 becomes available to the Company) covering resales by the Holders as selling stockholders (not underwriters) of the Registrable Securities and, to the extent practicable, no other securities (the "Registration Statement"), which Registration Statement, to the extent allowable under the Securities Act and the rules promulgated thereunder (including Rule 416), shall state that such Registration Statement also covers the resale of such indeterminate number of additional shares of Common Stock as may be issued upon conversion of the Notes by reason of stock splits, stock dividends or similar transactions. The number of shares of Common Stock initially included in such Registration Statement shall be no less than 15,000,000 and the Company shall amend such Registration Statement or file additional Registration Statements to cover the number of additional shares of Common Stock that may be issued or issuable pursuant to the terms of the Notes in the event that the number of shares of Common Stock initially registered is insufficient. Nothing in the preceding sentence will limit the Company's obligations to reserve shares of Common Stock pursuant to Section 3(d) of the Notes. Thereafter the Company shall use its best efforts to cause such Registration Statement and other filings to be declared effective as soon as possible, and in any event prior to 180 days (or, if the SEC elects to review the Registration Statement, 240 days) following the date hereof (the "Effectiveness Deadline"). Without limiting the foregoing, the Company will promptly respond to all SEC comments, inquiries and requests, and shall request acceleration of effectiveness at the earliest possible date.

(ii) 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 Act with respect to the disposition of all securities covered by such Registration Statement and notify the Holders of the filing and effectiveness of such Registration Statement and any amendments or supplements.

(iii) Furnish to each Holder such numbers of copies of a current prospectus conforming with the requirements of the Act, copies of the Registration Statement, any amendment or supplement thereto and any documents incorporated by reference therein and such other documents as such Holder may reasonably require in order to facilitate the disposition of Registrable Securities owned by such Holder.

(iv) Register and qualify the securities covered by such Registration Statement under the securities or "Blue Sky" laws of all domestic jurisdictions, to the extent required; 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.

(v) Notify each Holder immediately of the happening of any event (but not the substance or details of any such events unless specifically requested by a Holder) as a result of which the prospectus (including any supplements thereto or thereof) included in such Registration Statement, as then in effect, includes an untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing, and use its best efforts to promptly update and/or correct such prospectus.

(vi) Notify each Holder immediately of the issuance by the Commission or any state securities commission or agency of any stop order suspending the effectiveness of the Registration Statement or the threat or initiation of any proceedings for that purpose. The Company shall use its best efforts to prevent the issuance of any stop order and, if any stop order is issued, to obtain the lifting thereof at the earliest possible time.

(vii) Permit Holders and counsel to the Holders to review the Registration Statement and all amendments and supplements thereto within a reasonable period of time (but not less than two (2) full Trading Days (as defined in the Notes)) prior to each filing and will not request acceleration of the Registration Statement without prior notice to such counsel.

(viii) List the Registrable Securities covered by such Registration Statement with all securities exchange(s) and/or markets on which the Common Stock is then listed and prepare and file any required filings with the Principal Market.

(b) Set forth below in this Section 2(b) are (I) events that may arise that in the Holders' consideration will interfere with the full enjoyment of their rights under this Agreement, the Loan Agreement and the Notes (the "Interfering Events"), and (II) certain remedies applicable in each of these events.

Paragraphs (i) through (iii) of this Section 2(b) describe the Interfering Events, provide a remedy to the Holders if an Interfering Event occurs.

Paragraph (iv) provides, inter alia, that the Holders have the right to specific performance.

The preceding paragraphs in this Section 2(b) are meant to serve only as an introduction to this Section 2(b), are for convenience only, and are not to be considered in applying, construing or interpreting this Section 2(b).

(i) Delay in Effectiveness of Registration Statement.

(A) In the event that such Registration Statement has not been declared effective by: (x) the Effectiveness Deadline if the SEC does not elect to review the Registration Statement or (y) within 180 days (or, if the SEC elects to review the Registration Statement, 240 days) of the date hereof, if the SEC elects to review the Registration Statement, or the Company at any time fails to issue unlegended Registrable Securities to the extent required by Article 5 of the Loan Agreement, then the Company shall pay each Holder (other than (i) in the case of a Registration Statement not declared effective, a Holder of Registrable Securities that the Company could exclude from registration in accordance with Section 9 and (ii) in the case of a failure to issue unlegended certificates in accordance with the Loan Agreement, a Holder that is not a party to, including as a permitted assignee bound to, the Loan Agreement) a Monthly Delay Payment (as defined below) with respect to each successive 30-day period (or portion thereof appropriately prorated) thereafter that effectiveness of the Registration Statement is delayed or failure to issue such unlegended Registrable Securities persists.

(B) Subject to subsection (C)(II) below, as used in this Agreement, a "Monthly Delay Payment" shall be a cash payment equal to 1% of the amount equal to (x) the Conversion Price multiplied by (y) the sum of the number of Conversion Shares that are Registrable Securities and held by the applicable Holder plus the number of Conversion Shares issuable upon conversion of Notes held by such Holder. Payment of the Monthly Delay Payments shall be due and payable from the Company to such Holder on the later of (I) the end of the applicable 30-day period or portion thereof and (II) 5 business days after demand therefor. At the option of the Holder, Monthly Delay Payments may be added to the outstanding Principal Amount of the Notes held by it.

(C) Notwithstanding the foregoing, (I) there shall be excluded from the calculation of the number of days that the Registration Statement has not been declared effective the delays which are solely attributable to delays in the Holders providing information required for the Registration Statement or to the Holders not having otherwise complied with their obligations hereunder; (II) the aggregate amount of Monthly Delay Payments payable to a Holder pursuant to this Agreement shall not exceed ten (10) times the amount of Monthly Delay Payment calculated for such Holder pursuant to subsection (B) above; and (III) no Monthly Delay Payments shall accrue as to any Registrable Securities from and after the date such security is no longer a Registrable Security.

(ii) No Listing; Suspension of Class of Shares

(A) In the event that the Company fails, refuses or for any other reason is unable to cause the Registrable Securities covered by the Registration Statement to be listed (subject to issuance) with the Principal Market (as defined in the Notes) at all times during the period ("Listing Period") from the date ("Effectiveness Commencement Date") which is the earlier of the effectiveness of the Registration Statement and the 180th day (or, if the SEC elects to review the Registration Statement, the 240th day)following the date hereof until such time as the registration period specified in Section 5 terminates, then the Holder shall have available the remedy set forth in Section 4(a) of the Notes.

(B) In the event that shares of Common Stock of the Company are not listed the Principal Markets at all times following the date hereof, or are otherwise suspended from trading and remain unlisted or suspended for 3 consecutive days, then the Holder shall have available the remedy set forth in Section 4(a) of the Notes.

(iii) Blackout Periods.

(A) In the event the Registration has become effective and, afterwards, any Holder's ability to sell Registrable Securities under the Registration Statement is suspended for more than (i) 30 days in any 90-day period or (ii) 60 days in any calendar year ("Blackout Period"), including without limitation by reason of any suspension or stop order with respect to the Registration Statement or the fact that an event has occurred as a result of which the prospectus (including any supplements thereto) included in such Registration Statement then in effect includes an untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing, then the Company shall provide to each Holder a Monthly Delay Payment for each 30-day period or portion thereof (appropriately prorated) from and after the expiration of the Blackout Period, on the terms set forth in Section 2(b)(i)(B) above.

(B) Notwithstanding anything to the contrary herein, the Company may suspend the filing or availability of a Registration Statement or prospectus or delay the disclosure of any material non-public information or pending development concerning the Company for a specified period if the disclosure of such information or development during such period would be materially detrimental, in the good faith judgment of the Company's general counsel and one or more executive officers of the Company, to the Company (a "Grace Period"); provided, however, that the Company shall promptly (i) notify the Holders in writing of the existence of such material non-public information or pending development giving rise to a Grace Period (provided that the Company shall not disclose the content of such material non-public information or pending development to the Holders) and the date on which the Grace Period will begin, and (ii) notify the Holders in writing of the date on which the Grace Period ends. No single Grace Period shall, without incurring any liability to pay the Monthly Delay Payments pursuant to Section 2(b)(i)(B), exceed twenty (20) consecutive days and the aggregate duration of all Grace Periods shall not, without incurring any liability to pay the Monthly Delay Payments pursuant to Section 2(b)(i)(B), exceed forty (40) days during any three hundred sixty-five day period (each Grace Period complying with this Section 2(b)(iii)(B) being an "Allowable Grace Period"). For purposes of determining the length of a Grace Period, the Grace Period shall be deemed to begin on and include the date stated in the notice referred to in clause (i) above as the beginning of such Grace Period and shall end on and include the earlier of (I) the date stated in the notice referred to in clause (ii) above as the end of such Grace Period or, (II) to the extent considered appropriate by the Company in its sole discretion, such earlier date as to which the Company may advise the Holders in writing after the Company's provision of the notices described above; provided, however, that no Grace Period shall be longer than an Allowable Grace Period without incurring any liability to pay the Monthly Delay Payments pursuant to Section 2(b)(i)(B). The Company agrees to use all reasonable efforts to ensure that the Holders may resume sales under the relevant Registration Statement as soon as such suspension, in the sole discretion of the Company, is no longer necessary. The provisions of Sections 2(a)(iii) and 2(a)(v) of this Agreement shall not be applicable, and the Company shall not have any obligation to pay any Monthly Delay Payments by reason of any delay pursuant to Section 2(b)(i) or Blackout Period, during the period of any Allowable Grace Period.

(iv) Cumulative Remedies. The Monthly Delay Payments provided for above are in addition to and not in lieu or limitation of any other rights the Holders may have at law, in equity or under the terms of the Notes, the Loan Agreement and this Agreement, including without limitation, the right to monetary contract damages and specific performance; provided that (x) no holder of Notes may collect default interest in addition to Monthly Delay Payments and (y) no holder of Notes may collect more than one Monthly Delay Payment with respect to the same 30-day period or portion thereof. Each Holder shall be entitled to specific performance of any and all obligations of the Company in connection with the registration rights of the Holders hereunder.

(c) The Holders agree to cooperate as reasonably requested by the Company in connection with the preparation and filing of the Registration Statement.

(d) If the Holder(s) intend to distribute the Registrable Securities by means of an underwriting, the Holder(s) shall so advise the Company. Any such underwriting may only be administered by nationally or regionally recognized investment bankers reasonably satisfactory to the Company.

(e) The Company shall enter into such customary agreements for secondary offerings (including a customary underwriting agreement with the underwriter or underwriters, if any) and take all such other reasonable actions reasonably requested by the Holders in connection with any underwritten offering or when the SEC has required that the Holders be identified as underwriters in the Registration Statement in order to expedite or facilitate the disposition of such Registrable Securities and in such connection:

(i) make such representations and warranties to the Holders and the underwriter or underwriters, if any, in form, substance and scope as are customarily made by issuers to underwriters in secondary offerings;

(ii) cause to be delivered to the sellers of Registrable Securities and the underwriter or underwriters, if any, opinions of outside counsel to the Company, on and dated as of the effective day (or in the case of an underwritten offering, dated the date of delivery of any Registrable Securities sold pursuant thereto) of the Registration Statement, and within ninety (90)

days following the end of each fiscal year thereafter, which counsel and opinions (in form, scope and substance) shall be reasonably satisfactory to the Holders and the underwriter(s), if any, and their counsel and covering such matters that are customarily given to underwriters in underwritten offerings, addressed to the Holders and each underwriter, if any;

(iii) cause to be delivered, immediately prior to the effectiveness of the Registration Statement (and, in the case of an underwritten offering, at the time of delivery of any Registrable Securities sold pursuant thereto), and at the beginning of each fiscal year following a year during which the Company's independent certified public accountants shall have reviewed any of the Company's books or records, a "comfort" letter from the Company's independent certified public accountants addressed to each underwriter (including the Holders, if the SEC has required them to be identified as underwriters in the Registration Statement), if any, to the extent requested by such underwriters, stating that such accountants are independent public accountants within the meaning of the Securities Act and the applicable published rules and regulations thereunder, and otherwise in customary form and covering such financial and accounting matters as are customarily covered by letters of the independent certified public accountants delivered in connection with secondary offerings; such accountants shall have undertaken in each such letter to update the same during each such fiscal year in which such books or records are being reviewed so that each such letter shall remain current, correct and complete throughout such fiscal year; and each such letter and update thereof, if any, shall be reasonably satisfactory to such underwriters;

(iv) if an underwriting agreement is entered into, the same shall include customary indemnification and contribution provisions to and from the underwriters and procedures for secondary underwritten offerings; and

(v) deliver such documents and certificates as may be reasonably requested by the Holders of the Registrable Securities being sold or the managing underwriter or underwriters, if any, to evidence compliance with clause (i) above and with any customary conditions contained in the underwriting agreement, if any.

(f) The Company shall make available for inspection by the Holders, representative(s) of all the Holders together, any underwriter participating in any disposition pursuant to a Registration Statement, and any attorney or accountant retained by any Holder or underwriter, all financial and other records customary for purposes of the Holders' due diligence examination of the Company and review of any Registration Statement, all SEC Documents (as defined in the Loan Agreement) filed subsequent to the Closing, pertinent corporate documents and properties of the Company, and cause the Company's officers, directors and employees to supply all information reasonably requested by any such representative, underwriter, attorney or accountant in connection with such Registration Statement, provided that such parties agree to keep such information confidential. Notwithstanding the foregoing, the foregoing right shall not extend to any Holder (i) who is not a financial investor or entity or (ii) who, itself or through any affiliate, has any strategic business interest that would reasonably be expected to be in conflict with any business of the Company or its subsidiaries.

(g) Subject to Section 2(b) above and to clause (i) below, the Company may suspend the use of any prospectus used in connection with the Registration Statement only in the event, and for such period of time as, (i) such a suspension is required by the rules and regulations of the Commission or (ii) it is determined in good faith by the Board of Directors of the Company that because of valid business reasons (not including the avoidance of the Company's obligations hereunder), it is in the best interests of the Company to suspend such use, and prior to suspending such use in accordance with this clause (ii) the Company provides the Holders with written notice of such suspension, which notice need not specify the nature of the event giving rise to such suspension. The Company will use reasonable best efforts to cause such suspension to terminate at the earliest possible date. This provision shall not affect the right of Holders to receive Monthly Delay Payments pursuant to Section 2(b) above.

(h) If the Holders become entitled, pursuant to an event described in clause (ii) and (iii) of the definition of Registrable Securities, to receive any securities in respect of Registrable Securities that were already included in a Registration Statement, subsequent to the date such Registration Statement is declared effective, and the Company is unable under the securities laws to add such securities to the then effective Registration Statement, the Company shall promptly file, in accordance with the procedures set forth herein, an additional Registration Statement with respect to such newly Registrable Securities. The Company shall use its best efforts to (i) cause any such additional Registration Statement, when filed, to become effective under the Securities Act, and (ii) keep such additional Registration Statement effective during the period described in Section 5 below and cause such Registration Statement to become effective within 90 days of that date that the need to file the Registration Statement arose. All of the registration rights and remedies under this Agreement shall apply to the registration of the resale of such newly reserved shares and such new Registrable Securities, including without limitation the provisions providing for default payments contained herein.

(i) The Company shall prepare and file with the SEC such amendments (including post-effective amendments) and supplements to a Registration Statement and the prospectus used in connection with such Registration Statement, which prospectus is to be filed pursuant to Rule 424 promulgated under the Securities Act, as may be necessary to keep such Registration Statement effective at all times during the Registration Period (as defined below), and, during such period, comply with the provisions of the Securities Act with respect to the disposition of all Registrable Securities of the Company covered by such Registration Statement. In the case of amendments and supplements to a Registration Statement which are required to be filed pursuant to this Agreement (including pursuant to this Section 2(h)) by reason of the Company filing a report on Form 10-K, Form 10-Q or Form 8-K or any analogous report under the 1934 Act, the Company shall

have incorporated such report by reference into such Registration Statement, if applicable, or shall file such amendments or supplements with the SEC on the same day on which the 1934 Act report is filed which created the requirement for the Company to amend or supplement such Registration Statement.

(j) Each Holder agrees by its acquisition of the Registrable Securities that, upon receipt of a notice from the Company of the occurrence of any event of the kind described in Sections 2(a)(v) or 2(a)(vi), such Holder will forthwith discontinue disposition of such Registrable Securities under the Registration Statement until such Holder's receipt of the copies of the supplemented Prospectus and/or amended Registration Statement contemplated by Section 3(h), or until it is advised in writing (the "Advice") by the Company that the use of the applicable Prospectus may be resumed, and, in either case, has received copies of any additional or supplemental filings that are incorporated or deemed to be incorporated by reference in such Prospectus or Registration Statement. The Company may provide appropriate stop orders to enforce the provisions of this paragraph.

(k) If requested by a Holder, the Company shall (i) as soon as practicable incorporate in a prospectus supplement or post-effective amendment such information as a Holder reasonably requests to be included therein relating to the sale and distribution of Registrable Securities, including, without limitation, information with respect to the number of Registrable Securities being offered or sold, the purchase price being paid therefor and any other terms of the offering of the Registrable Securities to be sold in such offering; (ii) as soon as practicable make all required filings of such prospectus supplement or post-effective amendment after being notified of the matters to be incorporated in such prospectus supplement or post-effective amendment; and (iii) as soon as practicable, supplement or make amendments to any Registration Statement if reasonably requested by a Holder holding any Registrable Securities.

3. Expenses of Registration. All Registration Expenses in connection with any registration, qualification or compliance with registration pursuant to this Agreement shall be borne by the Company, and all Selling Expenses of a Holder shall be borne by such Holder.

4. Registration on Form S-3. The Company shall use its best efforts to remain qualified for registration on Form S-3 or any comparable or successor form or forms, or in the event that the Company is ineligible to use such form, such form as the Company is eligible to use under the Securities Act, provided that if such other form is used, the Company shall convert such other form to a Form S-3 as soon as the Company becomes so eligible, provided that the Company shall maintain the effectiveness of the Registration Statement then in effect until such time as a Registration Statement or Form S-3 covering the Registrable Securities has been declared effective by the SEC.

5. Registration Period. In the case of the registration effected by the Company pursuant to this Agreement, the Company shall keep such registration effective until the earlier of (a) the date on which all the Holders have completed the sales or distribution described in the Registration Statement relating thereto or, (b) until such Registrable Securities may be sold by the Holders under Rule 144(b)(1)(i) (provided that the Company's transfer agent has accepted an instruction from the Company to such effect) (the "Registration Period"). Subject to Section 8 below, this Agreement shall be terminated automatically without further action by any party hereto upon the expiration of the Registration Period.

6. Indemnification.

(a) Company Indemnity. The Company will indemnify and hold harmless each Holder, each of its officers, directors, agents and partners, and each person controlling of each of the foregoing, within the meaning of Section 15 of the Securities Act and the rules and regulations thereunder with respect to which registration, qualification or compliance has been effected pursuant to this Agreement, and each underwriter, if any, and each person who controls, within the meaning of Section 15 of the Securities Act and the rules and regulations thereunder, any underwriter, against all claims, losses, 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 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 statements therein not misleading in light of the circumstances under which they were made, or any violation by the Company of the Securities Act or any state securities law or in either case, any rule or regulation thereunder applicable to the Company and relating to action or inaction required of the Company in connection with any such registration, qualification or compliance, and will reimburse each Holder, each of its officers, directors, agents and partners, and each person controlling each of the foregoing, each such underwriter and each person who controls any such underwriter, for any legal and any other expenses reasonably incurred in connection with investigating and defending any such claim, loss, damage, liability or action, provided that the Company will not be liable in any such case to a Holder to the extent that any such claim, loss, damage, liability or expense arises out of or is based (i) on any untrue statement or omission based upon written information furnished to the Company by such Holder or the underwriter (if any) therefor and stated to be specifically for use therein or (ii) the failure of a Holder to deliver at or prior to the written confirmation of sale, the most recent prospectus, as amended or supplemented. The indemnity agreement contained in this Section 6(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company (which consent will not be unreasonably withheld).

(b) Holder Indemnity. Each Holder will, severally and not jointly, if Registrable Securities held by it are included in the securities as to which such registration, qualification or compliance is being effected, indemnify and hold harmless the Company, each of its directors, officers, agents and partners, and each underwriter, if any, of the Company's securities covered by such a registration statement,

each person who controls the Company or such underwriter within the meaning of Section 15 of the Securities Act and the rules and regulations thereunder, each other Holder (if any), and each of their officers, directors and partners, and each person controlling of such other Holder(s) against all claims, losses, 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 statement therein not misleading in light of the circumstances under which they were made, and will reimburse the Company and such other Holder(s) and their directors, officers and partners, underwriters or control persons for any legal or any other expenses reasonably incurred in connection with investigating and defending 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 such Holder and stated to be specifically for use therein, and provided that the maximum amount for which such Holder shall be liable under this indemnity shall not exceed the net proceeds received by such Holder from the sale of the Registrable Securities pursuant to the registration statement in question. The indemnity agreement contained in this Section 6(b) shall not apply to amounts paid in settlement of any such claims, losses, damages or liabilities if such settlement is effected without the consent of such Holder (which consent shall not be unreasonably withheld).

(c) Procedure. Each party entitled to indemnification under this Section 6 (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 in any litigation resulting therefrom, provided that counsel for the Indemnifying Party, who shall conduct the defense of such claim or any litigation resulting therefrom, shall be approved by the Indemnified Party (whose approval shall not be unreasonably withheld), and the Indemnified Party may participate in such defense at its own 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 under this Section 6 except to the extent that the Indemnifying Party is materially and adversely affected by such failure to provide notice. 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. Each Indemnified Party shall furnish such non-privileged information regarding itself or the claim in question as an Indemnifying Party may reasonably request in writing and as shall be reasonably required in connection with the defense of such claim and litigation resulting therefrom.

7. Contribution. If the indemnification provided for in Section 6 herein is unavailable to the Indemnified Parties in respect of any losses, claims, damages or liabilities referred to herein (other than by reason of the exceptions provided therein), then each such Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages or liabilities as between the Company on the one hand and any Holder on the other, in such proportion as is appropriate to reflect the relative fault of the Company and of such Holder in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative fault of the Company on the one hand and of any Holder on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or by such Holder.

In no event shall the obligation of any Indemnifying Party to contribute under this Section 7 exceed the amount that such Indemnifying Party would have been obligated to pay by way of indemnification if the indemnification provided for under Section 6(a) or 6(b) hereof had been available under the circumstances.

The Company and the Holders agree that it would not be just and equitable if contribution pursuant to this Section 7 were determined by pro rata allocation (even if the Holders or the underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraphs. The amount paid or payable by an Indemnified Party as a result of the losses, claims, damages and liabilities referred to in the immediately preceding paragraphs shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this section, no Holder or underwriter shall be required to contribute any amount in excess of the amount by which (i) in the case of any Holder, the net proceeds received by such Holder from the sale of Registrable Securities pursuant to the registration statement in question or (ii) in the case of an underwriter, the total price at which the Registrable Securities purchased by it and distributed to the public were offered to the public exceeds, in any such case, the amount of any damages that such Holder or underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

8. Survival. The indemnity and contribution agreements contained in Sections 6 and 7 and the representations and warranties of the Company referred to in Section 2(d)(i) shall remain operative and in full force and effect regardless of (i) any termination of this Agreement or the Loan Agreement or any underwriting agreement, (ii) any investigation made by or on behalf of any Indemnified Party or by or on behalf of the Company, and (iii) the consummation of the sale or successive resales of the Registrable Securities.

9. Information by Holders. Each Holder shall promptly furnish to the Company such information regarding such Holder and the distribution and/or sale proposed by such Holder as the Company may from time to time reasonably request in writing in connection with any registration, qualification or compliance referred to in this Agreement, and the Company may exclude from such registration the Registrable Securities of any Holder who unreasonably fails to furnish such information within a reasonable time after receiving such request. The intended method or methods of disposition and/or sale (Plan of Distribution) of such securities as so provided by such Holder shall be included without alteration in the Registration Statement covering the Registrable Securities and shall not be changed without written consent of such Holder. Each Holder agrees that, other than ordinary course brokerage arrangements, in the event it enters into any arrangement with a broker dealer for the sale of any Registrable Securities through a block trade, special offering, exchange distribution or secondary distribution or a purchase by a broker or dealer, such Holder shall promptly deliver to the Company in writing all applicable information required in order for the Company to be able to timely file a supplement to the Prospectus pursuant to Rule 424(b) under the Securities Act, to the extent that such supplement is legally required. Such information shall include a description of (i) the name of such Holder and of the participating broker dealer(s), (ii) the number of Registrable Securities involved, (iii) the price at which such Registrable Securities were or are to be sold, and (iv) the commissions paid or to be paid or discounts or concessions allowed or to be allowed to such broker dealer(s), where applicable.

10. Replacement Certificates. The certificate(s) representing the Registrable Securities held by any Lender (or then Holder) may be exchanged by such Lender (or such Holder) at any time and from time to time for certificates with different denominations representing an equal aggregate number of Registerable Securities, as reasonably requested by such Lender (or such Holder) upon surrendering the same. No service charge will be made for such registration or exchange. Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of any certificates representing a Registrable Security and, in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it, or upon surrender and cancellation of such certificate if mutilated, the Company will make and deliver a new certificate of like tenor and dated as of such cancellation at no charge to the holder.

11. Transfer or Assignment. Except as otherwise provided herein, this Agreement shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns. The rights granted to the Lenders by the Company under this Agreement to cause the Company to register Registrable Securities may be transferred or assigned (in whole or in part) to a permitted transferee or assignee of Notes or Registrable Securities, and all other rights granted to the Lenders by the Company hereunder may be transferred or assigned to any permitted transferee or assignee of any Notes or Registrable Securities; provided in each case that the Company must be given written notice by the Lenders at the time of or within a reasonable time after said transfer or assignment, stating the name and address of said transferee or assignee and identifying the securities with respect to which such registration rights are being transferred or assigned; and provided further that the transferee or assignee of such rights agrees in writing to be bound by the registration provisions of this Agreement.

12. Reports Under The 1934 Act.

With a view to making available to the Holders the benefits of Rule 144 promulgated under the Securities Act or any other similar rule or regulation of the SEC that may at any time permit the Holders to sell securities of the Company to the public without registration ("Rule 144"), the Company agrees to:

(a) make and keep public information available, as those terms are understood and defined in Rule 144;

(b) file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the 1934 Act so long as the Company remains subject to such requirements and the filing of such reports and other documents is required for the applicable provisions of Rule 144; and

(c) furnish to each Holder so long as such Holder owns Registrable Securities, promptly upon request, (i) a written statement by the Company, if true, that it has complied with the reporting requirements of Rule 144, the Securities Act and the 1934 Act, (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (iii) such other information as may be reasonably requested to permit the Holders to sell such securities pursuant to Rule 144 without registration.

13. Miscellaneous.

(a) Remedies. The Company and the Lenders acknowledge and agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent or cure breaches of the provisions of this Agreement and to enforce specifically the terms and provisions hereof, this being in addition to any other remedy to which any of them may be entitled by law or equity.

(b) Jurisdiction. THE PARTIES MUTUALLY IRREVOCABLY AND UNCONDITIONALLY AGREE (I) THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS AGREEMENT SHALL BE TRIED AND LITIGATED ONLY IN THE STATE AND FEDERAL COURTS LOCATED IN THE STATE OF NEW YORK, NEW YORK COUNTY AND THAT THE PARTIES SHALL BE SUBJECT TO THE JURISDICTION OF SUCH COURTS, AND (II) THAT SERVICE OF PROCESS BY

CERTIFIED MAIL, RETURN RECEIPT REQUESTED, SHALL CONSTITUTE PERSONAL SERVICE. NOTHING IN THIS SECTION 13(b) SHALL AFFECT OR LIMIT ANY RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW. THE COMPANY AND EACH LENDER WAIVES, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION 13(b).

(c) Notices. Any notice or other communication required or permitted to be given hereunder shall be in writing by facsimile, electronic transmission, mail or personal delivery and shall be effective upon actual receipt of such notice. The addresses for such communications shall be:

to the Company:

ISCO International, Inc.
1001 Cambridge Drive
Elk Grove Village, Illinois 60007
Telephone: (847) 391-9400
Facsimile: (847) 391-5015
Attention:: Gary Berger
E-mail: gary.berger@iscointl.com

with a copy to:

McGuireWoods LLP
Suite 4100
77 Wacker Drive
Chicago, IL 60601-1818
Attn: Scott Glickson, Esq.
Fax: (312) 698-4585

to the Lenders:

As set forth on Schedule I hereto

with a copy to:

As set forth on Schedule I hereto

Any party hereto may from time to time change its address for notices by giving at least five days' written notice of such changed address to the other parties hereto.

(d) Waivers. No waiver by any party of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of any party to exercise any right hereunder in any manner impair the exercise of any such right accruing to it thereafter.

(e) Execution in Counterpart. This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement, it being understood that all parties need not sign the same counterpart.

(f) Signatures. Facsimile signatures shall be valid and binding on each party submitting the same.

(g) Entire Agreement; Amendment. This Agreement, together with the Loan Agreement, the Notes and the agreements and documents contemplated hereby and thereby, contains the entire understanding and agreement of the parties.

(h) Governing Law. This Agreement and the validity and performance of the terms hereof shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts executed and to be performed entirely within such state.

(i) Jury Trial. EACH PARTY HERETO WAIVES THE RIGHT TO A TRIAL BY JURY.

(j) Titles. The titles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

(k) No Strict Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rule of strict construction will be applied against any party.

[Signature Page Follows]

In Witness Whereof, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

ISCO INTERNATIONAL, INC.

By: /s/Gary Berger
Name: Gary Berger
Title: Chief Financial Officer

MANCHESTER SECURITIES CORP.

By: /s/Elliot Greenberg
Name: Elliot Greenberg
Title: Vice President

ALEXANDER FINANCE, L.P.

By: /s/ Bradford Whitmore
Name: Bradford Whitmore
Title President Bun Partners, Inc.
Its: General Partner

EXHIBIT 10.4

SEVENTH AMENDED AND RESTATED SECURITY AGREEMENT

Seventh Amended and Restated Security Agreement, dated as of August 18, 2008 made by and among ISCO International, Inc., a Delaware Corporation with offices at 1001 Cambridge Drive, Elk Grove Village, Illinois 60007 (the "**Company**"), the Company's undersigned subsidiary (the "**Subsidiary**," the Company and the Subsidiary are hereafter together referred to as the "**Debtors**" or individually as a "**Debtor**"), Manchester Securities Corporation, a New York corporation with offices at 712 Fifth Avenue, 36th Floor, New York, New York 10019 ("**Manchester**"), Alexander Finance, LP, an Illinois limited partnership with offices at 1560 Sherman Avenue, Evanston, IL 60201 ("**Alexander**"; Manchester and Alexander are sometimes individually referred to as a "**Secured Party**" or together referred to as "**Secured Parties**"), and Manchester Securities Corporation as collateral agent (the "**Collateral Agent**").

This Agreement amends and restates the Sixth Amended and Restated Security Agreement, dated as of May 29, 2008, as amended (the "**Existing Security Agreement**").

NOW THEREFORE, in consideration of the foregoing, each Debtor hereby agrees with the Secured Parties and Collateral Agent as follows:

SECTION 1. Grant of Security Interest.

(a) As collateral security for all of the Obligations (as defined in Section 2 hereof), the Debtors hereby jointly and severally pledge and collaterally assign to the Collateral Agent and the Secured Parties, and grant to the Collateral Agent and the Secured Parties a continuing first priority security interest (subject to Permitted Liens (as defined in the 2008 Loan Agreement, dated May 29, 2008, by and among the Company and the Secured Parties (the "2008 Loan Agreement") and the August 2008 Loan Agreement dated as of the date hereof entered into by and among the Company and the Secured Parties (the "**August 2008 Loan Agreement**")) in the following (the "**Collateral**"): "**Collateral**" means all assets of the Debtors (whether currently owned or hereafter acquired by a Debtor), including without limitation all presently existing and hereafter arising (i) accounts, contract rights, and all other forms of obligations owing to the Debtors from any source, including, without limitation, from affiliates and insiders of the Debtors ("**Accounts**"); (ii) all of the Debtors' books and records, including ledgers, records indicating, summarizing, or evidencing the Debtors' assets or liabilities, or the Collateral, all information relating to the Debtors' business operations or financial condition, all computer programs, disc or tape files, printouts, runs or other computer prepared information, and any equipment containing such information (the Debtors' "**Books**"); (iii) all of the Debtors' present and hereafter acquired equipment, wherever located, and all attachments, accessories, accessions, replacements, substitutions, additions and improvements to any of the foregoing, wherever located ("**Equipment**"); (iv) all of the Debtors' present and hereafter acquired general intangibles and other personal property (including, but not limited to, contract rights, rights arising under common law, statutes or regulations, choses or things in action, goodwill, patents and patentable inventions, whether described and claimed therein or otherwise, and all reissues, divisions, continuations, continuations-in-part, substitutes, renewals, and extensions thereof, and all improvements thereon and all other rights of any kind whatsoever accruing thereunder or pertaining thereto, trade names, trademarks, patent and trademark applications, service marks, copyrights, copyright applications, blueprints, drawings, purchase orders, customer lists, monies due under any royalty or licensing agreements, infringements, claims, computer programs, discs or tapes, deposit accounts, insurance premium rebates, tax refunds, and tax refund claims, as well as all cash collateral that is hypothecated to secure letters of credit or bonding obligations and the right to sue or otherwise recover for any and all past, present and future infringements and misappropriations thereof, and all income, royalties, damages and other payments now and hereafter due and/or payable with respect thereto) ("**General Intangibles**"); (v) all present and future inventory in which a Debtor has any interest, and all of the Debtors' present and future raw materials, work in process, finished goods, and packing and shipping material, wherever located, any documents of title representing any of the above ("**Inventory**"); (vi) all of the Debtors' negotiable collateral, including all of the Debtors' present and future letters of credit, notes, drafts, instruments, certificated securities (including but not limited to, the "Pledged Securities" as defined below), documents, personal property leases (where a Debtor is the lessor), chattel paper and the Debtors' books and records relating to any of the foregoing ("**Negotiable Collateral**"); and (vii) any money or other assets of the Debtors which hereafter come into the possession, custody or control of the Debtors, and the proceeds and products, whether tangible or intangible, of any of the foregoing including proceeds of insurance covering any or all of the Collateral, and any and all Accounts, Equipment, General Intangibles, Inventory, Negotiable Collateral, money, deposit accounts or other tangible or intangible, real or personal, property resulting from the sale, exchange, collection or other disposition of the Collateral, or any portion thereof or interest therein, and the proceeds and products thereof; in each case howsoever a Debtor's interest therein may arise or appear (whether by ownership, security interest, claim or otherwise). For purposes of this Security Agreement, the term "**Pledged Securities**" means (i) all capital stock and all other securities issued or issuable by all current and future subsidiaries, whether currently issued or issued in the future ("**Subsidiary Securities**"); (ii) any capital stock or other securities currently owned or received by the Debtors in the future ("**Further Securities**"); (iii) all other securities which may be issued or issuable in exchange for or in respect of the Further Securities and Subsidiary Securities pursuant to the terms hereof; (iv) all dividends, cash, instruments, securities and other property from time to time received, receivable or otherwise distributed, in respect of, in, for, or upon the exchange or

conversion of the securities referred to in clauses (i), (ii) and (iii) above; and (v) all rights and privileges of the Debtors with respect to the Pledged Securities and other properties referred to in clauses (i), (ii), (iii) and (iv).

(b) Any pledge, collateral assignment or grant of a security interest to the Collateral Agent and Secured Parties in the Collateral pursuant to the Existing Security Agreement shall continue in full force and effect.

(c) Upon the future receipt of any certificated securities by any Debtor, such Debtor shall immediately deliver the certificates representing such securities, together with stock powers duly executed in blank to the Collateral Agent and corporate resolutions of a type reasonably acceptable to the Secured Parties.

(d) A reasonably detailed list of the Collateral existing as of the date hereof is set forth on Schedule A attached hereto. For each item of Collateral, Schedule A provides the location, description and ownership and, for items of Collateral which have a certificate of title, the jurisdiction of such certificates, and for those items of Collateral which are mobile goods (goods that are mobile and generally used in more than one jurisdiction such as motor vehicles, trailers and similar items) the present location of such goods. Schedule A also identifies any liens and encumbrances with respect to any items of Collateral and sets forth the jurisdiction of incorporation of each Debtor. Schedule A further lists all patents and trademarks and patent and trademark applications owned by the Debtors.

SECTION 2. Security for Obligations. The security interest created hereby in the Collateral constitutes continuing collateral security for the (a) prompt payment by the Debtors, as and when due and payable, of all amounts from time to time owing by them to the Secured Parties under (i) the Third Amended and Restated Loan Agreement dated November 10, 2004 by and among the Company and the Secured Parties, as amended from time to time (the "**2004 Loan Agreement**"); (ii) the Company's 5% Senior Secured Convertible Notes due June 22, 2010 issued on June 22, 2006 (the "**2006 Notes**"); (iii) the Company's 7% Senior Secured Convertible Notes due August 1, 2009 issued on June 26, 2007 (the "**2007 Notes**"); (iv) with respect to Alexander only, the Company's 7% Senior Secured Convertible Note due August 1, 2009 issued on January 3, 2008 (the "**January 2008 Note**"); (v) the 2008 Loan Agreement, (vi) the 9½% Secured Grid Notes due August 1, 2010 issued on May 29, 2008 (the "**May 2008 Notes**"), (vii) the August 2008 Loan Agreement, (viii) the 9 ½% Secured Convertible Notes issued on the date hereof pursuant to the August 2008 Loan Agreement (the "August 2008 Convertible Notes") and (ix) the Amended and Restated Guaranty of Subsidiary of even date herewith (the "**Guaranty**") (the 2004 Loan Agreement, the 2006 Notes, the 2007 Notes, the January 2008 Note, the 2008 Loan Agreement, the May 2008 Notes, the August 2008 Loan Agreement, the August 2008 Convertible Notes and the Guaranty and the Existing Security Agreement are hereinafter collectively referred to as the "**Transaction Documents**") with the obligations under this clause (a) being referred to as "**Indebtedness**" and (b) prompt performance by the Debtors of each of their respective covenants and duties under the Transaction Documents (the covenants and obligations referred to in clauses (a) and (b) above hereafter collectively referred to as the "**Obligations**"). The Debtors further jointly and severally agree that the Collateral Agent and the Secured Parties shall have the rights stated in this Security Agreement with respect to the Collateral in addition to all other rights which the Secured Parties may have by law.

SECTION 3. Representations and Obligations of the Debtors. Each of the Debtors jointly and severally represents, warrants and covenants to the Collateral Agent and the Secured Parties as follows:

(a) Perfection of Security Interest. Each of the Debtors agrees to execute at any time and from time to time such financing statements and to take whatever other actions are requested by the Collateral Agent to perfect and continue the Collateral Agent and the Secured Parties' security interest in the Collateral including, without limitation, any filings in the United States Patent and Trademark Office or foreign recordal offices. Upon request of the Collateral Agent, each Debtor will deliver to the Collateral Agent any and all documents evidencing or constituting the Collateral, possession of which is required in order for the Collateral Agent and the Secured Parties' to perfect their security interest therein. Upon request of the Collateral Agent, the Debtors will note Collateral Agent's and Secured Parties' interest, as the case may be, upon any and all Accounts if not delivered to Collateral Agent for possession by the Collateral Agent. The Collateral Agent may at any time and from time to time, and without further authorization from the Debtors, file a carbon, photographic or other reproduction of any financing statement or of this Security Agreement for use as a financing statement to the extent permitted by applicable law. The Debtors will reimburse the Collateral Agent for all reasonable expenses for the perfection and the continuation of the perfection of Secured Parties' security interest in the Collateral. Each Debtor will promptly notify the Collateral Agent of any change in its name including any change to the assumed business names of such Debtor. This is a continuing Security Agreement and will continue in effect until all Indebtedness is paid in full and any other Obligations are satisfied and the Secured Parties shall release their interest in the Collateral upon the full and final payment and satisfaction of the Indebtedness and other Obligations. If payment is made by a Debtor, whether voluntarily or otherwise, or by any third party, on the Indebtedness and thereafter a Secured Party is forced to remit the amount of that payment to such Debtor's trustee in bankruptcy or to any similar person under any federal, state or foreign bankruptcy law or other law for the relief of debtors, the Indebtedness shall be considered unpaid for the purpose of enforcement of this Security Agreement. If permitted or required under applicable law, the Collateral Agent may file any financing statements with respect to the Collateral without the signatures of the Debtors. Any financing statements must state that the Collateral Agent and the Secured Parties have a lien on all of the Debtors' assets.

(b) Power of Attorney. Each Debtor hereby irrevocably makes, constitutes, and appoints the Collateral Agent (and all of such Collateral Agent's officers, employees or agents designated by such Collateral Agent) as its true and lawful attorney, with power to: (i) sign such Debtor's name on any of the documents described hereunder or on any other similar documents to be executed, recorded, or filed in order

to perfect or continue perfected the Collateral Agent's and Secured Parties' security interest in the Collateral; (ii) at any time that an Event of Default has occurred and is continuing, execute, sign and endorse such Debtor's name on any invoice or bill of lading relating to any Account, drafts against Account Debtors, schedules and assignments of Accounts, verifications of Accounts, and notices to Account Debtors; (iii) send requests for verification of Accounts; (iv) at any time that an Event of Default has occurred and is continuing, execute, sign and endorse such Debtor's name on any checks, notices, instruments, acceptances, money orders, drafts, warrants or other item of payment or security that may come into the Collateral Agent's possession; (v) at any time that an Event of Default has occurred and is continuing, demand, collect, receive, receipt for, sue and recover all sums of money or other property which may now or hereafter become due, owing or payable from the Collateral; (vi) file any claim or claims or, following an Event of Default, take any action or institute or take part in any proceedings, either in its own name or in the name of such Debtor, or otherwise, which in the discretion of the Collateral Agent may seem to be necessary or advisable; (vii) at any time that an Event of Default has occurred and following acceleration of the Indebtedness, direct the Account Debtors and other persons sending mail to the Debtors to send all mail relating to the Collateral to the Collateral Agent; (viii) at any time that an Event of Default has occurred and is continuing, make, settle, and adjust all claims under the Debtors' policies of insurance and make all determinations and decisions with respect to such policies of insurance; and (ix) at any time that an Event of Default has occurred and is continuing, settle and adjust disputes and claims respecting the Accounts directly with Account Debtors, for amounts and upon terms which the Collateral Agent determines to be reasonable, and the Collateral Agent may cause to be executed and delivered any documents and releases which the Collateral Agent determines to be necessary. The appointment of the Collateral Agent as such Debtor's attorney, and each and every one of the Collateral Agent's and Secured Parties' rights and powers, being coupled with an interest, is irrevocable and shall remain in full force and effect until all of the Indebtedness has been fully repaid and the other Obligations satisfied and the Collateral Agent renounces such appointment.

(c) No Violation. The execution and delivery of this Security Agreement does not violate any law or agreement governing any Debtor or to which any Debtor is a party, and the Debtors' certificates or articles of incorporation and bylaws or other organizational documents do not prohibit any term or condition of this Security Agreement. The execution and delivery hereof is in the interest of each of the Debtors.

(d) Enforceability of Collateral. With respect to the Accounts, and General Intangibles, the Collateral is enforceable in accordance with its terms, is genuine, and complies in all material respects with applicable laws concerning form, content and manner of preparation and execution, and, to the best of the knowledge of the Debtors, all persons appearing to be obligated on the Collateral have authority and capacity to contract and are in fact obligated as they appear to be on the Collateral, except as such enforcement may be limited by bankruptcy, insolvency, moratorium, fraudulent conveyance or other laws applicable to creditors' rights generally and by generally applicable equitable principles, whether considered in an action at law or in equity.

(e) Accounts. All Accounts existing as of the date hereof are good and valid Accounts representing an undisputed, bona fide indebtedness incurred by the Account Debtors, and there exists no set-offs or counterclaims against any such Accounts and no agreements under which any deductions or discounts may be claimed with any Account Debtor except as disclosed to the Collateral Agent and the Secured Parties in writing.

(f) Removal of Collateral; Transactions Involving Collateral. To the extent the Collateral consists of Accounts, General Intangibles, Negotiable Collateral or Debtors' Books the records and other documents pertaining to the Collateral shall be kept at the principal office of the Debtor that owns such collateral, or at such other locations as are reasonably acceptable to the Collateral Agent. Except as provided below, the Debtors shall keep the non-mobile tangible Collateral at the location(s) at which they are kept specified on Schedule A and shall maintain any certificate of title of any tangible Collateral in the same jurisdiction as indicated on Schedule A. Except for transactions in the ordinary course of business in accordance with past practice or for sales or dispositions on arm's length terms and for fair equivalent value, the Debtors shall not sell, offer to sell, or otherwise transfer, dispose of or encumber any tangible Collateral. Without the prior written consent of the Secured Parties, Debtors shall not sell, offer to sell, or otherwise transfer, dispose of or encumber any intangible Collateral other than pursuant to license agreements made in the ordinary course of Debtor's business and consistent with past business practice. Except for transactions in the ordinary course of business, without the prior written consent of the Secured Parties, no Collateral that is located in the United States shall be moved outside of the United States.

(g) Title. As of the date hereof, the Debtors hold good and marketable title to all the Collateral, free and clear of all liens and encumbrances except for the lien of this Security Agreement and Permitted Liens (as defined in the August 2008 Loan Agreement and the 2008 Loan Agreement.). No financing statement or other evidence of a lien or transfer covering any of the Collateral is on file in any public office in any jurisdiction other than those which reflect the security interest created by this Security Agreement or Permitted Liens. The Debtors shall defend the Collateral Agent's and Secured Parties' rights in the Collateral against any and all claims and demands.

(h) Prepayments. None of the Collateral has been prepaid by any Account Debtor for any Accounts.

(i) Collateral Schedules and Locations. Upon the request of the Collateral Agent, the Debtors shall deliver to the Collateral Agent schedules of the Collateral, including such information as the Collateral Agent may require, including without limitation names and addresses of Account Debtors, the location of mobile goods or changes in any certificates of title and descriptions of any after-acquired general

intangibles. The Debtors represent and warrant to the Collateral Agent and the Secured Parties that Schedule A is true, accurate and complete in all material respects and shall be updated by the Debtors to reflect any material changes thereto or at the request of the Collateral Agent.

(j) Application of Payments Received With Respect to Collateral. Unless an Event of Default (as defined in Section 4 below) has occurred and is continuing, any amounts received by or on behalf of any Debtor with respect to any Account pledged as Collateral hereunder may be used by such Debtor in the ordinary course of its business. Following the occurrence and during the continuance of an Event of Default, any amounts received by or on behalf of any Debtor with respect to any Account shall be applied in the following order: (i) costs and expenses of the Collateral Agent and the Secured Parties reasonably incurred in connection with collecting the Indebtedness and enforcing this Agreement and the Transaction Documents; (ii) accrued and unpaid interest due and owing on the Indebtedness as of such date; (iii) unpaid principal due and owing with respect to the Indebtedness as of such date; and (iv) any excess to the Debtors or other party or parties in accordance with applicable law or court order.

(k) Possession and Collection of Accounts. Following an Event of Default and during the continuance thereof or following acceleration of any Indebtedness, the records and documents evidencing the Accounts pledged as Collateral hereunder shall, upon the Collateral Agent's request, be delivered to the Collateral Agent or its agent and held in accordance with the terms of this Security Agreement.

(l) Maintenance and Inspection of Collateral. The Debtors shall maintain or cause to be maintained all tangible Collateral in good condition and repair except for ordinary wear and tear. The Debtors will not commit or permit damage to or destruction of the Collateral or any part of the Collateral. The Collateral Agent and its designated representatives and agents shall have the right at all reasonable times, upon reasonable advance notice, to examine, inspect, and audit the Collateral wherever located and the books, records or any property which is otherwise used in connection with the Collateral. The Debtors shall immediately notify the Collateral Agent of all material cases involving the return, rejection, repossession, loss or damage of or to any Collateral; of any request for credit or adjustment or of any other dispute arising with respect to the Collateral; and generally of all happenings and events materially adversely affecting the Collateral or the value or the amount of the Collateral.

(m) Taxes, Assessments and Liens. The Debtors will pay when due all taxes, assessments and liens upon the Collateral, its use or operation and upon the Transaction Documents. A Debtor may withhold any such payment or may elect to contest any lien if such Debtor is in good faith conducting an appropriate proceeding to contest the obligation to pay and so long as the Collateral Agent's and Secured Parties' interest in the Collateral is not jeopardized in the Collateral Agent's sole reasonable opinion. If any of the Collateral is subjected to a lien which is not discharged or bonded, or the enforcement thereof stayed (in either case without granting any security interests in any of the assets of any Debtor) within fifteen (15) days or such longer period as is provided by applicable law, but not to exceed thirty (30) days, the Debtors shall deposit with the Collateral Agent cash, a sufficient corporate surety bond or other security satisfactory to the Collateral Agent (in its discretion) in an amount adequate to provide for the discharge of the lien plus any interest, reasonable costs, attorneys' fees or other charges that could accrue as a result of foreclosure or sale of the Collateral. In any contest the Debtor or Debtors shall defend itself or themselves, the Secured Parties and the Collateral Agent and shall satisfy any final adverse judgment before enforcement against the Collateral. The Debtors shall name the Collateral Agent as an additional obligee under any surety bond furnished in such contest proceedings.

(n) Incorporation by Reference. The Debtors hereby restate and affirm all representations, warranties and agreements contained in the other Transaction Documents (as of each date and time such representations and warranties are made under each of the other Transaction Documents), the terms and conditions of which are hereby incorporated herein by reference.

(o) Compliance With Governmental Requirements. The Debtors shall comply promptly with all laws, ordinances and regulations of all governmental authorities applicable to the production, disposition, or use of the Collateral. The Debtors may contest in good faith any such law, ordinance or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as the Collateral Agent's interest in the Collateral, in the Collateral Agent's sole reasonable opinion, is not jeopardized.

(p) Insurance. The Debtors shall maintain insurance with respect to their assets and businesses that is customary for other similarly situated companies.

(q) The Debtors' Right to Possession and to Collect Accounts. Except as otherwise provided herein, until the occurrence of an Event of Default or acceleration of Indebtedness, the Debtors may have possession of the tangible personal property and beneficial use of all the Collateral and may use it in any lawful manner not inconsistent with this Security Agreement or the other Transaction Documents, provided that the Debtors' right to possession and beneficial use shall not apply to any Collateral where possession of the Collateral by the Collateral Agent is required by law to perfect the Collateral Agent's and Secured Parties' security interest in such Collateral. At any time an Event of Default exists or following acceleration of Indebtedness, the Collateral Agent may exercise its right to directly collect the Accounts and to notify Account Debtors to make payments directly to the Collateral Agent for application to the Indebtedness, and the Debtors authorize and direct the Account Debtors, if the Collateral Agent exercises such right, to make payments on the Accounts to the Collateral Agent. If the Collateral Agent at any time has possession of any Collateral, whether before or after an Event of Default, the Collateral Agent shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral if the Collateral Agent takes such action for that purpose as the Debtors shall reasonably request or as the Collateral Agent, in the Collateral Agent's sole reasonable discretion, shall deem appropriate under the circumstances, but failure to honor any request by the Debtors shall not of itself be deemed to be a failure to

exercise reasonable care. The Collateral Agent shall not be required to take any steps necessary to preserve any rights in the Collateral against prior parties, nor to protect, preserve or maintain any security interest given to secure the Collateral. The Collateral Agent shall have the right to direct who shall collect and service the Accounts in accordance with reasonable commercial practices.

(r) Transactions with Others. After the occurrence and during the continuation of any Event of Default, the Collateral Agent may (i) extend the time for payment or other performance, (ii) grant a renewal or change in terms or conditions, or (iii) compromise, compound or release any obligation with an Account Obligor as the Collateral Agent deems advisable, without obtaining the prior written consent of the Debtors, and no such act or failure to act shall affect the Collateral Agent's or Secured Parties' rights against the Debtors or the Collateral.

(s) Expenditures by the Collateral Agent. If not discharged or paid when due, and provided that such items have not been contested as permitted herein, the Collateral Agent may (but shall not be obligated to) discharge or pay any amounts required to be discharged or paid by the Debtors under this Security Agreement, including without limitation all taxes, liens, security interests, encumbrances, and other claims, at any time levied or placed on the Collateral. The Collateral Agent also may (but shall not be obligated to) pay all reasonable costs for insuring, maintaining and preserving the Collateral. All such expenditures incurred or paid by the Collateral Agent for such purposes will then bear interest at the then rate charged under the Notes from the date incurred or paid by the Collateral Agent to the date of repayment by the Debtors. All such expenses shall become a part of the Indebtedness and, at the Collateral Agent's option, will (i) be payable on demand or (ii) upon notice to Debtors be added to the balance of the Notes becoming a part of the outstanding principal amount due and payable on the maturity date of the Notes. This Security Agreement also will secure payment of these amounts. Such right under this subsection shall be in addition to all other rights and remedies to which the Collateral Agent and the Secured Parties may be entitled upon the occurrence of an Event of Default.

(t) Sale or Factoring of Accounts; Release of Accounts. Except with respect to Permitted Liens (as defined in the Loan Agreement), or as otherwise expressly permitted herein, the Debtors shall not sell or otherwise transfer or encumber any of the Accounts, or other Collateral without the Collateral Agent's written consent. It is expressly agreed that the Collateral Agent is under no obligation to grant such a consent and will do so only in its sole and absolute discretion on terms and conditions they deem acceptable in their sole and absolute discretion.

(u) In the event that in the future, any Collateral is held by subsidiaries, affiliates or joint ventures of the Debtors who are not a party to this Agreement, then the Debtors shall cause such entities to grant the Collateral Agent an exclusive first priority lien in such Accounts and Inventory, to cause such entities to enter into security agreements reasonably satisfactory to the Collateral Agent and the Secured Parties, and to take all actions necessary to perfect such security interests.

(v) Debt. The Company has no Debt other than Debt created under the Transaction Documents or as disclosed on Schedule 3(v) hereto. The Subsidiary does not have any Debt other than that disclosed on Schedule 3(v) hereto.

(w) Compliance Certificate. Upon the request of the Collateral Agent, the Company shall deliver to the Collateral Agent a certificate executed by the Chief Financial Officer of the Company stating that each of the representations made by the Debtors in this Security Agreement are true as of the date of such certificate and no default or Event of Default has occurred under this Security Agreement.

(x) Additional Guarantors. The Company shall cause each of its subsidiaries formed or acquired on or subsequent to the date hereof to deliver a guarantee to the Secured Parties substantially in the form of the Subsidiary Guaranty being delivered on the date hereof.

SECTION 4. Events of Default; Remedies.

Events of Default. Each of the following shall constitute an Event of Default under this Security Agreement:

(a) Event of Default under the 2006 Notes, 2007 Notes, January 2008 Note, May 2008 Notes or August 2008 Convertible Notes. An Event of Default shall have occurred under the 2006 Notes, 2007 Notes, January 2008 Note, May 2008 Notes, the August 2008 Convertible Notes, the 2004 Loan Agreement, the August 2008 Loan Agreement, the 2008 Loan Agreement, the Securities Purchase Agreement between the Company and the Secured Parties entered into as of June 22, 2006, or the applicable Registration Rights Agreements entered into by and among the Company and the Secured Parties relating to the 2006 Notes, the 2007 Notes and the January 2008 Note.

(b) Other Defaults. Failure of any Debtor to comply with or to perform when due or required (after the expiration of any applicable stated cure periods) any term, obligation, covenant or condition contained in this Security Agreement.

(c) False Statements. Any warranty, representation or statement made or furnished to the Collateral Agent or the Secured Parties by or on behalf of the Debtors under this Security Agreement or any certificate or schedule required thereby is false or misleading in any material respect, either now or at the time made or furnished.

(d) Defective Collateralization. This Security Agreement ceases to be in full force and effect at any time and for any reason (other than by reasons caused solely by actions of the Collateral Agent); or the security interest intended to be created by this Security Agreement is not created and perfected, or such security interest ceases to be valid and perfected at any time and for any reason.

(e) Material Adverse Change. The Secured Parties shall have determined in good faith (which determination shall be conclusive) that a material adverse change has occurred in the condition, value or operation of a material portion of the Collateral.

SECTION 5. Rights and Remedies on Default. If an Event of Default occurs and is continuing under this Security Agreement, at any time thereafter, the Collateral Agent and the Secured Parties shall have all the rights of a secured party under the New York Uniform Commercial Code. In addition and without limitation, the Collateral Agent and the Secured Parties may exercise any one or more of the following rights and remedies:

(a) Accelerate Indebtedness. The Collateral Agent may declare the entire Indebtedness immediately due and payable, without notice.

(b) Assemble Collateral. The Collateral Agent may require the Debtors to deliver to the Collateral Agent all or any portion of the Collateral and other documents relating to the Collateral. The Collateral Agent may require the Debtors to assemble the Collateral and make it available to the Collateral Agent at a place to be designated by the Collateral Agent. The Collateral Agent also shall have full power to enter upon the property of the Debtors to take possession of and remove the Collateral. If the Collateral contains other goods not covered by this Security Agreement at the time of repossession, the Debtors agree that the Collateral Agent may take such other goods, provided that the Collateral Agent makes reasonable efforts to return them to the Debtors after repossession.

(c) Sell the Collateral. The Collateral Agent shall have full power to sell, lease, transfer, or otherwise deal with the Collateral or proceeds thereof in its own name or that of the Debtors. The Collateral Agent may sell the Collateral at public auction or private sale. Unless the Collateral threatens to decline speedily in value or is of a type customarily sold on a recognized market, the Collateral Agent will give the Debtors reasonable notice of the time after which any private sale or any other intended disposition of the Collateral is to be made. The requirements of reasonable notice shall be met if such notice is given at least ten (10) days before the time of the sale or disposition. All expenses relating to the disposition of the Collateral, including without limitation the expenses of retaking, holding, insuring, preparing for sale and selling the Collateral, shall become a part of the Indebtedness secured by this Security Agreement and shall be payable on demand, with interest at the lower of twenty percent (20%) per annum or the highest rate permitted by law from date of expenditure until repaid.

(d) Foreclosure. Maintain a judicial suit for foreclosure and sale of the Collateral.

(e) Appoint Receiver. To the extent permitted by applicable law, the Collateral Agent shall have the following rights and remedies regarding the appointment of a receiver: (i) the Collateral Agent may have a receiver appointed as a matter of right, (ii) the receiver may be an employee of the Collateral Agent and may serve without bond, and (iii) all fees of the receiver and the receiver's attorney shall become part of the Indebtedness secured by this Security Agreement and shall be payable on demand, with interest at the lower of twenty percent (20%) per annum or the highest rate permitted by law from date of expenditure until repaid.

(f) Transfer Title. Effect transfer of title upon sale of all or part of the Collateral. For this purpose, the Debtors irrevocably appoint the Collateral Agent, acting singly, as its attorneys-in-fact to execute endorsements, assignments and instruments in the name of the Debtors as shall be necessary or reasonable. With respect to any such transfer of trademarks, the applicable Debtor hereby transfers all goodwill associated therewith.

(g) Collect Revenues, Apply Accounts. The Collateral Agent, either itself or through a receiver, may collect the payments, rents, income, and revenues from the Collateral. The Collateral Agent may at any time in its discretion transfer any Collateral into its own names or that of its nominees and receive the payments, rents, income, and revenues therefrom and hold the same as security for the Indebtedness or apply it to payment of the Indebtedness in such order of preference as the Collateral Agent may determine. The Collateral Agent may demand, collect, receipt for, settle, compromise, adjust, sue for, foreclose, or realize on the Collateral as the Collateral Agent may determine, whether or not the Indebtedness is then due. For these purposes, the Collateral Agent may, on behalf of and in the name of the Debtors, open and dispose of mail addressed to any Debtor; change any address to which mail and payments are to be sent; and endorse notes, checks, drafts, money orders, documents of title, instruments and items pertaining to payment, shipment or storage of any Collateral. To facilitate collection, the Collateral Agent may, notify Account Debtors and obligors on any Collateral to make payments directly to the Collateral Agent.

(h) Obtain Deficiency. If the Collateral Agent chooses to sell any or all of the Collateral and/or pursue any other remedy available hereunder, under any other agreement, at law or in equity, the Collateral Agent may obtain a judgment against the Debtors for any deficiency remaining on the Indebtedness due to the Secured Parties after application of all amounts received from the exercise of the rights provided in this Security Agreement. The Debtors shall be liable for a deficiency even if the transaction described in this Subsection is a sale of accounts or chattel paper.

(i) Application of Proceeds. The proceeds of any foreclosure or realization upon the Collateral shall be applied:

(i) First, to the costs and expenses of collection;

(ii) Second, to overdue interest;

(iii) Third, to the outstanding principal amount of the Indebtedness; and

(iv) Fourth, any excess to the Debtors or other party or parties in accordance with applicable law or court order.

(j) Other Rights and Remedies. The Collateral Agent and the Secured Parties shall have all the rights and remedies of a secured creditor under the provisions of the New York Uniform Commercial Code, as may be amended from time to time. In addition, the Collateral Agent and the Secured Parties shall have and may exercise any or all rights and remedies they may have available at law, in equity, or otherwise.

SECTION 6. Cumulative Remedies. All of the Collateral Agent's and the Secured Parties' rights and remedies, whether evidenced by this Security Agreement, or the other Transaction Documents or by any other writing, shall be cumulative and may be exercised singularly or concurrently. Election by the Collateral Agent or the Secured Parties to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of a Debtor under this Security Agreement, after such Debtor's failure to perform, shall not affect the Collateral Agent's and Secured Parties' right to declare a default and to exercise their remedies.

SECTION 7. Pledged Securities.

(a) So long as no Event of Default shall have occurred and be continuing:

(i) The Debtors shall be entitled to exercise any and all voting and other consensual rights pertaining to the Pledged Securities or any part thereof for any purpose not inconsistent with the terms of this Security Agreement or the Transaction Documents; provided, however, that the Debtors shall not exercise or refrain from exercising any such right if such action would have a material adverse effect on the value of the Pledged Securities or any part thereof; and provided further that the Debtors shall give the Collateral Agent at least five days' prior written notice of the manner in which it intends to exercise, or the reasons for refraining from exercising, any such right.

(ii) The Debtors shall be entitled to receive and retain any and all dividends and interest paid in respect of the Pledged Securities; provided, however, that any and all

(A) (I) dividends and other distributions paid or payable in cash in respect of any Pledged Securities in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid-in-surplus, (II) cash paid, payable or otherwise distributed in respect of principal of, or in redemption of, or in exchange for, any Pledged Securities or (III), cash dividends resulting from transactions outside the ordinary course of business, shall be used to prepay first the August 2008 Convertible Notes, May 2008 Notes, the January 2008 Note, the 2007 Notes and the 2006 Notes on a *pari passu* basis (on a *pro rata* basis based on the Principal Amount (as defined in the May 2008 Notes, January 2008 Note, 2006 Notes, and 2007 Notes, as applicable) outstanding on each such Note), or

(B) dividends and interest paid or payable other than in cash in respect of, and instruments and other property received, receivable or otherwise distributed in respect of, or in exchange for, any Pledged Securities shall be, and shall be forthwith delivered to the Collateral Agent to hold as, Collateral and shall, if received by the Debtors, be received in trust for the benefit of the Secured Parties, be segregated from the other property or funds of the Debtors and be forthwith delivered to the Collateral Agent as Collateral in the same form as so received (with any necessary endorsement).

The Debtors, promptly upon the request of the Collateral Agent, shall execute such documents and do such acts as may be necessary or desirable in the reasonable judgment of the Collateral Agent to give effect to this Section 7(a)(ii).

(iii) The Debtors shall deliver to the Collateral Agent any distribution consisting of Subsidiary Securities or Further Securities immediately upon receipt, together with executed stock powers and corporate resolutions authorizing the transfer of title of such shares after an Event of Default pursuant to the terms of this Security Agreement.

(iv) The Collateral Agent shall execute and deliver (or cause to be executed and delivered) to the Debtors all such proxies and other instruments as Debtors may reasonably request for the purpose of enabling the Debtors to exercise the voting and other rights that it is entitled to exercise pursuant to clause (i) above and to receive the dividends or interest payments that it is authorized to receive and retain pursuant to clause (ii) above.

(b) Upon the occurrence and during the continuance of an Event of Default:

(i) All rights of Debtors (x) to exercise or refrain from exercising the voting and other consensual rights that it would otherwise be entitled to exercise pursuant to Section 7(a)(i) shall, upon notice to Debtors by the Secured Parties, cease and (y) to receive the dividends and interest payments that it would otherwise be authorized to receive and retain pursuant to Section 7(a)(ii) shall automatically cease, and all such rights shall thereupon become vested in the Collateral Agent, which shall thereupon have the sole right to exercise or refrain from exercising such voting and other consensual rights and to receive and hold as Pledged Securities such dividends, interest payments and other distributions. For the avoidance of doubt, the Collateral Agent is hereby granted an irrevocable proxy coupled with an interest to exercise all voting power with respect to the Subsidiary Securities and/or the Further Securities, effective upon the occurrence of an Event of Default.

(ii) All dividends, interest payments and other distributions that are received by the Debtors contrary to the provisions of clause (i) of this Section 7(b) shall be received in trust for the benefit of the Secured Parties, shall be segregated from other funds of Debtors and shall be forthwith paid over to the Collateral Agent as Collateral in the same form as so received (with any necessary endorsement).

SECTION 8. The Collateral Agent's Duties**.**

(a) Other than as specified in this Security Agreement and any amendment hereto, the Collateral Agent shall not be required to take or refrain from taking any actions, to exercise or refrain from exercising any rights, or to make or refrain from making any requests unless it shall first receive proper instructions from Secured Parties holding at least 75% of the outstanding principal amount of the Obligations (or their respective successors or assigns).

(b) The Collateral Agent shall hold all Collateral received by it, and shall make disposition thereof, only in accordance with this Security Agreement or any amendment thereto. Except for the safe custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, the Collateral Agent shall have no duty as to any Collateral, as to ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Pledged Securities, whether or not the Collateral Agent or any of the Secured Parties has or is deemed to have knowledge of such matters, or as to the taking of any necessary steps to preserve rights against any parties or any other rights pertaining to any Collateral.

(c) The Collateral Agent shall not be under any duty or obligation to inspect, review or examine any document, instrument, certificate, agreement or other papers to determine that they are enforceable or that they are other than what they purport to be on their face. The Collateral Agent shall hold any Collateral delivered to the Collateral Agent as the agent of the and for the benefit of each Secured Party, without preference as to any Secured Party.

(d) The duties and obligations of the Collateral Agent shall be determined solely by the express provisions of this Security Agreement or any amendment hereto or any instructions permitted hereby. The Collateral Agent shall have no obligation with respect to any other matters covered in any other document other than as expressly provided herein, or any amendment hereto. The Collateral Agent shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Security Agreement or as set forth in a written amendment to this Security Agreement executed by the parties hereto or their successors or assigns. No representations, warranties, covenants or obligations of the Collateral Agent or any Secured Party shall be implied with respect to this Agreement or the Collateral Agent's services hereunder. Without limiting the generality of the foregoing, the Collateral Agent:

(i) shall use the same degree of care and skill as a reasonably prudent person would use in similar circumstances (without limiting the generality of the foregoing, the Collateral Agent shall be deemed to have exercised reasonable care in the custody and preservation of any Collateral in its possession if such Collateral is accorded treatment substantially equal to that which the Collateral Agent accords its own property of like tenor);

(ii) shall not be obligated to take any legal action hereunder that might in its reasonable judgment involve any expense or liability unless it has been furnished with reasonable indemnity from the Secured Parties;

(iii) may rely on and shall be protected in acting in good faith upon any certificate, instrument, opinion, notice, letter, telegram or other document, or any security, delivered to it and in good faith believed by it to be genuine and to have been signed by the proper party or parties;

(iv) may rely on and shall be protected in acting in good faith upon the written instructions of Secured Parties holding at least 75% of the outstanding principal amount of the Obligations;

(v) may consult its own independent counsel satisfactory to it and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered, or omitted by it hereunder in good faith and in furtherance of its duties hereunder, in accordance with the opinion of such counsel;

(vi) may execute any of the powers hereunder or perform any duties hereunder either directly or through agents or attorneys; and

(vii) will be regarded as making no representation and having no responsibilities (except as expressly set forth herein) as to the validity, sufficiency, value, genuineness, ownership or transferability of any portion of the Collateral, and will not be required to and will not make any representations as to the validity, value or genuineness of any portion of the Collateral.

(e) Neither the Collateral Agent nor any of its partners, agents or employees, shall be liable for any error in judgment, for any mistake of fact or for any action taken or omitted to be taken by it or them hereunder or in connection herewith in good faith and believed by it or them to be within the purview of this Security Agreement, except for its or their own gross negligence, lack of good faith or willful misconduct. In no event shall the Collateral Agent or its partners, officers, agents and employees be held liable for any special, indirect or consequential damages resulting from any action taken or omitted to be taken by it or them hereunder in connection herewith even if advised of the possibility of such damages.

(f) Whenever, in the administration of this Security Agreement, the Collateral Agent reasonably shall deem it necessary that a matter be proved or established prior to taking, suffering or omitting any action under this Security Agreement, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of the Secured Parties, and such certificate shall be full warranty to the Collateral Agent for any action taken, suffered or omitted under the provisions of this Agreement, upon the faith thereof.

SECTION 9. Miscellaneous Provisions.

(a) Entire Agreement; Amendments. This Security Agreement, together with the other Transaction Documents, constitute the entire understanding and agreement of the parties as to the matters set forth in this Security Agreement. No alteration of or amendment to this Security Agreement shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

(b) CHOICE OF LAW AND VENUE; MUTUAL JURY TRIAL WAIVER. THE VALIDITY OF THIS SECURITY AGREEMENT, ITS CONSTRUCTION, INTERPRETATION, AND ENFORCEMENT, AND THE RIGHTS OF THE PARTIES HERETO SHALL BE DETERMINED UNDER, GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK. THE PARTIES MUTUALLY IRREVOCABLY AND UNCONDITIONALLY AGREE (I) THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS AGREEMENT SHALL BE TRIED AND LITIGATED ONLY IN THE STATE AND FEDERAL COURTS LOCATED IN THE STATE OF NEW YORK, NEW YORK COUNTY AND THAT THE PARTIES SHALL BE SUBJECT TO THE JURISDICTION OF SUCH COURTS, AND (II) THAT SERVICE OF PROCESS BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, SHALL CONSTITUTE PERSONAL SERVICE. EACH DEBTOR, THE COLLATERAL AGENT AND THE SECURED PARTIES WAIVES, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION 9(b). EACH DEBTOR, THE COLLATERAL AGENT AND THE SECURED PARTIES HEREBY WAIVES THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS SECURITY AGREEMENT OR ANY OF THE ACTIONS CONTEMPLATED HEREIN, INCLUDING WITHOUT LIMITATION CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS. THE DEBTORS, THE COLLATERAL AGENT AND THE SECURED PARTIES EACH REPRESENTS THAT EACH HAS REVIEWED THIS WAIVER AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, A COPY OF THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

(c) Attorneys' Fees; Expenses. The Debtors agree to pay, jointly and severally upon demand, all of the Collateral Agent's and Secured Parties' costs and expenses, including without limitation reasonable attorneys' fees and legal expenses, incurred in connection with the enforcement of this Security Agreement. The Collateral Agent or any Secured Party may pay someone else to help enforce this Security Agreement, and the Debtors shall pay the costs and expenses of such enforcement. Costs and expenses include without limitation the Collateral Agent's and Secured Parties' reasonable attorneys' fees and legal expenses whether or not there is a lawsuit, reasonable attorneys' fees and legal expenses for bankruptcy proceedings (and including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. The Debtors also shall pay all court costs and such additional fees as may be directed by the court.

(d) Caption Headings. Caption headings in this Security Agreement are for convenience purposes only and are not to be used to interpret or define the provisions of this Security Agreement.

(e) Notices. All notices required to be given under this Security Agreement shall be given in writing and shall be effective when actually delivered or two (2) days after being deposited in the United States mail, first class, postage prepaid, addressed to the party to whom the notice is to be given or, if via facsimile or electronic transmission, when sent via facsimile or electronic transmission to the party to whom

the notice is to be given and confirmation of such transmission has been received, at the address and/or facsimile or email address number shown below:

If to Elliott or the Collateral Agent:

Manchester Securities Corporation
712 Fifth Avenue, 36th Floor
New York, New York 10019
Telephone: (212) 974-6000
Facsimile: (212) 974-2092
Email: dMiller@elliottmgmt.com
Attention: Dave Miller

With a copy to:

Kleinberg, Kaplan, Wolff & Cohen, P.C.
551 Fifth Avenue, 18th Floor
New York, New York 10176
Telephone: (212) 986-6000
Facsimile: (212) 986-8866
Email: LHui@kkwc.com
Attention: Lawrence D. Hui, Esq.

If to Alexander:

Alexander Finance, LP
1560 Sherman Avenue
Evanston, Illinois
Telephone: (847) 733-0232
Facsimile: (847) 733-0339
Email: BWhitmore@gbros.com
Attention: Bradford T. Whitmore

With a copy to:

Reed Smith LLP
10 S. Wacker Drive
Chicago, Illinois 60606-7507
Telephone: (312) 207-3879
Facsimile: (312) 207-6400
Email: EArkebauer@ReedSmith.com
Attention: Evelyn C. Arkebauer, Esq.

If to the Company or a Subsidiary:

ISCO International, Inc.
1001 Cambridge Drive
Elk Grove Village, Illinois 60007
Telephone: (847) 391-9400
Facsimile: (847) 391-5015
Email: gary.berger@iscointl.com
Attention: Gary Berger

With a copy to:

McGuireWoods LLP
Suite 4100
77 Wacker Drive
Chicago, IL 60601-1818
Telephone: (312) 321-7652
Facsimile: (312) 698-4585

Email: sglickson@mcguirewoods.com
Attention: Scott Glickson, Esq.

Any party may change its address for notices under this Security Agreement by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, the Debtors agree to keep the Collateral Agent informed at all times of the Debtors' current addresses.

(f) Severability. The parties acknowledge and agree that the Collateral Agent and the Secured Parties are not agents or partners of each other, that all representations, warranties, covenants and agreements of the Collateral Agent and the Secured Parties hereunder are several and not joint, that the Collateral Agent and the Secured Parties shall not have any responsibility or liability for the representations, warranties, agreements, acts or omissions of the other and that any rights granted to the Collateral Agent and the Secured Parties hereunder shall be enforceable by each of the Collateral Agent and the Secured Parties hereunder. If a court of competent jurisdiction finds any provision of this Security Agreement to be invalid or unenforceable as to any person or circumstance, such finding shall not render that provision invalid or unenforceable as to any other persons or circumstances. If feasible, any such offending provision shall be deemed to be modified to be within the limits of enforceability or validity; however, if the offending provision cannot be so modified, it shall be stricken, and all other provisions of this Security Agreement in all other respects shall remain valid and enforceable and such offending provision shall not be affected in any other jurisdiction.

(g) Successor Interests. Subject to the limitations set forth above on transfer of the Collateral, this Security Agreement shall be binding upon and inure to the benefit of the parties, their successors and assigns to the extent permitted by Section 5.6 of the 2008 Loan Agreement. The Debtors shall not, however, have the right to assign this Security Agreement without the prior written consent of the Secured Parties which may be withheld for any reason in the Secured Parties' sole discretion.

(h) Waiver. The Collateral Agent and the Secured Parties shall not be deemed to have waived any rights under this Security Agreement unless such waiver is given in writing and signed by the Collateral Agent and the Secured Parties. No delay or omission on the part of the Collateral Agent or Secured Parties in exercising any right shall operate as a waiver of such right or any other right. A waiver by the Collateral Agent or Secured Parties of a provision of this Security Agreement shall not prejudice or constitute a waiver of the Collateral Agent's or the Secured Parties' right otherwise to demand strict compliance with that provision or any other provision of this Security Agreement. No prior waiver by the Collateral Agent or Secured Parties, nor any course of dealing between the Secured Parties and the Debtors, shall constitute a waiver of any of the Collateral Agent's or the Secured Parties' rights or of any of the Debtors' obligations as to any future transactions. Whenever the consent of the Collateral Agent and/or the Secured Parties is required under this Security Agreement, the granting of such consent in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of the Collateral Agent and/or the Secured Parties.

(i) Indemnity. The Debtors agree, jointly and severally, to indemnify, pay and hold the Collateral Agent, each Secured Party and the officers, partners, directors, employees, agents and affiliates thereof (collectively, the "**indemnitees**") harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements of any kind or nature whatsoever (including, without limitation, the reasonable fees and disbursements of counsel) that may be imposed on, incurred by, or asserted against any indemnitee, in any manner relating to or arising out of this Security Agreement and any action undertaken or contemplated hereby. This indemnification shall survive the satisfaction and payment of the Indebtedness and termination of this Security Agreement.

(j) Subsidiary Liability. Notwithstanding anything in this Security Agreement to the contrary, the Subsidiary's obligations hereunder shall not exceed the maximum amount that would not be subject to avoidance under fraudulent conveyance, fraudulent transfer, and other similar laws.

(k) No Subrogation. Notwithstanding any payment made by any Debtor hereunder or any set-off or application of funds of any Debtor by the Secured Parties, no Debtor shall be entitled to be subrogated to any of the rights of the Secured Parties against a Debtor or any collateral security or guarantee or right of offset held by the Secured Parties for the payment of the Indebtedness, nor shall any Debtor seek or be entitled to seek any contribution or reimbursement from another Debtor in respect of payments made by such Debtor hereunder, until all amounts owing to the Secured Parties by the Debtors under any Transaction Documents are paid in full. If any amount shall be paid to any Debtor on account of such subrogation rights at any time when any such amounts shall not have been paid in full, such amount shall be held by such Debtor in trust for the Secured Parties, segregated from other funds of such Debtor, and shall, forthwith upon receipt by such Debtor, be turned over to the Secured Parties in the exact form received by such Debtor (duly indorsed by such Debtor to Secured Parties, if required), to be applied against the Indebtedness of the Debtors under the Transaction Documents, whether matured or unmatured, in such order as the Secured Parties may determine.

(l) The actions of the holders of 75% of the outstanding principal amount of the Obligations shall be deemed the actions of Secured Parties for purposes of giving any notice or enforcing any rights or remedies.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered by their respective officers thereunto duly authorized, as of the date first above written.

ISCO INTERNATIONAL, INC.

By: /s/ Gary Berger
Name: Gary Berger
Title: Chief Financial Officer

CLARITY COMMUNICATION SYSTEMS INC.

By: /s/ Gary Berger
Name: Gary Berger
Title: Chief Financial Officer

MANCHESTER SECURITIES CORPORATION

By: /s/ Elliot Greenberg
Name: Elliot Greenberg
Title: Vice President

ALEXANDER FINANCE, L.P.

By: /s/ Bradford Whitmore
Name: Bradford Whitmore
Title: President Bun Partners, Inc.
Its: General Partner

COLLATERAL AGENT:

MANCHESTER SECURITIES CORPORATION

By: /s/ Elliot Greenberg
Name: Elliot Greenberg
Title: Vice President

EXHIBIT 10.5

AMENDED AND RESTATED

GUARANTY

OF

CLARITY COMMUNICATION SYSTEMS INC.

ISCO INTERNATIONAL, INC., a corporation organized and existing under the lawsof Delaware ("ISCO") and the corporate parent of **CLARITY COMMUNICATION SYSTEMS INC.**, a corporation organized and existing under the laws of the State of Illinois ("Guarantor"), has issued to **MANCHESTER SECURITIES CORPORATION**, a corporation organized under the laws of the State of New York ("Manchester"), and **ALEXANDER FINANCE LP**, an Illinois limited partnership ("Alexander", and together with Manchester, "Payees"): (i) 5% Senior Secured Convertible Notes in the aggregate amount of $5,000,000 issued on June 22, 2006 (the "June 2006 Notes") pursuant to the Securities Purchase Agreement, dated as of the date thereof, by and among ISCO and the Payees (the "2006 Securities Purchase Agreement"), (ii) 7% Senior Secured Convertible Notes due August 1, 2009, issued on June 26, 2007 in the aggregate principal amount of up to $10,200,000 (the "2007 Notes"), (iii) with respect to Alexander only, a 7% Senior Secured Convertible Note due August 1, 2009, issued on January 3, 2008 in the aggregate principal amount of up to $1,500,000 (the "January 2008 Note"), (iv) 9½% Secured Grid Notes due August 1, 2010, issued on May 29, 2008 in the aggregate principal amount of up to $2,500,000 (the "May 2008 Notes") pursuant to the 2008 Loan Agreement, dated May 29, 2008, by and among ISCO and the Payees (the "2008 Loan Agreement"), and in the case of (ii) and (iii) above pursuant to the Third Amended and Restated Loan Agreement dated November 10, 2004, as amended (the "2004 Loan Agreement") and (v) 9 ½% Secured Convertible Notes due August 1, 2010, issued on the date hereof, in the aggregate principal amount of up to $3,000,000 (the "August 2008 Convertible Notes") pursuant to the August 2008 Loan Agreement dated as of the date hereof by and among ISCO and the Payees (the "August 2008 Loan Agreement"). The June 2006 Notes together with the 2007 Notes, the January 2008 Note, the May 2008 and the August 2008 Convertible Notes shall collectively be referred to herein as, the "Notes".

Section 1. Guaranty.

(a) In consideration of Payees purchasing the Notes and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Guarantor hereby absolutely, irrevocably and unconditionally guarantees to Payees the full payment and performance when due of any and all obligations and undertakings of ISCO under the Notes, the Loan Agreement, and the Seventh Amended and Restated Security Agreement (the "Security Agreement") entered into pursuant to the 2004 Loan Agreement, the 2006 Securities Purchase Agreement, the 2008 Loan Agreement and the August 2008 Loan Agreement (such obligations and undertakings shall hereinafter be referred to as the "Obligations"), together with all reasonable attorneys' fees, disbursements and all other costs and expenses of collections reasonably incurred by Payees in enforcing any of such Obligations and/or this Guaranty.

(b) Notwithstanding the provisions of Section 1(a), Guarantor's obligations hereunder shall not exceed the maximum amount that would not be subject to avoidance under fraudulent conveyance, fraudulent transfer, and other similar laws.

Section 2. Certain Guarantor Waivers.

(a) Waivers of Notice, Etc. Guarantor waives notice of acceptance of this Guaranty and notice of the creation or performance of any of the Obligations, and waives presentment, demand of payment, protest or notice of protest, notice of dishonor or nonperformance of any of the Obligations, suit or taking other action or non-action by Payees, ISCO or any other guarantor against, and any other notice to, any party liable thereon (including, without limitation, Guarantor). Guarantor also hereby waives any notice of default by ISCO and any other notice to which Guarantor might otherwise be entitled, the right to interpose any counterclaim or consolidate any other action with an action on this Guaranty, and the benefit of any statute of limitations affecting its liabilities hereunder or the enforcement hereof. No act or omission of any kind in connection with any of the foregoing shall in any way impair or otherwise affect the legality, validity, binding effect or enforceability of any term or provision of this Guaranty or any of the obligations of Guarantor hereunder.

(b) Guaranty Not Affected. Guarantor hereby covenants, agrees and consents that Payees may, at any time and from time to time (whether or not after revocation or termination of this Guaranty), without incurring responsibility to Guarantor, and without impairing or releasing any of the obligations of Guarantor hereunder and, upon or without any terms or conditions, and in whole or in part: (i) agree with ISCO to change the manner, place or terms of performance, including (without limitation) any change or extend the time of performance of, renew or alter, any of the Obligations, any security therefor, or any other liability incurred directly or indirectly in respect thereof, or to make any other change in the Obligations, and the guaranty herein made shall apply to the Obligations as so changed, extended, renewed or altered; (ii) take additional security, for or sell, exchange, release, surrender, substitute, realize upon or otherwise deal with in any manner and in any order any property by whomsoever at any time pledged or mortgaged to secure, or howsoever securing, any of the Obligations or any other liabilities (including any of those hereunder) incurred directly or indirectly in respect thereof or hereof, and/or any offset thereagainst; (iii)

exercise or refrain from exercising any rights against ISCO or others (including, without limitation, Guarantor) or otherwise act or refrain from acting; (iv) settle or compromise any Obligation, any security therefor, or any liability (including any of those hereunder) incurred directly or indirectly in respect thereof or hereof, and/or subordinate the performance of all or any part thereof to the performance of any of the Obligations (whether due or not) to creditors of ISCO other than Payees and Guarantor; (v) apply any sums by whomsoever paid or howsoever realized to any Obligation regardless of what Obligations remain unperformed; (vi) cancel, compromise, modify, or waive the provisions of any document relating to any of the Obligations; (vii) release any other guarantor or surety of the Obligations; and (viii) grant ISCO any indulgence as Payees may, in their sole discretion, determine.

(c) Failure to Perfect Lien, Etc. No failure by Payees to file, record or otherwise perfect any lien or security interest, nor any improper filing or recording, nor any failure by Payees to insure or protect any security nor any other dealing (or failure to deal) with any security by Payees with respect to any of the Obligations, shall impair or release any of the obligations of Guarantor hereunder. No invalidity, irregularity or unenforceability of all or any part of the Obligations or of any security therefor shall affect, impair or be a defense to this Guaranty, and this Guaranty is a primary obligation of Guarantor.

(d) Waiver of Subrogation. No payment by Guarantor except the indefeasible performance in full of the Obligations shall entitle Guarantor to be subrogated to any of the rights of Payees. Guarantor shall have no right of reimbursement or indemnity whatsoever and no right of recourse to or with respect to any assets or property of ISCO or to any security for the Obligations, unless and until all of the Obligations have been indefeasibly performed in full, other than as such reimbursement or indemnity rights are waived in the next paragraph below.

(e) Payment Guaranty; Waiver of Defenses, Counterclaims, Etc. Guarantor hereby agrees that this Guaranty constitutes guaranty of payment, performance and compliance (and not a guaranty of collection only), and waives any right to require that any resort be had by Payees to ISCO or any other guarantor or to any security pledged with respect to the performance of any of the Obligations. Further, this guaranty of payment is absolute and unconditional, and shall remain valid, binding and fully enforceable irrespective of any circumstance of any nature that might otherwise constitute a defense, offset, claim, abatement or counterclaim that Guarantor or ISCO may assert against Payees with respect to any of the Obligations or otherwise, including, but not limited to, failure of consideration, fraudulent inducement, breach of warranty, payment, statute of frauds, statute of limitations, accord and satisfaction, and usury, and irrespective of the validity, legality, binding effect or enforceability of the terms of any agreement or instrument relating to any of the Obligations. Guarantor hereby absolutely, unconditionally and irrevocably waives any and all rights to assert any such defenses, offsets, claims, abatements and counterclaims. In the event Payees are not permitted or otherwise unable (because of the pendency of any bankruptcy, insolvency, receivership or other similar proceeding) to accelerate the Obligations but would otherwise be permitted to do so at such time pursuant to the Loan Agreement, Payees may demand performance in full under this Guaranty as if all of the Obligations had been duly accelerated, and Guarantor will not raise, and hereby expressly waives, any claim or defense with respect to such acceleration.

Section 3. Remedies. In the case of any proceedings to collect any obligations of Guarantor, Guarantor shall pay all costs and expenses of every kind for collection and enforcement of this Guaranty, including attorneys' fees and disbursements. Upon the occurrence and during the continuance of any failure of any of the Obligations to be performed when due, Payees may elect to nonjudicially or judicially foreclose against any real or personal property security it holds for the Obligations, or accept an assignment of any such security in lieu of foreclosure or compromise or adjust any part of the Obligations, or make any other accommodation with ISCO or any other guarantor, pledgor or surety, or exercise any other remedy against ISCO or any other guarantor, pledgor or surety, or any security, in accordance with and subject to the provisions of the documents creating such security interests. No such action by Payees will release, limit or otherwise affect the obligations of Guarantor to Payees, even if the effect of that action is to deprive Guarantor of the right to collect any reimbursement from ISCO or any other person for any sums paid to Payees.

Section 4. Reinstatement, Indemnification, Etc. If claim is ever made upon Payees for repayment, return, restoration or other recovery of any amount or amounts received by Payees in payment or on account of any of the Obligations, and Payees repay all or part of such amount: (a) because such payment or application of proceeds is or may be avoided, invalidated, declared fraudulent, set aside or determined to be void or voidable as a preferential transfer, fraudulent conveyance, impermissible set off or a diversion of trust funds; or (b) for any other reason, including (without limitation) by reason of (i) any judgment, decree or order of any court or administrative body having jurisdiction over Payees or any of their property, or (ii) any settlement or compromise of any such claim effected by Payees with any such claimant (including ISCO); then, and in such event, Guarantor agrees that any such judgment, decree, order, settlement or compromise shall be binding upon Guarantor, notwithstanding any revocation hereof or the cancellation of any Notes or other instrument or document evidencing any of the Obligations and the obligations of Guarantor hereunder shall continue to apply, or shall automatically (and without further action) be reinstated if not then in effect, as case may be, and Guarantor shall be and remain liable to Payees hereunder for the amount so repaid or recovered to the same extent as if such amount had never originally been received by Payees. Guarantor hereby indemnifies Payees, and agrees to reimburse and hold Payees harmless on demand, from and against all actions, claims, losses, judgments, damages, amounts paid in settlement and expenses (including reasonable attorneys' fees and court costs) brought against or incurred by Payees and arising out of, relating to or in connection with any of the Obligations.

Section 5. Waiver of Rights, Etc. No delay on the part of Payees in exercising any of their options, powers or rights, or partial or single exercise thereof, shall constitute a waiver thereof. No waiver of any of their rights hereunder, and no modification or amendment of

this Guaranty, shall be deemed to be made by Payees unless the same shall be in writing, duly signed by an officer of each Payee on behalf of such Payee, and each such waiver, if any, shall apply only with respect to the specific instance involved, and shall in no way impair the rights of Payees or the obligations of Guarantor to Payees in any other respect at any other time.

Section 6. **Enforcement, Etc**. Payees, in their sole discretion, may proceed to exercise or enforce any right, power, privilege, remedy or interest that Payees may have under this Guaranty, the Obligations or any applicable law: at law, in equity, in rem or in any other forum available under applicable law; without notice except as otherwise expressly required by law provided herein; without pursuing, exhausting or otherwise exercising or enforcing any other right, power, privilege, remedy or interest that Payees may have against or in respect of Guarantor, the Obligations, ISCO, any other guarantor, surety, pledgor, collateral or any other person or thing; and without regard to any act or omission of Payees or any other person. Each Payee may enforce this Guaranty individually as to its portion of the Obligations.

Section 7. **Reliance**. Guarantor expressly acknowledges that Guarantor has not received or relied upon any oral or written agreements, understandings, representations or warranties from Payees or any other party with respect to this Guaranty (or any of Guarantor's obligations hereunder), and that this Guaranty contains the entire understanding of the parties with respect to the subject matter hereof and supersedes and replaces any and all prior oral or written agreements and understandings with respect thereto.

Section 8. **Representations, Warranties and Agreements of Guarantor**. Guarantor hereby makes the following representations and warranties to Payees as of the date hereof:

(a) Organization and Qualification. Guarantor is a corporation, duly incorporated, validly existing and in good standing under the laws of the State of Illinois, with the requisite corporate power and authority to own and use its properties and assets and to carry on its business as currently conducted. Guarantor has no subsidiaries. Guarantor is duly qualified to do business and is in good standing as a foreign corporation in each jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, except where the failure to be so qualified or in good standing, as the case may be, could not, individually or in the aggregate, (x) adversely affect the legality, validity or enforceability of any of this Guaranty in any material respect, (y) have a material adverse effect on the results of operations, assets, prospects, or financial condition of Guarantor or (z) adversely impair in any material respect Guarantor's ability to perform fully on a timely basis its obligations under this Guaranty (a "**Material Adverse Effect**").

(b) Authorization; Enforcement. Guarantor has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by this Guaranty, and otherwise to carry out its obligations hereunder. The execution and delivery of this Guaranty by Guarantor and the consummation by it of the transactions contemplated hereby have been duly authorized by all requisite corporate action on the part of the Guarantor. This Guaranty has been duly executed and delivered by Guarantor and constitutes the valid and binding obligation of Guarantor enforceable against Guarantor in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, liquidation or similar laws relating to, or affecting generally the enforcement of, creditors' rights and remedies or by other equitable principles of general application.

(c) No Conflicts. The execution, delivery and performance of this Guaranty by Guarantor and the consummation by Guarantor of the transactions contemplated thereby do not and will not (i) conflict with or violate any provision of its Articles of Incorporation or By-laws or (ii) conflict with, constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture or instrument to which Guarantor is a party, or (iii) result in a violation of any law, rule, regulation, order, judgment, injunction, decree or other restriction of any court or governmental authority to which Guarantor is subject (including Federal and state securities laws and regulations), or by which any material property or asset of Guarantor is bound or affected, except in the case of each of clauses (ii) and (iii), such conflicts, defaults, terminations, amendments, accelerations, cancellations and violations as could not, individually or in the aggregate, have or result in a Material Adverse Effect. The business of Guarantor is not being conducted in violation of any law, ordinance or regulation of any governmental authority, except for violations which, individually or in the aggregate, do not have a Material Adverse Effect.

(d) Consents and Approvals. Guarantor is not required to obtain any consent, waiver, authorization or order of, or make any filing or registration with, any court or other federal, state, local or other govern-mental authority or other person in connection with the execution, delivery and performance by Guarantor of this Guaranty.

Section 9. **Successors and Assigns**. This Guaranty is binding upon Guarantor and its successors or assigns, and shall inure to the benefit of Payees and their respective successors and assigns.

Section 10. **Modification, Etc**. This Guaranty cannot be terminated or changed orally and no provision hereof may be modified or waived except in writing by the holders of 75% of the outstanding principal amount of the Notes.

Section 11. **Section and Other Headings**. The Sections and other headings contained in this Guaranty are for reference purposes only and shall not affect the meaning or interpretation of this Guaranty.

Section 12. **Governing Law**. THIS GUARANTY AND THE RIGHTS OF PAYEES AND THE OBLIGATIONS OF GUARANTOR HEREUNDER SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAW OR CHOICE 0F LAW.

Section 13. **Severability**. In the event that any term or provision of this Guaranty shall be finally determined to be superseded, invalid, illegal or otherwise unenforceable pursuant to applicable law by a governmental authority having jurisdiction and venue, that determination shall not impair or otherwise affect the validity, legality or enforceability (a) by or before that authority of the remaining terms and provisions of this Guaranty, which shall be enforced as if the unenforceable term or provision were deleted, or (b) by or before any other authority of any of the terms and provisions of the Guaranty.

Section 14. **Consent to Jurisdiction**. Guarantor hereby irrevocably submits to the exclusive jurisdiction and venue of any New York state and federal court located in New York County, New York, over any action or proceeding arising out of any dispute between Guarantor and Payees, and Guarantor further irrevocably consents to the service of any process in any such action or proceeding by the mailing of a copy of such process to Guarantor at the address set forth below.

Section 15. **Waiver of Jury Trial, Inconvenient Forum.** GUARANTOR AND, BY ACCEPTING THIS GUARANTY, PAYEES, HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT EACH MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS GUARANTY, OR THE TRANSACTIONS CONTEMPLATED HEREBY, AND ANY RIGHT TO OBJECT TO INCONVENIENT FORUM OR IMPROPER VENUE IN NEW YORK COUNTY, NEW YORK. GUARANTOR HEREBY CERTIFIES THAT NO REPRESENTATIVE OR AGENT OF PAYEES NOR PAYEES' COUNSEL HAS

REPRESENTED, EXPRESSLY OR OTHERWISE, THAT PAYEES WOULD NOT, IN THE EVENT OF SUCH LITIGATION, SEEK TO ENFORCE THIS WAIVER OF RIGHT TO JURY TRIAL. GUARANTOR ALSO ACKNOWLEDGES THAT PAYEES HAVE BEEN INDUCED TO ACCEPT THIS GUARANTY BY, AMONG OTHER THINGS, THE FOREGOING WAIVER OF TRIAL BY JURY.

Dated the 18th day of August, 2008

CLARITY COMMUNICATION SYSTEMS INC.

By: /s/ Gary Berger

Address:

1001 Cambridge Drive

Elk Grove Village, IL 60007

EXHIBIT 99.1

ISCO INTERNATIONAL REPORTS FINANCIAL RESULTS FOR THE SECOND QUARTER 2008 AND UPCOMING INVESTOR CALL

Elk Grove Village, IL (August 18, 2008) – **ISCO International, Inc.** (AMEX: ISO), a supplier of RF management and interference-control solutions for the wireless telecommunications industry along with integrated software solutions for public safety and enterprise customers, today reported financial results for the second quarter 2008. The Company also provided information regarding an upcoming investor call.

Second Quarter Results

ISCO reported consolidated net revenues of $2.5 million for the quarter-ended June 30, 2008, versus $3.4 million during the comparable period of 2007. All 2008 figures include the addition of Clarity Communication Systems Inc., which was acquired by ISCO on January 3, 2008. Gross margins were $1.2 million compared to $1.7 million for the same period in 2007. The decline in gross margins is the result of lower hardware shipments partially offset by the inclusion of software results. Gross margin rates declined to 47% of revenue in the current period from 50% for the same period in 2007. This reduction in gross margin rates was the result of new software contracts where costs were incurred in advance of revenues earned thereby lowering the gross margin rate. Hardware gross margin rates were slightly higher than in the prior year.

The consolidated net loss was $2.3 million for the quarter-ended June 30, 2008, versus $0.8 million during the same period of 2007. The increase in net loss was due to the combination of the two companies' cost structures, partially offset by lower spending in the hardware segment of the business. The second quarter net loss of $2.3 million was lower than the net loss reported for the quarter ended March 31, 2008, which was $2.8 million resulting from organizational changes and other cost reduction initiatives partially offset by an increase in external sales channel expenses. Consolidated net loss for the year to date period ended June 30, 2008 totaled $5.1 million, which is $1.9 million or 59% higher than the same period in 2007. Net loss from the hardware segment was $2.8 million, which was $.4 million lower than in the prior year. The net loss from the software segment totaled $ 2.3 million on $.7 million in total revenue.

Total charges related to stock compensation expense, interest, depreciation and amortization increased by $0.1 million in the second quarter of 2008 from the first quarter of 2008. Please see the note and table regarding non-GAAP financial information attached.

"While we are early in the process, we are initiating the many changes needed to get the company on the right track over the long term," said Gordon Reichard, Jr. CEO of ISCO. "We have cut operating expenses and have realized almost $600,000 of savings in Q2 over Q1 while at the same time refocusing activities and resources on sales and marketing. So far this year, we have already started to see our hardware gross margins improve due to the increased focus on our differentiated AIM products. As we introduce more products and begin to refine our product packaging, positioning and channel strategy, we're looking for this trend to continue."

"The basic foundation of our strategy remains focused on transitioning our behavior to a sales and market driven organization. As we continue implementation of our plans, our prospects for long term success increase but it will take time. ISCO shareholders should continue to expect to see a very different company quarter over quarter."

Investor call

An investor call will be held on Tuesday, August 19th, at 4:00 pm eastern. To participate in the call domestically, dial 1-888-241-0558. International callers should dial 1-647-427-3417. The conference name is "ISCO." The call will be replayed for 30 days at 1-800-695-3685 (or 1-402-220-1757 for international callers) with a pass code of 56568605.

Following the presentation, a short question and answer session will be held. Participants are asked to dial in 10 minutes prior to the beginning of the call. The call will be webcast live and then archived for 30 days. ISCO will provide a link to the call on its web site (www.iscointl.com) for both the live and archived versions. A copy of the webcast link is below.

Webcast link: http://www.b2i.us/external.asp?b=826&id=46238&from=du&L=e

Use of Non-GAAP Financial Information

To supplement our financial results presented in accordance with GAAP, we use the following non-GAAP financial measure: Operating results before non cash items. Excluded from this amount are charges for patent amortization, depreciation and other amortization, stock based compensation, and accrued interest expense. We present this non-GAAP financial measure as a supplement in reporting our financial results to provide investors with an additional tool to evaluate our operating results. This non-GAAP financial measure should not be considered in isolation or as a substitute for comparable GAAP measures, and should be read only in conjunction with our consolidated financial statements prepared in accordance with GAAP.

Our management uses the above non-GAAP financial measure internally to understand, manage and evaluate our business, particularly on a cash flow basis. Our management believes this measure is useful for the Company and investors to review, as applicable, both GAAP information, which includes employee stock-based compensation expense for example, and the non-GAAP measure which excludes this item, in order to assess the performance of our core continuing businesses and for planning and forecasting in future periods. This non-GAAP measure is intended to provide investors with an understanding of our operational results and trends that more readily enables them to analyze our base financial and operating performance and facilitate period-to-period comparisons and analysis of operation trends. Our management believes this non-GAAP financial measure is useful to investors in allowing for greater transparency with respect to supplemental information used by management in its financial and operational decision-making.

Non-GAAP Measurement Table:

	Unaudited 3 months ended June 30, 2008	Unaudited 3 months ended June 30, 2007
($millions)		
Net loss per GAAP	($2.3)	($0.8)
Stock Compensation Expense	$0.2	$0.3
Depreciation and Amortization	$0.2	$0.0
Accrued Interest	$0.3	$0.3
Operating results before non cash items	($1.6)	($0.2)

Safe Harbor Statement

Because the Company wants to provide investors with meaningful and useful information, this news release contains, and incorporates by reference, certain "forward-looking statements" that reflect the Company's current expectations regarding the future results of operations, performance and achievements, as defined in the Private Securities Litigation Reform Act of 1995, of the Company. The Company has tried, wherever possible, to identify these forward-looking statements by using words such as "anticipates," "believes," "estimates," ‘‘looks,’’ "expects," "plans," "intends" and similar expressions. These statements reflect the Company's current beliefs and are based on information currently available to it. Accordingly, these statements are subject to certain risks, uncertainties and contingencies, which could cause the Company's actual results, performance or achievements to differ materially from those expressed in, or implied by, such statements. These factors include, among others, the following: market acceptance of the Company’s technology; the spending patterns of wireless network operators in connection with the build out of 2.5G and 3G wireless systems; the Company's immediate need and ability to obtain additional financing; the Company’s need and ability to refinance its existing debt; the Company's history of net losses and the lack of assurance that the Company's earnings will be sufficient to cover fixed charges in the future; uncertainty about the Company’s ability to compete effectively against better capitalized competitors and to withstand downturns in its business or the economy generally; continued downward pressure on the prices charged for the Company’s products due to the competition of rival manufacturers of front-end systems for the wireless telecommunications market; the timing and receipt of customer orders; the Company's ability to attract and retain key personnel; the Company’s ability to protect its intellectual property; the risks of foreign operations and the risks of legal proceedings. A more complete description of these risks, uncertainties and assumptions is included in the Company's filings with the Securities and Exchange Commission, including those described under the heading "Risk Factors" in the Company's Annual Report on Form 10-K filed by the Company with the Securities and Exchange Commission. You should not place undue reliance on any forward-looking statements. The Company undertakes no obligation to release publicly the results of any revisions to any such forward-looking statements that may be made to reflect events or circumstances after the date of this press release or to reflect the occurrence of unanticipated events.

(Table Follows)

	Three Months Ending	
	June 30, 2008	June 30, 2007
	UNAUDITED	
	(millions of dollars and shares; except per share data)	
Net sales	$2.5	$3.4
Cost and expenses:		
Cost of sales	1.3	1.7
Research and development	1.3	0.7
Selling and marketing	0.7	0.7
General and administrative	1.2	0.9
Total costs and expenses	4.5	4.0
Operating loss	$(2.0)	$(0.6)
Other income (expense):		
Interest income	0.0	0.0
Interest expense	(0.3)	(0.2)
Total other income (expense)	(0.3)	(0.2)
Net loss	$(2.3)	$(0.8)
Basic and diluted loss per common share	$(0.01)	$0.00
Weighted average number of common shares outstanding	222.1	191.2

	Six Months Ending	
	June 30, 2008	June 30, 2007
	UNAUDITED	
	(millions of dollars and shares; except per share data)	
Net sales	$5.2	$4.4
Cost and expenses:		
Cost of sales	2.8	2.4
Research and development	2.9	1.3
Selling and marketing	1.6	1.3
General and administrative	2.4	2.1
Total costs and expenses	9.7	7.1
Operating loss	$(4.5)	$(2.7)
Other income (expense):		
Interest income	0.0	0.0
Interest expense	(0.5)	(0.5)
Total other income (expense)	$(0.6)	$(0.5)
Net loss	$(5.1)	$(3.2)
Basic and diluted loss per common share	$(0.02)	$(0.02)
Weighted average number of common shares outstanding	222.6	191.0

Selected Balance Sheet Information:

	(unaudited)	
	June 30, 2008	December 31, 2007
	(millions of dollars and shares; except per share data)	
Cash and equivalents	$0.3	$1.8
Working capital excl. Debt	$2.8	$5.5
Total assets	$28.2	$22.7
Debt, short term and long term, including related accrued interest	$19.2	$15.9

Stockholder’s equity	$6.5	$4.6

Web site: http://www.iscointl.com