

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): November 11, 2003

FARO TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Florida	0-23081	59-3157093
----- (State or other jurisdiction of incorporation)	----- (Commission File Number)	----- (IRS Employer Identification No.)

125 Technology Park, Lake Mary, Florida 32746

(Address of principal executive offices including zip code)

(407) 333-9911

(Registrant's telephone number)

ITEM 5. OTHER EVENTS.

On November 11, 2003, FARO Technologies, Inc. (the "Company") agreed to sell 1,158,000 shares of the Company's common stock (the "Company Shares") and two of the Company's founders (the "Selling Shareholders") agreed to sell 772,000 shares of the Company's common stock (the "Selling Shareholder Shares" and together with the Company Shares, the "Shares") to certain institutional investors (collectively, the "Investors") at a price of \$21.50 per share in a private placement for an aggregate purchase price of \$41,495,000 (collectively, the "Transaction").

In connection with the Transaction, the Company and the Selling Shareholders entered into a Securities Purchase Agreement, dated as of November 11, 2003 (a copy of which is filed as an exhibit to this report), with the Investors, who are named on the signature pages thereto, pursuant to which the Company and the Selling Shareholders issued and sold the Shares to the Investors. The Company also entered into a Registration Rights Agreement, dated as of November 11, 2003 (a copy of which is filed as an exhibit to this report), with the Investors, pursuant to which the Company agreed to file with the Securities and Exchange Commission a registration statement covering the resale of the Shares by the Investors. The Shares have not been registered under the Securities Act of 1933, as amended, and may not be sold in the United States absent registration or an applicable exemption from registration requirements. Any offering of the Shares under the resale registration statements will be made only by means of a prospectus.

On September 17, 2003, the Company also entered into a loan agreement with SunTrust Bank for a line of credit of \$5 million. As of the date of this report, the Company had not drawn on this line of credit.

Forward Looking Statements

This report contains forward-looking statements (within the meaning of the Private Securities Litigation Reform Act of 1995) that are subject to risks and uncertainties, such as statements about our plans, objectives, projections, expectations, assumptions, strategies, or future events. Statements that are not historical facts or that describe the Company's plans, objectives, projections, expectations, assumptions, strategies, or goals are forward-looking statements. In addition, words such as "may," "believes," "anticipates," "expects," "intends," "plans," "seeks," "estimates," "will," "should," "could," and similar expressions or discussions of our strategy or other intentions identify forward-looking statements. Other written or oral statements, which constitute forward-looking statements, also may be made by the Company from time to time. Forward-looking statements are not guarantees of

future performance and are subject to various known and unknown risks, uncertainties, and other factors that may cause actual results, performances, or achievements to differ materially from future results, performances, or achievements expressed or implied by such forward-looking statements. Consequently, undue reliance should not be placed on these forward-looking statements.

Factors that could cause actual results to differ materially from what is expressed or forecasted in forward-looking statements include, among others, the following:

- * our inability to further penetrate our customer base;
- * development by others of new or improved products, processes or technologies that make our products obsolete or less competitive;
- * our inability to maintain our technological advantage by developing new products and enhancing our existing products;
- * the cyclical nature of the industries of our customers and the financial condition of our customers;
- * the inability to protect our patents and other proprietary rights in the United States and foreign countries and the assertion of infringement claims against us;
- * fluctuations in our annual and quarterly operating results as a result of a number of factors;
- * the inability of our products to displace traditional measurement devices and attain broad market acceptance;
- * the impact of competitive products and pricing in the CAM2 market and the broad market for measurement and inspection devices;
- * risks associated with expanding international operations, such as fluctuations in currency exchange rates, difficulties in staffing and managing foreign operations, political and economic instability, and the burdens of complying with a wide variety of foreign laws and labor practices;
- * the loss of Simon Raab or Greg Fraser or other key personnel;
- * our inability to identify, consummate, or achieve expected benefits from acquisitions;
- * the failure to effectively manage our growth;
- * the loss of a key supplier and the inability to find a sufficient alternative supplier in a reasonable period or on commercially reasonable terms; and
- * the failure to consummate the private placement of our common stock.

Forward-looking statements in this report represent the Company's judgment as of the date of this report. The Company undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

(c) Exhibits.

- 4.1 Registration Rights Agreement, dated November 11, 2003, by and among FARO Technologies, Inc. and the investors named on the signature pages thereto.
- 10.1 Securities Purchase Agreement, dated November 11, 2003, by and among the Company, Xenon Research, Inc., a Florida corporation, and Gregory A. Fraser, and the investors named on the signature pages thereto
- 10.2 Loan Agreement, dated as of September 17, 2003, by and between FARO Technologies, Inc. and SunTrust Bank.

SIGNATURES

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

FARO TECHNOLOGIES, INC.

Date: November 13, 2003

By: /s/ Gregory A. Fraser

Name: Gregory A. Fraser
Title: Executive Vice President,
Secretary, and Treasurer

FARO TECHNOLOGIES, INC.

EXHIBIT INDEX

Exhibit Number -----	Description -----
4.1	Registration Rights Agreement, dated November 11, 2003, by and among FARO Technologies, Inc. and the investors named on the signature pages thereto.
10.1	Securities Purchase Agreement, dated November 11, 2003, by and among the Company, Xenon Research, Inc., a Florida corporation, and Gregory A. Fraser, and the investors named on the signature pages thereto
10.2	Loan Agreement, dated as of September 17, 2003, by and between FARO Technologies, Inc. and SunTrust Bank.

This REGISTRATION RIGHTS AGREEMENT, dated as of November 11, 2003 (this "Agreement"), is made by and among FARO Technologies, Inc., a Florida corporation (the "Company"), with headquarters located at 125 Technology Park, Lake Mary, Florida 32746, and the investors named on the signature pages hereto (each of whom is hereinafter referred to as an "Initial Investor" and all of whom collectively are hereinafter referred to as the "Initial Investors").

RECITALS:

A. In connection with the Securities Purchase Agreement, dated November 11, 2003, by and among the Initial Investors, the Selling Shareholders (as defined therein) and the Company (the "Purchase Agreement"), the Company and the Selling Shareholders have agreed, upon the terms and subject to the conditions of the Purchase Agreement, to sell to the Initial Investors 1,930,000 shares of the Company's common stock, par value \$.001 per share (the "Common Shares").

B. To induce the Initial Investors to execute and deliver the Purchase Agreement, the Company has agreed to provide certain registration rights under the Securities Act of 1933, as amended (the "Securities Act"), and applicable state securities laws with respect to the Securities.

AGREEMENT:

In consideration of the premises and the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Initial Investors hereby agree as follows:

ARTICLE I
DEFINITIONS

Capitalized terms used and not otherwise defined herein have the respective meanings given them in the Purchase Agreement. In addition, as used in this Agreement, the following terms have the following meanings:

1.1. "Investors" means the Initial Investors and any of their permitted transferees or assignees who receive or acquire Registrable Securities (as herein defined) and agree to become bound by the provisions of this Agreement in accordance with Article IX hereof; provided that no such person is registered as a broker or dealer under Section 15(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or a member of the National Association of Securities Dealers, Inc.

1.2. The terms "register," "registered," and "registration" refer to a registration effected by preparing and filing a Registration Statement or Registration Statements in compliance with the Securities Act and, in particular, pursuant to Rule 415 under the Securities Act and the declaration or ordering of effectiveness of such Registration Statement by the United States Securities and Exchange Commission (the "SEC").

1.3. "Registrable Securities" means the Common Shares sold pursuant to the Purchase Agreement, any shares of capital stock issued or issuable from time to time (with any adjustments) in exchange for or otherwise with respect to the Common Shares; provided that Common

Shares will cease to be Registrable Securities at such time as they have been sold under a Registration Statement or pursuant to Rule 144 under the Securities Act or otherwise or at such time as they are eligible to be sold pursuant to Rule 144(k).

1.4. "Registration Period" means the period between the date of this Agreement and the earliest of (i) the second anniversary of the date of this Agreement or (ii) the date on which all of the Registrable Securities have been sold by the Investors under a Registration Statement or pursuant to Rule 144, or otherwise.

1.5. "Registration Statement" means a Registration Statement of the Company filed with the SEC under the Securities Act.

1.6. "Rule 415" means Rule 415 under the Securities Act, or any successor rule providing for offering securities on a continuous basis, and applicable rules and regulations thereunder.

ARTICLE II
REGISTRATION

2.1. Mandatory Registration. The Company will use its reasonable best efforts to prepare and file with the SEC within 10 calendar days after the Closing Date of the purchase of the Common Shares under the Purchase Agreement a Registration Statement on Form S-3 registering all of the Registrable Securities for resale in accordance with the intended methods of resale or distribution described by the Investors in accordance with Section 4.1. If Form S-3 is not available at that time, then the Company will use its reasonable best efforts to file within such 15-day period a Registration Statement on such form as is then available to effect a registration of the Registrable Securities.

2.2. Effectiveness of the Registration Statement. The Company will use its reasonable best efforts to cause the Registration Statement contemplated by the previous Section to be declared effective by the SEC as soon

as practicable after filing, and in any event no later than the 90th calendar day after the Closing Date (the "Required Effective Date"). So long as the Company filed the Registration Statement within 10 calendar days after the Closing Date, however, if the Registration Statement receives any SEC review, then the Required Effective Date will be the 120th calendar day after the Closing Date. The Company's reasonable best efforts will include, but are not to be limited to, promptly responding to all comments received from the staff of the SEC. If the Company receives notification from the SEC that the Registration Statement will receive no action or review from the SEC, then the Company will request that the Registration Statement become effective within five business days after such SEC notification.

2.3. Payments by the Company. If (i) a Registration Statement covering all the Registrable Securities required to be covered thereby and required to be filed by the Company pursuant to this Agreement is not declared effective by the SEC on or before the 30th day after the Required Effective Date (an "Effectiveness Failure") or (ii) at any time after such Registration Statement has been declared effective by the SEC, sales thereunder during the Registration Period cannot be made for any reason, other than during an Allowable Grace Period, as defined in Section 3.5, (a "Maintenance Failure"), then, as partial relief for the damages to an Investor by reason of any such delay in its ability to sell the Registrable Securities, the Company will pay to each Investor on the fifth Business Day following the last day of each 30-day period after an Effectiveness Failure (or 30-business day period after a Maintenance Failure), until such event is cured, an amount, in cash, equal to the product of (a) the Purchase Price paid for that number of Registrable Securities included in such Registration Statement as of the end of each applicable 30-day or 30-business day period multiplied by (b) 0.01, (but in no event shall payments made pursuant to this Section 2.3 exceed, in the aggregate, 12% of the Purchase Price paid for the Registrable

Securities for the entire Registration Period). The payments described in this paragraph will be prorated on a daily basis during the 30-day or 30-business day period, as applicable, as to which payment is due hereunder. Notwithstanding the foregoing, the Company's obligation to make any payments to an Investor pursuant to this paragraph shall be tolled until two business days after the Company's receipt of information (together with reasonable supporting documentation) with respect to the number of Registrable Securities held by such Investor at the end of the applicable 30-day or 30-business day period following an Effectiveness Failure or Maintenance Failure, as the case may be. If the Company fails to make any payments pursuant to this Section 2.3 in a timely manner, such payments shall bear interest at the rate of 1.0% per month, or such lower maximum amount as is permitted by law (prorated for partial months) until paid in full.

2.4. Eligibility to use Form S-3. The Company represents and warrants that it currently meets, and will use its reasonable best efforts to continue to meet, the "registrant eligibility" requirements for a secondary offering and the requirements to register the resale of the Registrable Securities, as set forth in the general instructions to Form S-3 to enable the registration of the Registrable Securities.

ARTICLE III
ADDITIONAL OBLIGATIONS OF THE COMPANY

3.1. Continued Effectiveness of Registration Statement.

Subject to the limitations set forth in Section 3.5, the Company will use its reasonable best efforts to keep the Registration Statement covering the Registrable Securities effective under Rule 415 at all times during the Registration Period.

3.2. Accuracy of Registration Statement. Assuming the

accuracy of information furnished by or on behalf of the Investors, any Registration Statement (including any amendments or supplements thereto and prospectuses contained therein) filed by the Company covering Registrable Securities will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein, or necessary to make the statements therein, in the light of the circumstances in which they were made, not misleading. The Company will promptly prepare and file with the SEC such amendments (including post-effective amendments) and supplements to the Registration Statement and the prospectus used in connection with the Registration Statement as may be necessary to permit sales pursuant to the Registration Statement at all times during the Registration Period (but subject to Section 3.5) and, during such period, will comply with the provisions of the Securities Act with respect to the disposition of all Registrable Securities of the Company covered by the Registration Statement until the termination of the Registration Period.

3.3. Furnishing Documentation. The Company will furnish to

each Investor whose Registrable Securities are included in a Registration Statement, and Investors' Counsel (as herein defined), if any, (a) promptly after each document is filed with the SEC, one copy of any Registration Statement filed pursuant to this Agreement and any amendments thereto, each preliminary prospectus (if any) and final prospectus and each amendment or supplement thereto; and (b) a number of copies of a prospectus, including a preliminary prospectus (if any), and all amendments and supplements thereto, and such other document as the Investor may reasonably request to facilitate the disposition of the Registrable Securities owned by the Investor. The Company will notify by facsimile each Investor whose Registrable Securities are included in any Registration Statement of the filing and the effectiveness of the Registration Statement and any post-effective amendment on the date of filing of the Registration Statement, effectiveness of the Registration Statement, or any post-effective amendment, as applicable.

3.4. Additional Obligations. The Company will use its reasonable best efforts to (a) register and qualify the Registrable Securities covered by a Registration Statement under such other securities or blue sky laws of such U.S. jurisdictions as each Investor who holds Registrable Securities being offered reasonably requests, (b) prepare and file in those jurisdictions any amendments (including post-effective amendments) and supplements to such registrations and qualifications as may be necessary to maintain their effectiveness during the Registration Period, (c) take any other actions necessary to maintain such registrations and qualifications in effect at all times during the Registration Period, and (d) take any other actions reasonably necessary or advisable to qualify the Registrable Securities for sale in such jurisdictions. Notwithstanding the foregoing, the Company is not required, in connection with such obligations, to (i) qualify to do business in any jurisdiction where it would not otherwise be required to qualify but for this Section 3.4, (ii) subject itself to general taxation in any such jurisdiction, (iii) file a general consent to service of process in any such jurisdiction, (iv) provide any undertakings that cause material expense or burden to the Company, or (v) make any change in its charter or bylaws, which in each case the Company determines to be contrary to the best interests of the Company and its shareholders.

3.5. Suspension of Resale Rights.

(a) The Company will notify by facsimile each Investor who holds Registrable Securities being sold pursuant to a Registration Statement of the happening of any event of which the Company has knowledge as a result of which the prospectus included in the Registration Statement as then in effect includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (each an "Event"). The Company will promptly make such notification after the Company becomes aware of the event (but in no event will the Company, without the prior consent of such Investor, disclose to any Investor any of the facts or circumstances regarding the event), will promptly prepare a supplement or amendment to the Registration Statement to correct such untrue statement or omission, and will deliver a number of copies of such supplement or amendment to each Investor as such Investor may reasonably request. Each Investor will hold in confidence and will not make any disclosure of any Event and any related information disclosed by the Company unless (i) the release of such information is ordered pursuant to a subpoena or other order from a court or government body of competent jurisdiction, (ii) the information has been made generally available to the public other than by disclosure in violation of this or any other agreement (to the knowledge of the relevant Investor), (iii) the information was developed independently by an Investor without breach of this Agreement, (iv) the information was known to the Investor before receipt of such information from the Company, or (v) the information was disclosed to the Investor by a third party not under an obligation of confidentiality. An Investor may make disclosure of an Event or any related information disclosed by the Company, however, to any attorney, adviser, or other third party retained by it that needs to know the information, as determined in good faith by the Investor ("Investor Representative"), if the Investor advises the Investor Representative of the confidentiality provisions of this Section 3.5(a), but the Investor will be liable for any act or omission of any of its Investor Representatives relative to such information as if the act or omission was that of the Investor. Unless legally prohibited from so doing, each Investor will, upon learning that disclosure of such confidential information is sought in or by a court or governmental body of competent jurisdiction or through other means, give prompt notice to the Company and allow the Company, at the Company's expense, to undertake appropriate action to prevent disclosure of, or to obtain a protective order for, such confidential information.

(b) Notwithstanding the obligations under Section 3.5(a) or any provision of this Agreement, if (i) in the good faith judgment of the Company, following consultation with legal counsel, it would be detrimental to the Company and its shareholders for resales of Registrable Securities to be made pursuant to the Registration Statement due to the existence of a material development or potential material development involving the Company that the Company would be obligated to disclose in the Registration Statement, which disclosure would be premature or otherwise inadvisable at such time or would have a Material Adverse Effect upon the Company and its shareholders, or (ii) in the good faith judgment of the Company, it would adversely affect or require premature disclosure of the filing of a Company-initiated registration of any class of its equity securities, then the Company will have the right to suspend the use of the Registration Statement for a period (the "Allowable Grace Period") of not more than 30 calendar days, provided, however, that the Company may so defer or suspend the use of the Registration Statement no more than 60 calendar days in a calendar year, and provided, further, that, after deferring or suspending the use of the Registration Statement, the Company may not again defer or suspend the use of the Registration Statement until a period of 30 calendar days has elapsed after resumption of the use of the Registration Statement.

(c) Subject to the Company's rights under this Section 3.5, the Company will use its best efforts to prevent the issuance of any stop order or other suspension of effectiveness of a Registration Statement and, if such an order is issued, will use its best efforts to obtain the withdrawal of such order at the earliest possible time and the Company will promptly notify each Investor that holds Registrable Securities being sold of the issuance of such order and the resolution thereof.

(d) Notwithstanding anything to the contrary contained herein or in the Purchase Agreement, if the use of the Registration Statement is suspended by the Company, then the Company will promptly give notice of the suspension to all Investors whose securities are covered by the Registration Statement (but in no event will the Company disclose to any Investor, without such Investor's consent, any of the facts or circumstances regarding the suspension) and will promptly notify each such Investor as soon as possible that the use of the Registration Statement may be resumed.

3.6. Review by the Investors. The Company will permit the Investors to review the Registration Statement and all amendments and supplements thereto (as well as all requests for acceleration or effectiveness thereof) a reasonable period of time before their filing with the SEC, and will not file any document in a form to which such Investor reasonably objects, unless otherwise required by law in the opinion of the Company's counsel; provided that the time periods set forth in Section 2.2 and 2.3 shall be tolled to the extent that such Investor does not deliver its final comments relating to such Registration Statement and all amendments and supplements thereto (as well as all requests for acceleration or effectiveness thereof) to the Company within three business days after receipt of such Registration Statement and all amendments and supplements thereto (as well as all requests for acceleration or effectiveness thereof). The sections of any such Registration Statement including information with respect to the Investors, the Investors' beneficial ownership of securities of the Company, and the Investors' intended method of disposition of Registrable Securities must conform to the information provided to the Company by each of the Investors, so long as they comply with all applicable laws in the Company's reasonable opinion.

3.7. Due Diligence; Confidentiality.

(a) The Company will make available, upon reasonable advance notice during normal business hours, for inspection by any Investor who holds at least 20% of the

Common Shares initially purchased by that Investor and whose Registrable Securities are being sold pursuant to a Registration Statement and any attorney, accountant or other agent retained by any such Investor (collectively, the "Inspectors"), all pertinent financial and other records, pertinent corporate documents and properties of the Company (collectively, the "Records") as reasonably necessary to enable each Inspector to exercise any due diligence responsibility in connection with or related to the contemplated offering. The Company will cause its officers, directors, and employees to supply all information that any Inspector may reasonably request for purposes of performing such due diligence.

(b) Each Inspector will hold in confidence, use only in connection with the contemplated offering, and not make any disclosure (except to an Investor) of all Records and other information that the Company determines in good faith to be confidential, and of which determination the Inspectors are so notified, unless (i) the disclosure of such Records is necessary to avoid or correct a misstatement or omission in any Registration Statement, (ii) the release of such Records is ordered pursuant to a subpoena or other order from a court or government body of competent jurisdiction, (iii) the information in such Records has been made generally available to the public other than by disclosure in violation of this or any other agreement (to the knowledge of the relevant Inspector), (iv) the Records or other information was developed independently by an Inspector without breach of this Agreement, (v) the information was known to the Inspector before receipt of such information from the Company, or (vi) the information was disclosed to the Inspector by a third party not under an obligation of confidentiality. The Company is not required to disclose any confidential information in the Records to any Inspector unless and until such Inspector has entered into a confidentiality agreement (in form and substance reasonably satisfactory to the Company) with the Company with respect thereto, substantially to the effect of this Section 3.7. An Inspector may make disclosure of such Records and other information to an Investor Representative, if the Inspector advises the Investor Representative of the confidentiality provisions of this Section 3.7(b), but the Inspector will be liable for any act or omission of any of its Investor Representatives relative to such information as if the act or omission was that of the Inspector. Unless legally prohibited from so doing, each Inspector will, upon learning that disclosure of Records containing confidential information is sought in or by a court or governmental body of competent jurisdiction or through other means, give prompt notice to the Company and allow the Company, at the Company's expense, to undertake appropriate action to prevent disclosure of, or to obtain a protective order for, the Records deemed confidential. Nothing herein will be deemed to limit the Investor's ability to sell Registrable Securities in a manner that is otherwise consistent with applicable laws and regulations.

(c) The Company will hold in confidence, and will not make any disclosure of, information concerning an Investor provided to the Company under this Agreement unless (i) disclosure of such information is necessary to comply with federal or state securities laws, or any exchange listing or similar rules and regulations, (ii) the disclosure of such information is necessary to avoid or correct a misstatement or omission in any Registration Statement, (iii) the release of such information is ordered pursuant to a subpoena or other order from a court or governmental body of competent jurisdiction, (iv) such information has been made generally available to the public other than by disclosure in violation of this Agreement or any other agreement, (v) the information was disclosed to the Company by a third party not under an obligation of confidentiality, or (vi) such Investor consents to the form and content of any such disclosure. The Company may make disclosure of such information to any attorney, adviser, or other third party retained by it, that needs to know the information, as determined in good faith by the Company ("Company Representative"), if the Company advises the Company Representative of the confidentiality provisions of this Section 3.7(c), but the Company will be liable for any act

or omission of any Company Representatives relative to such information as if the act or omission was that of the Company. If the Company learns that disclosure of such information concerning an Investor is sought in or by a court or governmental body of competent jurisdiction or through other means, the Company will (unless legally prohibited from so doing) give prompt notice to such Investor prior to making such disclosure and allow such Investor, at its expense, to undertake appropriate action to prevent disclosure of, or to obtain a protective order for, such information.

3.8. Listing. During the Registration Period, the Company shall use its reasonable best efforts to (i) cause all the Registrable Securities covered by each Registration Statement to be listed on each national securities exchange on which securities of the same class or series issued by the Company are then listed, if any, if the listing of such Registrable Securities is then permitted under the rules of such exchange, or (ii) to the extent the securities of the same class or series are not then listed on a national securities exchange, secure the designation and quotation of all of the Registrable Securities covered by each Registration Statement on the Nasdaq National Market ("Nasdaq").

3.9. Share Certificates. The Company will cooperate with the Investors who hold Registrable Securities being sold to facilitate the timely preparation and delivery of certificates (not bearing any restrictive legends) representing Registrable Securities to be offered pursuant to a Registration Statement and will enable such certificates to be in such denominations or amounts as the case may be, and registered in such names as the Investors may reasonably request, all in accordance with Article VI of the Purchase Agreement.

3.10. Plan of Distribution. If reasonably requested by Investors holding at least 20% of the Registrable Securities registered pursuant to the Registration Statement under Section 2.1, the Company will, as soon as practicable (i) incorporate in a prospectus supplement or post-effective amendment such information as such Investor 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, and (ii) 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.

3.11. Securities Laws Compliance. During the Registration Period, the Company will comply with all applicable laws related to any Registration Statement relating to the sale of Registrable Securities and with all applicable rules and regulations of governmental authorities in connection therewith (including, without limitation, the Securities Act, the Exchange Act, and the rules and regulations promulgated by the SEC).

3.12. Further Assurances. The Company will take all other reasonable actions as any Investor may reasonably request to expedite and facilitate disposition by such Investor of the Registrable Securities pursuant to the Registration Statement.

ARTICLE IV OBLIGATIONS OF THE INVESTORS

4.1. Investor Information. As a condition to the obligations of the Company to complete any registration pursuant to this Agreement with respect to the Registrable Securities of each Investor, such Investor will furnish to the Company such information regarding itself, the Registrable Securities held by it, and the intended methods of disposition of the Registrable Securities held by it as is reasonably required by the Company to effect the registration of the Registrable Securities. At least five

business days before the first anticipated filing date of a Registration Statement for any registration under this Agreement, the Company will notify each Investor of the information the Company requires from that Investor whether or not such Investor has elected to have any of its Registrable Securities included in the Registration Statement. If, within two business days before the anticipated filing date, the Company has not received the requested information from an Investor, then the Company may file the Registration Statement without including Registrable Securities of that Investor.

4.2. Further Assurances. Each Investor will cooperate with the Company, as reasonably requested by the Company, in connection with the preparation and filing of any Registration Statement hereunder, unless such Investor has notified the Company in writing of such Investor's irrevocable election to exclude all of such Investor's Registrable Securities from such Registration Statement.

4.3. Suspension of Sales. Upon receipt of any notice from the Company under Section 3.5, each Investor will immediately discontinue disposition of Registrable Securities pursuant to the Registration Statement covering such Registrable Securities until (i) it receives copies of a supplemented or amended prospectus contemplated by Section 3.5(a) or (ii) the Company advises the Investor that a suspension of sales under Section 3.5(b) has terminated. If so directed by the Company, each Investor will deliver to the Company (at the expense of the Company) or destroy (and deliver to the Company a certificate of destruction) all copies in the Investor's possession (other than a limited number of file copies) of the prospectus covering such Registrable Securities that is current at the time of receipt of such notice.

ARTICLE V EXPENSES OF REGISTRATION

The Company will bear (i) all reasonable expenses (other than underwriting discounts and commissions, legal fees of counsel to the Investors (other than as provided herein), and transfer taxes, if any) incurred in connection with registrations, filings or qualifications pursuant to Articles II and III of this Agreement, including, without limitation, all registration, listing and qualifications fees, printers and accounting fees, (ii) the fees and disbursements of legal counsel for the Company, and (iii) up to \$5,000, in the aggregate, for the legal fees of counsel actually incurred by the Investors (based on reasonable supporting documentation) resulting from the review contemplated by Section 3.6 hereof, which shall be apportioned among such Investors pro rata based on their relative percentage ownership of the Registrable Securities.

ARTICLE VI INDEMNIFICATION

In the event that any Registrable Securities are included in a Registration Statement under this Agreement:

6.1. Indemnification of the Investors. To the extent permitted by law, the Company will indemnify and hold harmless each Investor, any directors or officers of such Investor, and any person who controls such Investor within the meaning of the Securities Act or the Exchange Act (each, an "Indemnified Person") against any losses, claims, damages, expenses, or liabilities (joint or several) (collectively, and together with actions, proceedings, or inquiries by any regulatory or self-regulatory organization, whether commenced or threatened in respect thereof, "Claims") to which any of them become subject under the Securities Act, the Exchange Act, or otherwise, insofar as such Claims arise out of or are based upon any of the following statements, omissions, or violations in a Registration Statement

filed pursuant to this Agreement, any post-effective amendment thereof or any prospectus included therein: (a) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any post-effective amendment thereof or any final prospectus (as amended or supplemented, if the Company files any amendment or supplement thereto with the SEC) included therein or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading or (b) any violation or alleged violation by the Company of the Securities Act, the Exchange Act or any other law related to the Registration Statement, including without limitation any state securities law or any rule or regulation thereunder, or any covenant or agreement contained in the Purchase Agreement or this Agreement with respect to sales under the Registration Statement (the matters in the foregoing clauses (a) and (b) being, collectively, "Violations"). Subject to the restrictions set forth in Section 6.3 with respect to the number of legal counsel, the Company will reimburse the Investors or controlling person and each such other Indemnified Person, promptly as such expenses are incurred and are due and payable, for any reasonable legal fees or other reasonable expenses incurred by them in connection with investigating or defending any Claim. Notwithstanding anything to the contrary contained herein, the indemnification agreement contained in this Section 6.1: (i) does not apply to Claims arising out of or based upon a Violation that occurs in reliance upon and in conformity with information furnished in writing to the Company by or on behalf of an Indemnified Person expressly for use in connection with the preparation of the Registration Statement or any such amendment thereof or supplement thereto; (ii) does not apply to a Claim arising out of or based on any failure by any Indemnified Person to comply with prospectus delivery requirements (or the Securities Act, the Exchange Act, or any other law or legal requirement applicable to them) or any covenant or agreement contained in the Purchase Agreement or this Agreement; and (iii) does not apply to amounts paid in settlement of any Claim if such settlement is made without the prior written consent of the Company, which consent will not be unreasonably withheld. This indemnity obligation will remain in full force and effect regardless of any investigation made by or on behalf of the Indemnified Persons and will survive the transfer of the Registrable Securities by the Investors under Article IX of this Agreement.

6.2. Indemnification of the Company and Certain Shareholders. In connection with any Registration Statement in which an Investor is participating, each such Investor will indemnify and hold harmless, severally and not jointly, to the same extent and in the same manner set forth in Section 6.1 above, the Company, each of its directors, each of its officers who signs the Registration Statement, each person, if any, who controls the Company within the meaning of the Securities Act or the Exchange Act, and any other shareholder selling securities pursuant to the Registration Statement and any of its directors and officers, and any person who controls such shareholder within the meaning of the Securities Act or the Exchange Act (each an "Indemnified Party") against any Claim to which any of them may become subject under the Securities Act, the Exchange Act, or otherwise, insofar as such Claim arises out of or is based upon any of the following: (a) any matter of the type referred to in clause (a) of Section 6.1 above in each case to the extent (and only to the extent) that such violation occurs in reliance upon and in conformity with written information furnished to the Company by such Investor expressly for use in connection with such Registration Statement or (b) any failure by such Investor to comply with prospectus delivery requirements (or the Securities Act, the Exchange Act, or any other law or legal requirement applicable to sales under the Registration Statement) or any covenant or agreement contained in the Purchase Agreement or this Agreement with respect to sales under the Registration Statement. Subject to the restrictions set forth in Section 6.3, such Investor will promptly reimburse any legal or other expenses, as such expenses are incurred and due and payable, reasonably incurred by them in connection with investigating or defending any such Claim. The indemnity agreement contained in this Section 6.2, however, does not apply to amounts paid in settlement of any Claim, if such settlement is effected without the prior written consent of such Investor, which consent will not be unreasonably withheld or delayed and provided that an Investor shall be liable under this Section 6.2 for only that amount of a Claim as does not exceed the net proceeds to such Investor as a result of the sale of the

Securities (as defined in the Purchase Agreement). This indemnity will remain in full force and effect regardless of any investigation made by or on behalf of an Indemnified Party and will survive the transfer of the Registrable Securities by the Investors under Article IX of this Agreement.

6.3. Notification and Other Indemnification Procedures. Promptly after receipt by an Indemnified Person or Indemnified Party under this Article VI of notice of the commencement of any action (including any governmental action), such Indemnified Person or Indemnified Party will, if a Claim in respect thereof is to be made against any indemnifying party under this Article VI, deliver to the indemnifying party a written notice of the commencement thereof. The indemnifying party may participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly given notice, assume control of the defense thereof with counsel mutually satisfactory to the indemnifying parties and the Indemnified Person or Indemnified Party. In that case, the indemnifying party will diligently pursue such defense. If, in the reasonable opinion of counsel retained by the indemnifying party, the representation by such counsel of the Indemnified Person or Indemnified Party, and the indemnifying party would be inappropriate due to actual or potential conflicts of interest between the Indemnified Person or Indemnified Party and any other party represented by such counsel in such proceeding or the actual or potential defendants in, or targets of, any such action including the Indemnified Person or Indemnified Party and such Indemnified Person or Indemnified Party reasonably determines that there may be legal defenses available to such Indemnified Person or Indemnified Party that are different from or in addition to those available to the indemnifying party, then the Indemnified Person or Indemnified Party is entitled to assume such defense and may retain its own counsel, with the reasonable fees and expenses to be paid by the indemnifying party (subject to the restrictions on settlement under Section 6.1 or 6.2, as applicable). The indemnifying party will pay, however, for only one separate legal counsel for the Indemnified Person or Indemnified Party, as the case may be, collectively, and such legal counsel will be selected in accordance with Section 11.12. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action does not relieve an indemnifying party of any liability to an Indemnified Person or Indemnified Party under this Article VI, except to the extent that the indemnifying party is prejudiced in its ability to defend such action. The indemnification required by this Article VI will be made by periodic payments of the amount thereof during the course of the investigation or defense, as such expense, loss, damage, or liability is incurred and is due and payable.

ARTICLE VII CONTRIBUTION

To the extent that any indemnification provided for herein is prohibited or limited by law, the indemnifying party will contribute the amount paid or payable by the Indemnified Person or Indemnified Party as a result of such Claim in such proportion as is appropriate to reflect not only the relative benefits received by the Indemnified Person or Indemnified Party and the indemnifying party, but also the relative fault of the Indemnified Person or Indemnified Party and the indemnifying party, as well as any other relevant equitable considerations. However, (a) no contribution will be made under circumstances where the maker would not have been liable for indemnification under the fault standards set forth in Article VI and (b) no seller of Registrable Securities guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any person of Registrable Securities who was not guilty of such fraudulent misrepresentation.

ARTICLE VIII
EXCHANGE ACT REPORTING

To make available to the Investors the benefits of Rule 144 or any similar rule or regulation of the SEC that may at any time permit the Investors to sell securities of the Company to the public without registration, the Company will, until the end of the Registration Period:

(a) File with the SEC in a timely manner, and make and keep available, all reports and other documents required of the Company under the Securities Act and the Exchange Act so long as the Company remains subject to such requirements (it being understood that nothing herein limits the Company's obligations under Section 5.3 of the Purchase Agreement) and the filing and availability of such reports and other documents is required for the applicable provisions of Rule 144; and

(b) Furnish to each Investor, so long as such Investor holds Registrable Securities, promptly upon request, (i) a written statement by the Company that it has complied with the reporting requirements of the Securities Act and the Exchange Act, (ii) if not available on the SEC's EDGAR system, a copy of the most recent annual or quarterly report of the Company and such other reports and documents filed by the Company with the SEC, and (iii) such other information as may be reasonably requested to permit the Investors to sell such securities pursuant to Rule 144 without registration.

ARTICLE IX
ASSIGNMENT OF REGISTRATION RIGHTS

The rights of the Investors hereunder, including the right to have the Company register Registrable Securities pursuant to this Agreement, shall be assignable by each Investor to any transferee or assignee of the Registrable Securities (i) in the case of either an assignment of Registrable Securities to an affiliate of such Investor or an assignment of all Registrable Securities held by such Investor without the consent of the Company and (ii) in the case of an assignment of less than all of the Registrable Securities held by such Investor with the consent of the Company (which consent shall not be unreasonably withheld), if, in the case of (i) and (ii) above, (a) the Investor agrees in writing with the transferee or assignee to assign such rights, and a copy of such agreement is furnished to the Company within a reasonable time after such assignment, (b) the Company is, within a reasonable time after such transfer or assignment, furnished with written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being transferred or assigned, (c) such transfer or assignment was not made under the Registration Statement or Rule 144, (d) at or before the time the Company received the written notice contemplated by clause (b) of this sentence, the transferee or assignee agrees in writing with the Company to be bound by all of the provisions contained herein, (e) such transfer is made in accordance with the applicable requirements of the Purchase Agreement, and (f) the transferee has provided to the Company an investor questionnaire (or equivalent document) evidencing that the transferee is a "qualified institutional buyer" or an "accredited investor" as defined in Rule 501(a)(1),(2),(3), or (7) of Regulation D. Any transferee or assignee of an Investor under Article IX shall be deemed an "Investor" for all purposes of this Agreement, and shall be entitled to all rights of, and subject to all obligations (including indemnification obligations) of, an Investor hereunder.

ARTICLE X
AMENDMENT OF REGISTRATION RIGHTS

This Agreement may be amended and the obligations hereunder may be waived (either generally or in a particular instance, and either retroactively or prospectively) only with the written consent of the Company and of the Investors who then hold 75% of the Registrable Securities (but not

including any Investor who is not affected by such amendment or waiver). Any amendment or waiver effected in accordance with this Article X is binding upon each Investor and the Company. Notwithstanding the foregoing, no amendment or waiver will retroactively affect any Investor without its consent, or will prospectively adversely affect any Investor who no longer owns any Registrable Securities without its consent.

ARTICLE XI
MISCELLANEOUS

11.1. Conflicting Instructions. A person or entity is deemed to be a holder of Registrable Securities whenever such person or entity owns of record such Registrable Securities. If the Company receives conflicting instructions, notices, or elections from two or more persons or entities with respect to the same Registrable Securities, the Company will act upon the basis of instructions, notice, or election received from the registered owner of such Registrable Securities.

11.2. Notices. Except as set forth in Sections 3.3 and 3.5, any notices required or permitted to be given under the terms of this Agreement will be given and deemed received as set forth in the Purchase Agreement.

11.3. Waiver. Failure of any party to exercise any right or remedy under this Agreement or otherwise, or delay by a party in exercising such right or remedy, does not operate as a waiver thereof.

11.4. Governing Law. This Agreement will be governed by and interpreted in accordance with the laws of the State of New York (except as it relates to corporate law involving the Company in which case it shall be governed by the internal laws of the state of incorporation of the Company) without regard to the principles of conflict of laws. Each party hereby irrevocably submits to the non-exclusive jurisdiction of the state and federal courts sitting in the City of New York, Borough of Manhattan, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. If any provision of this Agreement shall be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this Agreement in that jurisdiction or the validity or enforceability of any provision of this Agreement in any other jurisdiction. EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION HEREWITH OR ARISING OUT OF THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.

11.5. Severability. If any provision of this Agreement is invalid or unenforceable under any applicable statute or rule of law, then such provision will be deemed modified in order to conform with such statute or rule of law. Any provision hereof that may prove invalid or unenforceable under any law will not affect the validity or enforceability of any other provision hereof.

11.6. Entire Agreement. This Agreement and the Purchase Agreement (including all schedules and exhibits thereto) constitute the entire agreement among the parties hereto with respect to the subject matter hereof and thereof. There are no restrictions, promises, warranties, or undertakings,

other than those set forth or referred to herein or therein. This Agreement supersedes all prior agreements and understandings among the parties hereto with respect to the subject matter hereof.

11.7. Successors and Assigns. Subject to the requirements of Article IX hereof, this Agreement inures to the benefit of and is binding upon the successors and assigns of each of the parties hereto. Notwithstanding anything to the contrary herein, including, without limitation, Article IX, the rights of an Investor hereunder are assignable to and exercisable by a bona fide pledgee of the Registrable Securities in connection with an Investor's margin or brokerage accounts.

11.8. Use of Pronouns. All pronouns refer to the masculine, feminine, or neuter, singular or plural, as the context may require.

11.9. Headings. The headings of this Agreement are for convenience of reference only, are not part of this Agreement and do not affect its interpretation.

11.10. Counterparts. This Agreement may be executed in two or more counterparts, each of which is deemed an original but all of which constitute one and the same agreement. This Agreement, once executed by a party, may be delivered to the other party hereto by facsimile transmission, and facsimile signatures are binding on the parties hereto.

11.11. Further Assurances. Each party will do and perform, or cause to be done and performed, all such further acts and things, and will execute and deliver all other agreements, certificates, instruments, and documents, as another party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

11.12. Consents. All consents and other determinations to be made by the Investors pursuant to this Agreement will be made by the Initial Investors or the Investors holding a majority in interest of the Registrable Securities.

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

11.14. Force Majeure. The Company shall not be deemed in breach of its commitments under this Agreement and no payments by the Company as set forth in Article II shall be required if the Company is unable to fulfill its obligations hereunder in a timely fashion because the SEC or Nasdaq is closed or operating on a limited basis as a result of the occurrence of a Force Majeure. As used herein, "Force Majeure" means war or armed hostilities or other national or international calamity, or one or more acts of terrorism, which are having a material adverse effect on the financial markets in the United States. Furthermore, any payments owed as a result of Article II shall not accrue in any period during which the Company's performance hereunder has been delayed or the Company's ability to fulfill its obligations hereunder has been impaired by a Force Majeure.

* * * *

IN WITNESS WHEREOF, the undersigned Investors and the Company have caused this Registration Rights Agreement to be duly executed as of the date first above written.

COMPANY:

FARO TECHNOLOGIES, INC.

By: /s/ Simon Raab

Name: Simon Raab
Title: Chairman of the Board,
President, and Chief
Executive Officer

OMNIBUS SIGNATURE PAGE TO
FARO TECHNOLOGIES, INC.
REGISTRATION RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Registration Rights Agreement to which this Signature Page is attached, which, together with all counterparts of the Registration Rights Agreement and Signature Pages of the other Investors and the Company to the Registration Rights Agreement, shall constitute one and the same document in accordance with the terms of the Registration Rights Agreement.

Investor Name: American Century Mutual
Funds, Inc., on behalf of
New Opportunities Fund

By: /s/ Charles C.S. Park

Print Name: Charles C.S. Park

Title: Vice President and Secretary

Address: 4500 Main Street
Kansas City, MO 64111

Facsimile: 816.340.4964

OMNIBUS SIGNATURE PAGE TO
FARO TECHNOLOGIES, INC.
REGISTRATION RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Registration Rights Agreement to which this Signature Page is attached, which, together with all counterparts of the Registration Rights Agreement and Signature Pages of the other Investors and the Company to the Registration Rights Agreement, shall constitute one and the same document in accordance with the terms of the Registration Rights Agreement.

Investor Name: American Century Mutual
Funds, Inc., on behalf of
New Opportunities II Fund

By: /s/ Charles C.S. Park

Print Name: Charles C.S. Park

Title: Vice President and Secretary

Address: 4500 Main Street
Kansas City, MO 64111

Facsimile: 816.340.4964

OMNIBUS SIGNATURE PAGE TO
FARO TECHNOLOGIES, INC.
REGISTRATION RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Registration Rights Agreement to which this Signature Page is attached, which, together with all counterparts of the Registration Rights Agreement and Signature Pages of the other Investors and the Company to the Registration Rights Agreement, shall constitute one and the same document in accordance with the terms of the Registration Rights Agreement.

Investor Name: SMITHFIELD FIDUCIARY LLC

By: /s/ Adam J. Chill

Print Name: Adam J. Chill

Title: Authorized Signatory

Address: c/o Highbridge Capital
Management, LLC
9 West 57th Street, 27th Floor
New York, New York 10019
Attn: Ari J. Storch/Adam J.
Chill

Facsimile: (212) 751-0755

OMNIBUS SIGNATURE PAGE TO
FARO TECHNOLOGIES, INC.
REGISTRATION RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Registration Rights Agreement to which this Signature Page is attached, which, together with all counterparts of the Registration Rights Agreement and Signature Pages of the other Investors and the Company to the Registration Rights Agreement, shall constitute one and the same document in accordance with the terms of the Registration Rights Agreement.

Investor Name: Cranshire Capital, L.P.

By: /s/ Mitchell P. Kopin

Print Name: Mitchell P. Kopin

Title: President - Downsview Capital
The General Partner

Address: 666 Dundee Road, Suite 1901
Northbrook, IL 60062

Facsimile: 847-562-9031

OMNIBUS SIGNATURE PAGE TO
FARO TECHNOLOGIES, INC.
REGISTRATION RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Registration Rights Agreement to which this Signature Page is attached, which, together with all counterparts of the Registration Rights Agreement and Signature Pages of the other Investors and the Company to the Registration Rights Agreement, shall constitute one and the same document in accordance with the terms of the Registration Rights Agreement.

Investor Name: Portside Growth &
Opportunity Fund

By: /s/ Jeff Smith

Print Name: Jeff Smith

Title: Authorized Signatory

Address: c/o Ramius Capital Group, LLC
666 Third Avenue, 26th Floor
New York, New York 10017

Facsimile: 212-845-7999

OMNIBUS SIGNATURE PAGE TO
FARO TECHNOLOGIES, INC.
REGISTRATION RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Registration Rights Agreement to which this Signature Page is attached, which, together with all counterparts of the Registration Rights Agreement and Signature Pages of the other Investors and the Company to the Registration Rights Agreement, shall constitute one and the same document in accordance with the terms of the Registration Rights Agreement.

Investor Name: UBS O'Connor LLC f/b/o
O'Connor PIPES Corporate
Strategies Ltd.

By: Jeffrey F. Putnam

Print Name: Jeffrey F. Putnam

Title: Executive Director

Address: 1 North Wacker Drive
Chicago, IL 60606
Attn: Tim Goldenman

Facsimile: 312-525-6271

OMNIBUS SIGNATURE PAGE TO
FARO TECHNOLOGIES, INC.
REGISTRATION RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Registration Rights Agreement to which this Signature Page is attached, which, together with all counterparts of the Registration Rights Agreement and Signature Pages of the other Investors and the Company to the Registration Rights Agreement, shall constitute one and the same document in accordance with the terms of the Registration Rights Agreement.

Investor Name: UBS O'Connor LLC f/b/o
O'Connor Global Convertible
Arbitrage Master Ltd.

By: /s/ Jeffrey F. Putman

Print Name: Jeffrey F. Putman

Title: Executive Director

Address: 1 North Wacker Drive
Chicago, IL 60606
Attn: Tim Goldenman

Facsimile: 312-525-6271

OMNIBUS SIGNATURE PAGE TO
FARO TECHNOLOGIES, INC.
REGISTRATION RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Registration Rights Agreement to which this Signature Page is attached, which, together with all counterparts of the Registration Rights Agreement and Signature Pages of the other Investors and the Company to the Registration Rights Agreement, shall constitute one and the same document in accordance with the terms of the Registration Rights Agreement.

Investor Name: SF Capital Partners Ltd.

By: /s/ Brian H. Davidson

Print Name: Brian H. Davidson

Title: Authorized Signatory

Address: c/o Staro Asset Management, LLC
3600 South Lake Drive
St. Francis, WI 53235

Facsimile: 414-294-7700

OMNIBUS SIGNATURE PAGE TO
FARO TECHNOLOGIES, INC.
REGISTRATION RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Registration Rights Agreement to which this Signature Page is attached, which, together with all counterparts of the Registration Rights Agreement and Signature Pages of the other Investors and the Company to the Registration Rights Agreement, shall constitute one and the same document in accordance with the terms of the Registration Rights Agreement.

Investor Name: Deephaven Small Cap Growth
Fund, LLC

By: /s/ Bruce Lieberman

Print Name: Bruce Lieberman

Title: Director of Private Placements

Address: 130 Cheshire Lane, Suite 102
Minnetonka, MN 55305

Facsimile: 952-249-5320

OMNIBUS SIGNATURE PAGE TO
FARO TECHNOLOGIES, INC.
REGISTRATION RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Registration Rights Agreement to which this Signature Page is attached, which, together with all counterparts of the Registration Rights Agreement and Signature Pages of the other Investors and the Company to the Registration Rights Agreement, shall constitute one and the same document in accordance with the terms of the Registration Rights Agreement.

Investor Name: Gamma Opportunity Capital
Partners, LP

By: /s/ Christopher Rossman

Print Name: Christopher Rossman

Address: British Colonial Centre of
Commerce
One Bay Street, Suite 401
Nassau, The Bahamas

Facsimile: 242-322-6657

OMNIBUS SIGNATURE PAGE TO
FARO TECHNOLOGIES, INC.
REGISTRATION RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Registration Rights Agreement to which this Signature Page is attached, which, together with all counterparts of the Registration Rights Agreement and Signature Pages of the other Investors and the Company to the Registration Rights Agreement, shall constitute one and the same document in accordance with the terms of the Registration Rights Agreement.

Investor Name: Alpha Capital AG

By: /s/ Konrad Ackerman

Print Name: Konrad Ackerman

Address: Pradafaut 7
Fursrenrurns 9490
Vaduz Liechtenstein

Facsimile: 011-423-232-3196

OMNIBUS SIGNATURE PAGE TO
FARO TECHNOLOGIES, INC.
REGISTRATION RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Registration Rights Agreement to which this Signature Page is attached, which, together with all counterparts of the Registration Rights Agreement and Signature Pages of the other Investors and the Company to the Registration Rights Agreement, shall constitute one and the same document in accordance with the terms of the Registration Rights Agreement.

Investor Name: Elliott Associates, L.P.
By: Elliott Capital
Advisors, L.P., as
general partner
By: Braxton Associates,
Inc., as general partner

By: /s/ Elliot Greenberg

Print Name: Elliot Greenberg

Title: Vice President

Address: 712 5th Avenue
New York, NY 10019

Facsimile: 212-974-2092

OMNIBUS SIGNATURE PAGE TO
FARO TECHNOLOGIES, INC.
REGISTRATION RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Registration Rights Agreement to which this Signature Page is attached, which, together with all counterparts of the Registration Rights Agreement and Signature Pages of the other Investors and the Company to the Registration Rights Agreement, shall constitute one and the same document in accordance with the terms of the Registration Rights Agreement.

Investor Name: Longview International
Equity Fund, LP

By: /s/ Wayne H. Coleson

Print Name: Wayne H. Coleson

Title: Investment Manager, CEO

Address: 25 Longview Court
Hillsborough, CA 94010
Attn: S. Michael Rudolph, CFO

Facsimile: 650-343-2506
With a copy to: 415-283-3386
718-493-7499

OMNIBUS SIGNATURE PAGE TO
FARO TECHNOLOGIES, INC.
REGISTRATION RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Registration Rights Agreement to which this Signature Page is attached, which, together with all counterparts of the Registration Rights Agreement and Signature Pages of the other Investors and the Company to the Registration Rights Agreement, shall constitute one and the same document in accordance with the terms of the Registration Rights Agreement.

Endeavor LP*	Posner Partners Microcap*
First American Insurance SCG Fund*	Paul M. Posner Agency*
John J.Frautschi	City of Springfield Missouri Policemen and Firemens Retirement Fund*
Life Trust Microcap *	St. Paul Electrical Constr. Pension SC*
First American Small Cap Growth Opportunity Fund*	St. Paul Electrical Constr. Supp. SC*
Lyndhurst Associates*	ES Tallmadge Residuary Trust 2*
Milwaukee Jewish Federation*	WM Chester - Chester Children Small Cap*
Greater Milwaukee Foundation - Micro Cap*	Oregon Retail Employees Pension Trust*
Henry Posner III Agency*	Richard D. Waterfield - Small Cap*

*BY: U.S. BANCORP ASSET MANAGEMENT
Attorney-in-fact

By: /s/ Joseph A. Frohna

Name: Joseph A. Frohna
Title: Managing Director

[For Additional Information Regarding the Investors Set Forth on this Signature Page See Appendix I]

Name	Address/Telephone Number and Facsimile Number	Number of Shares	Name in which Shares are to be Held	Aggregate Purchase Price	Social Security or Tax ID Number
Endeavor LP	US Bank Asset Management 800 Nicollet Mall Minneapolis, MN 55402 Attn: Sean Goudy Tel: (612) 303-3333 Fax: (612) 303-4264	1,600	Endeavor LP	\$34,400	91-1740115
First American Insurance SCG Fund	US Bank Asset Management 800 Nicollet Mall Minneapolis, MN 55402 Attn: Sean Goudy Tel: (612) 303-3333 Fax: (612) 303-4264	1,410	First American Insurance Small Cap Growth Fund	\$30,315	41-1981152
John J.Frautschi Life Trust Microcap	US Bank Asset Management 800 Nicollet Mall Minneapolis, MN 55402 Attn: Sean Goudy Tel: (612) 303-3333 Fax: (612) 303-4264	10,930	John J. Frautschi Life Trust Microcap	\$234,995	###-##-####
First American Small Cap Growth Opportunity Fund	US Bank Asset Management 800 Nicollet Mall Minneapolis, MN 55402 Attn: Sean Goudy Tel: (612) 303-3333 Fax: (612) 303-4264	211,960	First American Small Cap Growth Opportunities Fund	\$4,557,140	39-1829200
Lyndhurst Associates	US Bank Asset Management 800 Nicollet Mall Minneapolis, MN 55402 Attn: Sean Goudy Tel: (612) 303-3333 Fax: (612) 303-4264	2,870	Lyndhurst Associates	\$61,705	25-1539579
Milwaukee Jewish Federation	US Bank Asset Management 800 Nicollet Mall Minneapolis, MN 55402 Attn: Sean Goudy Tel: (612) 303-3333 Fax: (612) 303-4264	2,640	Milwaukee Jewish Federation	\$56,760	39-0806312

Name	Address/Telephone Number and Facsimile Number	Number of Shares	Name in which Shares are to be Held	Aggregate Purchase Price	Social Security or Tax ID Number
Greater Milwaukee Foundation - Micro Cap	US Bank Asset Management 800 Nicollet Mall Minneapolis, MN 55402 Attn: Sean Goudy Tel: (612) 303-3333 Fax: (612) 303-4264	2,320	Greater Milwaukee Foundation Micro Cap	\$49,880	39-6036407
Henry Posner III Agency	US Bank Asset Management 800 Nicollet Mall Minneapolis, MN 55402 Attn: Sean Goudy Tel: (612) 303-3333 Fax: (612) 303-4264	750	Henry Posner III Agency	\$16,125	###-##-####
Posner Partners Microcap	US Bank Asset Management 800 Nicollet Mall Minneapolis, MN 55402 Attn: Sean Goudy Tel: (612) 303-3333 Fax: (612) 303-4264	3,210	Posner Partners Microcap.	\$69,015	25-1580624
Paul M. Posner Agency	US Bank Asset Management 800 Nicollet Mall Minneapolis, MN 55402 Attn: Sean Goudy Tel: (612) 303-3333 Fax: (612) 303-4264	850	Paul M. Posner Agency	\$18,275	###-##-####
St. Paul Electrical Constr. Pension SC	US Bank Asset Management 800 Nicollet Mall Minneapolis, MN 55402 Attn: Sean Goudy Tel: (612) 303-3333 Fax: (612) 303-4264	1,520	St. Paul Electrical Construction Pension SC	\$32,680	41-6846858

Name	Address/Telephone Number and Facsimile Number	Number of Shares	Name in which Shares are to be Held	Aggregate Purchase Price	Social Security or Tax ID Number
St. Paul Electrical Constr. Supp. SC	US Bank Asset Management 800 Nicollet Mall Minneapolis, MN 55402 Attn: Sean Goudy Tel: (612) 303-3333 Fax: (612) 303-4264	1,730	St. Paul Electrical Construction Supply SC	\$37,195	41-6846858
ES Tallmadge Residuary Trust 2	US Bank Asset Management 800 Nicollet Mall Minneapolis, MN 55402 Attn: Sean Goudy Tel: (612) 303-3333 Fax: (612) 303-4264	600	E.S. Tallmadge Residuary Trust 2	\$12,900	39-6404914
WM Chester - Chester Children Small Cap	US Bank Asset Management 800 Nicollet Mall Minneapolis, MN 55402 Attn: Sean Goudy Tel: (612) 303-3333 Fax: (612) 303-4264	370	W.M. Chester-Chester Children SC	\$7,955	39-6093692
Oregon Retail Employees Pension Trust	US Bank Asset Management 800 Nicollet Mall Minneapolis, MN 55402 Attn: Sean Goudy Tel: (612) 303-3333 Fax: (612) 303-4264	4,580	Oregon Retail Employees Pension Trust	\$98,470	93-6041029
Richard D. Waterfield - Small Cap	US Bank Asset Management 800 Nicollet Mall Minneapolis, MN 55402 Attn: Sean Goudy Tel: (612) 303-3333 Fax: (612) 303-4264	1,040	Richard D. Waterfield SCG	\$22,360	39-6721043
City of Springfield Missouri Policemen and Firemens Retirement Fund	US Bank Asset Management 800 Nicollet Mall Minneapolis, MN 55402 Attn: Sean Goudy Tel: (612) 303-3333 Fax: (612) 303-4264	1,620	Richard D. Waterfield SCG	34,830	44-6000268

SECURITIES PURCHASE AGREEMENT

This SECURITIES PURCHASE AGREEMENT (this "Agreement"), dated as of November 11, 2003 (the "Effective Date"), is made by and among FARO Technologies, Inc., a Florida corporation (the "Company"), with headquarters located at 125 Technology Park, Lake Mary, Florida 32746, the investors named on the signature pages to this Agreement (each of whom is referred to as the "Investor" and all of whom collectively are referred to as the "Investors") and Xenon Research, Inc., a Florida corporation, and Gregory A. Fraser, a Florida resident (each of Xenon Research, Inc. and Gregory A. Fraser are referred to as the "Selling Shareholder" and both of whom collectively are referred to as the "Selling Shareholders"). Capitalized terms used herein and not otherwise defined have the meanings given them in Article IX.

RECITALS:

A. The Company, the Selling Shareholders and the Investors are executing and delivering this Agreement in accordance with and in reliance upon the exemption from securities registration afforded by Sections 4(1) and 4(2) of the Securities Act of 1933, as amended (the "Securities Act"), and Rule 506 under Regulation D ("Regulation D") as promulgated by the United States Securities and Exchange Commission (the "SEC") under the Securities Act.

B. The Investors desire, upon the terms and conditions stated in this Agreement, to purchase from the Company and the Selling Shareholders shares of the Company's common stock, par value \$.001 per share (the "Common Stock"), for an aggregate purchase price of up to \$41,495,500. The purchase price per share of the Common Stock is \$21.50.

C. Contemporaneously with the execution and delivery of this Agreement, the Company and the Investors are executing and delivering a Registration Rights Agreement in the form of Exhibit A hereto under which the Company has agreed to provide to the Investors certain rights with respect to registration of the resale of the Securities under the Securities Act.

AGREEMENT:

In consideration of the premises and the mutual representations, warranties and covenants contained herein, the Company, the Selling Shareholders and the Investors hereby agree as follows:

ARTICLE I
PURCHASE AND SALE OF SECURITIES

1.1. Purchase and Sale of Securities. At the Closing, subject to the terms of this Agreement and the satisfaction or waiver of the conditions set forth in Articles VII and VIII hereof, (i) the Company will sell to the Investors the Company Shares, (ii) the Selling Shareholders (on a several and not a joint basis) will sell to the Investors the Selling Shareholder Shares (which the Company shall reissue and deliver in the name of the Investors at the Closing) and (iii) each Investor will (on a several and not a joint basis) purchase from the Company and the Selling Shareholders the number of Securities set forth beneath such Investor's name on the signature pages hereof.

1.2. Payment at Closing. On the Closing Date, (i) each Investor will pay the aggregate purchase price for the Securities as set forth beneath its name on the signature pages hereof, by wire transfer to the Company of immediately available funds in accordance with the written wire instructions set forth on the signature page hereto of the Company, (ii) the Company will deliver to the Selling Shareholders the aggregate purchase price paid by the Investors for the Selling Shareholder Shares pursuant to Section 1.2(i)

hereof, by wire transfer to the respective Selling Shareholders of immediately available funds in accordance with the written wire instructions set forth on the signature page hereto of each Selling Shareholder and (iii) the Company (on its behalf and on behalf of the Selling Shareholders) will deliver to each Investor a certificate (bearing a restrictive legend as set forth in Section 2.8) representing the Securities so purchased by such Investor against delivery of the purchase price therefor as described above.

1.3. Closing Date. Subject to the satisfaction or waiver of the conditions set forth in Articles VII and VIII hereof, the Closing will take place at 10:00 a.m. Eastern Time on November 12, 2003, or at another date or time agreed upon by each of the parties to this Agreement (the "Closing Date"). The Closing will be held at the offices of Foley & Lardner, 100 N. Tampa Street, Suite 2700, Tampa, Florida 33602, or at such other place as the parties agree.

1.4. Independent Nature. The rights and obligations of each Investor under this Agreement, the Registration Rights Agreement and all other agreements, documents and instruments contemplated hereby and thereby (the "Transaction Documents") are several and not joint with the rights and obligations of each other Investor, and an Investor shall not be responsible in any way for the performance of the obligations of any other Investor under any Transaction Document. Nothing contained herein or in any other Transaction Document, and no action taken by any Investor pursuant hereto or thereto, shall constitute the Investors as a partnership, an association, a joint venture or any other kind of entity, or create a presumption that the Investors are in any way acting in concert or as a group with respect to such obligations or the transactions contemplated by the Transaction Documents. Each Investor confirms

that it has independently participated in the negotiation of the transaction contemplated hereby with the advice of its own counsel and advisors. Each Investor shall be entitled to independently protect and enforce its rights, including, without limitations, the rights arising out of this Agreement or out of any other Transaction Documents, and it shall not be necessary for the other Investors to be joined as an additional party in any proceeding for such purposes.

ARTICLE II
INVESTOR'S REPRESENTATIONS AND WARRANTIES

Each Investor, severally and solely with respect to itself and its purchase hereunder and not with respect to any other Investor, represents and warrants to the Company and the Selling Shareholders that:

2.1. Investment Purpose. The Investor is purchasing the Securities in the ordinary course of its business for its own account and not with a view to the distribution thereof; and it does not have any contract, undertaking, agreement or arrangement with any person or entity to sell, transfer, distribute or grant participation to any third person or entity with respect to any of the Securities; provided, however, that by making the representation herein, the Investor does not agree to hold any of the Securities for any minimum or other specific term and reserves the right to dispose of the Securities in accordance with or pursuant to an effective registration statement or an exemption from registration under the Securities Act. The Investor understands that the Investor may be required to bear the economic risk of this investment indefinitely, unless the Securities are registered pursuant to the Securities Act and any applicable state securities or blue sky laws or an exemption from such registration is available, and that the Company has no present intention of registering the Securities other than as contemplated by the Registration Rights Agreement.

2.2. Investor Status. The Investor is either: (i) a "qualified institutional buyer" as defined in Rule 144A under the Securities Act; or (ii) an "accredited investor" as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D. The Investor is not registered as a broker or dealer under Section 15(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or a member of the National Association of Securities Dealers, Inc. If an Investor is subject to the Employee Retirement Income Security Act of 1974, as amended, and is acquiring the Securities as a fiduciary or agent for another investor's account, then the Investor will have sole investment and voting discretion with respect to such account and will have full

power to make the acknowledgments, representations and agreements contained herein on behalf of such account.

2.3. Reliance on Exemptions. The Investor understands that the Securities are being offered and sold to it in reliance upon specific exemptions from the registration requirements of the United States federal and state securities laws and that the Company is relying upon the truth and accuracy of, and the Investor's compliance with, the representations, warranties, agreements, acknowledgments and understandings of the Investor set forth herein to determine the availability of such exemptions and the eligibility of the Investor to acquire the Securities.

2.4. Information. The Investor and its advisors, if any, have been furnished with all materials relating to the business, finances and operations of the Company, and materials relating to the offer and sale of the Securities, that have been requested by the Investor or its advisors, if any. The Investor and its advisors, if any, have been afforded the opportunity to ask questions of the Company and have received what the Investor and its advisors, if any, believe to be satisfactory answers to any such inquiries. The Investor acknowledges and understands that its investment in the Securities involves a significant degree of risk, including the risks reflected in the SEC Documents.

2.5. Experience. The Investor is experienced in evaluating companies such as the Company, is able to fend for itself in transactions such as the one contemplated by this Agreement, has such knowledge and experience in financial and business matters that such Investor is capable of evaluating the merits and risks of such Investor's prospective investment in the Company, and has the ability to bear the economic risks of the investment in the Securities.

2.6. Governmental Review. The Investor understands that no United States federal or state agency or any other government or governmental agency has passed upon or made any recommendation or endorsement of the Securities or an investment therein.

2.7. Transfer or Resale. The Investor understands that:

(a) the delivery of the Securities has not been registered under the Securities Act or any applicable state securities laws, and consequently, the Investor may have to bear the risk of owning the Securities for an indefinite period of time because the Securities may not be transferred unless (i) the resale of the Securities is registered pursuant to an effective registration statement under the Securities Act; (ii) if requested by the Company, the Investor has delivered to the Company an opinion of counsel (which opinion shall be in form, substance and scope customary for opinions of counsel in comparable transactions and which counsel shall be reasonably satisfactory to the Company) to the effect that the Securities to be sold or transferred may be sold or transferred pursuant to an exemption from such registration; (iii) the Securities are sold or transferred pursuant to Rule 144; or (iv) the Securities are sold or transferred to an affiliate (as defined in Rule 144) of the Investor;

(b) any sale of the Securities made in reliance on Rule 144 may be made only in accordance with the terms of Rule 144 (including the holding period requirement, the volume limitations and the manner of sale restrictions, if applicable); and

(c) except as set forth in the Registration Rights Agreement, neither the Company nor any other person is under any obligation to register the Securities under the Securities Act or any state securities laws or to comply with the terms and conditions of any exemption thereunder.

2.8. Legends. The Investor understands that, until (a) the Securities may be sold under Rule 144(k) or (b) such time as the Securities have been sold pursuant to an effective registration statement under the Securities Act in compliance with Rule 144 or pursuant to another exemption from registration under the Securities Act, the certificates representing the Securities will bear a restrictive legend in substantially the following form (and a stop-transfer order may be placed against transfer of the certificates for such Securities):

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE BEEN SOLD IN RELIANCE UPON AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE SECURITIES MAY NOT BE OFFERED, SOLD, TRANSFERRED OR ASSIGNED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES 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 legend set forth above will be removed, and the Company will issue a certificate without the legend to the holder of any certificate upon which it is stamped, in accordance with the terms of Article VI hereof.

2.9. Organization and Existence. To the extent indicated on the signature pages hereto, each Investor is either (i) a limited partnership duly organized and validly existing under the laws of its respective jurisdiction of formation, (ii) a limited liability company duly organized and validly existing under the laws of its respective jurisdiction of formation, (iii) a corporation duly organized and validly existing under the laws of its respective jurisdiction of incorporation, (iv) a series of a registered investment company, (v) a trust fund whose trustee is a bank or trust company or (vi) an individual. Such Investor represents that it was not organized solely for the purpose of making an investment in the Company.

2.10. Authorization; Enforcement. This Agreement, the Registration Rights Agreement and all other agreements, documents and instruments contemplated hereby and thereby have been duly and validly authorized, executed and delivered on behalf of the Investor and are valid and binding agreements of the Investor enforceable against the Investor in accordance with their respective terms, subject to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and except as the indemnification provisions in the Registration Rights Agreement may be legally unenforceable.

2.11. No Conflicts; No Violation.

(a) The execution, delivery and performance of this Agreement by the Investor will not (i) conflict with or result in a violation of any provision of its charter documents or (ii) to its knowledge, result in a violation of any law, rule, regulation, order, judgment or decree applicable to the Investor.

(b) The Investor is not required to obtain any consent, authorization or order of, or make any filing or registration with, any court or governmental agency or any regulatory or self regulatory agency for the Investor to execute, deliver or perform any of its obligations under this Agreement.

2.12. Acknowledgments Regarding Placement Agent. The Investor acknowledges that Robert W. Baird & Co. Incorporated is acting as placement agent (the "Placement Agent") for the Securities being offered hereby and will be compensated by the Company for acting in such capacity. The Investor

further acknowledges that the Placement Agent has acted solely as placement agent for the Company in connection with the offering of the Securities by the Company, that certain of the information and data provided to the Investor in connection with the transactions contemplated hereby have not been subjected to independent verification by the Placement Agent, and that the Placement Agent makes no representation or warranty with respect to the accuracy or completeness of such information, data or other related disclosure material. The Investor further acknowledges that, in making its decision to enter into this Agreement and purchase the Securities, it has relied on its own examination of the Company and the terms of, and consequences, of holding the Securities. The Investor further acknowledges that the provisions of this Section 2.12 are also for the benefit of, and may also be enforced by, the Placement Agent.

2.13. No Public Offering. Investor has not received any information relating to the Securities or the Company, and is not purchasing the Securities as a result of, any form of general solicitation or general advertising, including, but not limited to, any advertisement, article, notice or other communication published in any newspaper, magazine or similar media or broadcast over television or radio or pursuant to any seminar or meeting whose attendees were invited by any general solicitation or general advertising.

2.14. Representation. The Investor has had an opportunity to consult with an attorney in connection with the Investor's investment in the Company.

2.15. Certain Trading Activities. During the 15 calendar days before the date of this Agreement, the Investor has not directly or indirectly, nor has any person or entity acting on behalf of or pursuant to any understanding with the Investor, engaged in any trading of the Common Stock, including Short Sales of the Common Stock, and no open position or Short Sale relating to the Common Stock exists on the date hereof in the name or on behalf of the Investor.

ARTICLE III REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Subject to such matters as are disclosed in the Company's SEC Documents, the Company represents and warrants to the Investors that:

3.1. Organization and Qualification. The Company is duly incorporated, validly existing and in good standing under the laws of the State of Florida, with full corporate power and authority to own, lease, use and operate its properties and to carry on its business as and where now owned, leased, used, operated and conducted. The Company and its subsidiaries are duly qualified to do business and are in good standing in every jurisdiction in which the nature of the business conducted by them makes such qualification necessary, except where the failure to be so qualified or in good standing in each such jurisdiction would not have a Material Adverse Effect.

3.2. Authorization; Enforcement. (a) The Company has all requisite corporate power and authority to enter into and to perform its obligations under the Transaction Documents, to consummate the transactions contemplated hereby and thereby and to deliver the Securities in accordance with the terms hereof; (b) the execution, delivery and performance of each of the Transaction Documents by the Company and the consummation by it of the transactions contemplated hereby and thereby, including without limitation the issuance and sale of the Company Shares, have been duly authorized by the Company's Board of Directors and no further consent or authorization of the Company, its Board or Directors or its shareholders is required; (c) each of the Transaction Documents have been or will be duly executed by the Company; and (d) each of the Transaction Documents constitutes or will upon execution constitute a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, subject to the effect of any applicable bankruptcy, insolvency, reorganization, or moratorium or similar laws

affecting the rights of creditors generally and the application of general principles of equity and except as the indemnification provisions in the Registration Rights Agreement may be legally unenforceable.

3.3. Capitalization. The authorized capital stock of the Company consists of (i) 50,000,000 shares of the Common Stock, of which 12,100,022 shares were issued and outstanding as of September 27, 2003, and (ii) 10,000,000 shares of preferred stock, par value \$.001 per share, none of which are issued and outstanding. Other than (a) grants or issuances pursuant to employee benefit plans or director plans disclosed in the Company's SEC Documents (the "Plans") or (b) as disclosed in the Company's SEC Documents, the Company has not issued any capital stock since September 27, 2003. All of such outstanding shares of Common Stock are duly authorized, validly issued, fully paid and nonassessable. The Company Shares have been duly authorized, and when delivered and paid for in accordance with the terms of this Agreement, will be validly issued, fully paid and nonassessable, free from all taxes, liens, claims, encumbrances and charges with respect to the delivery thereof (other than those imposed through acts or omissions of an Investor). No shares of capital stock of the Company, including the Securities, are subject to preemptive rights or any other similar rights of the shareholders of the Company or any liens or encumbrances imposed through the actions or failure to act of the Company. Other than pursuant to this Agreement and as contemplated by the Plans, there are no outstanding options, warrants, scrip, rights to subscribe for, puts, calls, rights of first refusal, agreements, understandings, claims, antidilution protection or other commitments or rights of any character whatsoever that could require the Company to issue additional shares of capital stock of the Company or adjust the purchase or exercise price of any such instrument. There are no agreements or arrangements, including any set forth in the SEC Documents, (other than the Registration Rights Agreement) under which the Company is obligated to register the sale of any of its securities under the Securities Act. Assuming the accuracy of each of the representations and warranties of the Investors contained in Section 2, the issuance by the Company of the Company Shares is exempt from registration under the Securities Act.

3.4. No Conflicts; No Violation.

(a) The execution, delivery and performance of each of the Transaction Documents by the Company and the consummation by the Company of the transactions contemplated hereby and thereby including, without limitation, the delivery of the Securities will not (i) conflict with or result in a violation of any provision of the Articles of Incorporation or By-laws of the Company or (ii) violate or conflict with, or result in a breach of any provision of, or constitute a default (or an event which with notice or lapse of time or both could become a default) under, or give to others any rights of termination, amendment (including without limitation, the triggering of any anti-dilution provision), acceleration or cancellation of, any agreement, indenture, patent, patent license or instrument to which the Company or any of its subsidiaries is a party, or (iii) assuming the accuracy of the representations of the Investors, result in a violation of any law, rule, regulation, order, judgment or decree (including United States federal and state securities laws and regulations and regulations of any self-regulatory organizations to which the Company, any of its subsidiaries, or its securities are subject), applicable to the Company or by which any property or asset of the Company or any of its subsidiaries is bound or affected, except in the case of clauses (ii) and (iii) for such conflicts, breaches, defaults, terminations, amendments, accelerations, cancellations and violations as would not, individually or in the aggregate, have a Material Adverse Effect.

(b) The Company is not in violation of its Articles of Incorporation or By-laws. To the knowledge of the Company, the Company is not in violation of any law, ordinance or regulation of any governmental entity. The Company is not in default (and no event has occurred which with notice or lapse of time or both could put the Company in default) under any agreement, indenture or instrument to which the Company or any of its subsidiaries is a party or by which any property or assets of the Company or any of its subsidiaries is bound or affected, except for such defaults as would not, individually or in the aggregate, have a Material Adverse Effect.

(c) Without limiting the generality of the foregoing, the Company is not in violation of any of the rules, regulations or requirements of the Nasdaq National Market (the "Principal Market"), where such violation (individually or in the aggregate) reasonably would be expected to result in the delisting or suspension of the Common Stock from the Principal Market, and has no knowledge of any facts or circumstances which would reasonably lead to delisting or suspension of the Common Stock on the Principal Market in the foreseeable future. Since January 31, 2003, (i) the Common Stock has been designated for quotation on the Principal Market, (ii) trading in the Common Stock has not been suspended by the Securities and Exchange Commission (the "SEC") or the Principal Market and (iii) the Company has received no communication, written or oral, from the SEC or the Principal Market regarding the suspension or delisting of the Common Stock from the Principal Market. The Company and its subsidiaries possess all certificates, authorizations and permits issued by the appropriate federal, state or foreign regulatory authorities necessary to conduct their respective businesses, except where the failure to possess such certificates, authorizations or permits would not have, individually or in the aggregate, a Material Adverse Effect, and neither the Company nor any such subsidiary has received any notice of proceedings relating to the revocation or modification of any such certificate, authorization or permit.

3.5. Approvals. Assuming the accuracy of the representations of the Investors, except for the filing of a Form D and as may be required under the Securities Act and any applicable state securities laws and any listing agreement with any securities exchange or automated quotation system, the Company is not required to obtain any consent, authorization or order of, or make any filing or registration with, any court or governmental agency or any regulatory or self regulatory agency for it to execute, deliver or perform any of its obligations under this Agreement or the Registration Rights Agreement, in each case in accordance with the terms hereof or thereof, or sell the Securities in accordance with the terms hereof. All consents, authorizations, orders, filings and registrations that the Company is required to obtain pursuant to the preceding sentence have been obtained or effected on or prior to the date hereof.

3.6. SEC Documents; Financial Statements. Since September 30, 2002, the Company has timely filed all reports, schedules, forms, statements and other documents required to be filed by it with the SEC pursuant to the reporting requirements of the Exchange Act (all of the foregoing filed after December 31, 2002 and prior to the date hereof and all exhibits included therein and financial statements and schedules thereto and documents incorporated by reference therein being referred to herein as the "SEC Documents"). The Company has delivered to each Investor, or each Investor has had access to, true and complete copies of the SEC Documents. As of their respective dates, the SEC Documents complied in all material respects with the requirements of the Exchange Act and the rules and regulations of the SEC promulgated thereunder applicable to the SEC Documents, and none of the SEC Documents, at the time they were filed with the SEC, 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 the light of the circumstances under which they were made, not misleading. The financial statements of the Company included in the SEC Documents have been prepared in accordance with United States generally accepted accounting principles, consistently applied, during the periods involved (except (i) as may be otherwise indicated in such financial statements or the notes thereto or (ii) in the case of unaudited interim statements, to the extent they may not include footnotes or may be condensed or summary statements) and fairly present in all material respects the financial position of the Company as of the dates thereof and the results of its operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments).

3.7. Absence of Certain Changes. Except as disclosed in the SEC Documents, since December 31, 2002, there has been no material adverse change in the assets, liabilities, business, properties, operations, financial condition or results of operations of the Company and its subsidiaries, taken as a whole. The Company has not taken any steps to seek protection pursuant to any bankruptcy law nor does the

Company have any knowledge or reason to believe that its creditors intend to initiate involuntary bankruptcy proceedings or any actual knowledge of any fact which would reasonably lead a creditor to do so.

3.8. No Undisclosed Events, Liabilities, Developments or Circumstances. No event, liability, development or circumstance has occurred or exists that would be required to be disclosed by the Company under applicable securities laws on a registration statement on Form S-1 filed with the SEC relating to an issuance and sale by the Company of its Common Stock and which has not been publicly announced or disclosed in an SEC Document.

3.9. Sarbanes-Oxley Act. The Company is in compliance with any and all applicable requirements of the Sarbanes-Oxley Act of 2002 that are effective as of the date hereof, and any and all applicable rules and regulations promulgated by the SEC thereunder that are effective as of the date hereof, except where such noncompliance would not have, individually or in the aggregate, a Material Adverse Effect.

3.10. Absence of Litigation. Except as disclosed in the SEC Documents, there is no action, suit, claim, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the Company, threatened against or affecting the Company, any of its officers or directors acting as such, or any of its subsidiaries that could, individually or in the aggregate, have a Material Adverse Effect.

3.11. Intellectual Property Rights. The Company and its subsidiaries own or possess the licenses or rights to use all patents, patent applications, patent rights, inventions, know-how, trade secrets, trademarks, trademark applications, service marks, service names, trade names and copyrights necessary to enable it to conduct its business as now operated (the "Intellectual Property"), except where the failure to possess such licenses or rights to use would not have, individually or in the aggregate, a Material Adverse Effect. None of the Company's or its subsidiaries' Intellectual Property have expired or terminated, or are expected to expire or terminate, within three years from the date of this Agreement. The Company does not have any knowledge of any infringement by the Company or any of its subsidiaries of Intellectual Property of others. There is no claim, action or proceeding being made or brought, or to the knowledge of the Company, being threatened against the Company or any of its subsidiaries regarding the Company's or its subsidiaries' Intellectual Property. The Company is unaware of any facts or circumstances which might reasonably give rise to any of the foregoing infringements or claims, actions or proceedings. The Company and its subsidiaries have taken reasonable security measures to protect the secrecy, confidentiality and value of all of its intellectual properties.

3.12. Tax Status. The Company and its subsidiaries have made or filed all federal, state and foreign income and all other tax returns, reports and declarations required by any jurisdiction to which any of them are subject (unless and only to the extent that the Company or a subsidiary has set aside on its books provisions reasonably adequate for the payment of all unpaid and unreported taxes) and have paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations, except those being contested in good faith. To the knowledge of the Company, there are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction.

3.13. No Integrated Offering. Neither the Company, nor any of its affiliates, nor any person acting on its or their behalf, has directly or indirectly made any offers or sales of any security or solicited any offers to buy any security under circumstances within the prior six months that would require registration under the Securities Act of the delivery of the Securities to the Investors.

3.14. No Brokers. The Company has taken no action that would give rise to any claim by any person for brokerage commissions, finder's fees or similar payments relating to this Agreement or the

transactions contemplated hereby, except with respect to the Placement Agent whose commissions and fees with respect to the Company Shares will be paid for by the Company.

3.15. Insurance. The Company and its subsidiaries maintain insurance of the types and in such amounts as management of the Company believes to be prudent and customary in the businesses in which the Company and its subsidiaries are engaged.

3.16. Eligibility to use Form S-3. The Company satisfies the "registrant eligibility" requirements for a secondary offering and otherwise satisfies the requirements for registering the resale of the Securities by the Investors as set forth in the general instructions to Form S-3 to enable the registration of the Registrable Securities (as defined in the Registration Rights Agreement).

3.17. No General Solicitation. Neither the Company nor, to the knowledge of the Company, any person acting for the Company, has conducted any "general solicitation" (as such term is defined in Regulation D) with respect to any of the Common Stock being offered hereby.

3.18. Investment Company Status. The Company is not and upon consummation of the sale of the Securities will not be an "investment company," a company controlled by an "investment company" or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company" as such terms are defined in the Investment Company Act of 1940, as amended.

3.19. Application of Takeover Protections; Rights Agreement. The transactions contemplated by this Agreement, including without limitation the sale and delivery of the Securities, will not trigger any control share acquisition, business combination, or other similar anti-takeover provision under the Articles of Incorporation or the laws of the state of the Company's incorporation. The Company does not have a "poison pill" or stockholder rights plan in effect.

ARTICLE IV REPRESENTATIONS AND WARRANTIES OF THE Selling shareholders

Each Selling Shareholder, severally and solely with respect to itself or himself and not with respect to the Company or the other Selling Shareholder, represents and warrants to the Investors that:

4.1. Organization and Existence. Xenon Research, Inc. is a Florida corporation duly organized and validly existing under the laws of the State of Florida.

4.2. Authorization; Enforcement. This Agreement has been duly and validly authorized, executed and delivered by the Selling Shareholder and is a valid and binding agreement of the Selling Shareholder enforceable against the Selling Shareholder in accordance with its terms, subject to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). Assuming the accuracy of each of the representations and warranties of the Investors contained in Section 2, the sale by the Selling Shareholders of the Selling Shareholder Shares is exempt from registration under the Securities Act.

4.3. No Conflicts; No Violation.

(a) The execution, delivery and performance of this Agreement by the Selling Shareholder will not, to its or his knowledge, result in a violation of any law, rule, regulation, order, judgment or decree applicable to the Selling Shareholder.

(b) The Selling Shareholder is not required to obtain any consent, authorization or order of, or make any filing or registration with, any court or governmental agency or any regulatory or self regulatory agency for the Selling Shareholder to execute, deliver or perform any of its or his obligations under this Agreement.

4.4. Title. The Selling Shareholder is the sole record and beneficial owner of the Selling Shareholder Shares to be sold by it or him pursuant to this Agreement and owns such shares free from all taxes, liens, claims, encumbrances and charges with respect to the delivery thereof (other than those imposed through acts or omissions of an Investor). There are no outstanding rights, options, subscriptions, or other agreements or commitments obligating the Selling Shareholder with respect to the Selling Shareholder Shares. The Selling Shareholder Shares, when delivered and paid for in accordance with the terms of this Agreement, will be validly issued, fully paid and nonassessable, free from all taxes, liens, claims, encumbrances and charges with respect to the delivery thereof (other than those imposed through acts or omissions of an Investor).

4.5. Absence of Litigation. There is no action, suit, claim, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the Selling Shareholder, threatened against or affecting the Selling Shareholder or any applicable officers or directors acting as such that could, individually or in the aggregate, have any affect on the ability of the Selling Shareholder to perform its obligations pursuant to the transactions contemplated by this Agreement or under the agreements or instruments to be entered into or filed in connection herewith.

4.6. No Brokers. The Selling Shareholder has taken no action that would give rise to any claim by any person for brokerage commissions, finder's fees or similar payments relating to this Agreement or the transactions contemplated hereby, except with respect to the Placement Agent whose commissions and fees with respect to the Selling Shareholder Shares will be paid for by the Selling Shareholders.

ARTICLE V COVENANTS

5.1. Best Efforts. Each party will use its best efforts to satisfy in a timely fashion each of the conditions to be satisfied by it under Articles VII and VIII of this Agreement.

5.2. Form D; Blue Sky Laws. The Company will file a Notice of Sale of Securities on Form D with respect to the Securities, if required under Regulation D. The Company will take such action as it reasonably determines to be necessary, if any, to qualify the Securities for sale to the Investors under this Agreement under applicable securities (or "blue sky") laws of the states of the United States (or to obtain an exemption from such qualification).

5.3. Reporting Status. The Common Stock is registered under Section 12 of the Exchange Act. The Company will not terminate its status as an issuer required to file reports under the Exchange Act even if the Exchange Act or the rules and regulations thereunder would permit such termination.

5.4. Expenses. Except as set forth in Sections 3.14 and 4.6, the Company, the Selling Shareholders and each Investor are liable for, and will pay, their own expenses incurred in connection with the negotiation, preparation, execution and delivery of this Agreement and the other agreements to be executed in connection herewith, including, without limitation, attorneys' and consultants' fees and expenses.

5.5. Listing. The Company shall promptly secure the listing of all of the Registrable Securities (as defined in the Registration Rights Agreement) upon each national securities exchange and automated quotation system, if any, upon which shares of Common Stock are then listed (subject to official notice of issuance) and shall use its reasonable best efforts to maintain, so long as any other shares of Common Stock shall be so listed, such listing of all Registrable Securities. The Company shall use its reasonable best efforts to maintain the Common Stock's authorization for quotation on the Principal Market. The Company shall not take any action which would be reasonably expected to result in the delisting or suspension of the Common Stock on the Principal Market. The Company shall pay to the Principal Market all fees and expenses in connection with satisfying its obligations under this Section 5.5.

5.6. No Integration. The Company will not make any offers or sales of any security (other than the Company Shares) under circumstances that would cause the offering of the Company Shares to be integrated with any other offering of securities by the Company (i) for the purpose of any shareholder approval provision applicable to the Company or its securities or (ii) for purposes of any registration requirement under the Securities Act.

5.7. Sales by Investors. Each Investor will sell any Securities sold by it in compliance with applicable prospectus delivery requirements, if any, or otherwise in compliance with the requirements for an exemption from registration under the Securities Act and the rules and regulations promulgated thereunder. No Investor will make any sale, transfer or other disposition of the Securities in violation of federal or state securities laws.

5.8. Disclosure of Transactions and Other Material Information. Before 9:30 a.m., New York Time, on the first business day following the Effective Date of this Agreement (provided that each Investor has executed and delivered a counterpart of this Agreement before 8:30 a.m., New York Time, on such date and time), the Company will issue a press release describing the terms of the transactions contemplated by the Transaction Documents (the "Press Release"). In addition, within one business day following the Closing Date, the Company shall file a Current Report on Form 8-K describing the terms of the transactions contemplated by the Transaction Documents in the form required by the 1934 Act, and attaching the material Transaction Documents (including, without limitation, this Agreement and the Registration Rights Agreement) as exhibits to such filing (including all attachments, the "8-K Filing"). From and after issuing the Press Release, no Investor shall be in possession of any material, nonpublic information received from the Company or any of its respective officers, directors, employees or agents, that is not disclosed in the Press Release. The Company shall not, and shall cause each of its officers, directors, employees and agents, not to, provide any Investor with any material, nonpublic information regarding the Company from and after the filing of the Press Release without the express written consent of such Investor. Neither the Company nor any Investor shall issue any press releases or any other public statements with respect to the transactions contemplated hereby; provided, however, that the Company shall be entitled, without the prior approval of any Investor, to make any press release or other public disclosure with respect to such transactions (i) in substantial conformity with the 8-K Filing and contemporaneously therewith and (ii) as is required by applicable law and regulations (provided that in the case of clause (i) Schulte Roth & Zabel LLP shall be consulted by the Company in connection with any such press release or other public disclosure prior to its release).

ARTICLE VI TRANSFER AGENT INSTRUCTIONS; REMOVAL OF LEGENDS

6.1. Issuance of Certificates. The Company will instruct its transfer agent to issue a certificate, registered in the name of each Investor or its nominee, for the respective Securities. All such certificates will bear the restrictive legend described in Section 2.8, except as otherwise specified in this Article VI. In addition, the Company will issue irrevocable Transfer Agent Instructions to the transfer agent in the form of Exhibit B hereto. The Company will not give to its transfer agent any instruction with respect

to the Securities other than as contemplated by Article VI and stop transfer instructions to give effect to Section 2.8 hereof (prior to registration of the Securities under the Securities Act). Nothing in this Section will affect in any way the Investors' obligations and agreements set forth in Section 5.7 hereof to comply with all applicable prospectus delivery requirements, if any, upon resale of the Securities.

6.2. Unrestricted Securities. If, unless otherwise required by applicable state securities laws, (a) the Securities represented by a certificate have been sold under an effective registration statement filed under the Securities Act, (b) a holder of Securities provides the Company with an opinion of counsel in form, substance and scope customary for opinions of counsel in comparable transactions, which counsel shall be reasonably satisfactory to the Company, to the effect that a public sale or transfer of such Securities may be made without registration under the Securities Act or (c) the Securities represented by a certificate can be sold without restriction as to the number of securities sold under Rule 144(k), then the transfer agent will issue one or more certificates, free from any restrictive legend, in such name and in such denominations as specified by such holder in accordance with the Transfer Agent Instructions. Notwithstanding anything herein to the contrary, (i) the Securities may be pledged as collateral in connection with a bona fide margin account or other lending arrangement; provided that such pledge will not alter the provisions of this Article VI with respect to the removal of restrictive legends, and (ii) any Investor that is a registered investment company may transfer shares to any other fund or account advised by such Investor's investment manager or its affiliates if the transferee is a qualified institutional buyer (as defined in Rule 144A under the Securities Act) and agrees in writing to be bound by the terms hereof and the terms of the Registration Rights Agreement.

6.3. Enforcement of Provision. The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Investor by invalidating the intent and purpose of the transaction contemplated hereby. Accordingly, the Company acknowledges that the remedy at law for a breach of its obligations under this Article VI will be inadequate and agrees, in the event of a breach or threatened breach by the Company of the provisions of this Article VI that the Investor will be entitled, in addition to all other available remedies, to an injunction restraining any breach and requiring immediate transfer, without the necessity of showing economic loss and without any bond or other security being required.

ARTICLE VII
CONDITIONS TO THE COMPANY'S AND THE
SELLING SHAREHOLDERS' OBLIGATION TO SELL

The obligations of the Company and the Selling Shareholders under Article I of this Agreement are subject to the fulfillment at or before the Closing of each of the following conditions. These conditions are for the benefit of the Company and the Selling Shareholders and may be waived by the Company and the Selling Shareholders in whole or in part at any time in their sole discretion. Without limitation, the Company and the Selling Shareholders may in their sole discretion proceed with the Closing with respect to each Investor as to whom each condition has been satisfied whether or not conditions have been satisfied as to other Investors:

7.1. The Investors will have executed this Agreement and the Registration Rights Agreement and will have delivered such executed agreements to the Company.

7.2. The Investors will have delivered the purchase price for the Securities to the Company in accordance with this Agreement.

7.3. The representations and warranties of the Investors must be true and correct in all material respects as of the Closing Date as though made at that time (except for representations and warranties that speak as of a specific date, which representations and warranties must be correct as of such

date), and the Investors will have performed and complied with the covenants and conditions required by this Agreement to be performed or complied with by the Investors at or prior to the Closing.

7.4. No litigation, statute, rule, regulation, executive order, decree, ruling or injunction will have been enacted, entered, promulgated or endorsed by or in any court or governmental authority of competent jurisdiction or any self-regulatory organization having authority over the matters contemplated hereby which prohibits the consummation of any of the transactions contemplated by this Agreement.

7.5. As of the Closing Date and immediately following the consummation of the transactions contemplated herein no Investor will beneficially own 10% or more of the Common Stock as determined in accordance with Section 13(d) of the Securities Act and the rules and regulations promulgated thereunder.

ARTICLE VIII
CONDITIONS TO EACH INVESTOR'S OBLIGATION TO PURCHASE

The obligation of each Investor hereunder to purchase the Securities from the Company and the Selling Shareholders at the Closing is subject to the fulfillment at or before the Closing of each of the following conditions. These conditions are for each Investor's respective benefit and may be waived by such Investor at any time in its sole discretion:

8.1. The Company will have executed this Agreement and the Registration Rights Agreement and will have delivered such executed agreements to the Investor.

8.2. The Company will have delivered to such Investor a duly executed certificate, against payment therefor, representing the Securities as specified in Section 1.1.

8.3. The representations and warranties of the Company and the Selling Shareholders must be true and correct in all material respects as of the Closing as though made at that time (except for representations and warranties that speak as of a specific date, which representations and warranties must be true and correct as of such date), and the Company and the Selling Shareholders must have performed and complied with the covenants and conditions required by this Agreement to be performed or complied with by the Company and the Selling Shareholders (as the case may be) at or prior to the Closing.

8.4. No litigation, statute, rule, regulation, executive order, decree, ruling or injunction will have been enacted, entered, promulgated or endorsed by or in any court or governmental authority of competent jurisdiction or any self-regulatory organization having authority over the matters contemplated hereby which prohibits the consummation of any of the transactions contemplated by this Agreement.

8.5. The Common Stock (I) shall be designated for quotation or listed on the Principal Market and (II) shall not have been suspended, as of the Closing Date, by the SEC or the Principal Market from trading on the Principal Market nor shall suspension by the SEC or the Principal Market have been threatened, as of the Closing Date, either (A) in writing by the SEC or the Principal Market or (B) by falling below the minimum listing maintenance requirements of the Principal Market.

8.6. Such Investor will have received an opinion of the Company's counsel, dated as of the Closing Date, in form reasonably satisfactory to the Investors, addressing the matters set forth in Exhibit C hereto.

8.7. The irrevocable Transfer Agent Instructions, in substantially the form attached hereto as Exhibit B, will have been delivered to the Company's transfer agent and acknowledged in writing by such transfer agent.

8.8. The Company shall have delivered to such Investor a certificate, executed by the Secretary of the Company and dated as of the Closing Date, as to (i) the resolutions as adopted by the Company's Board of Directors, (ii) the Articles of Incorporation and (iii) the Bylaws, each as in effect at the Closing.

ARTICLE IX
DEFINITIONS

9.1. "Closing" means the closing of the purchase and sale of the Securities under this Agreement.

9.2. "Closing Date" has the meaning set forth in Section 1.3.

9.3. "Common Stock" has the meaning set forth in the Recitals.

9.4. "Company" has the meaning set forth in the introduction to this Agreement.

9.5. "Company Shares" means the 1,158,000 shares of Common Stock being sold by the Company pursuant to this Agreement.

9.6. "Exchange Act" has the meaning set forth in Section 2.2.

9.7. "Intellectual Property" has the meaning set forth in Section 3.9.

9.8. "Investors" means the investors whose names are set forth on the signature pages of this Agreement, and their permitted transferees.

9.9. "Material Adverse Effect" means (a) a material adverse effect on the assets, liabilities, financial condition or results of operation of the Company and its subsidiaries, taken as a whole or (b) any affect on the ability of the Company to perform its obligations pursuant to the transactions contemplated by this Agreement or under the agreements or instruments to be entered into or filed in connection herewith.

9.10. "Placement Agent" has the meaning set forth in Section 2.12.

9.11. "Plans" has the meaning set forth in Section 3.3.

9.12. "Registration Rights Agreement" means the Registration Rights Agreement, dated as of the Closing Date, by and among the Company and the Investors, in the form attached hereto as Exhibit A.

9.13. "Regulation D" is defined in the Recitals.

9.14. "Rule 144" and "Rule 144(k)" mean Rule 144 and Rule 144(k), respectively, as promulgated under the Securities Act, or any successor rule.

9.15. "SEC" is defined in Section 3.4(c).

9.16. "SEC Documents" has the meaning set forth in Section 3.6.

9.17. "Securities" means the Company Shares and the Selling Shareholder Shares that are being sold pursuant to this Agreement.

9.18. "Securities Act" is defined in the Recitals.

9.19. "Selling Shareholders" has the meaning set forth in the introduction to this Agreement.

9.20. "Selling Shareholder Shares" means the 772,000 shares of Common Stock being sold by the Selling Shareholders pursuant to this Agreement, 663,920 shares of which are being sold by Xenon Research, Inc. and 108,080 shares of which are being sold by Gregory A. Fraser.

9.21. "Short Sales" means all types of direct and indirect stock pledges, forward sale contracts, options, puts, calls, short sales, swaps (including on a total return basis), and sales and any other transactions having the effect of hedging any position in the Common Stock.

9.22. "Transfer Agent Instructions" means the transfer agent instructions attached hereto as Exhibit B.

Article X
GOVERNING LAW; MISCELLANEOUS

10.1. Governing Law; Jurisdiction; Jury Trial. This Agreement will be governed by and interpreted in accordance with the laws of the State of New York without regard to the principles of conflict of laws. Each party hereby irrevocably submits to the non-exclusive jurisdiction of the state and federal courts sitting in The City of New York, Borough of Manhattan, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.

10.2. Counterparts; Signatures by Facsimile. This Agreement may be executed in two or more counterparts. Each executed counterpart will be considered an original document, and all executed counterparts, are considered one and the same agreement. This Agreement will become effective as of the Effective Date when counterparts have been signed and delivered (i) by the Investors and the Selling Shareholders to Foley & Lardner on behalf of the Company and (ii) by the Company to Schulte Roth & Zabel LLP on behalf of the Investors. This Agreement, once executed by a party, may be delivered by facsimile transmission of a copy of this Agreement bearing the signature of the party so delivering this Agreement.

10.3. Headings. The headings of this Agreement are for convenience of reference only, are not part of this Agreement and do not affect its interpretation.

10.4. Severability. If any provision of this Agreement is invalid or unenforceable under any applicable statute or rule of law, then such provision will be deemed modified to conform with such statute or rule of law. Any provision hereof that may prove invalid or unenforceable under any law will not affect the validity or enforceability of any other provision hereof.

10.5. Entire Agreement; Amendments. This Agreement and the Registration Rights Agreement (including all schedules and exhibits hereto and thereto) and the instruments contemplated hereby and thereby constitute the entire agreement among the parties hereto with respect to the subject matter hereof

and thereof. There are no restrictions, promises, representations, warranties or undertakings, other than those set forth or referred to herein or therein. This Agreement and the Registration Rights Agreement supersede all prior agreements and understandings among the parties hereto with respect to the subject matter hereof. No provision of this Agreement may be waived or amended other than by an instrument in writing signed by the party to be charged with enforcement.

10.6. Notices. Any notices required or permitted to be given under the terms of this Agreement must be sent by certified or registered mail (return receipt requested) or delivered personally or by courier (including a recognized overnight delivery service) or by facsimile and will be effective five days after being placed in the mail, if mailed by regular United States mail, or upon receipt, if delivered personally or by facsimile, in each case addressed to a party. Any notice sent by courier (including a recognized overnight delivery service) will be deemed received one business day after being sent. The addresses for such communications are:

If to the Company or the
Selling Shareholders: FARO Technologies, Inc.
125 Technology Park
Lake Mary, Florida 32746
Attention: Simon Raab and Gregory A. Fraser
Facsimile: (407) 333-4181

With a copy to:

Foley & Lardner
100 N. Tampa St., Suite 2700
Tampa, Florida 33602
Attention: Martin A. Traber and Steven Vazquez
Facsimile: (813-221-4210)

If to an Investor: To the address set forth immediately below such Investor's name on the signature pages hereto.

With a copy to:

Schulte Roth & Zabel LLP
919 Third Avenue
New York, New York 10022
Attention: Eleazer Klein
Facsimile: (212) 593-5955

Each party will provide written notice to the other parties of any change in its address.

10.7. Indemnification. In consideration of each Investor's execution and delivery of the Transaction Documents and acquiring the Securities thereunder and in addition to all of the Company's other obligations under the Transaction Documents, the Company shall defend, protect, indemnify and hold harmless each Investor and all of their stockholders, partners, members, officers, directors, employees and direct or indirect investors and any of the foregoing persons' agents or other representatives (including, without limitation, those retained in connection with the transactions contemplated by this Agreement) (collectively, the "Investor Indemnitees") from and against any and all actions, causes of action, suits, claims, losses, costs, penalties, fees, liabilities and damages, and expenses in connection therewith (irrespective of whether any such indemnitee is a party to the action for which indemnification hereunder is sought), and including reasonable attorneys' fees and disbursements (the "Indemnified Liabilities"), incurred

by any Investor Indemnitee as a result of, or arising out of, or relating to (a) any misrepresentation or breach of any representation or warranty made by the Company in the Transaction Documents, (b) any breach of any covenant, agreement or obligation of the Company contained in the Transaction Documents or (c) any cause of action, suit or claim brought or made against such Investor Indemnitee by a third party (including for these purposes a derivative action brought on behalf of the Company) and arising out of or resulting from the execution, delivery, performance or enforcement of the Transaction Documents. To the extent that the foregoing undertaking by the Company may be unenforceable for any reason, the Company shall make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities which is permissible under applicable law. Except as otherwise set forth herein, the mechanics and procedures with respect to the rights and obligations under this Section 10.7 shall be the same as those set forth in Article VI of the Registration Rights Agreement.

10.8. Termination. In the event that the Closing shall not have occurred with respect to an Investor on or before five (5) business days from the date hereof due to the Company's or such Investor's failure to satisfy the conditions set forth in Articles VII and VIII above (and the nonbreaching party's failure to waive such unsatisfied condition(s)), the nonbreaching party shall have the option to terminate this Agreement with respect to such breaching party at the close of business on such date without liability of any party to any other party.

10.9. Successors and Assigns. This Agreement is binding upon and inures to the benefit of the parties and their successors and permitted assigns. The Company will not assign this Agreement or any rights or obligations hereunder without the prior written consent of the Investors, and no Investor may assign this Agreement or any rights or obligations hereunder without the prior written consent of the Company (which shall not be unreasonably withheld or delayed). Notwithstanding the foregoing, an Investor or a Selling Shareholder may assign all or part of its rights and obligations hereunder to any of its "affiliates," as that term is defined under the Securities Act, without the consent of the Company so long as the affiliate is a "qualified institutional buyer" or an "accredited investor" as defined in Section 2.2 and agrees in writing to be bound by this Agreement. This provision does not limit the Investor's right to transfer the Securities pursuant to the terms of this Agreement. Notwithstanding any assignment as provided herein to an affiliate of an Investor or a Selling Shareholder, each Investor and Selling Shareholder shall thereafter remain fully responsible and liable for performance of all of its obligations under this Agreement. Notwithstanding the foregoing, any transferee who purchases the Securities in a public sale shall not have any rights under this Agreement.

10.10. 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 or entity; provided, however, that the provisions in Section 2.12 relating to acknowledgments regarding the Placement Agent are intended for the benefit of the Placement Agent.

10.11. Survival. The representations and warranties of the Company and the Selling Shareholders set forth herein will survive for two (2) years following the Closing hereunder. Neither the Company nor the Selling Shareholders make any representations or warranties in any oral or written information provided to Investors, other than the representations and warranties included herein.

10.12. Further Assurances. Each party will do and perform, or cause to be done and performed, all such further acts and things, and will execute and deliver all other agreements, certificates, instruments and documents, as another party may reasonably request to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

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

* * * * *

IN WITNESS WHEREOF, the undersigned Investors, Selling Shareholders and the Company have caused this Securities Purchase Agreement to be duly executed as of the date first above written.

COMPANY:

FARO TECHNOLOGIES, INC.

By: /s/ Simon Raab

Simon Raab
Chairman of the Board, President and
Chief Executive Officer

WIRE TRANSFER INSTRUCTIONS:

Bank Name: Suntrust Bank

ABA Number: 061000104

Account Number: 1000009578625

Account Name: FARO Technologies, Inc.

SELLING SHAREHOLDERS:

XENON RESEARCH, INC.

By: /s/ Simon Raab

Simon Raab
President

WIRE TRANSFER INSTRUCTIONS:

Bank Name: Chase Manhattan Bank, New
York, NY

ABA Number: 0210-0002-1 for the account
at NFS account number 066196-221

Reference: FBO Xenon Research, Inc.

Account Number: W65-170682

/s/ Gregory A. Fraser

GREGORY A. FRASER

WIRE TRANSFER INSTRUCTIONS:

Bank Name: Wachovia (800-275-3862)

ABA Number: 063000021

Account Number: 3464070004475

Reference: FBO Linda C. and Gregory A.
Fraser

OMNIBUS SIGNATURE PAGE TO
FARO TECHNOLOGIES, INC.
SECURITIES PURCHASE AGREEMENT

The undersigned hereby executes and delivers the Securities Purchase Agreement to which this Signature Page is attached, which, together with all counterparts of the Securities Purchase Agreement and Signature Pages of the other Investors and the Company to the Securities Purchase Agreement, shall constitute one and the same document in accordance with the terms of the Securities Purchase Agreement.

Investor Name: American Century Mutual
Funds, Inc., on behalf
of New Opportunities
Fund

By: /s/ Charles C.S. Park

Print Name: Charles C.S. Park

Title: Vice President and Secretary

Address: 4500 Main Street
Kansas City, MO 64111

Telephone: 816.340.9410

Facsimile: 816.340.4964

Number of Shares: 221,080

Name in which Shares Are to Be Held (please
print):

CUDD & CO

Aggregate Purchase Price: \$ 4,753,220

Social Security or Tax ID Number: 43-6718248

OMNIBUS SIGNATURE PAGE TO
FARO TECHNOLOGIES, INC.
SECURITIES PURCHASE AGREEMENT

The undersigned hereby executes and delivers the Securities Purchase Agreement to which this Signature Page is attached, which, together with all counterparts of the Securities Purchase Agreement and Signature Pages of the other Investors and the Company to the Securities Purchase Agreement, shall constitute one and the same document in accordance with the terms of the Securities Purchase Agreement.

Investor Name: American Century Mutual
Funds, Inc., on behalf of
New Opportunities II Fund

By: /s/ Charles C.S. Park

Print Name: Charles C.S. Park

Title: Vice President and Secretary

Address: 4500 Main Street
Kansas City, MO 64111

Telephone: 816.340.9410

Facsimile: 816.340.4964

Number of Shares: 23,920

Name in which Shares Are to Be Held (please
print):

CUDD & CO

Aggregate Purchase Price: \$ 514,280

Social Security or Tax ID Number: 43-1911448

OMNIBUS SIGNATURE PAGE TO
FARO TECHNOLOGIES, INC.
SECURITIES PURCHASE AGREEMENT

The undersigned hereby executes and delivers the Securities Purchase Agreement to which this Signature Page is attached, which, together with all counterparts of the Securities Purchase Agreement and Signature Pages of the other Investors and the Company to the Securities Purchase Agreement, shall constitute one and the same document in accordance with the terms of the Securities Purchase Agreement.

Investor Name: SMITHFIELD FIDUCIARY LLC

By: /s/ Adam J. Chill

Print Name: Charles C.S. Park

Title: Authorized Signatory

Address: c/o Highbridge Capital Management,
LLC
9 West 57th Street, 27th Floor
New York, New York 10019
Attn: Ari J. Storch/Adam J. Chill

Telephone: (212) 287-4720

Facsimile: (212) 751-0755

Number of Shares: 100,000

Name in which Shares Are to Be Held (please
print):

Smithfield Fiduciary LLC

Aggregate Purchase Price: \$ 2,150,000.00

Social Security or Tax ID Number: N/A

OMNIBUS SIGNATURE PAGE TO
FARO TECHNOLOGIES, INC.
SECURITIES PURCHASE AGREEMENT

The undersigned hereby executes and delivers the Securities Purchase Agreement to which this Signature Page is attached, which, together with all counterparts of the Securities Purchase Agreement and Signature Pages of the other Investors and the Company to the Securities Purchase Agreement, shall constitute one and the same document in accordance with the terms of the Securities Purchase Agreement.

Endeavor LP*

First American Insurance SCG Fund*

John J.Frautschi

Life Trust Microcap *

First American Small Cap Growth Opportunity Fund*

Lyndhurst Associates*

Milwaukee Jewish Federation*

Greater Milwaukee Foundation - Micro Cap*

Henry Posner III Agency*

Posner Partners Microcap*

Paul M. Posner Agency*

City of Springfield Missouri Policemen and Firemens
Retirement Fund*

St. Paul Electrical Constr. Pension SC*

St. Paul Electrical Constr. Supp. SC*

ES Tallmadge Residuary Trust 2*

WM Chester - Chester Children Small Cap*

Oregon Retail Employees Pension Trust*

Richard D. Waterfield - Small Cap*

*BY: U.S. BANCORP ASSET MANAGEMENT
Attorney-in-fact

By: /s/ Joseph A. Frohna

Name: Joseph A. Frohna
Title: Managing Director

[For Additional Information Regarding the Investors Set Forth on this Signature
Page See Appendix I]

Name	Address/Telephone Number and Facsimile Number	Number of Shares	Name in which Shares are to be Held	Aggregate Purchase Price	Social Security or Tax ID Number
Endeavor LP	US Bank Asset Management 800 Nicollet Mall Minneapolis, MN 55402 Attn: Sean Goudy Tel: (612) 303-3333 Fax: (612) 303-4264	1,600	Endeavor LP	\$34,400	91-1740115
First American Insurance SCG Fund	US Bank Asset Management 800 Nicollet Mall Minneapolis, MN 55402 Attn: Sean Goudy Tel: (612) 303-3333 Fax: (612) 303-4264	1,410	First American Insurance Small Cap Growth Fund	\$30,315	41-1981152
John J.Frautschi Life Trust Microcap	US Bank Asset Management 800 Nicollet Mall Minneapolis, MN 55402 Attn: Sean Goudy Tel: (612) 303-3333 Fax: (612) 303-4264	10,930	John J. Frautschi Life Trust Microcap	\$234,995	###-##-####
First American Small Cap Growth Opportunity Fund	US Bank Asset Management 800 Nicollet Mall Minneapolis, MN 55402 Attn: Sean Goudy Tel: (612) 303-3333 Fax: (612) 303-4264	211,960	First American Small Cap Growth Opportunities Fund	\$4,557,140	39-1829200
Lyndhurst Associates	US Bank Asset Management 800 Nicollet Mall Minneapolis, MN 55402 Attn: Sean Goudy Tel: (612) 303-3333 Fax: (612) 303-4264	2,870	Lyndhurst Associates	\$61,705	25-1539579
Milwaukee Jewish Federation	US Bank Asset Management 800 Nicollet Mall Minneapolis, MN 55402 Attn: Sean Goudy Tel: (612) 303-3333 Fax: (612) 303-4264	2,640	Milwaukee Jewish Federation	\$56,760	39-0806312

Name	Address/Telephone Number and Facsimile Number	Number of Shares	Name in which Shares are to be Held	Aggregate Purchase Price	Social Security or Tax ID Number
Greater Milwaukee Foundation - Micro Cap	US Bank Asset Management 800 Nicollet Mall Minneapolis, MN 55402 Attn: Sean Goudy Tel: (612) 303-3333 Fax: (612) 303-4264	2,320	Greater Milwaukee Foundation Micro Cap	\$49,880	39-6036407
Henry Posner III Agency	US Bank Asset Management 800 Nicollet Mall Minneapolis, MN 55402 Attn: Sean Goudy Tel: (612) 303-3333 Fax: (612) 303-4264	750	Henry Posner III Agency	\$16,125	###-##-####
Posner Partners Microcap	US Bank Asset Management 800 Nicollet Mall Minneapolis, MN 55402 Attn: Sean Goudy Tel: (612) 303-3333 Fax: (612) 303-4264	3,210	Posner Partners Microcap.	\$69,015	25-1580624
Paul M. Posner Agency	US Bank Asset Management 800 Nicollet Mall Minneapolis, MN 55402 Attn: Sean Goudy Tel: (612) 303-3333 Fax: (612) 303-4264	850	Paul M. Posner Agency	\$18,275	###-##-####
St. Paul Electrical Constr. Pension SC	US Bank Asset Management 800 Nicollet Mall Minneapolis, MN 55402 Attn: Sean Goudy Tel: (612) 303-3333 Fax: (612) 303-4264	1,520	St. Paul Electrical Construction Pension SC	\$32,680	41-6846858

Name	Address/Telephone Number and Facsimile Number	Number of Shares	Name in which Shares are to be Held	Aggregate Purchase Price	Social Security or Tax ID Number
St. Paul Electrical Constr. Supp. SC	US Bank Asset Management 800 Nicollet Mall Minneapolis, MN 55402 Attn: Sean Goudy Tel: (612) 303-3333 Fax: (612) 303-4264	1,730	St. Paul Electrical Construction Supply SC	\$37,195	41-6846858
ES Tallmadge Residuary Trust 2	US Bank Asset Management 800 Nicollet Mall Minneapolis, MN 55402 Attn: Sean Goudy Tel: (612) 303-3333 Fax: (612) 303-4264	600	E.S. Tallmadge Residuary Trust 2	\$12,900	39-6404914
WM Chester - Chester Children Small Cap	US Bank Asset Management 800 Nicollet Mall Minneapolis, MN 55402 Attn: Sean Goudy Tel: (612) 303-3333 Fax: (612) 303-4264	370	W.M. Chester-Chester Children SC	\$7,955	39-6093692
Oregon Retail Employees Pension Trust	US Bank Asset Management 800 Nicollet Mall Minneapolis, MN 55402 Attn: Sean Goudy Tel: (612) 303-3333 Fax: (612) 303-4264	4,580	Oregon Retail Employees Pension Trust	\$98,470	93-6041029
Richard D. Waterfield - Small Cap	US Bank Asset Management 800 Nicollet Mall Minneapolis, MN 55402 Attn: Sean Goudy Tel: (612) 303-3333 Fax: (612) 303-4264	1,040	Richard D. Waterfield SCG	\$22,360	39-6721043
City of Springfield Missouri Policemen and Firemens Retirement Fund	US Bank Asset Management 800 Nicollet Mall Minneapolis, MN 55402 Attn: Sean Goudy Tel: (612) 303-3333 Fax: (612) 303-4264	1,620	Richard D. Waterfield SCG	34,830	44-6000268

OMNIBUS SIGNATURE PAGE TO
FARO TECHNOLOGIES, INC.
SECURITIES PURCHASE AGREEMENT

The undersigned hereby executes and delivers the Securities Purchase Agreement to which this Signature Page is attached, which, together with all counterparts of the Securities Purchase Agreement and Signature Pages of the other Investors and the Company to the Securities Purchase Agreement, shall constitute one and the same document in accordance with the terms of the Securities Purchase Agreement.

Investor Name: Cranshire Capital, L.P.

By: /s/ Mitchell P. Kopin

Print Name: Mitchell P. Kopin

Title: President - Downsview Capital
The General Partner

Address: 666 Dundee Road, Suite 1901
Northbrook, IL 60062

Telephone: 847-562-9030

Facsimile: 847-562-9031

Number of Shares: 150,000

Name in which Shares Are to Be Held (please
print):

Cranshire Capital, L.P.

Aggregate Purchase Price: \$ 3,225,000

Social Security or Tax ID Number: 36-4055954

OMNIBUS SIGNATURE PAGE TO
FARO TECHNOLOGIES, INC.
SECURITIES PURCHASE AGREEMENT

The undersigned hereby executes and delivers the Securities Purchase Agreement to which this Signature Page is attached, which, together with all counterparts of the Securities Purchase Agreement and Signature Pages of the other Investors and the Company to the Securities Purchase Agreement, shall constitute one and the same document in accordance with the terms of the Securities Purchase Agreement.

Investor Name: Portside Growth &
Opportunity Fund

By: /s/ Jeff Smith

Print Name: Jeff Smith

Title: Authorized Signatory

Address: c/o Ramius Capital Group, LLC
666 Third Avenue, 26th Floor
New York, New York 10017

Telephone: 212-845-7955

Facsimile: 212-845-7999

Number of Shares: 200,000

Name in which Shares Are to Be Held (please
print):

Portside Growth & Opportunity Fund

Aggregate Purchase Price: \$ 4,300,000

Social Security or Tax ID Number: 98-0216878

OMNIBUS SIGNATURE PAGE TO
FARO TECHNOLOGIES, INC.
SECURITIES PURCHASE AGREEMENT

The undersigned hereby executes and delivers the Securities Purchase Agreement to which this Signature Page is attached, which, together with all counterparts of the Securities Purchase Agreement and Signature Pages of the other Investors and the Company to the Securities Purchase Agreement, shall constitute one and the same document in accordance with the terms of the Securities Purchase Agreement.

Investor Name: UBS O'Connor LLC f/b/o
O'Connor PIPES Corporate
Strategies Ltd.

By: Jeffrey F. Putnam

Print Name: Jeffrey F. Putnam

Title: Executive Director

Address: 1 North Wacker Drive
Chicago, IL 60606
Attn: Tim Goldenman

Telephone: 312-525-5868

Facsimile: 312-525-6271

Number of Shares: 50,000

Name in which Shares Are to Be Held (please
print):

UBS O'Connor LLC f/b/o
O'Connor PIPES
Corporate Strategies
Ltd.

Aggregate Purchase Price: \$ 1,075,000

Social Security or Tax ID Number: _____

OMNIBUS SIGNATURE PAGE TO
FARO TECHNOLOGIES, INC.
SECURITIES PURCHASE AGREEMENT

The undersigned hereby executes and delivers the Securities Purchase Agreement to which this Signature Page is attached, which, together with all counterparts of the Securities Purchase Agreement and Signature Pages of the other Investors and the Company to the Securities Purchase Agreement, shall constitute one and the same document in accordance with the terms of the Securities Purchase Agreement.

Investor Name: UBS O'Connor LLC f/b/o
O'Connor Global Convertible
Arbitrage Master Ltd.

By: /s/ Jeffrey F. Putman

Print Name: Jeffrey F. Putman

Title: Executive Director

Address: 1 North Wacker Drive
Chicago, IL 60606
Attn: Tim Goldenman

Telephone: 312-525-5868

Facsimile: 312-525-6271

Number of Shares: 50,000

Name in which Shares Are to Be Held (please
print):

UBS O'Connor LLC f/b/o
O'Connor Global
Convertible Arbitrage
Master Ltd.

Aggregate Purchase Price: \$ 1,075,000

Social Security or Tax ID Number: _____

OMNIBUS SIGNATURE PAGE TO
FARO TECHNOLOGIES, INC.
SECURITIES PURCHASE AGREEMENT

The undersigned hereby executes and delivers the Securities Purchase Agreement to which this Signature Page is attached, which, together with all counterparts of the Securities Purchase Agreement and Signature Pages of the other Investors and the Company to the Securities Purchase Agreement, shall constitute one and the same document in accordance with the terms of the Securities Purchase Agreement.

Investor Name: Citadel Equity Fund Ltd.
By: Citadel Limited
Partnership, its
Portfolio Manager
By: GLB Partners, LP, its
General Partner
By: Citadel Investment
Group LLC, its General
Partner

By: /s/ Kenneth A. Simpler

Print Name: Kenneth A. Simpler

Title: Managing Director

Address: c/o Citadel Limited
Partnership
131 S. Dearborn St.
Chicago, IL 60603

Telephone: 312-395-2100

Facsimile: 312-977-0275

Number of Shares: 100,000

Name in which Shares Are to Be Held (please
print):

Citadel Equity Fund Ltd.

Aggregate Purchase Price: \$ 2,150,000

Social Security or Tax ID Number: 98-0339176

OMNIBUS SIGNATURE PAGE TO
FARO TECHNOLOGIES, INC.
SECURITIES PURCHASE AGREEMENT

The undersigned hereby executes and delivers the Securities Purchase Agreement to which this Signature Page is attached, which, together with all counterparts of the Securities Purchase Agreement and Signature Pages of the other Investors and the Company to the Securities Purchase Agreement, shall constitute one and the same document in accordance with the terms of the Securities Purchase Agreement.

Investor Name: SF Capital Partners Ltd.

By: /s/ Brian H. Davidson

Print Name: Brian H. Davidson

Title: Authorized Signatory

Address: c/o Staro Asset Management, LLC
3600 South Lake Drive
St. Francis, WI 53235

Telephone: 414-294-7000

Facsimile: 414-294-7700

Number of Shares: 305,000

Name in which Shares Are to Be Held (please print):

SF Capital Partners Ltd.

Aggregate Purchase Price: \$ 6,557,500

Social Security or Tax ID Number: 98-0363554

OMNIBUS SIGNATURE PAGE TO
FARO TECHNOLOGIES, INC.
SECURITIES PURCHASE AGREEMENT

The undersigned hereby executes and delivers the Securities Purchase Agreement to which this Signature Page is attached, which, together with all counterparts of the Securities Purchase Agreement and Signature Pages of the other Investors and the Company to the Securities Purchase Agreement, shall constitute one and the same document in accordance with the terms of the Securities Purchase Agreement.

Investor Name: Deephaven Small Cap Growth
Fund, LLC

By: /s/ Bruce Lieberman

Print Name: Bruce Lieberman

Title: Director of Private Placements

Address: 130 Cheshire Lane, Suite 102
Minnetonka, MN 55305

Telephone: 952-249-5543

Facsimile: 952-249-5320

Number of Shares: 225,000

Name in which Shares Are to Be Held (please
print):

Deephaven Small Cap Growth Fund, LLC

Aggregate Purchase Price: \$ 4,837,500

Social Security or Tax ID Number: 41-1963797

OMNIBUS SIGNATURE PAGE TO
FARO TECHNOLOGIES, INC.
SECURITIES PURCHASE AGREEMENT

The undersigned hereby executes and delivers the Securities Purchase Agreement to which this Signature Page is attached, which, together with all counterparts of the Securities Purchase Agreement and Signature Pages of the other Investors and the Company to the Securities Purchase Agreement, shall constitute one and the same document in accordance with the terms of the Securities Purchase Agreement.

Investor Name: Gamma Opportunity Capital
Partners, LP

By: /s/ Christopher Rossman

Print Name: Christopher Rossman

Address: British Colonial Centre of
Commerce
One Bay Street, Suite 401
Nassau, The Bahamas

Telephone: 242-322-6656

Facsimile: 242-322-6657

Number of Shares: 15,000

Name in which Shares Are to Be Held (please
print):

Gamma Opportunity Capital Partners, LP

Aggregate Purchase Price: \$ 322,500

Social Security or Tax ID Number: N/A

OMNIBUS SIGNATURE PAGE TO
FARO TECHNOLOGIES, INC.
SECURITIES PURCHASE AGREEMENT

The undersigned hereby executes and delivers the Securities Purchase Agreement to which this Signature Page is attached, which, together with all counterparts of the Securities Purchase Agreement and Signature Pages of the other Investors and the Company to the Securities Purchase Agreement, shall constitute one and the same document in accordance with the terms of the Securities Purchase Agreement.

Investor Name: Alpha Capital AG

By: /s/ Konrad Ackerman

Print Name: Konrad Ackerman

Address: Pradafaut 7
Fursrenrurns 9490
Vaduz Liechtenstein

Telephone: 011-423-232-3195

Facsimile: 011-423-232-3196

Number of Shares: 30,000

Name in which Shares Are to Be Held (please
print):

Alpha Capital AG

Aggregate Purchase Price: \$ 645,000

Social Security or Tax ID Number: _____

OMNIBUS SIGNATURE PAGE TO
FARO TECHNOLOGIES, INC.
SECURITIES PURCHASE AGREEMENT

The undersigned hereby executes and delivers the Securities Purchase Agreement to which this Signature Page is attached, which, together with all counterparts of the Securities Purchase Agreement and Signature Pages of the other Investors and the Company to the Securities Purchase Agreement, shall constitute one and the same document in accordance with the terms of the Securities Purchase Agreement.

Investor Name: Elliott Associates, L.P.
By: Elliott Capital
Advisors, L.P., as
general partner
By: Braxton Associates,
Inc., as general partner

By: /s/ Elliot Greenberg

Print Name: Elliot Greenberg

Title: Vice President

Address: 712 5th Avenue
New York, NY 10019

Telephone: 212-974-6000

Facsimile: 212-974-2092

Number of Shares: 55,000

Name in which Shares Are to Be Held (please
print):

Elliott Associates, L.P.

Aggregate Purchase Price: \$ 1,182,500

Social Security or Tax ID Number: 22-2140975

OMNIBUS SIGNATURE PAGE TO
FARO TECHNOLOGIES, INC.
SECURITIES PURCHASE AGREEMENT

The undersigned hereby executes and delivers the Securities Purchase Agreement to which this Signature Page is attached, which, together with all counterparts of the Securities Purchase Agreement and Signature Pages of the other Investors and the Company to the Securities Purchase Agreement, shall constitute one and the same document in accordance with the terms of the Securities Purchase Agreement.

Investor Name: Longview International
Equity Fund, LP

By: /s/ Wayne H. Coleson

Print Name: Wayne H. Coleson

Title: Investment Manager, CEO

Address: 25 Longview Court
Hillsborough, CA 94010
Attn: S. Michael Rudolph, CFO

Telephone: 650-340-1074

Facsimile: 650-343-2506
With a copy to: 415-283-3386
718-493-7499

Number of Shares: 155,000

Name in which Shares Are to Be Held (please
print):

Longview International Equity Fund, LP

Aggregate Purchase Price: \$ 3,332,500.00

Social Security or Tax ID Number: N/A

This is an offshore fund domiciled in the
B.V.I.

Exhibit A
Registration Rights Agreement

See attached.

Exhibit B

Transfer Agent Instructions

November __, 2003

American Stock Transfer & Trust Company
6201 15th Avenue
Brooklyn, NY 11219
Attn: Donna Ansbro

Re: Private Placement of 1,158,000 Shares of Common Stock Issued
by the Company and 770,000 Shares of Common Stock Sold by Selling Shareholders

Ladies and Gentlemen:

This letter refers to that certain Securities Purchase Agreement, dated as of November 11, 2003 (the "Securities Purchase Agreement"), by and among FARO Technologies, Inc., a Florida corporation (the "Company"), Xenon Research, Inc., a Florida corporation, and Gregory A. Fraser, a Florida resident (each of Xenon Research, Inc. and Gregory A. Fraser are referred to as the "Selling Shareholder" and both of whom collectively are referred to as the "Selling Shareholders"), and the parties set forth on the attached Exhibit I (the "Investors") relating to, among other things, the issuance and sale by the Company of 1,155,000 shares of the Company's common stock, par value \$.001 per share (the "Company Shares") to the Investors, and the transfer and sale by the Selling Shareholders of 772,000 shares of the Company's common stock, par value \$.001 per share (the "Selling Shareholder Shares") to the Investors.

The Company hereby authorizes and instructs you (provided that you are the transfer agent of the Company at such time) to issue (from authorized but unissued shares), countersign and register certificates representing 1,158,000 of the Company Shares and the Selling Shareholders hereby authorize and instruct you (provided that you are the transfer agent of the Company at such time) to transfer 772,000 of the Selling Shareholder Shares as set forth on Exhibit II in such names and in such share amounts as specified on the attached Exhibit I, and to cause such certificates to be delivered via Federal Express to the addresses specified on the attached Exhibit I. The closing of the purchase of the Company Shares and the Selling Shareholder Shares (collectively referred to herein as the "Shares") will occur on November 12, 2003, and accordingly, the certificates should be dated as of such date. The certificates representing the Shares shall bear the legend set forth below:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE BEEN SOLD IN RELIANCE UPON AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE SECURITIES MAY NOT BE OFFERED, SOLD, TRANSFERRED OR ASSIGNED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES 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 Company further instructs you not to acknowledge or record the transfer of any Shares in the shareholder records of the Company or to issue certificates representing any Shares to any person or entity other than the transferor thereof unless the requirements set forth below are satisfied with respect to such Shares, in which case such Shares are to be transferred free from any restrictive legend

(unless otherwise required by applicable state securities laws or the laws of any applicable foreign jurisdiction) and registered in such name and in such denominations as specified by the Investor in question:

You receive written notice from the Company that a registration statement covering resales of the Shares has been declared effective by the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Securities Act"), in the form attached hereto as Exhibit III, and written confirmation from the Investor in question that the resale of such Shares was made pursuant to such effective registration statement; or

You receive written notice from the Company, accompanied by an opinion of counsel, that the sale of such Shares may be effected under Rule 144 of the Securities Act.

You are further instructed to notify the Secretary of the Company in writing of any request that you receive pertaining to the proposed transfer of any of the Shares.

These instructions may not be rescinded or revoked other than by means of a communication signed by the Company, the Selling Shareholders, and the Investor in whose name the Shares in question are registered.

Please execute this letter in the space indicated to acknowledge your agreement to act in accordance with these instructions. Should you have any questions concerning this matter, please contact me at (407) 333-9911 or Steven Vazquez of Foley & Lardner, our outside legal counsel, at (813) 225-4177.

Very truly yours,

THE COMPANY:

FARO TECHNOLOGIES, INC.

By: _____
Gregory Fraser, Executive Vice
President and Chief Financial
Officer

THE SELLING SHAREHOLDERS:

XENON RESEARCH, INC.

By: _____
Name: _____
Title: _____

Gregory Fraser

THE FOREGOING INSTRUCTIONS ARE
ACKNOWLEDGED AND AGREED TO

this ___ day of _____, 2003

American Stock Transfer & Trust Company

By: _____
Name: _____
Title: _____

Exhibit C

Matters to be Covered in Opinion of Counsel to the Company

1. The Company is a corporation duly organized, validly existing and its status is active under the laws of the State of Florida and has the requisite corporate power to own, lease and operate its properties and to conduct its business as presently conducted.

2. The Company has the requisite corporate power and authority to execute, deliver and perform its obligations under the Transaction Documents including, without limitation, the issuance of the Common Stock. The Selling Shareholders have the requisite corporate power and authority to execute, deliver and perform their respective obligations under the Transaction Documents including, without limitation, the sale of the Common Stock.

3. All necessary corporate action has been taken by the Company to authorize the execution, delivery and performance by the Company of each of the Transaction Documents. The execution and delivery by the Company and the Selling Shareholders of each of the Transaction Documents and the performance by it of its obligations do not violate (i) their governing documents, if any, (ii) to our knowledge, any applicable law, rule or regulation of the United States or the State of Florida, or (iii) any applicable rule or regulation of the Principal Market.

4. The issuance and sale of the Securities have been duly authorized. When issued in accordance with the terms of the Securities Purchase Agreement, the Securities will be validly issued, fully paid and non-assessable and free of all taxes, liens, charges and preemptive rights with respect to the issue thereof.

5. Subject to the accuracy as to factual matters of the Investors' representations in Section 2 of the Securities Purchase Agreement, the offer and sale of the Securities in the manner contemplated by the Securities Purchase Agreement are exempt from the registration requirements of Section 5 of the Securities Act.

6. No consent or authorization of, filing with, notice to or registration with, any federal or state governmental body, regulatory agency, stock exchange or market, or the stockholders of the Company is required to be obtained by the Company or the Selling Shareholders (i) to enter into and perform their respective obligations under the Transaction Documents, (ii) for the issuance and sale of the Common Stock as contemplated by the Transaction Documents (except for the listing of the Common Stock on the Nasdaq National Market, the filing of the Registration Statement with the SEC, and normal post-closing filings in connection with qualifying for exemptions from the registration requirements of applicable state securities laws), or (iii) for the exercise of any rights and remedies under any Transaction Document.

7. Except as disclosed in the SEC Documents, to our knowledge, no action, suit, proceeding, inquiry or investigation before or by any court, public board or body or any governmental agency or self-regulatory organization is pending or threatened against the Company, any of its subsidiaries or the Selling Shareholders that could have a Material Adverse Effect or that into questions the validity or enforceability of, or seeks to enjoin the performance of, the Transaction Documents.

8. The execution, delivery and performance by the Company of the Transaction Documents, the consummation by the Company of the transactions contemplated thereby and the compliance by the Company with the terms thereof do not violate, conflict with or constitute a default (or an event which, with the giving of notice or lapse of time or both, constitutes or would constitute a default) under, give rise to any right of termination, cancellation or acceleration under, or result in the creation of any lien, charge or encumbrance on or against any of the properties of the Company pursuant to (i) the Articles of

Incorporation or By-laws of the Company; (ii) any other agreement, note, lease, mortgage, deed or other instrument which is filed with the SEC to which the Company is a party or by which the Company is bound or affected; or (iii) to our knowledge, any statute, law, rule or regulation applicable to the Company or any order, writ, injunction or decree.

9. Each of the Transaction Documents has been duly executed and delivered by or on behalf of the Company and the Selling Shareholders, and constitutes (assuming Florida law is identical to New York law) a valid and binding obligation of the Company and the Selling Shareholders enforceable against the Company and the Selling Shareholders in accordance with its respective terms, except as may be limited by bankruptcy, insolvency, liquidation, reorganization, moratorium, fraudulent conveyance or transfer or other similar laws relating to or affecting the rights of creditors generally and except as the enforceability thereof is subject to the application of general principles of equity (regardless of whether considered in a proceeding in equity or at law), including, without limitation, (a) the possible unavailability of specific performance, injunctive relief or any other equitable remedy and (b) concepts of materiality, reasonableness, good faith and fair dealing.

THIS LOAN AGREEMENT (this "Agreement") is made and entered into as of September 17, 2003, by and between FARO TECHNOLOGIES, INC., a Florida corporation (the "Borrower") and SUNTRUST BANK (the "Bank"). The parties hereto hereby agree as follows:

ARTICLE I
DEFINITIONS AND ACCOUNTING TERMS

Section 1.01 Defined Terms. As used in this Agreement, the following terms have the following meanings (terms defined in the singular to have the same meaning when used in the plural and vice versa):

"Access Agreement" means a waiver, subordination, bailee letter, mortgagee waiver, or other acknowledgment executed and delivered in favor of Bank by any landlord, warehouseman, processor, consignee, or other Person in possession of, having a Lien upon, or having rights or interests (including rights or interests arising by operation of law) in the Collateral, in each case in form and substance satisfactory to Bank.

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

"Accounts" has the meaning set forth in the Security Agreement.

"Acquisition" means any transaction or series of related transactions that result, directly or indirectly, in (a) the acquisition of all or substantially all of the assets of a Person, or of all or substantially all of any business or division of a Person, (b) the acquisition of in excess of 50% of the capital stock, partnership interests, membership interests, or equity of any Person, or otherwise causing a Person to become a Subsidiary, or (c) a merger or consolidation or any other business combination with another Person (other than a Person that is a Subsidiary) provided that the Borrower or a Subsidiary is the surviving entity.

"Advances" has the meaning set forth in Section 2.1.

"Adjusted LIBOR" means, with respect to each Interest Period for a LIBOR Loan, the rate per annum, obtained by dividing (a) LIBOR for such Interest Period by (b) a percentage equal to 1.00 minus the Eurodollar Reserve Percentage.

"Affiliate" means, with respect to any Person, (a) any other Person which, directly or indirectly, controls, is controlled by or is under common control with, such Person, (b) any other Person which beneficially owns or holds, directly or indirectly, ten percent (10%) or more of any class of voting stock of such Person, or (c) any other Person, ten percent (10%) or more of any class of the voting stock (or if such other Person is not a corporation, ten percent (10%) or more of the equity interest) of which is beneficially owned or held, directly or indirectly, by such Person. The term control (including the terms "controlled by" and "under common control

with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of the Person in question.

"Agreement" means this Loan Agreement, as amended, renewed, restated, supplemented, or modified from time to time.

"Asset Sale" means a sale, lease or sub-lease (as lessor or sublessor), sale and leaseback, assignment, conveyance, transfer or other disposition to, or any exchange of property with, any Person (other than Borrower or Guarantor), in one transaction or a series of transactions, of all or any material portion of Borrower's or Guarantor's businesses, assets or properties of any kind, whether real, personal, or mixed and whether tangible or intangible, whether now owned or hereafter acquired, other than (a) Inventory (as defined in the Security Agreement) sold or leased in the ordinary course of business, (b) disposal of obsolete or worn out Equipment (as defined in the Security Agreement) that Borrower deems no longer needed or useful in its business; or (c) licensing or cross-licensing of the Borrower's intellectual property rights; provided Borrower's license or cross-license of all or substantially all of its intellectual property rights shall constitute an "Asset Sale" hereunder.

"Bankruptcy Code" means Title 11 of the United States Code (11 U.S.C. ss. 101 et seq.) as amended, modified, succeeded or replaced from time to time.

"Base Rate" means mean the higher of (a) the per annum rate which the Bank publicly announces from time to time to be its prime lending rate, as in effect from time to time or (b) the Federal Funds Rate as in effect from time to time, plus three percent (3%) per annum. The Bank's prime lending rate is a reference rate and does not necessarily represent the lowest or best rate charged to customers. The Bank may make commercial loans or other loans at rates of interest at, above or below the Bank's prime lending rate. Each change in the Bank's prime lending rate shall be effective from and including the date such change is publicly announced as being effective.

"Base Rate Loan" means any portion of the Loan when and to the extent that the interest rate therefore is determined by reference to the Base Rate.

"Borrowing Availability" means as of any date of determination, (a) \$5,000,000 or (b) the Borrowing Base, whichever is less, minus, in each case, the sum of (i) all Advances then outstanding and (ii) the face amount of all issued and outstanding Letters of Credit.

"Borrowing Base" means, as of any date of determination, an amount equal to subject to change from time to time in Bank's sole discretion, the sum of:

(a) 80% of Eligible Accounts, plus

(b) the lesser of (i) 25% of Eligible Inventory measured at book value, or (ii) the Eligible Inventory Sublimit.

"Borrowing Base Certificate" means a certificate in the form of "Exhibit B."

"Business Day" means any day other than a Saturday, Sunday, or other day on which commercial banks in Florida are authorized or required to close under the laws of the State of Florida, and if the applicable Business Day relates to any LIBOR Loan, any day on which the London Inter-bank market is open for business.

"Capital Lease" means all leases that have been or should be capitalized on the books of the lessee in accordance with GAAP.

"Change of Control" means (a) any "person" or "group" (within the meaning of Sections 13(d) and 14(d) of the Exchange Act), becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 25%, or more, of the stock of Borrower having the right to vote for the election of members of the board of directors, or (b) a majority of the members of the board of directors do not constitute Continuing Directors, or (c) Borrower ceases to directly or indirectly own and control the majority of the outstanding capital stock of each of its Subsidiaries extant as of the Closing Date.

"Closing Date" means September __, 2003.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and the regulations and published interpretations thereof.

"Collateral" has the meaning set forth in the Security Agreement.

"Collections" means all cash, checks, notes, instruments and other items of payment (including insurance proceeds, proceeds of cash sales, rental proceeds and tax refunds).

"Commitment" means \$5,000,000.

"Consolidated EBITDA" means, for Borrower and its Subsidiaries for any period, an amount equal to the sum of (a) Consolidated Net Income for such period, plus (b) to the extent deducted in determining Consolidated Net Income for such period, (i) Consolidated Interest Expense, (ii) income tax expense, (iii) depreciation and amortization expense, and (iv) all other non-cash charges determined on a consolidated basis in accordance with GAAP in each case for such period.

"Consolidated Interest Expense" means, for Borrower and its Subsidiaries for any period determined on a consolidated basis in accordance with GAAP, the sum of (a) total cash interest expense, including without limitation the interest component of any payments in respect of obligations under Capital Leases capitalized or expensed during such period (whether or not actually paid during such period) plus (b) the net amount payable (or minus the net amount receivable) under Hedge Agreements during such period (whether or not actually paid or received during such period).

"Consolidated Net Income" means, for any period, the net income (or loss) of Borrower, and its Subsidiaries for such period determined on a consolidated basis in accordance with GAAP, but excluding therefrom (to the extent otherwise included therein) (a) any extraordinary gains, (b) any gains attributable to write-ups of assets, (c) any equity interest of Borrower or any Subsidiary of Borrower in the unremitted earnings of any Person that is not a

Subsidiary, and (d) any income (or loss) of any Person accrued prior to the date it becomes a Subsidiary or is merged into or consolidated with Borrower or any Subsidiary or the date such Person's assets are acquired by Borrower or any Subsidiary; provided, that if Consolidated Net Income is negative in any fiscal quarter, the amount added for such fiscal quarter shall be zero and such negative Consolidated Net Income shall not reduce the amount of Consolidated Net Income for any previous fiscal quarter.

"Consolidated Net Worth" means, as of any date, the book value of the assets of Borrower on a consolidated basis with its Subsidiaries, minus the sum of (a) reserves applicable thereto, and (b) Borrower's liabilities on a consolidated basis with its Subsidiaries (including accrued and deferred income taxes), all as determined in accordance with GAAP.

"Consolidated Tangible Net Worth" means, as of any date, (a) the total assets of Borrower and its Subsidiaries that would be reflected on Borrower's consolidated balance sheet as of such date prepared in accordance with GAAP, after eliminating all amounts properly attributable to minority interests, if any, in the stock and surplus of Subsidiaries, minus the sum of (b) (i) the total liabilities of Borrower and its Subsidiaries that would be reflected on Borrower's consolidated balance sheet as of such date prepared in accordance with GAAP, (ii) the amount of any write-up in the book value of any assets resulting from a revaluation thereof or any write-up in excess of the cost of such assets acquired reflected on the consolidated balance sheet of Borrower as of such date prepared in accordance with GAAP and (iii) the net book amount of all assets of Borrower and its Subsidiaries that would be classified as intangible assets on a consolidated balance sheet of Borrower as of such date prepared in accordance with GAAP. Consolidated Tangible Net Worth shall be increased by 100% of the amount by which Borrower's "total stockholder's equity" is increased as a result of any public or private offering of common stock of Borrower after the Closing Date.

"Consolidated Total Debt" means, as of any date of determination, all Indebtedness of Borrower and its Subsidiaries that would be reflected on a consolidated balance sheet of Borrower prepared in accordance with GAAP as of such date.

"Continuing Director" means (a) any member of the board of directors who was a director (or comparable manager) of Borrower on the Closing Date, and (b) any individual who becomes a member of the board of directors after the Closing Date if such individual was appointed or nominated for election to the board of directors by a majority of the Continuing Directors, but excluding any such individual originally proposed for election in opposition to the board of directors in office at the Closing Date in an actual or threatened election contest relating to the election of the directors (or comparable managers) of Borrower (as such terms are used in Rule 14a-11 under the Exchange Act) and whose initial assumption of office resulted from such contest or the settlement thereof.

"Current Ratio" means, as of any date of determination, the ratio of consolidated current assets of Borrower and its Subsidiaries to consolidated current liabilities of Borrower and its Subsidiaries, in each case as determined in accordance with GAAP.

"Daily Balance" means, with respect to each day during the term of this Agreement, the amount of an Obligation owed at the end of such day.

"Default" means any of the events specified in Section 7.01, whether or not any requirement for the giving of notice, the lapse of time, or both, or any other condition, has been satisfied.

"Default Rate" means the lesser of (a) five percent (5%) plus the otherwise applicable non-default interest rate hereunder, or (b) the maximum legal rate of interest that may be charged pursuant to Florida law.

"Demonstration Inventory" means measuring devices utilized by Borrower's sales representatives to present Borrower's products to customers.

"Dividend" means any direct or indirect patronage refund or distribution, dividend, redemption, return of capital, loan, advance, or other payment to any Person on account of any shares of stock of, securities of, or other ownership interest in, any other Person, including without limitation, any warrants or other rights or options to acquire shares of Stock of such other Person, but shall not include any share repurchases on the open market by the Borrower.

"Dollars" and the sign \$ means lawful money of the United States of America.

"Domestic Subsidiary" means a Subsidiary formed and existing under the laws of the United States of America or any State thereof.

"Eligible Accounts" means those Accounts created by Borrower and its Domestic Subsidiaries in the ordinary course of business that (a) are acceptable to Bank, (b) arise out of its sale of goods or rendition of services, (c) comply with each of the representations and warranties respecting Eligible Accounts, (d) are subject to the first-priority Lien of Bank as set forth herein, and (e) are remitted through the Lockbox Account, and (f) are not excluded as ineligible by virtue of one or more of the criteria set forth below; provided, however, that such criteria may be fixed and revised from time to time by Bank in its sole discretion:

(i) Accounts with respect to which the Account Debtor is an officer, director, partner, employee or agent of Borrower or any Guarantor;

(ii) Accounts with respect to which the Account Debtor is an Affiliate of Borrower or any Guarantor;

(iii) Accounts that are subject to Liens in favor of any Person other than Bank;

(iv) Accounts that are not payable in Dollars;

(v) Accounts with respect to which goods are placed on consignment, guaranteed sale, or other terms by reason of which the payment by the Account Debtor may be conditional;

(vi) Accounts with respect to which the Account Debtor (i) does not maintain its chief executive office in the United States, or (ii) is not organized under the

laws of the United States, or any state thereof, except to the extent such Accounts are supported by insurance, bonds, letters of credit, insurance policies or other assurances satisfactory to Bank;

(vii) Accounts with respect to which Borrower or any Domestic Subsidiary is or may become liable to the Account Debtor for goods sold or services rendered by the Account Debtor to Borrower or such Domestic Subsidiary;

(viii) Accounts that are subject to dispute, counterclaim, or setoff;

(ix) Accounts with respect to which the goods have not been shipped or delivered, or the services have not been rendered, to the Account Debtor;

(x) Accounts with respect to which Bank, in its sole discretion, deems the creditworthiness or financial condition of the Account Debtor to be unsatisfactory;

(xi) Accounts of any Account Debtor who has filed or has had filed against it a petition in bankruptcy or an application for relief under any provision of any state or federal bankruptcy, insolvency, or debtor in relief acts; or who has had appointed a trustee, custodian, or receiver for the assets of such Account Debtor; or who has made an assignment for the benefit of creditors or has become insolvent or fails generally to pay its debts (including its payrolls) as such debts become due;

(xii) Accounts with respect to which the Account Debtor is the United States of America government or any department or agency of the United States of America, except Accounts for which Borrower has complied with the Assignment of Claims Act, 31 USC ss. 3727;

(xiii) Accounts with respect to an Account Debtor whose total obligations owing exceed 10% of all Eligible Accounts, but only to the extent in excess of such percentage;

(xiv) Accounts with respect to which the Account Debtor is located in a state where creditors must file a business activity report or similar document in order to bring suit or otherwise enforce its remedies against Persons in the courts or through judicial process, unless Borrower or such Domestic Subsidiary has filed a business activities report with the such state for the then-current year, or is exempt therefrom;

(xv) Accounts that have not been paid in full within 90 days from the invoice date therefor, or have terms of more than 60 days; or

(xvi) Accounts where the Account Debtor does not have more than 25% of its aggregate Accounts owing for more than 90 days from the date of the invoice therefor.

"Eligible Inventory" means all Inventory of Borrower and its Domestic Subsidiaries consisting of first quality finished goods held for sale in the ordinary course of business that (a) are located at an Eligible Inventory Location, (b) is located at one of the

locations specified on Schedule 4.06, (c) is subject to the first-priority Lien of Bank as set forth herein, (d) is Demonstration Inventory held for less than 12 months, (e) is not excluded as ineligible by virtue of one or more of the criteria set forth below; provided, however, that such criteria may be fixed and revised from time to time by Bank in Bank's reasonable credit judgment (including, without limitation, as a result of any audit or appraisal performed by Bank or Borrower from time to time):

(i) Borrower or such Domestic Subsidiary does not have good, valid and marketable title thereto;

(ii) It is in-transit Inventory from one location to another location;

(iii) It is located on real property leased by Borrower or such Domestic Subsidiary, in a contract warehouse, or placed with a storage, freight, or customs agent, unless it is otherwise separately identifiable from goods of others, if any, stored on the premises, unless an Access Agreement has been obtained by Borrower or such Domestic Subsidiary with respect thereto;

(iv) It is not subject to Bank's perfected first-priority Lien;

(v) It consists of used goods or goods returned or rejected by customers; or

(vi) It consists of goods that are obsolete (determined in accordance with GAAP) or slow moving, (or in any case are still held by Borrower or such Domestic Subsidiary more than twelve (12) months from the date such item of Inventory was purchased or delivered) restrictive or custom items, work-in-process, raw materials, prototypes, samples, chemicals, goods that constitute spare parts, packaging and shipping materials, supplies used or consumed in Borrower's or such Domestic Subsidiary's business, bill and hold goods, defective goods, "seconds" or Inventory acquired on consignment.

"Eligible Inventory Locations" means Borrower's headquarters location in Lake Mary, Florida, and Borrower's facilities in Kennett Square, Pennsylvania to the extent that Bank has received an Access Agreement with respect thereto, together with any other location in the United States consented to by Bank in writing, and for which Bank has received an Access Agreement.

"Eligible Inventory Sublimit" means \$1,000,000.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations and published interpretations thereof.

"Eurodollar Reserve Percentage" means the aggregate of the maximum reserve percentages (including, without limitation, any emergency, supplemental, special or other marginal reserves) expressed as a decimal (rounded upwards to the next 1/100 of 1%) in effect on any day to which the Bank is subject with respect to

the Adjusted LIBOR Rate pursuant to regulations issued by the Board of Governors of the Federal Reserve System (or any Governmental Authority succeeding to any of its principal functions) with respect to eurocurrency funding (currently referred to as "eurocurrency liabilities" under Regulation D). LIBOR Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to the Bank under Regulation D. The Eurodollar Reserve Percentage shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"Event of Default" means any of the events specified in Section 7.01, provided that any requirement for the giving of notice, the lapse of time, or both, or any other condition, has been satisfied.

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or if such day is not a Business Day, for the next succeeding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day for such transactions received by Bank from three Federal funds brokers of recognized standing selected by Bank.

"Fixed Charge Coverage Ratio" means, for any period of three consecutive fiscal months of Borrower, the ratio of (a) Consolidated EBITDA for such period, less the actual amount paid by Borrower and its Subsidiaries in cash during the period on account of capital expenditures, to (b) for Borrower and its Subsidiaries on a consolidated basis, the sum of (i) operating lease expenses for such period, plus (ii) Consolidated Interest Expense for such period, plus (iii) scheduled payments of principal on Indebtedness for such period.

"Foreign Subsidiary" means a Subsidiary formed and existing under the laws of a country other than the United States of America or any State thereof.

"GAAP" means generally accepted accounting principles set forth in pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board or the American Institute of Certified Public Accountants or which have other substantial authoritative support and are applicable in the circumstances as of the date of a report, as such principles are from time to time supplemented and amended.

"Guarantor" or "Guarantors" means, collectively, each of the Domestic Subsidiaries, together with each other Person that guarantees all or part of the Obligations hereunder after the Closing Date.

"Guaranty" means that certain Unlimited Continuing Guaranty Agreement dated of even date herewith executed and delivered by Guarantors in favor of Bank, as amended, restated, renewed, ratified, supplemented or otherwise modified from time to time, together with any other Unlimited Continuing Guaranty Agreement delivered by a Guarantor in favor of Bank after the Closing Date.

"Hedge Agreements" means, collectively, any rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index option, bond option, interest rate option, foreign exchange transaction, short sale transaction, cap

transaction, floor transaction, collar transaction, currency swap transaction, cross currency rate swap transaction, currency option, any other similar transaction (including any option with respect to any of these transactions) and any combination of the foregoing which directly hedges or offsets interest rate risk or other market risk with respect to any of the obligations of Borrower under the Loan Documents, Borrower or any of its Subsidiaries at the time such transaction is entered into.

"Holdco" means FARO CAYMAN, L.P., a limited partnership formed and existing under the laws of the Cayman Islands, in which Borrower owns 65% of the equity interests.

"Indebtedness" of any Person shall mean, without duplication (a) all obligations of such Person for borrowed money of any kind, now existing or hereafter arising whether primary, secondary, direct, contingent or otherwise, (b) all obligations of such Person for all issued and outstanding Letters of Credit; (c) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (d) all obligations of such Person in respect of the deferred purchase price of property or services (including trade payables incurred in the ordinary course of business; (e) all obligations of such Person under any conditional sale or other title retention agreement(s) relating to property acquired by such Person, (f) all obligations under such Person's Capital Leases, (g) all obligations, contingent or otherwise, of such Person in respect of letters of credit, acceptances or similar extensions of credit, (h) all guarantees of such Person of the type of Indebtedness described in clauses (a) through (g) above, (i) all Indebtedness of a third party secured by any Lien on property owned by such Person, whether or not such Indebtedness has been assumed by such Person, (j) all obligations of such Person, contingent or otherwise, to purchase, redeem, retire or otherwise acquire for value any common stock of such Person, and (k) off-balance sheet liabilities of such Person. The Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture in which such Person is a general partner or a joint venturer, except to the extent that the terms of such Indebtedness provide that such Person is not liable therefor.

"Insolvency Proceeding" means any proceeding commenced by or against any Person under any provision of the Bankruptcy Code or under any other state or federal bankruptcy or insolvency law, assignments for the benefit of creditors, formal or informal moratoria, compositions, extensions generally with creditors, or proceedings seeking reorganization, arrangement, or other similar relief.

"Inventory" has the meaning set forth in the Security Agreement.

"Intercompany Subordination Agreement" means that certain Intercompany Subordination Agreement dated of even date herewith by and among Borrower and its Subsidiaries in favor of Bank, as amended, restated, renewed, supplemented or otherwise modified from time to time.

"Interest Period" means with respect to any LIBOR Loan, the period commencing on the date as Borrower initially selects, and ending on the numerically corresponding day in the first calendar month thereafter, except that each such Interest Period that commences on the last Business Day of a calendar month (or on any day for which there is no numerically

corresponding day in the appropriate subsequent calendar month) shall end on the last Business Day of the appropriate subsequent calendar month. No Interest Period may extend beyond the Maturity Date. If an Interest Period would end on a day that is not a Business Day, such Interest Period shall be extended to the next Business Day unless, in the case of a LIBOR Loan, such Business Day would fall in the next calendar month, in which event such Interest Period shall end on the immediately preceding Business Day.

"Inventory" has the meaning set forth in the Security Agreement.

"L/C Cash Collateral Account" has the meaning set forth in Section 7.03.

"L/C Related Documents" has the meaning set forth in Section 2.20(f)(i).

"Letter of Credit" shall mean any standby, documentary or trade Letter of Credit issued by a Bank hereunder as requested by Borrower for the account or to secure obligations of Borrower or a Subsidiary of Borrower, in accordance with the terms of Section 2.20.

"Letter of Credit Documents" shall mean, with respect to any Letter of Credit, such Letter of Credit, any amendments thereto, any documents delivered in connection therewith, any application therefor, and any agreements, instruments, guarantees or other documents (whether general in application or applicable only to such Letter of Credit) governing or providing for (a) the rights and obligations of the parties concerned or at risk or (b) any collateral security for such obligations.

"Letter of Credit Fees" has the meaning set forth in Section 2.04.

"Letter of Credit Obligations" shall mean, at any time, the sum of (a) the maximum amount that is, or at any time thereafter may become, available to be drawn under Letters of Credit then outstanding, assuming compliance with all requirements for drawings referred to in such Letters of Credit plus (b) the aggregate amount of all drawings under Letters of Credit honored by Bank but not theretofore reimbursed.

"Letter of Credit Sublimit" shall mean an aggregate amount not to exceed \$1,000,000, as such amount may be reduced from time to time in accordance with the provisions hereof.

"Leverage Ratio" means, as of any date of determination, the ratio of (a) Consolidated Total Debt to (b) Consolidated Tangible Net Worth as of such date.

"LIBOR" means for any applicable Interest Period with respect to a LIBOR Loan, the rate per annum for deposits in U.S. dollars for a period equal to such Interest Period appearing on the display designated as Page 3750 on the Dow Jones Markets Service (or such other page on that service or such other service designated by the British Bankers' Association for the display of such Association's Interest Settlement Rates for U. S. dollar deposits). as of 11:00 A.M. (London, England time) on the day that is two (2) Business Days prior to the first day of the Interest Period or if such Page 3750 is unavailable for any reason at such time, the rate which appears on the Reuters Screen IDA Page as of such date and such time; provide , that if the Bank determines that the relevant foregoing sources are unavailable for the relevant Interest

Period, LIBOR shall mean the rate of interest determined by the Bank to be the average (rounded upwards, if necessary, to the nearest 1/100th of 1 %) of the rates per annum at which deposits in U.S. dollars are offered by the Bank two (2) Business Days preceding the first day of such Interest Period to leading banks in the London interbank market as of 10:00 A.M. (Orlando, Florida time) for delivery on the first day of such Interest Period, for the number of days comprised therein and in an amount comparable to the amount of such LIBOR Loan.

"LIBOR Loan" means any portion of the Loan when and to the extent that the interest rate therefor is determined by reference to LIBOR.

"LIBOR Rate Banking Day" means any day other than a Saturday or a Sunday on which banks are open for business in Orlando, Florida, and on which banks in London, England, settle payments.

"Lien" means any mortgage, deed of trust, leasehold mortgage, pledge, security interest, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), or preference, priority, or other security agreement or preferential arrangement, charge, or encumbrance of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of any financing statement under the Uniform Commercial Code or comparable law of any jurisdiction to evidence any of the foregoing).

"Liquidity Ratio" means, with respect to Borrower and Guarantor, all current assets (such as cash, accounts receivable and marketable securities held by Bank) excluding inventories divided by current liabilities (such as accounts payable, accrued liabilities, etc.) excluding deferred revenue.

"Loan" has the meaning set forth in Section 2.1.

"Loan Documents" means this Agreement, the Note, the Intercompany Subordination Agreement, the Letter of Credit Documents, the Security Agreement, the Pledge Agreement, the Tax Indemnity Agreement, the Lockbox Account Agreement, any Hedge Agreement entered into by and between Borrower and Bank, and all other agreements, instruments, and documents executed in connection with any of the foregoing, now or hereafter evidencing, securing, guaranteeing or otherwise relating to the Obligations or the Collateral.

"Lockbox Account" means each blocked bank account or bank account associated with a lock-box, into which the funds of the Borrower (including, without limitation, proceeds of the Collateral) are deposited or credited, and which is maintained in the name of Bank or Borrower, as the Bank may determine, on terms acceptable to the Bank.

"Lockbox Account Agreement" means that certain SunTrust Treasury Management Services Master Agreement (including, without limitation, the Wholesale Lockbox Service Schedule thereto) executed and delivered by Borrower in favor of Bank, regarding the operation of the Lockbox Account, as the same may from time to time be amended, supplemented or modified.

"Material Adverse Effect" means a material adverse effect on (a) the business, assets, operations, prospects or financial or other condition of Borrower, (b) Borrower's ability to pay any of the Obligations in accordance with the terms of this Agreement, (c) the Collateral or Bank's Liens on the Collateral or the priority of such Liens, (d) Bank's rights and remedies under the Agreement and the other Loan Documents, or (e) any Guarantor's ability to honor its payment or performance obligations pursuant to a Guaranty.

"Maturity Date" means the earlier to occur of (a) demand for full payment of the Obligations by Bank following the occurrence and continuation of an Event of Default under this Agreement or any other Loan Document, or (b) September __, 2004.

"Multi-Employer Plan" means a Plan described in Section 4001(a)(3) of ERISA.

"Net Cash Proceeds" means, with respect to any Asset Sale, the aggregate amount of cash received from time to time by or on behalf of such Person in connection with such transaction, after deducting therefrom only (a) reasonable and customary brokerage commissions, underwriting fees and discounts, legal fees, finder's fees and other similar fees and commissions, in each case to the extent, but only to the extent, that the amounts so deducted are, at the time of receipt of such cash, actually paid to a Person that is not an Affiliate and are properly attributable to such transaction, and (b) the amount of taxes payable in connection with or as a result of such transaction.

"Note" means that certain Revolving Note dated of even date herewith executed and delivered by Borrower in favor of Bank, as amended, restated, renewed, supplemented or otherwise modified from time to time.

"Notice of Request for Letter of Credit" shall mean a notice of request for issuance of a Letter of Credit in form and substance satisfactory to Bank.

"Obligations" means all present and future loans, advances, liabilities, obligations, covenants, duties, and Indebtedness owing by the Borrower to the Bank, including, without limitation of all Indebtedness arising under this Agreement (including Letter of Credit Obligations) and the other Loan Documents, whether or not evidenced by any note, or other instrument or document, whether arising from an extension of credit, issuance of a letter of credit, acceptance, loan, guaranty, Hedge Agreement indemnification or otherwise, whether direct or indirect (including, without limitation, those acquired by assignment from others, and any participation by the Bank in the Borrower's debts owing to others), absolute or contingent, due or to become due, primary or secondary, as principal or guarantor, and including, without limitation, all interest, charges, expenses, fees, attorneys' fees, filing fees and any other sums chargeable to the Borrower under this Agreement, under any other Loan Document, or under any other agreement or instrument with the Bank. Any reference in this Agreement or the Loan Documents to the Obligations shall include all amendments, changes, extensions, modifications, renewals, replacements, substitutions, and supplements thereto and thereof, as applicable, both prior and subsequent to any Insolvency Proceeding.

"Organizational Documents" means, for any Person, such Person's (a) articles or certificate of incorporation, formation or organization, (b) bylaws, operating agreement or other similar document, (c) certificate of determination or instrument relating to the rights of preferred

shareholders, members or other equity holders of such Person, (d) shareholder rights agreement or other similar agreement, and (e) resolutions of the Board of Directors (or any committee thereof), members, managers (if manager managed) or similar governing body of such Person.

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"Permitted Acquisition" means any Acquisition by the Borrower or a Subsidiary which satisfies each of the following requirements: (a) no Event of Default has occurred and is continuing or will result from, such Acquisition; (b) if the aggregate consideration to be paid by the Borrower and its Subsidiaries in connection with such Acquisition (including debt Assumed, but excluding capital stock of the Borrower) exceeds \$2,500,000, the Borrower shall have delivered to the Bank a certificate demonstrating that, after giving effect to such Acquisition, the Borrower shall be in pro forma compliance with Section 5.13; provided, however, that if the Subsidiary so acquired is a Domestic Subsidiary, Borrower also complies with Section 6.03.

"Permitted Asset Sale" means any Asset Sale by the Borrower or a Subsidiary which satisfies each of the following requirements: (a) no Event of Default has occurred and is continuing, or will result from, such Asset Sale; (b) if the aggregate consideration to be received by the Borrower and its Subsidiaries in connection with such Asset Sale (including debt of the and capital stock of the purchaser) exceeds \$2,500,000, the Borrower shall have delivered to the Bank a certificate demonstrating that, after giving effect to such Asset Sale, the Borrower shall be in pro forma compliance with Section 5.13.

"Permitted Indebtedness" means (a) Indebtedness evidenced by this Agreement and the Note, and (b) accounts payable to trade creditors for goods or services which are not aged more than ninety (90) days from the billing date and current operating liabilities (other than for borrowed money) which are not more than thirty (30) days past due, in each case incurred in the ordinary course of business, as such business is presently conducted, and paid within the specified time, unless contested in good faith and by appropriate proceedings, (c) Indebtedness secured by Permitted Liens; (d) Indebtedness outstanding on the Closing Date as set forth on Borrower's financial statements described in Section 4.05; and (e) other unsecured Indebtedness in an aggregate amount outstanding at any time not in excess of \$1,000,000.

"Permitted Liens" means (a) Liens in favor of Bank, (b) Liens for taxes or assessments or other government charges or levies if not yet due and payable or, if due and payable, if they are being contested in good faith by appropriate proceedings and for which appropriate reserves are maintained; (c) purchase money security interests perfected in accordance with applicable law, (d) Liens reflected by Uniform Commercial Code financing statements filed in respect of Capital Leases permitted hereunder and true leases of the Borrower and its Subsidiaries; (e) Liens imposed by the operation of law, such as mechanics', materialmen's, landlords', warehousemen's, and carriers' Liens, and other similar Liens, securing obligations incurred in the ordinary course of business which are not past due for more than thirty (30) days or which are being contested in good faith by appropriate proceedings and for which appropriate reserves have been established by Bank; (f) other Liens approved by Bank in writing; and (g) Liens under workers' compensation, unemployment insurance, Social Security, or similar legislation; and easements, rights-of-way, restrictions, and other similar encumbrances which, in the aggregate, do not materially interfere with the occupation, use, and

enjoyment by Borrower or any Subsidiary of the property or assets encumbered thereby in the normal course of its business or materially impair the value of the property subject thereto.

"Person" means an individual, partnership, corporation, business trust, joint stock company, trust, unincorporated association, joint venture, governmental authority, or other entity of whatever nature.

"Plan" means any pension plan which is covered by Title IV of ERISA and in respect of which Borrower is an "employer" as defined in Section 3(5) of ERISA.

"Pledge Agreement" means, individually or collectively, any Pledge Agreement executed and delivered by Borrower in favor of Bank, wherein Borrower has granted to Bank a security interest in and pledge of, (a) 65% of the stock or other equity interests owned by Borrower in Holdco, and (b) 100% of the stock or other equity interests owned by Borrower in each Domestic Subsidiary, as the same may be amended, restated, renewed, supplemented or otherwise modified from time to time

"Principal Office" means Bank's office at 200 South Orange Avenue, Orlando, Florida 32801.

"Prohibited Transaction" means any transaction set forth in Section 406 of ERISA or Section 4975 of the Code.

"Reportable Event" means any of the events set forth in Section 4043 of ERISA.

"Security Agreement" means that certain Security Agreement dated of even date herewith executed and delivered by Borrower and each Domestic Subsidiary in favor of Bank, as amended, restated, renewed, supplemented or otherwise modified from time to time.

"Solvent" means, at any date of determination (a) the assets of such Person, at a fair valuation, are in excess of the total amount of its debts (including contingent liabilities), and (b) the present fair saleable value of its assets is greater than its probable liability on its existing debts as such debts become absolute and matured, and (c) it is then able and expects to be able to pay its debts (including contingent debts and other commitments) as they mature, and (d) it has capital sufficient to carry on its business as conducted and as proposed to be conducted.

"Subsidiary" means, with respect to any Person, any corporation of which more than thirty-five percent (35%) of the outstanding securities of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporate directors (or Persons performing similar functions), is at the time, directly or indirectly through one or more intermediaries, owned by such Person or one or more of its Subsidiaries (including, without limitation, each of the Foreign Subsidiaries and the Domestic Subsidiaries).

"Tax Indemnity Agreement" means that certain Tax Indemnity Agreement dated of even date herewith executed and delivered by Borrower in favor of Bank, as amended, restated, renewed, supplemented or otherwise modified from time to time.

Section 1.02 Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP on a consistent basis; provided, that if the Borrower notifies the Bank that the Borrower desires to amend any covenant in Section 5.13 (or any related definition) to eliminate the effect of any change in GAAP on the operation of such covenant (or any related definition), or the Bank notifies the Borrower that the Bank desires to amend any such covenant (or any related definition) for such purpose, then the Borrower's compliance with such covenant shall be determined (or such definition shall be interpreted) on the basis of GAAP as in effect immediately before such change became effective, until either such notice is withdrawn or such covenant (or such definition) is amended in a manner satisfactory to the Borrower and the Bank.

ARTICLE II
AMOUNT AND TERMS OF THE LOAN

Section 2.01 The Loan. Bank agrees on the terms and conditions hereinafter set forth, to make advances (the "Advances" and each an individual "Advance") to Borrower from time to time during the period from the date of this Agreement (the "Loan" or "Loans") up to, but not including, the Maturity Date, in an aggregate principal amount not to exceed at any time outstanding, the lesser of (a) the Borrowing Availability, or (b) the Commitment. Until the Maturity Date, Borrower may borrow, repay and reborrow under this Section 2.01. In no event shall Bank be required to make any such Loan under this Agreement if it would cause the aggregate of all Loans to exceed the Commitment.

Section 2.02 Notice and Manner of Borrowing for Loans. Borrower shall request each borrowing under the Loan by written or telegraphic notice (effective upon receipt) not later than (a) 12:00 p.m. (Eastern time) on the Business Day of any proposed Base Rate Loan, or (b) 11:00 a.m. (Eastern time) not less than two (2) Business Days prior to any proposed LIBOR Rate Loan, in each case, specifying (i) the date of such Loan, (ii) the amount of such Loan, (iii) the type of Loan, and (iv) in the case of a LIBOR Loan, the duration of the Interest Period applicable thereto. On the date of such Loan and upon fulfillment of all applicable conditions set forth in Article III, Bank will make the proceeds of such Loan available to Borrower by crediting the amount thereon to Borrower's account with Bank. Each borrowing request shall be irrevocable and binding on Borrower and Borrower shall indemnify Bank for any loss or expense incurred by Bank as a result of the failure to borrow as specified in such request.

Section 2.03 The Note. Borrower's obligation to repay the Loan shall be evidenced by a single promissory note (the "Note") in substantially the form of Exhibit "A" attached hereto, payable to the order of Bank.

Section 2.04 Fees. Borrower shall pay to Bank the following fees and charges, which fees shall be non-refundable and fully earned when paid (irrespective of whether this Agreement is terminated thereafter):

(a) Unused Line Fee. On the last day of each month in arrears during the term of this Agreement, an unused line fee in an amount equal to 0.10% per annum times the result of (a) the Commitment, less (b) the average Daily Balance of the Loans that were outstanding during the immediately preceding month.

(b) Letter of Credit Fees. For each Letter of Credit issued by Bank hereunder, Borrower shall pay to Bank, on demand, its standard fees in effect at such time for the issuance of such Letter of Credit or incurrence of such fee or expense in connection with such Letter of Credit (including, without limitation, any issuance, renewal, conversion, or drawing fees) (the "Letter of Credit Fees").

Section 2.05 Conversion of Loan Types. Borrower may elect from time to time to convert all or part of one type of Loan into another type of Loan by giving Bank notice at least two (2) Business Days before the conversion specifying (a) the conversion date, (b) the type of Loan to be converted into; provided that LIBOR Loans may only be converted only on the last day of the Interest Period for such Loan. All notices given under this Section 2.05 shall be irrevocable and shall be given not later than 11:00 a.m. (Eastern time) on the day which is not less than the number of Business Days specified above for such notice. If Borrower shall fail to give Bank the notice as specified above for the renewal or conversion of a LIBOR Loan prior to the end of the Interest Period with respect thereto, such LIBOR Loan shall automatically be converted into a Base Rate Loan on the last day of the Interest Period.

Section 2.06 Interest Rate for Loans. Borrower shall pay interest to Bank on the unpaid principal amount of the Loans at a rate per annum equal to, at Borrower's option, (a) the Base Rate, or (b) the Adjusted LIBOR rate, plus 1.75%. Any change in the Base Rate shall be effective as of the opening of business on the day on which such change in the Base Rate becomes effective. Interest on the Loans shall be calculated on the basis of a year of three hundred sixty (360) day year for the actual number of days elapsed.

Section 2.07 Savings Clause. Notwithstanding anything contained herein to the contrary, the interest rate charged pursuant to this Agreement including all charges and fees in connection therewith deemed in the nature of interest under Florida law, shall not exceed the maximum rate allowed by law. In the event the stated interest rate on the Notes together with any other charge or fee deemed in the nature of interest exceeds the maximum legal rate, then, ipso facto, the interest rate shall be reduced to the maximum legal rate, and if, interest in excess of the maximum legal rate shall have been paid by Borrower in connection with this Agreement or under the Notes, the amount of such excess shall be applied to unpaid and outstanding principal, and not to the payment of interest.

Section 2.08 Interest Payments on Loans. Interest on the Loans (Base Rate Loans and LIBOR Loans) shall be paid to Bank in immediately available funds, on the last day of each month in arrears, and on the Maturity Date.

Section 2.09 Late Payments and Default Rate. Borrower shall pay to Bank a late charge equal to five percent (5.0%) of the installment (or a portion thereof) on the Note that is not paid within five (5) days of the due date. All late charges shall be immediately paid by Borrower to Bank. This late payment charge serves to defray a part of the increased cost of collection and is not a penalty, but is in addition to any interest which may be imposed at the default rate as a result of failure to pay within the grace period and any other remedies which are or may become exercisable by Bank hereunder. Upon an Event of Default, any unpaid portion of the principal, all accrued and unpaid interest and any other sums due under any Notes shall bear interest at the Default Rate from the date of such Event of Default and shall accrue until the

earlier to occur of (a) waiver in writing by Bank of the applicable Event of Default, (b) agreement by Bank to rescind the charging of interest at the Default Rate, or (c) payment in full of the Obligations.

Section 2.10 Reserved.

Section 2.11 Optional Prepayments. Borrower may, upon at least two (2) Business Days' notice to Bank, prepay Loans with adjustable rates in whole or in part with accrued interest to the date of such prepayment on the amount prepaid; provided, that a LIBOR Loan may only be prepaid on the last day of the Interest Period for such Loan.

Section 2.12 Mandatory Repayments. Immediately upon receipt by Borrower of the Net Cash Proceeds of any Asset Sale, Borrower shall prepay the Loans in an amount equal to all of such Net Cash Proceeds. Any prepayment pursuant to this Section 2.12 shall be applied to the Obligations in accordance with Section 2.14.

Section 2.13 Method of Payment. Borrower shall make each payment on the due date therefor, not later than 2:00 p.m. (Eastern Time) in lawful money of the United States to Bank at its Principal Office in immediately available funds. Any payment received by Bank later than 2:00 p.m. (Eastern Time), or on a day that is not a Business Day shall be deemed to have been received on the following Business Day, and any applicable interest and fees shall continue to accrue until such Business Day. Borrower hereby authorizes Bank, if and to the extent payment is not made when due under this Agreement, from time to time, to charge such amounts to any account of Borrower maintained with Bank. Borrower agrees to pay all payments due to Bank under this Agreement, whether for principal, interest, fees or otherwise, without set-off or counterclaim, and free and clear and without any deduction or withholding on account of any taxes, all of which shall be for the account of Borrower and paid by it directly to the relevant taxing or other authority when due. If Borrower shall be required by law to make any deduction or withholding in respect of taxes from any payment hereunder, the sum payable shall be increased by such amount as will result in the receipt by Bank, after such deduction or withholding, of the amount that would have been received if such deduction or withholding had not been required.

Section 2.14 Application of Payments. Until the occurrence and continuation of an Event of Default, all Payments made to Bank (other than those payments that relate to specific fees, or payments required by this Agreement to be applied to specific Obligations), and the proceeds of the Collateral shall be applied first, to pay fees and expenses of Bank in connection with this Agreement until paid in full, second, to pay interest due in respect of the Loan until paid in full, third, to pay the principal of all Loans until paid in full, fourth, after the occurrence of an Event of Default hereunder, to cash collateralize the Letter of Credit Obligations in the amount of 105% of the outstanding face amount of any Letters of Credit, and fifth, to all other Obligations to the extent not paid in full, and thereafter, to Borrower. After the occurrence and during the continuation of an Event of Default, all payments made to Bank shall be applied to the Obligations in Bank's sole discretion

Section 2.15 Demand, Maturity Date. Notwithstanding anything herein to the contrary, all outstanding principal, interest and other amounts due under this Agreement in respect of the Obligations shall be due and payable in full, without demand on the Maturity Date.

Section 2.16 Use of Proceeds. The proceeds of the Loans hereunder shall be used by Borrower to finance working capital needs and for other general corporate purposes. Borrower will not, directly or indirectly, use any part of such proceeds for the purpose of purchasing or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System, to extend credit to any Person for the purpose of purchasing or carrying any such margin stock, or for any purpose which violates, or is inconsistent with, Regulation X of such Board of Governors, or Executive Order 13224.

Section 2.17 Illegality. Notwithstanding any other provision in this Agreement to the contrary, if Bank determines that any applicable law, rule, or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank, or comparable agency charged with the interpretation or administration thereof, or compliance by Bank with any request or directive (whether or not having the force of law) of any such authority, central bank, or comparable agency shall make it unlawful or impossible for Bank to maintain or fund LIBOR Loans, then upon notice to Borrower by Bank the outstanding principal amount of the LIBOR Loans, together with interest accrued thereon, and any other amounts payable to Bank under this Agreement shall at the option of Bank either be (a) converted to a Base Rate Loan, (b) repaid immediately upon demand of Bank if such change or compliance with such request, in the judgment of Bank, requires immediate repayment, or (c) repaid at the expiration of the last Interest Period to expire before the effective date of any such change or request.

Section 2.18 Increased Cost. Borrower shall pay to Bank from time to time such amounts as Bank may determine to be necessary to compensate Bank for any costs incurred by Bank which Bank determines are attributable to its making or maintaining any LIBOR Loans hereunder or its obligation to convert to such Loans hereunder, or any reduction in any amount receivable by Bank under this Agreement or the Notes in respect of any such Loans or such obligation (such increases in costs and reductions in amounts receivable being herein called "Additional Costs"), resulting from any change after the date of this Agreement in U.S. federal, state, municipal, or foreign laws or regulations (including Regulation D), or the adoption or making after such date of any interpretations, directives, or requirements applying to a class of banks including Bank or under any U.S. federal, state, municipal, or any foreign laws or regulations (whether or not having the force of law) by any court or governmental or monetary authority charged with the interpretation or administration thereof ("Regulatory Change"), which (a) changes the basis of taxation of any amounts payable to Bank under this Agreement or the Notes in respect of any of such Loan (other than taxes imposed on the overall net income of Bank or of its Lending Office for any of such Loans by the jurisdiction where the Principal Office or such Lending Office is located), (b) imposes or modifies any reserve, special deposit, compulsory loan, or similar requirements relating to any extensions of credit or other assets of, or any deposits with or other liabilities of, Bank (including any of such Loans or any deposits referred to in the definition of LIBOR), or (c) imposes any other condition affecting this Agreement or the Notes (or any of such extensions of credit or liabilities). Bank will notify Borrower of any event occurring after the date of this Agreement which will entitle Bank to

compensation pursuant to this Section as promptly as practicable after it obtains knowledge thereof and determines to request such compensation, and shall provide to the Borrower therewith a statement setting forth the basis for, and a calculation in reasonable detail of the additional amounts to be paid to the Bank hereunder. Determinations by Bank for purposes of this Section of the effect of any Regulatory Change on its costs of making or maintaining Loans or on amounts receivable by it in respect of Loans, and of the additional amounts required to compensate Bank in respect of any Additional Costs, shall be conclusive, provided that such determinations are made on a reasonable basis.

Section 2.19 Funding Loss Indemnification. Borrower shall pay to Bank, upon the request of Bank, such amount or amounts as shall be sufficient (in the reasonable opinion of Bank) to compensate it for any loss, cost, or expense incurred as a result of any payment of a LIBOR Loan on a date other than the last day of the Interest Period for such Loan including, but not limited to, acceleration of the Loans by Bank pursuant to Section 7.02. The Bank shall provide to the Borrower therewith a statement setting forth the basis for, and a calculation in reasonable detail of the additional amounts to be paid to the Bank hereunder. Determinations by Bank of the additional amounts required to compensate Bank in respect of any loss, cost, or expense incurred as a result of any payment of a LIBOR Loan on a date other than the last day of the Interest Period for such Loan, shall be conclusive, provided that such determinations are made on a reasonable basis.

Section 2.20 Letter of Credit Subfacility.

(a) Issuance of Letters of Credit. From the Closing Date until the Maturity Date, subject to the terms and conditions hereof and of the Letter of Credit Documents, if any, and on such other terms and conditions that Bank may reasonably require, Bank may issue such Letters of Credit as Borrower may from time to time request for the benefit of Borrower or its Subsidiaries as provided herein; provided that (i) the aggregate amount of Letter of Credit Obligations shall not exceed the Letter of Credit Sublimit at any time, and (ii) the aggregate principal amount of all Advances outstanding at such time plus the face amount of the requested Letter of Credit, together with all other issued and outstanding Letters of Credit, does not exceed, at any time, the lesser of the Borrowing Base or the Commitment. No Letter of Credit shall have an expiration date later than the earlier of (x) the Maturity Date, or (y) one year after the date of issuance thereof; provided, however, that Borrower may request issuance or renewal of a Letter of Credit with a later expiration if, at the time of such issuance or renewal, Borrower deposits an amount equal to the face amount of such Letter of Credit with Bank as cash collateral for such Letter of Credit. Each Letter of Credit shall require that all draws thereon must be presented to Bank by the expiration date therefor, regardless of whether presented prior to such date to any other institution. Each Letter of Credit shall comply with the related Letter of Credit Documents. The issuance date of each Letter of Credit shall be a Business Day.

(b) Notice and Reports. The request for the issuance of a Letter of Credit shall be submitted by Borrower to Bank at least five (5) Business Days prior to the requested date of issuance (or such shorter period as may be agreed to by Bank) pursuant to a Notice of Request for Letter of Credit, accompanied by such applications and other related documents as may be required by Bank. If the Notice of Request for Letter of Credit, related application and

the requested form of such Letter of Credit is acceptable to Bank, Bank will, upon fulfillment of the applicable conditions set forth herein, make such Letter of Credit available to Borrower.

(c) Reimbursement. In the event of any drawing under any Letter of Credit, Bank will promptly notify Borrower, and to the extent such drawing is not immediately reimbursed by Borrower, Borrower shall request, or be deemed to have requested, an Advance in the amount of such drawing within five (5) days of such date, the proceeds of which will be used to satisfy the related reimbursement obligations, in which case a Base Rate Loan shall be immediately made to Borrower by Bank and the proceeds thereof shall be reimbursed directly to Bank for application to the respective Letter of Credit Obligations. Borrower's reimbursement obligations hereunder shall be absolute and unconditional under all circumstances irrespective of any rights of setoff, counterclaim or defense to payment Borrower may claim or have against Bank or the beneficiary of the Letter of Credit drawn upon or any other Person, including without limitation any defense based on any failure of Borrower to receive consideration or the legality, validity, regularity or unenforceability of the Letter of Credit.

(d) Borrower Responsible for All Letters of Credit. Notwithstanding anything to the contrary set forth in this Agreement, a Letter of Credit issued hereunder may contain a statement to the effect that such Letter of Credit is issued for the account, or to secure obligations, of a Subsidiary of Borrower, and, notwithstanding such statement, Borrower shall be for such Letter of Credit. Such statement shall not affect Borrower's reimbursement obligations hereunder with respect to such Letter of Credit.

(e) International Standby Practices. The Bank may issue Letters of Credit subject to Rules on International Standby Practices, as adopted as of the date of issue by the International Chamber of Commerce (the "ISP"), in which case the ISP may be incorporated therein and deemed in all respects to be a part thereof.

(f) Letter of Credit Obligations Absolute. The obligations of Borrower under this Agreement, any Letter of Credit Document and any other agreement or instrument relating to any Letter of Credit shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement, such Letter of Credit Document and such other agreement or instrument under all circumstances, including without limitation the following circumstances:

(i) any lack of validity or enforceability of this Agreement, any Letter of Credit Document, any Letter of Credit or any other agreement or instrument relating thereto (this Agreement and all of the other foregoing being, collectively, the "L/C Related Documents");

(ii) any change in the time, manner or place of payment of, or in any other term of, all or any of the obligations of Borrower in respect of any L/C Related Document or any other amendment or waiver of or any consent to departure from all or any of the L/C Related Documents;

(iii) the existence of any claim, set-off, defense or other right that Borrower may have at any time against any beneficiary or any transferee of a Letter of

Credit (or any Persons for whom any such beneficiary or any such transferee may be acting), Bank or any other Person, whether in connection with the transactions contemplated by the L/C Related Documents or any unrelated transaction;

(iv) any statement or any other document presented under a Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(v) payment by Bank under a Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of such Letter of Credit;

(vi) any exchange, release or non-perfection of any Collateral, or any release or amendment or waiver of or consent to departure from any Loan Document; or

(vii) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including without limitation any other circumstance that might otherwise constitute a defense available to, or a discharge of, Borrower or any Guarantor.

Section 2.21 Conflict with Letter of Credit Documents. In the event of any conflict between this Agreement and any Letter of Credit Document (including any letter of credit application), this Agreement shall control.

Section 2.22 Cash Management. Borrower shall (a) establish and maintain cash management services (including, without limitation, the Lockbox Account) of a type and on satisfactory terms, with Bank, and shall request in writing and otherwise take such reasonable steps to ensure that all Account Debtors of Borrower and each of its Domestic Subsidiaries forward payment of the amounts owed by them directly to such Lockbox Account, and (b) deposit or cause to be deposited, (i) promptly, and in any event no later than the first Business Day after the date of receipt thereof, all Collections received by Borrower or any Domestic Subsidiary, and (ii) all proceeds to be paid by, or otherwise transferred by, any Foreign Subsidiary to Borrower, into an account designated by Bank, subject to a satisfactory agreement by and among Borrower, Bank, and Borrower's Subsidiaries, providing that, if such account is held by an institution other than Bank, (i) all items of payment deposited in the Lockbox Account and proceeds thereof are held as agent or bailee-in-possession for Bank, (ii) the Bank shall only have rights of setoff or recoupment for payment of its service fees and other charges directly related to the administration of such Lockbox Account, and for returned checks or other items of payment, and (iii) upon notice from Bank following an Event of Default hereunder, it immediately will forward by daily sweep all amounts in the applicable Lockbox Account to a designated account. The Lockbox Accounts (if more than one) shall be cash collateral accounts, securing the Obligations, in which Bank is granted a Lien and security interest hereunder.

ARTICLE III CONDITIONS PRECEDENT

Section 3.01 Condition Precedent. This Agreement shall become effective as of the Closing Date, and the initial extensions of credit hereunder shall be made, upon the satisfaction of the following conditions:

(a) Loan Documents. The delivery of the following documents, agreements and instruments to Bank, each in form and substance satisfactory to Bank and its counsel:

(i) this Agreement together with the Schedules and Exhibits hereto duly completed by Borrower;

(ii) the Note;

iii) the Guaranty;

iv) the Security Agreement;

v) the Intercompany Subordination Agreement;

vi) the Pledge Agreement, together with original certificates and the pledged interests described therein, and stock powers endorsed in blank;

(vii) the Tax Indemnity Agreement;

(viii) the Borrowing Base Certificate;

(ix) such UCC-1 or UCC-3 financing statements as Bank shall require, together with an letter authorizing filing of the same, if required;

(x) all other documents and instruments executed and delivered by third parties with respect to the Collateral as Bank shall have requested;

(xi) insurance certificates and related endorsements in favor of Bank, together with evidence that the related insurance policies are in full force and effect and meet the requirements of Section 5.05;

(xii) a loan certificate executed by an authorized signatory of Borrower and each Guarantor, including a certificate of incumbency with respect to each officer authorized to execute Loan Documents on behalf of such Person, together with (A) a copy of such Person's Organizational Documents, certified as true and correct by the Secretary of State of the State of formation or organization of such Person, (B) certificates from the Secretaries of State of those states in which such Person is organized or formed, as the case may be, certifying its good standing as a corporation in such states, in each case, dated within thirty (30) days of the Closing Date, and (C) a copy of such Person's bylaws, operating or partnership agreement, in each case, certified by the secretary or assistant secretary of such Person to be true and correct; and

(xiii) resolutions passed by the board of directors or written consents authorizing Borrower's and Guarantors' execution and delivery of, and the performance of the obligations under, this Agreement and the other Loan Documents to which it is a party;

(b) Access Agreements. Borrower shall have obtained and delivered Access Agreements to Bank with respect to Borrower's facilities in Lake Mary, Florida.

(c) Due Diligence. Bank shall have completed its due diligence (including, without limitation, all appraisals, reviews and audits of Borrower's business, assets and financial condition, material contracts, and lease agreements) and the results of the same shall be satisfactory to Bank;

(d) Financial Statements. Bank shall have received all of Borrower's financial statements as filed with the Securities and Exchange Commission on forms 10-K and 10-Q as Bank shall have requested (including, without limitation, Borrower's reporting on Form 10-Q of its financial results for the second quarter of 2003), in each case in form and substance satisfactory to Bank;

(e) Legal Opinions. Bank shall have received a favorable written legal opinions of counsel to Borrower, Guarantor and Holdco in form and substance satisfactory to Bank, including, without limitation, opinions of foreign counsel as may be required by Bank in connection with the pledge of the equity interests of Holdco;

(f) Payment of Fees. Borrower shall have paid all fees and expenses of Bank in connection with this Agreement;

(g) No Material Adverse Effect. No event or circumstance shall have occurred or exist that would have a Material Adverse Effect on Borrower, Guarantor, or any Affiliate;

(h) Approvals and Consents. Borrower shall have obtained all applicable approvals and consents from governmental authorities required to consummate the transaction contemplated by this Agreement and the operation of its business, and of so requested, shall have provided Bank with a true and correct copy of such approvals and consents; and

(i) Other Documents. Bank shall have received such other approvals, opinions or other documents as Bank may reasonably request and each shall be in form and substance satisfactory to Bank.

Section 3.02 Conditions Subsequent. The obligation of Bank to continue to issue Letters of Credit and make other extensions of credit hereunder is subject to the fulfillment of each of the following conditions subsequent set forth below (the failure to satisfy such conditions shall constitute an Event of Default):

(a) Access Agreements. Within 30 days of the Closing Date, Borrower shall have obtained and delivered Access Agreements to Bank with respect to Borrower's facilities in Kennett Square, Pennsylvania.

Section 3.03 Conditions to All Extensions of Credit. The obligation of Bank to issue Letters of Credit, make other extensions of credit hereunder, or otherwise convert any portion of the Loan hereunder shall be subject to each of the following conditions:

(a) Representations and Warranties. The representations and warranties contained in this Agreement and the other Loan Documents shall be true and correct in all material respects on and as of the date of such extension of credit, as though made on and as of such date (except to the extent that such representations and warranties relate solely to an earlier date);

(b) No Default. No default or Event of Default shall have occurred and be continuing on the date of such extension of credit, nor shall either result from the making thereof;

(c) No Injunction. No injunction, writ, restraining order, or other order of any nature prohibiting, directly or indirectly, the extending of such credit shall have been issued and remain in force by any governmental authority against Borrower, Bank, or any of their Affiliates; and

(d) No Material Adverse Effect. The occurrence of any event or circumstance having a Material Adverse Effect on Borrower or Guarantor.

ARTICLE IV REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants to Bank that:

Section 4.01 Incorporation, Good Standing and Due Qualification. Borrower and each Guarantor are corporations, limited liability companies, or partnerships duly incorporated or formed, as the case may be, validly existing, and in good standing under the laws of the State of their incorporation or formation, are duly qualified and in good standing as a foreign corporation authorized to do business in every jurisdiction where the failure to so qualify would have a Material Adverse Effect, and have the requisite corporate power and authority to own their respective properties and to operate their respective businesses as now conducted.

Section 4.02 Corporate Power and Authority. The execution, delivery and performance by Borrower of the Loan Documents has been duly authorized by all necessary corporate action and does not and will not (a) require any consent or approval of the stockholders, members, partners or other equity holders of Borrower, (b) contravene Borrower's Organizational Documents, (c) violate any provision of any law, rule, regulation (including, without limitation, Regulations U and X of the Board of Governors of the Federal Reserve System), order, writ, judgment, injunction, decree, determination, or award presently in effect and applicable to Borrower or any Guarantor, (d) result in a breach of or constitute a default under any indenture or loan or credit agreement or any other agreement, lease, or instrument to which Borrower or any Guarantor is a party or by which their respective properties may be bound or affected, (e) result in, or require, the creation or imposition of any Lien, upon or with respect to any of the properties now owned or hereafter acquired by Borrower, and (f) cause Borrower or any Guarantor to be in default under any such law, rule, regulation, order, writ, judgment, injunction, decree, determination, or award or any such indenture, agreement, lease, or instrument.

Section 4.03 Legally Enforceable Agreement. This Agreement is, and each of the other Loan Documents when delivered under this Agreement will be, legal, valid, and binding obligations of Borrower and each Guarantor, as the case may be, enforceable against such Person in accordance with their respective terms, except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency, and other similar laws affecting creditors' rights generally and the availability of equitable remedies.

Section 4.04 Consents. No consent, approval, authorization or order of, or filing, registration or qualification with, any court or Governmental Authority or third party in respect of Borrower or any Guarantor is required in connection with the execution, delivery or performance of this Agreement or any of the other Loan Documents, except (a) such filings as are necessary or desirable to perfect the security interests of the Bank under the Security Agreement and (b) such consents, approvals and authorizations as have been obtained.

Section 4.05 Financial Statements. The consolidated balance sheet of Borrower as at December 29, 2002, and the related statements of income and retained earnings of Borrower for the fiscal year then ended, reported on by Deloitte & Touche, LLP and set forth in the Borrower's annual report for the year ended December 29, 2002, as filed with the Securities and Exchange Commission on Form 10-K, a copy of which has been delivered to the Bank, fairly represents, in conformity with GAAP, the consolidated position of the Borrower and its Subsidiaries at such date and their consolidated results of operations and cash flows for such fiscal year. The unaudited consolidated balance sheet of Borrower as at March 31, 2003, and the related unaudited statement of income and retained earnings for three months then ended, as set forth in the Borrower's quarterly report for the fiscal quarter ended March 31, 2003, as filed with the Securities and Exchange Commission on Form 10-Q, a copy of which has been delivered to Bank, fairly represents, in conformity with GAAP, the consolidated position of the Borrower and its Subsidiaries at such date and their consolidated results of operations and cash flows for such fiscal quarter, subject to normal year end adjustments and the absence of footnotes. Except as disclosed in the Borrower's Form 10-Q filed since December 29, 2002, there has been no occurrence or event which would have a Material Adverse Effect. There are no liabilities of Borrower, fixed or contingent, which are material but are not reflected in the financial statements or in the notes thereto, other than liabilities arising in the ordinary course of business since December 29, 2002.

Section 4.06 Eligible Inventory and Eligible Accounts. All (a) Inventory included in the Borrowing Base as Eligible Inventory, and (b) Accounts included in the Borrowing Base as Eligible Accounts, meet the criteria set forth in Section 1.1, respectively and all such Eligible Inventory is located at the locations specified on Schedule 4.06.

Section 4.07 Labor Disputes and Acts of God. Neither the business nor the properties of Borrower are affected by any fire, explosion, accident, strike, lockout or other labor dispute, storm, hail, embargo, act of God, or other casualty (whether or not covered by insurance) which could have a Material Adverse Effect.

Section 4.08 Litigation. Except as disclosed on Schedule 4.08, there is no pending or to the knowledge of any officer of Borrower threatened action or proceeding against or affecting Borrower before any court, governmental agency, or arbitrator, in which there is a

reasonable probability of an adverse result which could, in any one case or in the aggregate, have a Material Adverse Effect.

Section 4.09 No Defaults on Outstanding Judgments or Orders. Borrower has satisfied all judgments, and Borrower is not in default with respect to any judgment, writ, injunction, decree, rule, or regulation of any court, arbitrator, or federal, state, municipal, or other governmental authority, commission, board, bureau, agency, or instrumentality, domestic or foreign which could have a Material Adverse Effect.

Section 4.10 Ownership and Liens. Borrower has title to, or valid leasehold interests in, all of the properties and assets, real and personal, including the properties and assets and leasehold interest reflected in the financial statements referred to in Section 4.05 (other than any properties or assets disposed of following the dates of such financial statements), and none of the properties and assets owned by Borrower and none of its leasehold interests is subject to any Lien, except for Permitted Liens.

Section 4.11 Subsidiaries. As of the date hereof, Borrower's Subsidiaries are set forth on Schedule 4.11.

Section 4.12 ERISA. Borrower is in compliance in all material respects with all applicable provisions of ERISA. Neither a Reportable Event nor a Prohibited Transaction has occurred and is continuing with respect to any Plan; no notice of intent to terminate a Plan has been filed, nor has any Plan been terminated; no circumstances exist which constitute grounds entitling the PBGC to institute proceedings to terminate, or appoint a trustee to administer, a Plan, nor has the PBGC instituted any such proceedings; Borrower has not completely or partially withdrawn from a Multiemployer Plan; Borrower has met its minimum funding requirements under ERISA with respect to all of their Plans, and the present value of all vested benefits under each Plan does not exceed the fair market value of all Plan assets allocable to such benefits, as determined on the most recent valuation date of the Plan and in accordance with the provisions of ERISA; and Borrower has not incurred any liability to the PBGC under ERISA.

Section 4.13 Operation of Business. Borrower possesses all licenses, permits, franchises, patents, copyrights, trademarks, and trade names, or rights thereto, to conduct its business substantially as now conducted and as presently proposed to be conducted, and Borrower is not in violation of any valid rights of others with respect to any of the foregoing.

Section 4.14 Taxes. Borrower and each of its Subsidiaries has (a) filed, or caused to be filed, all material tax returns (federal, state, local and foreign) required to be filed and paid all amounts of taxes shown thereon to be due (including interest and penalties), and (b) paid all other taxes, fees, assessments and other governmental charges (including mortgage recording taxes, documentary stamp taxes and intangibles taxes) owing (or necessary to preserve any liens in favor of the Bank) by it, except for such taxes (i) that are not yet delinquent, or (ii) that are the subject of a protest being diligently pursued by Borrower or such Subsidiary.

Section 4.15 Environmental. Borrower has duly complied with, and its business, operations, assets, equipment, property, leaseholds, or other facilities are in compliance with, the provisions of all applicable federal, state, and local environmental, health, and safety laws,

codes and ordinances, and all rules and regulations promulgated thereunder. Borrower has been issued and will maintain all required federal, state, and local permits, licenses, certificates, and approvals relating to environmental, health, or safety matters.

Section 4.16 Indebtedness. Borrower is not directly or contingently obligated under any credit agreement, indenture, purchase agreement, Capital Lease, or other agreement involving the extension of credit from any third party other than (a) Bank, (b) as described in the financial statements described in Section 4.05, and (c) Permitted Indebtedness.

Section 4.17 Investments in Subsidiaries; Intercompany Loans and Advances. As of the Closing Date, Borrower's investments in, and intercompany loans and advances made to, each of its Subsidiaries (including Holdco) are as set forth on Schedule 4.17.

Section 4.18 Solvency. Borrower, each of its Subsidiaries and each of the Guarantors are, and, after consummation of this Agreement and after giving effect to all Indebtedness incurred hereunder, will be, Solvent. No transfer of property is being made by Borrower and no obligation is being incurred by Borrower or any Guarantor in connection with the transactions contemplated by this Agreement or the other Loan Documents with the intent to hinder, delay, or defraud either present or future creditors of Borrower or any Guarantor.

Section 4.19 Other Agreements. Borrower is not a party to any indenture, loan, or credit agreement, or to any lease or other agreement or instrument, or subject to any charter or corporate restriction which could have a Material Adverse Effect. Borrower is not in default in any material respect in the performance, observance, or fulfillment of any of the obligations, covenants, or conditions contained in any agreement or instrument material to its business to which it is a party.

Section 4.20 No Materially Misleading Facts. No information, exhibit, or report furnished by Borrower to Bank in connection with the negotiation of this Agreement contains, when read in context or in connection with other reports and information furnished to Bank by Borrower, any material misstatement of fact or omitted to state a material fact or any fact necessary to make the statement contained therein not materially misleading.

ARTICLE V AFFIRMATIVE COVENANTS

So long as the Obligations shall remain outstanding, Borrower shall:

Section 5.01 Maintain Existence. Preserve and maintain its corporate existence and good standing in the jurisdiction of its incorporation or formation, and qualify and remain qualified as a foreign corporation in each other jurisdiction where the failure to do so would have a Material Adverse Effect.

Section 5.02 Maintain Books and Records. Keep adequate books and records of accounts, in which complete entries will be made in accordance with GAAP consistently applied, reflecting all financial transactions of Borrower.

Section 5.03 Maintain Properties. Maintain, keep, and preserve all of its properties (tangible and intangible) necessary or useful in the proper conduct of its business in good working order and condition, ordinary wear and tear excepted.

Section 5.04 Conduct of Business. Continue to engage in an efficient and economical manner in a business of the same general type as now conducted by it on the date of this Agreement.

Section 5.05 Maintain Insurance.

(a) General Liability, Business Interruption, and other Insurance Coverage. With respect to the operation of Borrower's business and insurance for the Collateral, Borrower shall, at its expense, maintain insurance in such amounts and covering such risks as is usually carried by companies engaged in similar businesses in which Borrower operates, including, without limitation, comprehensive general liability insurance, worker's compensation, and business interruption insurance.

(b) Insurance Companies. Maintain such other insurance required by Bank under this Agreement in form, and with insurers recognized as satisfactory to Bank, and all such policies shall be in such amounts as may be reasonably satisfactory to Bank and shall, by an endorsement or independent instrument furnished to Bank provide that the insurance companies will give Bank at least thirty (30) days prior written notice (ten (10) days, in the case of non-payment of premium) before any such policy or policies of insurance shall be altered or canceled. All policies of insurance shall contain an endorsement in form and substance satisfactory to Bank, showing Bank as an additional insured, or loss payee, as applicable. If any loss shall occur at any time after the occurrence and during the continuation of any Event of Default, Bank shall be entitled to the benefit of all insurance proceeds payable to Borrower to the same extent as if such proceeds had been paid to Bank. Bank shall have the right, but not the obligation, to make premium payments, at Borrower's expense, to prevent any cancellation of any policy of insurance maintained by Borrower.

Section 5.06 Compliance With Laws. Comply in all material respects with all applicable laws, rules, regulations, and orders, such compliance to include, without limitation, paying before the same become delinquent all taxes, assessments, and governmental charges imposed upon it or upon its property except where contested in good faith and by proper proceedings if appropriate reserves are maintained with respect thereto.

Section 5.07 Payment of Taxes and Indebtedness. For itself, and cause each of its Subsidiaries to, (a) pay and discharge, before the same shall become delinquent, all taxes, assessments and governmental charges or levies imposed, (b) timely file all information returns required by federal, state or local taxing authorities, (c) pay any and all of its Indebtedness when and as it becomes due, other than amounts duly disputed in good faith, and (d) promptly perform its obligations under all material contracts.

Section 5.08 Right of Inspection. At any reasonable time and from time to time, subject to the confidentiality provisions of Section 8.17, permit Bank or any agent or representative thereof to examine and make copies of and abstracts from the records and books

of account of, and visit the properties of, Borrower and to discuss the affairs, finances, and accounts of Borrower with any of its respective officers and directors and Borrower's independent accountants.

Section 5.09 Further Assurances. Promptly, at its expense, execute and deliver to Bank, or cause to be executed and delivered to Bank, all such other and further documents, agreements, and instruments in compliance with or accomplishment of the covenants and agreements of the Loan Documents, including this Agreement, or to correct any omissions in the Loan Documents, or to obtain any consents which are necessary in connection with or in accomplishment of the covenants and agreements of Borrower under the Loan Documents, all as may be necessary or appropriate in connection therewith or as may be requested by Bank.

Section 5.10 Use of Proceeds. Use the proceeds of the Loans hereunder only as described in Section 2.16.

Section 5.11 Environment. Be and remain in compliance with the provisions of all federal, state, and local environmental, health, and safety laws, codes and ordinances, and all rules and regulations issued thereunder; notify Bank immediately of any notice of a hazardous discharge or environmental complaint received from any governmental agency or any other party; notify Bank immediately of any hazardous discharge from or affecting its premises; immediately contain and remove the same, in compliance with all applicable laws; promptly pay any fine or penalty assessed in connection therewith; permit Bank to inspect the premises, to conduct tests thereon, and to inspect all books, correspondence, and records pertaining thereto; and at Bank's request, and at Borrower's expense, provide a report of a qualified environmental engineer, satisfactory in scope, form, and content to Bank, and such other and further assurances reasonably satisfactory to Bank that the condition has been corrected.

Section 5.12 Reporting Requirements. Furnish to Bank:

(a) Quarterly Financial Statements. As soon as available and in any event within forty-five (45) days after the end of each quarter of each fiscal year of Borrower, consolidated balance sheets of Borrower as of the end of such quarter, consolidated statements of income and retained earnings of Borrower for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, and consolidated statements of changes in financial position of Borrower for the portion of the fiscal year ended with the last day of such quarter, all in reasonable detail and stating in comparative form the respective figures for the corresponding date and period in the previous fiscal year and all prepared in accordance with GAAP consistently applied and certified by the chief financial officer of Borrower (subject to normal year-end adjustments and footnotes);

(b) Annual Financial Statements. As soon as available and in any event within one hundred twenty (120) days after the end of each fiscal year of Borrower, consolidated balance sheets of Borrower as of the end of such fiscal year and consolidated statements of income and retained earnings of Borrower for such fiscal year and consolidated statements of changes in financial position of Borrower for such fiscal year, all in reasonable detail and stating in comparative form the respective figures for the corresponding date and period in the prior fiscal year prepared in accordance with GAAP, all as reported on in accordance with the rules

and regulations of the Securities and Exchange Commission and audited by Deloitte and Touche LLP or other independent public accountants of nationally recognized standing;

(c) Management Letters. Promptly upon receipt thereof, copies of any reports submitted to Borrower by independent certified public accountants in connection with examination of the financial statements of Borrower made by such accountants;

(d) Certificate of No Default. Within forty-five (45) days after the end of each of the quarters of each fiscal year of Borrower, a certificate of the chief financial officer of Borrower (i) certifying that to the best of his knowledge no Default or Event of Default has occurred and is continuing or, if a Default or Event of Default has occurred and is continuing, a statement as to the nature thereof and the action which is proposed to be taken with respect thereto and (ii) with computations demonstrating compliance with the covenants contained in Section 5.13;

(e) Borrower Tax Returns. Within thirty (30) days after the filing thereof, a true and correct copy of Borrower's Form 1120 Federal tax return (on a consolidated basis with each of the Guarantors), including all schedules and exhibits thereto;

(f) Reserved.

(g) Borrowing Base Certificates and Other Collateral Reporting. Not less than (i) one time per month within ten (10) days of the end of the previous calendar month, or more frequently upon request of Bank, Borrower will provide Bank with a complete and accurate Borrowing Base Certificate, together with an Account "aging" report and an Inventory report in form and substance satisfactory to Bank, and (ii) upon request of Bank, such other reports with respect to the Collateral as Bank shall request, each in form and substance satisfactory to Bank.

(h) Notice of Litigation. Promptly after the commencement thereof, notice of all actions, suits, and proceedings before any court or governmental department, commission, board, bureau, agency, or instrumentality, domestic or foreign, affecting Borrower which, if determined adversely to Borrower, could have a Material Adverse Effect;

(i) Notice of Defaults and Events of Default. As soon as possible and in any event within ten (10) days after the occurrence of each Default or Event of Default, a written notice setting forth the details of such Default or Event of Default and the action which is proposed to be taken by Borrower with respect thereto;

(j) ERISA Reports. As soon as possible, and in any event within thirty (30) days after Borrower knows or has reason to know that any circumstances exist that constitute grounds entitling the PBGC to institute proceedings to terminate a Plan subject to ERISA with respect to Borrower, Borrower will deliver to Bank a certificate of the chief financial officer of Borrower setting forth all relevant details and the action which Borrower proposes to take with respect thereto;

(k) Notices, Consents and Material Financial Reports to Other Creditors. Promptly after the furnishing thereof, copies of any notices, consents or material financial reports furnished to any other party pursuant to the terms of any indenture (in the case of the issuance of

notes), loan, credit, or similar agreement (in the case of borrowed money), and not otherwise required to be furnished to Bank pursuant to any other clause of this Section;

(l) General Information. Such other information respecting the condition or operations, financial or otherwise, of Borrower as Bank may from time to time reasonably request.

Section 5.13 Financial Covenants. Comply with all of the following financial covenants, each of which shall be calculated in accordance with GAAP consistently applied:

(a) Minimum Current Ratio. Borrower shall maintain a Current Ratio of not less than 2.0 to 1.0, measured as of the end of each of Borrower's fiscal quarters.

(b) Minimum Consolidated EBITDA. Borrower shall maintain a Consolidated EBITDA of not less than \$700,000, measured as of the end of each of Borrower's fiscal quarters.

(c) Maximum Indebtedness to Consolidated Net Worth. Borrower shall maintain a ratio of Indebtedness to Consolidated Net Worth of not more than 0.75 to 1.0, measured as of the end of each of Borrower's fiscal quarters.

(d) Minimum Fixed Charge Coverage Ratio. Borrower shall maintain a Fixed Charge Coverage Ratio of not less than 1.75 to 1.0, measured as of the end of each of Borrower's fiscal quarters.

(e) Minimum Consolidated Tangible Net Worth. At all times, Borrower shall maintain a Consolidated Tangible Net Worth of not less than \$20,000,000 plus 50% of the Consolidated Net Income on a cumulative basis for all preceding fiscal quarters of Borrower, commencing with the fiscal quarter ended March 31, 2003.

ARTICLE VI NEGATIVE COVENANTS

Borrower covenants and agrees that so long as any portion of the Obligations shall remain unpaid, Borrower shall not, and shall not permit its Subsidiaries to, without the prior written consent of Bank:

Section 6.01 Liens. Create, incur, assume, or suffer to exist, or permit any Subsidiary to create, incur, assume, or suffer to exist, any Lien, upon or with respect to any of its properties, now owned or hereafter acquired, except for Permitted Liens.

Section 6.02 Indebtedness. Create, incur, assume, or suffer to exist, or permit any Subsidiary to create, incur, assume, or suffer to exist, any Indebtedness, except for (a) Permitted Indebtedness and (b) refinancing, renewals of or extensions of Permitted Indebtedness, provided, that Borrower shall only be permitted to refinance, renew or extend such Permitted Indebtedness without Bank's prior written consent if (i) the terms and conditions of such refinancings, renewals, or extensions do not, in Bank's judgment, materially impair the prospects of repayment of the Obligations by Borrower or materially impair Borrower's creditworthiness,

(ii) such refinancings, renewals, or extensions do not result in an increase in the principal amount of, or interest rate with respect to, the Indebtedness so refinanced, renewed, or extended, (iii) such refinancings, renewals, or extensions do not result in a shortening of the average weighted maturity of the Indebtedness so refinanced, renewed, or extended, nor are they on terms or conditions, that, taken as a whole, are materially more burdensome or restrictive to Borrower, and (iv) if the Indebtedness that is refinanced, renewed, or extended was subordinated in right of payment to the Obligations, then the terms and conditions of the refinancing, renewal, or extension Indebtedness must include subordination terms and conditions that are at least as favorable to Bank as those that were applicable to the refinanced, renewed, or extended Indebtedness.

Section 6.03 Subsidiaries; Mergers; Reorganizations and Permitted Acquisitions of Domestic Subsidiaries. (a) Form any Domestic Subsidiary after the Closing Date (unless such Domestic Subsidiary becomes a Guarantor hereunder, becomes a party to the Security Agreement and the Borrower makes a pledge to the Bank of its equity interests in such Domestic Subsidiary); (b) wind up, liquidate or dissolve itself, reorganize, merge or consolidate with or into any Person; (c) make an Asset Sale, other than a Permitted Asset Sale; or (d) make any Acquisition, other than a Permitted Acquisition; provided that if the result of any such Permitted Acquisition is the creation or addition of a Domestic Subsidiary, such Domestic Subsidiary shall become a Guarantor hereunder, become a party to the Security Agreement and the Borrower shall make a pledge to the Bank of its equity interests in such Domestic Subsidiary.

Section 6.04 Sale and Leaseback. Sell, transfer, or otherwise dispose of any real or personal property to any Person and thereafter directly or indirectly lease back the same or similar property without the prior written consent of Bank.

Section 6.05 Dividends. Except with respect to Dividends payable to Borrower, declare or pay any Dividends; or purchase, redeem, retire, or otherwise acquire for value any of its capital stock now or hereafter outstanding, or allocate or otherwise set apart any sum for the payment of any Dividends, or for the purchase, redemption, or retirement of any shares of its capital stock. Notwithstanding the foregoing, Borrower is permitted to make Dividends to its shareholders provided that Borrower has satisfied (and is projected to continue satisfying) the financial covenants set forth in Section 5.13, and no other Default or Event of Default has occurred or is continuing, or would result from the making thereof.

Section 6.06 No Impairment of Intercompany Payments. Directly or indirectly enter into or become bound by any agreement, instrument, indenture or other obligation (other than this Agreement and the other Loan Documents) that could directly or indirectly restrict, prohibit or require the consent of any Person with respect to the payment of Dividends or distributions or the making or repayment of intercompany loans by a Subsidiary of Borrower, to Borrower.

Section 6.07 Asset Sales. Sell, lease, assign, transfer, or otherwise dispose of any of its now owned or hereafter acquired assets (including, without limitation, shares of stock and indebtedness of Subsidiaries, receivables, and leasehold interests) in any one transaction or a series of transactions, except, that provided no Default or Event of Default has occurred

hereunder, Borrower may sell or dispose of (a) inventory in the ordinary course of business, (b) assets no longer used or useful in the conduct of its business, and (c) Permitted Asset Sales.

Section 6.08 Investments and Intercompany Loans and Advances.

Except (a) as otherwise expressly permitted in this Agreement, and (b) as required by applicable law (including the law of any foreign jurisdiction having direct authority over Holdco or any other direct or indirect Foreign Subsidiary), make, or permit to exist, any investment in, or make, accrue or permit to exist, loans or advances of money to, any Person, through the direct or indirect lending of money, holding of securities or otherwise, except that Borrower and each of its Subsidiaries may (x) maintain their respective investments in Subsidiaries as of the Closing Date as set forth on Schedule 4.17; and (y) make all other investments (including those required by applicable foreign law), intercompany loans and advances, subject to the terms and conditions set forth in the Intercompany Subordination Agreement.

Section 6.09 Guarantees. Assume, guaranty, endorse, or

otherwise be or become directly or contingently responsible or liable (including, but not limited to, an agreement to purchase any obligation, stock, assets, goods, or services, or to supply or advance any funds, assets, goods, or services, or an agreement to maintain or cause such Person to maintain a minimum working capital or net worth, or otherwise to assure the creditors of any Person against loss) for obligations of any Person, except guaranties by endorsement of negotiable instruments for deposits or collection or similar transactions in the ordinary course of business and guarantees of Permitted Indebtedness.

Section 6.10 Transactions With Affiliates. To the extent not

restricted elsewhere in this Article VI, (a) enter into any transaction, including, without limitation, the purchase, sale, or exchange of property or the rendering of any service, with any Affiliate, except in the ordinary course of and pursuant to the reasonable requirements of Borrower's business and upon fair and reasonable terms no less favorable to Borrower than would obtain in a comparable arm's-length transaction with a Person that is not an Affiliate, or (b) enter into any lending or borrowing transaction with any employees of Borrower or any Subsidiary, except loans to its respective employees in the ordinary course of business consistent with past practices for travel and entertainment expenses, relocation costs and similar purposes up to a maximum of \$250,000 in the aggregate at any one time outstanding.

Section 6.11 Financial Covenants. Breach or fail to comply

with any of the financial covenants set forth in Section 5.13.

ARTICLE VII
EVENTS OF DEFAULT AND REMEDIES

Section 7.01 Events of Default. The following shall

constitute Events of Default hereunder:

(a) Borrower should fail to (i) pay the principal when due, and (ii) pay any interest or fee, within five (5) days of the date that such interest or fee is due and payable;

(b) Any representation or warranty made or deemed made by Borrower in this Agreement or which is contained in any certificate, document, opinion, or financial or other

statement furnished at any time under or in connection with any Loan Document shall prove to have been incorrect, incomplete, or misleading in any material respect on or as of the date made or deemed made;

(c) Borrower shall fail to perform or observe any term, covenant, or agreement contained in Articles V or VI hereof;

(d) Borrower shall fail to perform or observe any other material agreement or covenant set forth in this Agreement, or in any other Loan Document;

(e) Borrower shall, with respect to any other Indebtedness not otherwise provided for in this Section 7.01 in excess of \$1,000,000 in the aggregate, (i) fail to pay any interest or premium thereon when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) subject to applicable notice and cure periods, or (ii) fail to perform or observe any term, covenant, or condition on its part to be performed or observed under any agreement or instrument relating to any such debt, if the effect of such failure to perform or observe is to accelerate, or to permit the acceleration of, after the giving of notice or passage of time, or both, the maturity of such indebtedness, whether or not such failure to perform or observe shall be waived by the holder of such Indebtedness; or any such debt shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof, provided that the foregoing should not be continued to permit the existence of any Indebtedness in violation of Section 6.02;

(f) Borrower (i) shall generally not pay, or shall be unable to pay, or shall admit in writing its inability to pay its debts as such debts become due, or (ii) shall make an assignment for the benefit of creditors, or petition or apply to any tribunal for the appointment of a custodian, receiver, or trustee for it or a substantial part of its assets, or (iii) shall commence any proceeding under any insolvency proceeding, or (iv) shall have had any such insolvency proceeding commenced against it in which an order for relief is entered or an adjudication or appointment is made, and which remains undismissed for a period of thirty (30) days or more, or (v) shall take any corporate action indicating its consent to, approval of, or acquiescence in any such petition, application, proceeding, or order for relief or the appointment of a custodian, receiver, or trustee for all or any substantial part of its properties, or (vi) shall suffer any such custodianship, receivership, or trusteeship to continue undischarged for a period of thirty (30) days or more;

(g) One or more judgments, decrees, or orders for the payment of money in excess of ONE HUNDRED THOUSAND DOLLARS (\$100,000.00) in the aggregate shall be rendered against Borrower, and such judgments, decrees, or orders shall continue unsatisfied and in effect for a period of thirty (30) consecutive days without being vacated, discharged, satisfied, or stayed or bonded pending appeal;

(h) Any of the following events shall occur or exist with respect to Borrower under ERISA which would reasonably be expected to result in liability to Borrower in excess of ONE HUNDRED THOUSAND DOLLARS (\$100,000.00) (i) any Reportable Event shall occur, (ii) complete or partial withdrawal from any Multi-Employer Plan shall take place, (iii) any

Prohibited Transaction shall occur, (d) a notice of intent to terminate a Plan shall be filed, or (e) a Plan shall be terminated;

(i) A Change of Control shall have occurred;

(j) The failure of any Guaranty, or the failure of any Guarantor to perform its respective obligations under any Guaranty; or

(k) Any security interest or mortgage granted to Bank pursuant to the Security Agreement ceases to be perfected or have first priority.

Section 7.02 Remedies.

(a) Upon the occurrence and during the continuance of any Event of Default, the Bank may cease making any additional Advances;

(b) In the case of any Event of Default specified in Sections 7.01(a), (b), (f), (i), (j) or (k), or Section 5.12(g)(i), without any notice to the Borrower, the Note, all interest thereon, and all other amounts payable under this Agreement shall become and be forthwith due and payable, without presentment, demand, protest, or notice of any kind, all of which are hereby expressly waived by Borrower;

(c) Except for an Event of Default resulting from Borrower's failure to comply with Section 5.12(g)(i), in the case of any Event of Default specified in Sections 7.01(c) or (e), Bank may, by notice to Borrower, declare the Note, all interest thereon, and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Note, all such interest, and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest, or further notice of any kind, all of which are hereby expressly waived by Borrower;

(d) In the case of any Event of Default not specified in clauses (b) and (c) above, if the Borrower shall fail to cure such default within thirty (30) days after the date on which the Bank provides written notice to the Borrower (or, in the case of an Event of Default with respect to which Borrower is obligated to deliver notice to Bank, the date on which Borrower provides notice to Bank of such an Event of Default), the Bank, at its option, without further notice, may declare the Note, all interest thereon, and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Note, all such interest, and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest, or further notice of any kind, all of which are hereby expressly waived by Borrower. Notwithstanding the foregoing, in the event that the Borrower has commenced and is diligently proceeding to cure such Event of Default, the Borrower shall have such additional time (not in excess of thirty (30) days) to effectuate such cure.

(e) After applicable notice and applicable cure periods, if any, Bank is hereby authorized at any time and from time to time, without further notice to Borrower (any such notice being expressly waived by Borrower), to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by Bank to or for the credit or the account of Borrower against any and

all of the obligations of Borrower now or hereafter existing under this Agreement or the Notes or any other Loan Document, irrespective of whether or not Bank shall have made any demand under this Agreement or the Notes or such other Loan Document and although such obligations may be unmatured. Bank agrees promptly to notify Borrower after any such setoff and application, provided that the failure to give such notice shall not affect the validity of such setoff and application. The rights of Bank under this Section are in addition to other rights and remedies (including, without limitation, other rights of setoff) which Bank may have;

(f) Bank may exercise all of the post-default rights granted to it under the Loan Documents or under applicable law. The rights and remedies of Bank hereunder shall be cumulative, and not exclusive. The exercise of one or more such remedies shall not preclude or prevent Bank from, at the same time, or at any other time, resorting to or exercising the same or other rights, powers, privileges or remedies herein granted to it or to which it might otherwise legally resort.

Section 7.03 Cash Collateralization of Letters of Credit. Bank may, irrespective of whether it is taking any of the actions described in this Section, under the Security Agreement or otherwise, make demand upon Borrower to, and forthwith upon such demand Borrower will, pay to Bank in same-day funds, for deposit in such account as Bank shall specify (the "L/C Cash Collateral Account"), an amount equal to 105% of the Letter of Credit Obligations then outstanding. The L/C Cash Collateral Account shall be in the name and under the sole dominion and control of Bank. Bank shall have no obligation to invest any amounts on deposit in the L/C Cash Collateral Account. Borrower grants to Bank, a lien on and security interest in the L/C Cash Collateral Account and all amounts on deposit therein as collateral security for the performance of its obligations under this Agreement and the other Loan Documents. Bank shall have all rights and remedies available to it under applicable law with respect to the L/C Cash Collateral Account and all amounts on deposit therein.

ARTICLE VIII
MISCELLANEOUS

Section 8.01 Effectiveness. This Agreement shall be binding and deemed effective when executed by Borrower and Bank and the conditions set forth in Section 3.01 have been fully satisfied or waived by Bank in writing.

Section 8.02 Amendments and Waivers. No amendment, modification, termination, or waiver of any provision of any Loan Document to which Borrower is a party, nor consent to any departure by Borrower from any Loan Document to which it is a party, shall in any event be effective unless the same shall be in writing and signed by Bank, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Section 8.03 Notices. All notices and other communications under this Agreement shall be in writing and shall be deemed to have been given upon the earlier of receipt or three (3) Business Days from the date of deposit in the mail, designated as certified mail, return receipt requested, post-prepaid, or one (1) Business Day after being entrusted to a

reputable commercial overnight delivery service, or when delivered to the telegraph office or sent out by telex or telecopy addressed to the party to which such notice is directed at its address determined as provided in this Section 8.03 during the recipient's normal business hours, except that notices to Bank pursuant to Article II shall not be effective until received by Bank. All notices and other communications under this Agreement (other than with respect to routine conversions/continuations and repayments) shall be given to the parties hereto at the following addresses:

If to Borrower:

FARO TECHNOLOGIES, INC.
125 Technology Park
Lake Mary, Florida 32746
Attention: Simon Raab
Telecopier: (407) 333-4181

with a copy to:

FOLEY & LARDNER
100 North Tampa Street
Suite 2700
Tampa, Florida 33602
Attention: Steven W. Vazquez, Esq.
Telecopier: (813) 221-4210

If to Bank:

SUNTRUST BANK
200 South Orange Avenue
Orlando, Florida 32801
Attention: Scott G. Balke
Telecopier: (407) 237-6030

with a copy to:

DEAN, MEAD, EGERTON, BLOODWORTH, CAPOUANO &
BOZARTH, P.A.
800 North Magnolia Avenue, Suite 1500
Orlando, Florida 32803
Attention: Gregory K. Lawrence, Esq.
Telecopier: (407) 423-1831

Any party hereto may change the address to which notices shall be directed under this Section 8.03 by giving ten (10) days' written notice of such change to the other party.

Section 8.04 No Waiver. No failure or delay on the part of Bank in exercising any right, power, or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any such right, power, or remedy preclude any other or further exercise thereof or the exercise of any other right, power, or remedy hereunder. The rights and remedies

provided herein are cumulative, and are not exclusive of any other rights, powers, privileges, or remedies, now or hereafter existing, at law or in equity or otherwise.

Section 8.05 Successors and Assigns. This Agreement shall bind and inure to the benefit of the respective successors and assigns of each of the parties. Borrower may not assign this Agreement or any rights or duties hereunder without Bank's prior written consent and any prohibited assignment shall be void. No consent to assignment by Bank shall release Borrower from its Obligations. Bank may assign this Agreement and the other Loan Documents and its rights and duties hereunder and thereunder, in accordance with Section 8.09 hereof.

Section 8.06 Costs, Expenses, and Taxes. Borrower agrees to pay on demand all costs and expenses incurred by Bank in connection with the preparation, execution, delivery, filing, and administration of the Loan Documents and the Letters of Credit (including the Letter of Credit Fees), and of any amendment, modification, or supplement to the Loan Documents, including, without limitation, the fees and out-of-pocket expenses of counsel for Bank incurred in connection with advising Bank as to its rights and responsibilities hereunder. Borrower also agrees to pay all such costs and expenses, including court costs, incurred in connection with enforcement of the Loan Documents, or any amendment, modification, or supplement thereto, whether by negotiation, legal proceedings, or otherwise. Borrower shall also pay all audit, appraisal and valuation fees and charges, whether Bank elects to perform such audits, appraisals and valuations itself or through the services of one or more third Persons. In addition, Borrower shall pay any and all documentary stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing, and recording of any of the Loan Documents and the other documents to be delivered under any such Loan Documents, and agrees to hold Bank harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees. This provision shall survive termination of this Agreement.

Section 8.07 Integration. This Agreement and the Loan Documents contain the entire agreement between the parties relating to the subject matter hereof and supersede all oral statements and prior writings with respect thereto.

Section 8.08 Indemnity. Borrower agrees to indemnify and hold harmless Bank and each of its affiliates, employees, representatives, officers, directors, agents and attorneys (any of the foregoing shall be an "Indemnitee") from and against any and all claims, liabilities, losses, damages, actions, investigations, proceedings, attorneys' fees and expenses (as such fees and expenses are incurred and irrespective of whether suit is brought) and demands by any party, including the costs of investigating and defending such claims, actions, investigations or proceedings, and the costs of answering any discovery served in connection therewith, whether or not Borrower or the Person seeking indemnification is the prevailing party and whether or not the Person seeking indemnification is a party to any such action or proceeding (a) resulting from any breach or alleged breach by Borrower of any representations or warranties made hereunder, or (b) arising out of (i) the Loans, issuance of Letters of Credit, or otherwise under this Agreement, including the use of the proceeds of the Loans hereunder in any fashion by Borrower or the performance of its obligations under the Loan Documents by Borrower, (ii) allegations of any participation by Bank in the affairs of Borrower, or allegations that Bank has any joint liability with Borrower for any reason, or (iii) any claims against Bank by any shareholder or

other investor in or Bank to Borrower, by any brokers or finders or investment advisers or investment bankers retained by Borrower or by any other third party, for any reason whatsoever, or (c) in connection with taxes, fees, and other charges payable in connection with the Loans, or the execution, delivery, and enforcement of this Agreement, the other Loan Documents, and any subsequent amendments thereto or waivers of any of the provisions thereof, unless the Person seeking indemnification hereunder is determined in such case to have acted or failed to act with gross negligence or willful misconduct by a non-appealable judicial order. This indemnity shall survive termination of this Agreement.

Section 8.09 Assignments; Participations. (a) Assignments.

Bank may assign and delegate to one or more assignees (each an "Assignee") all or any ratable portion of the Obligations and the other rights and obligations of Bank hereunder and under the other Loan Documents, provided, that, Borrower may continue to deal solely and directly with Bank in connection with the interest so assigned to an Assignee until written notice of such assignment, together with payment instructions, addresses, and related information with respect to the Assignee, have been given to Borrower by Bank and the Assignee. From and after the date that Bank provides Borrower with such written notice, the Assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such assignment, shall have the assigned and delegated rights and obligations of Bank under the Loan Documents.

(b) Participations. Bank may at any time sell to one or more commercial banks, financial institutions, or other Persons, as Participants, an interest in the Obligations (including the Letter of Credit Obligations) and the other rights and interests of Bank hereunder and under the other Loan Documents; provided, however, that (i) Bank shall remain the "Bank" for all purposes of this Agreement and the other Loan Documents and the Participant receiving the participating interest in the Obligations and the other rights and interests of Bank shall not constitute a "Bank" hereunder or under the other Loan Documents and Bank's obligations under this Agreement shall remain unchanged, (ii) Bank shall remain solely responsible for the performance of such obligations, (iii) Borrower and Bank shall continue to deal solely and directly with each other in connection with Bank's rights and obligations under this Agreement and the other Loan Documents, and (iv) all amounts payable by Borrower hereunder shall be determined as if Bank had not sold such participation, except that, if amounts outstanding under this Agreement are due and unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall be deemed to have the right of set-off in respect of its participating interest in amounts owing under this Agreement to the same extent as if the amount of its participating interest were owing directly to it as Bank under this Agreement. The rights of any Participant only shall be derivative through Bank and no Participant shall have any rights under this Agreement or the other Loan Documents or any direct rights as to Borrower, the Collections, the Collateral, or otherwise in respect of the Obligations.

(c) Disclosures. In connection with any such assignment or participation or proposed assignment or participation, Bank may disclose all documents and information that it now or hereafter may have relating to Borrower or Borrower's business, subject to the confidentiality requirements set forth in Section 8.17.

Section 8.10 Setoff. In addition to any rights now or hereafter granted under Applicable Law and not by way of limitation of any such rights, upon the occurrence of an Event of Default after the expiration of any cure period applicable thereto, if any, and until such Event of Default is waived in writing by Bank, Bank is hereby authorized by Borrower at any time or from time to time, without notice to Borrower, or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate and to apply any and all deposits (general or special, time or demand, including, but not limited to, Indebtedness evidenced by certificates of deposit, in each case whether matured or unmatured) and any other Indebtedness at any time held or owing by Bank, its branches, Subsidiaries or affiliates, for the credit or the account of Borrower against and on account of the obligations and liabilities of Borrower to Bank under this Agreement and any other Loan Document, including, but not limited to, all claims of any nature or description arising out of or connected with this Agreement or any other Loan Document, irrespective of whether or not (a) Bank shall have made any demand hereunder or (b) Bank shall have declared the principal of and interest on the Loans and the Agreement and other amounts due hereunder to be due and payable.

Section 8.11 Revival and Reinstatement of Obligations. If the incurrence or payment of the Obligations by Borrower or the transfer to Bank of any property should for any reason subsequently be declared to be void or voidable under any state or federal law relating to creditors' rights, including provisions of the Bankruptcy Code relating to fraudulent conveyances, preferences, or other voidable or recoverable payments of money or transfers of property (collectively, a "Voidable Transfer"), and if Bank is required to repay or restore, in whole or in part, any such Voidable Transfer, or elects to do so upon the reasonable advice of its counsel, then, as to any such Voidable Transfer, or the amount thereof that Bank is required or elects to repay or restore, and as to all costs, expenses, and attorneys fees of Bank related thereto, the liability of Borrower automatically shall be revived, reinstated, and restored and shall exist as though such Voidable Transfer had never been made.

Section 8.12 Governing Law. This Agreement shall be construed in accordance with and governed by the internal laws of the State of Florida applicable to agreements made and to be performed wholly within the State of Florida without reference to the conflicts of law provisions thereof that may cause the application of the laws of another jurisdiction.

Section 8.13 Severability of Provisions. Any provision of any Loan Document which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of such Loan Document or affecting the validity or enforceability of such provision in any other jurisdiction.

Section 8.14 Entire Agreement. Except as otherwise expressly provided herein, this Agreement, the Loan Documents, and the other documents described or contemplated herein embody the entire agreement and understanding between or among any of the parties hereto and thereto and supersede all prior agreements and understandings relating to the subject matter hereof and thereof between or among any of the parties hereto.

Section 8.15 Conflicts. In the event of any conflict between the provisions of this Agreement and the provisions of any other Loan Document, the terms and provisions of this Agreement shall control.

Section 8.16 Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original, but all such separate counterparts shall together constitute but one and the same instrument. Delivery of an executed counterpart by facsimile transmission shall be deemed equally effective as a manually executed counterpart hereof.

Section 8.17 Headings. Article and Section headings in this Agreement are for the convenience of reference only, and shall not constitute a part of this Agreement for any other purpose.

Section 8.18 Confidentiality. Bank agrees to take, and to cause its Affiliates to take, normal and reasonable precautions and exercise due diligence to maintain the confidentiality of all non-public information provided to it by the Borrower or any Subsidiary under this Agreement, and neither the Bank nor its Affiliates shall use any such information other than in connection with or in enforcement of this Agreement or in connection with other business now or hereafter existing or contemplated with the Borrower or any Subsidiary; except the extent such information (a) was or becomes generally available to the public other than as a result of disclosure by the Bank; (b) was or becomes available on a non-confidential basis from a source other than the Borrower or any of its Affiliates, provided that such source is not bound by a confidentiality agreement with the Borrower or any of Borrower's Affiliates, provided, however, that Bank may disclose such information (i) at the request or pursuant to any requirement of any Governmental Authority to which Bank is subject or in connection with an examination of Bank by any such authority; (ii) pursuant to subpoena or other court process; (iii) to the extent reasonably required in connection with the exercise of any remedy hereunder; (iv) to the Bank's independent auditors and other professional advisors; (v) to any Participant or Assignee, actual or potential (or their respective professional advisors), or to any counterparty (or its professional advisors) to any swap, securitization or derivative transaction referencing or involving any of its rights or obligations as a lender under this Agreement, actual or potential, provided that such Person agrees in writing to keep such information confidential to the same extent required of the bank hereunder; and (vi) as expressly permitted under the terms of any other document or agreement to which the Borrower or any Subsidiary is party with Bank or its Affiliates.

Section 8.19 Consent to Jurisdiction. ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF FLORIDA OR OF THE UNITED STATES FOR THE MIDDLE DISTRICT OF FLORIDA AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH OF BORROWER AND BANK CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THOSE COURTS. EACH OF BORROWER AND BANK IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, THAT IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF

ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO. BORROWER AND BANK EACH WAIVE PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT, OR OTHER PROCESS, THAT MAY BE MADE BY ANY OTHER MEANS PERMITTED BY APPLICABLE LAW.

Section 8.20 Jury Trial Waiver. TO THE EXTENT PERMITTED BY APPLICABLE LAW, BORROWER HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO ANY OF THE LOAN DOCUMENTS, THE BORROWINGS OR THE ACTIONS OF BANK IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT THEREOF.

[the remainder of this page intentionally left blank]

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

WITNESSES:

"BORROWER"

FARO TECHNOLOGIES, INC., a Florida corporation

/s/ Christine Lent

Print Name: Christine Lent

By: /s/ Simon Raab

Name: Simon Raab
Title: Chief Executive Officer

/s/ Melanie Luther

Print Name: Melanie Luther
Two witnesses as to Borrower

(CORPORATE SEAL)

"BANK"

SUNTRUST BANK

/s/ Christine Lent

Print Name: Christine Lent

By: /s/ Scott Baker

Name: Scott Baker
Title: First Vice President

/s/ Melanie Luther

Print Name: Melanie Luther
Two witnesses as to Bank

EXHIBIT A

FORM OF PROMISSORY NOTE

\$5,000,000

September __, 2003

BEING INDEBTED FOR VALUE RECEIVED, the undersigned, FARO TECHNOLOGIES, INC., a Florida corporation (the "Borrower"), promises to pay to SUNTRUST BANK (the "Bank"), or order, in the manner hereinafter specified, the principal sum of FIVE MILLION DOLLARS (\$5,000,000), together with interest thereon from time to time from the date hereof until paid in full at the interest rate set forth in the Loan Agreement (as defined below). Said principal and interest shall be payable in lawful money of the United States of America at 200 South Orange Avenue, Orlando, Florida 32801, or at such other place as may hereafter be designated by written notice from the holder ("Holder") of this instrument to Borrower, on the dates and in the manner set forth in the Loan Agreement.

This Note is one of the Notes referred to in, and is entitled to the benefits of, that certain Loan Agreement of even date herewith by and between Borrower and Bank (the "Loan Agreement"), the terms of which are incorporated herein by this reference. This Note is secured by, among other things, that certain Security Agreement of even date herewith executed and delivered by Borrower in favor of Bank (the "Security Agreement"), reference to which is hereby made for a description of the Collateral provided for under the Security Agreement and the rights of Borrower and Bank with respect to such Collateral. Terms used herein without definition shall have the meanings ascribed thereto in the Loan Agreement, and if not defined therein, in the Security Agreement.

This Note may be prepaid in whole or in part in accordance with the terms and provisions set forth in the Loan Agreement, and is subject to mandatory prepayment in accordance with the terms of the Loan Agreement.

Payments of principal and interest hereunder shall be paid in accordance with the Loan Agreement. Any installment of principal or interest due under this Note that is not paid in full on the due date therefor, whether a regularly scheduled payment date, on the maturity date, or otherwise resulting from the acceleration of maturity upon the occurrence of an Event of Default, shall bear interest from the due date until payment in full as provided in Section 2.09 of the Loan Agreement.

FLORIDA DOCUMENTARY STAMPS IN THE AMOUNT OF \$2,450.00 HAVE BEEN PAID AT THE TIME OF EXECUTION AND DELIVERY OF THIS NOTE.
00084743v6

Upon the occurrence of any one or more of the Events of Default specified in the Loan Agreement, or in any other document or instrument delivered in connection therewith, interest shall accrue on all amounts outstanding at the Default Rate and all amounts then remaining unpaid on this Note may be declared to be immediately due and payable as provided in the Loan Agreement.

Borrower grants to Holder a security interest in, and hereby assigns, conveys, delivers, pledges, and transfers to Holder all of Borrower's right, title, and interest in and to Borrower's accounts with Holder (whether checking, savings, or other account), including accounts Borrower may open in the future, excluding, however, all trust accounts for which the grant of a security interest would be prohibited by law. Borrower authorizes Holder, to the extent permitted by applicable law, to charge or set-off all sums owing on the indebtedness evidenced by this Note against any and all such accounts. Said right of set-off may also be exercised and applicable where Holder is indebted to any signer hereof by reason of any certificate of deposit, note or otherwise.

Borrower and all persons liable or to become liable on this Note agree, jointly and severally, to pay all costs of collection, including reasonable attorney's fees and all costs of suit, in case any payment of principal and/or interest required herein is not paid when due, or in case it becomes necessary to protect or foreclose the security for the indebtedness evidenced hereby, or in the event the Holder is made party to any litigation because of the existence of the indebtedness evidenced by this Note or any agreement executed by Borrower in connection with the loan evidenced hereby, whether suit be brought or not, and whether through courts of original jurisdiction, as well as in courts of appellate jurisdiction, or through a Bankruptcy Court or other legal proceedings. Demand, presentment, protest, notice of protest and notice of dishonor are hereby waived by Borrower.

Notwithstanding anything contained herein to the contrary, the interest rate charged pursuant to this Note including all charges and fees in connection therewith deemed in the nature of interest under Florida law, shall not exceed the maximum rate allowed by law. In the event the stated interest rate on the Notes together with any other charge or fee deemed in the nature of interest exceeds the maximum legal rate, then, ipso facto, the interest rate shall be reduced to the maximum legal rate, and if, interest in excess of the maximum legal rate shall have been paid by Borrower in connection with this Note or under the other Notes, the amount of such excess shall be applied to unpaid and outstanding principal, and not to the payment of interest.

Borrower hereby consents and agrees that, in any actions predicated upon this Note, venue is properly laid in Orange County, Florida and that the Circuit Court in and for Orange County, Florida or the Federal Court for the Middle District of Florida shall have full jurisdiction to determine all issues arising out of or in connection with the execution and enforcement of this Note. Borrower waives to the fullest extent for itself, its successors and assigns and all persons now or at any time liable for payment of this Note, to the fullest extent permitted under the laws of the State of Florida, any right, power, privilege or prerogative to demand a jury trial with respect to any and all issues arising out of or in connection with the execution, delivery and/or enforcement of this Note or the transactions contemplated in the other Loan Documents (including but not limited to any claims, cross-claims or third party claims).

BORROWER REPRESENTS AND WARRANTS TO BANK THAT THE LOAN AND ALL PROCEEDS FROM THIS NOTE SHALL BE USED SOLELY FOR BUSINESS OR COMMERCIAL PURPOSES.

Borrower's Address:

"BORROWER"

FARO TECHNOLOGIES, INC., a Florida corporation

125 Technology Park
Lake Mary, Florida 32746

By: _____
Name: _____
Title: _____

(CORPORATE SEAL)

EXHIBIT B

FORM OF BORROWING BASE CERTIFICATE

SunTrust Bank
200 South Orange Avenue
Orlando, Florida 32801
Attn: Scott G. Balke

The undersigned, the [chief financial officer] of FARO TECHNOLOGIES, INC., a Florida corporation ("Borrower"), delivers this Borrowing Base Certificate to SUNTRUST BANK ("Bank") pursuant to that certain Loan and Security Agreement by and between Borrower and Bank dated as of September __, 2003 (the "Loan Agreement"), and hereby certifies to Bank that, as of the __ day of __, 20__ (the "Calculation Date"), the following is a calculation of the Borrowing Base in compliance with the Loan Agreement:

Accounts:

- - - - -

1.	Amount of Eligible Accounts*	\$ _____
2.	Advance rate against Eligible Accounts (80%)	(0.80)
3.	Subtotal - Eligible Accounts times Advance rate	\$ _____

Inventory:

- - - - -

4.	Eligible Inventory (valued at book value)*	\$ _____
5.	Advance rate against Eligible Inventory (25%)	(0.25)
6.	Subtotal - Eligible Inventory times Advance rate	\$ _____
7.	The lesser of Item 6 or \$1,000,000	\$ _____

Borrowing Base Calculation:

- - - - -

8.	Item 3 plus Item 7	\$ _____
----	--------------------	----------

[continued on next page]

Borrowing Availability:

9.	The lesser of \$5,000,000 or Item 8	\$ _____
10.	Minus outstanding Advances as of the Calculation Date	\$ _____
11.	Minus issued and outstanding Letters of Credit and unreimbursed drawings as of the Calculation Date (to the extent not already deducted in Item 10 above)	\$ _____
12.	BORROWING AVAILABILITY (Item 9 minus Item 10 minus Item 11)	\$ _____

All capitalized terms used herein without definition shall have the meanings ascribed thereto in the Loan Agreement.

The undersigned hereby certifies that the foregoing information and the detailed supporting documentation accompanying this Borrowing Base Certificate are true, accurate and complete.

FARO TECHNOLOGIES, INC., a Florida corporation

By: _____
Name: _____
Title: _____

* supporting documentation attached

Table of Contents

Page

ARTICLE I DEFINITIONS AND ACCOUNTING TERMS.....1
 Section 1.01 Defined Terms.....1
 Section 1.02 Accounting Terms.....15
ARTICLE II AMOUNT AND TERMS OF THE LOAN.....15
 Section 2.01 The Loan.....15
 Section 2.02 Notice and Manner of Borrowing for Loans.....15
 Section 2.03 The Note.....15
 Section 2.04 Fees.....15
 Section 2.05 Conversion of Loan Types.....16
 Section 2.06 Interest Rate for Loans.....16
 Section 2.07 Savings Clause.....16
 Section 2.08 Interest Payments on Loans.....16
 Section 2.09 Late Payments and Default Rate.....16
 Section 2.10 Reserved.....17
 Section 2.11 Optional Prepayments.....17
 Section 2.12 Mandatory Repayments.....17
 Section 2.13 Method of Payment.....17
 Section 2.14 Application of Payments.....17
 Section 2.15 Demand, Maturity Date.....18
 Section 2.16 Use of Proceeds.....18
 Section 2.17 Illegality.....18
 Section 2.18 Increased Cost.....18
 Section 2.19 Funding Loss Indemnification.....19
 Section 2.20 Letter of Credit Subfacility.....19
 Section 2.21 Conflict with Letter of Credit Documents.....21
 Section 2.22 Cash Management.....21
ARTICLE III CONDITIONS PRECEDENT.....21
 Section 3.01 Condition Precedent.....21
 Section 3.02 Conditions Subsequent.....23
 Section 3.03 Conditions to All Extensions of Credit.....23
ARTICLE IV REPRESENTATIONS AND WARRANTIES.....24
 Section 4.01 Incorporation, Good Standing and Due Qualification.....24
 Section 4.02 Corporate Power and Authority.....24
 Section 4.03 Legally Enforceable Agreement.....25
 Section 4.04 Consents.....25
 Section 4.05 Financial Statements.....25
 Section 4.06 Eligible Inventory and Eligible Accounts.....25
 Section 4.07 Labor Disputes and Acts of God.....25
 Section 4.08 Litigation.....25
 Section 4.09 No Defaults on Outstanding Judgments or Orders.....26
 Section 4.10 Ownership and Liens.....26
 Section 4.11 Subsidiaries.....26
 Section 4.12 ERISA.....26

Table of Contents

(continued)

	Page
Section 4.13	Operation of Business.....26
Section 4.14	Taxes.....26
Section 4.15	Environmental.....26
Section 4.16	Indebtedness.....27
Section 4.17	Investments in Subsidiaries; Intercompany Loans and Advances.....27
Section 4.18	Solvency.....27
Section 4.19	Other Agreements.....27
Section 4.20	No Materially Misleading Facts.....27
ARTICLE V	AFFIRMATIVE COVENANTS.....27
Section 5.01	Maintain Existence.....27
Section 5.02	Maintain Books and Records.....27
Section 5.03	Maintain Properties.....28
Section 5.04	Conduct of Business.....28
Section 5.05	Maintain Insurance.....28
Section 5.06	Compliance With Laws.....28
Section 5.07	Payment of Taxes and Indebtedness.....28
Section 5.08	Right of Inspection.....28
Section 5.09	Further Assurances.....29
Section 5.10	Use of Proceeds.....29
Section 5.11	Environment.....29
Section 5.12	Reporting Requirements.....29
Section 5.13	Financial Covenants.....31
ARTICLE VI	NEGATIVE COVENANTS.....31
Section 6.01	Liens.....31
Section 6.02	Indebtedness.....31
Section 6.03	Subsidiaries; Mergers; Reorganizations and Permitted Acquisitions of Domestic Subsidiaries.....32
Section 6.04	Sale and Leaseback.....32
Section 6.05	Dividends.....32
Section 6.06	No Impairment of Intercompany Payments.....32
Section 6.07	Asset Sales.....32
Section 6.08	Investments and Intercompany Loans and Advances.....33
Section 6.09	Guarantees.....33
Section 6.10	Transactions With Affiliates.....33
Section 6.11	Financial Covenants.....33
ARTICLE VII	EVENTS OF DEFAULT AND REMEDIES.....33
Section 7.01	Events of Default.....33
Section 7.02	Remedies.....35
Section 7.03	Cash Collateralization of Letters of Credit.....36
ARTICLE VIII	MISCELLANEOUS.....36
Section 8.01	Effectiveness.....36
Section 8.02	Amendments and Waivers.....36
Section 8.03	Notices.....36

Table of Contents

(continued)

	Page

Section 8.04 No Waiver.....	37
Section 8.05 Successors and Assigns.....	38
Section 8.06 Costs, Expenses, and Taxes.....	38
Section 8.07 Integration.....	38
Section 8.08 Indemnity.....	38
Section 8.09 Assignments; Participations.....	39
Section 8.10 Setoff.....	40
Section 8.11 Revival and Reinstatement of Obligations.....	40
Section 8.12 Governing Law.....	40
Section 8.13 Severability of Provisions.....	40
Section 8.14 Entire Agreement.....	40
Section 8.15 Conflicts.....	41
Section 8.16 Counterparts.....	41
Section 8.17 Headings.....	41
Section 8.18 Confidentiality.....	41
Section 8.19 Consent to Jurisdiction.....	41
Section 8.20 Jury Trial Waiver.....	42