



## NEWS RELEASE

**CONTACT:** Investor Relations  
Irvine Sensors Corporation  
714-444-8718  
investorrelations@irvine-sensors.com

**FOR IMMEDIATE RELEASE**

### **IRVINE SENSORS AGREES TO SELL AND LICENSE BACK PATENTS Deal Could Yield Up to \$9.5 Million**

COSTA MESA, CALIFORNIA – December 18, 2008 -- Irvine Sensors Corporation (Nasdaq: IRSN) announced today that it has entered into an agreement with Arolase Development Co., LLC (“Arolase”) to sell a substantial number of Irvine Sensors’ patents and patent applications to Arolase for an aggregate purchase price of up to \$9.5 million in cash. The assets in the transaction, which have yet to be finalized, are based upon Irvine Sensors’ systems, sensors and electronics packaging technologies. The consummation of this transaction is subject to certain closing conditions being met, including the consent to the sale by Irvine Sensors’ secured creditors. The parties are also currently negotiating the terms of a license agreement, pursuant to which Arolase is expected to license back to Irvine Sensors the patented technology for royalty-free, worldwide use. Irvine Sensors and Arolase have agreed to try to close the transaction in January 2009; however, either party can terminate the agreement under certain conditions if the transaction has not closed by the middle of March 2009.

John Carson, Irvine Sensors Chairman of the Board and CEO, said, “We have been investigating means to monetize our patent assets for some time. The Arolase proposition has the potential immediate liquidity and balance sheet improvement that we have been seeking. It also could influence our business model since our research and development business has historically generated a substantial number of patentable innovations every year, which might form the basis for additional transactions of this kind in the future.”

Irvine Sensors Corporation ([www.irvine-sensors.com](http://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.

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**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 and Arolase to finalize and close the proposed transaction within the time period permitted by the agreement, or at all; our ability to successfully negotiate the terms of the license back to the assets being sold; and our ability to obtain additional patents or enter into similar transactions in the future. 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, our ability to obtain the consent of our secured creditors to this transaction, to obtain a release of the liens against the patent assets contemplated for sale and to satisfy the other closing conditions to this transaction; the ability of Arolase to timely fund the proposed patent acquisition; our ability to successfully specify, develop or acquire, complete, introduce, market and transition to volume production new products and technologies in a cost-effective and timely manner; the Company's ability to obtain new patents and future deals related to such patents; the impact of competing technologies and products; the rate at which current or future customers adopt our technologies; the Company's cash resources and the effectiveness of our expense and cost control and reduction efforts; the effects of international conflicts, natural disasters and other events beyond our control; and the general economic, political and market 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](http://www.sec.gov)).