



NEWS RELEASE

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FOR IMMEDIATE RELEASE

INITIAL STEP OF IRVINE SENSORS DEBT WORKOUT COMPLETED

COSTA MESA, CALIFORNIA – October 16, 2008 -- Irvine Sensors Corporation (Nasdaq: IRSN) announced today that the public UCC sale of the assets of the Company's wholly owned subsidiary, Optex Systems, Inc. ("Optex") has been completed. As agreed to in a binding Memorandum of Understanding ("MOU"), an entity controlled by Irvine Sensors' senior lenders credit bid \$15 million in this public sale, and their offer was the winning bid. Effectuation of this bid will result in the senior lenders' entity acquiring title to the Optex assets and in \$15 million of debt owed by Irvine Sensors being extinguished. Following the consummation of the transaction, Irvine Sensors' obligations for principal and deferred interest owed to the senior lenders are expected to be less than \$4 million. Pursuant to the binding MOU, the senior lenders have agreed to exchange these residual obligations for a new class of non-voting convertible preferred stock of Irvine Sensors upon the Company's closing of anticipated debt or equity financings.

Irvine Sensors Corporation (www.irvine-sensors.com), headquartered in Costa Mesa, California, is a vision systems company engaged in the development and sale of miniaturized infrared and electro-optical cameras, image processors and stacked chip assemblies and research and development related to high density electronics, miniaturized sensors, optical interconnection technology, high speed network security, image processing and low-power analog and mixed-signal integrated circuits for diverse systems applications.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995: This message may contain forward-looking statements based on our current expectations, estimates and projections about our industry, management's beliefs, and certain assumptions made by us. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "think", "may," "will" and variations of these words or similar expressions are intended to identify forward-looking statements. These statements include, but are not limited to, the ability of the Company to complete the workout plan and convert the balance of the debt held by the senior lenders to equity. Such statements speak only as of the date hereof and are subject to change. We undertake no obligation to revise or update publicly any forward-looking statements for any reason. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Therefore, our actual results could differ materially and adversely from those expressed in any forward-looking statements as a result of various factors.

Important factors that may cause such a difference include, but are not limited to, the reaction of creditors to the workout plan; our ability to raise additional debt or equity financing; availability of sufficient working capital to support fulfillment of our contracts pending completion of the contemplated debt or equity financings; general market conditions; the effects of international conflicts, natural disasters, public health emergencies and other events beyond our control; and the general economic and political conditions and specific conditions that may impact our operations. Further information on Irvine Sensors Corporation, including additional risk factors that may affect our forward looking statements, is contained in our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and our other SEC filings that are available through the SEC's website (www.sec.gov).

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