

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2009

OR

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

For the transition period from _____ to _____

Commission file number 0-21221



Microvision, Inc.

(Exact name of Registrant as Specified in its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

91-1600822

(I.R.S. Employer Identification Number)

6222 185th Avenue NE

Redmond, Washington 98052

(Address of Principal Executive Offices including Zip Code)

(425) 936-6847

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). YES NO

As of July 30, 2009, 76,163,000 shares of the Company's common stock, \$0.001 par value, were outstanding.

Part I: Financial Information

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Microvision, Inc.
Consolidated Balance Sheets
(In thousands, except per share data)
(Unaudited)

	June 30,	December 31,
	2009	2008
	-----	-----
Assets		
Current assets		
Cash and cash equivalents	\$ 23,616	\$ 25,533
Investment securities, available-for-sale	2,709	2,705
Accounts receivable, net of allowances of \$57 and \$57	342	537
Costs and estimated earnings in excess of billings on uncompleted contracts	451	695
Inventory	1,016	1,525
Other current assets	596	889
	-----	-----
Total current assets	28,730	31,884
Property and equipment, net	3,618	3,701
Restricted investments	1,332	1,332
Other assets	53	47
	-----	-----
Total assets	\$ 33,733	\$ 36,964
	=====	=====
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	\$ 2,315	\$ 3,487
Accrued liabilities	3,267	3,545
Billings in excess of costs and estimated earnings on uncompleted contracts	55	62
Liability associated with common stock warrants	1,133	331
Current portion of capital lease obligations	66	41
Current portion of long-term debt	74	71
	-----	-----
Total current liabilities	6,910	7,537
Capital lease obligations, net of current portion	187	45
Long-term debt, net of current portion	284	322
Deferred rent, net of current portion	1,243	1,409
	-----	-----
Total liabilities	8,624	9,313
	-----	-----
Commitments and contingencies		
Shareholders' equity		
Common stock, par value \$.001; 125,000 shares authorized; 76,163 and 68,080 shares issued and outstanding	76	68
Additional paid-in capital	336,367	319,662
Accumulated other comprehensive loss	(34)	(38)
Accumulated deficit	(311,300)	(292,041)
	-----	-----
Total shareholders' equity	25,109	27,651
	-----	-----
Total liabilities and shareholders' equity	\$ 33,733	\$ 36,964
	=====	=====

The accompanying notes are an integral part of these financial statements.

Microvision, Inc.
Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Contract revenue	\$ 813	\$ 1,006	\$ 1,525	\$ 3,287
Product revenue	174	616	413	905
Total revenue	987	1,622	1,938	4,192
Cost of contract revenue	527	374	910	1,136
Cost of product revenue	543	529	784	868
Total cost of revenue	1,070	903	1,694	2,004
Gross margin	(83)	719	244	2,188
Research and development expense	5,716	5,881	11,326	10,307
Sales, marketing, general and administrative expense	3,667	4,103	7,481	8,238
Total operating expenses	9,383	9,984	18,807	18,545
Loss from operations	(9,466)	(9,265)	(18,563)	(16,357)
Interest income	79	279	143	691
Interest expense	(20)	(12)	(31)	(25)
Gain (loss) on derivative instruments, net	(982)	(254)	(802)	1,419
Other expense	(5)	(14)	(6)	(32)
Net loss	\$ (10,394)	\$ (9,266)	\$ (19,259)	\$ (14,304)
Net loss per share - basic and diluted	\$ (0.15)	\$ (0.16)	\$ (0.28)	\$ (0.25)
Weighted-average shares outstanding - basic and diluted	68,881	56,782	68,482	56,756

The accompanying notes are an integral part of these financial statements.

Microvision, Inc.
Consolidated Statements of Comprehensive Loss
(In thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Net loss	\$ (10,394)	\$ (9,266)	\$ (19,259)	\$ (14,304)
Other comprehensive gain (loss)				
Unrealized gain (loss) on investment securities, available-for-sale	3	(77)	4	(39)
Comprehensive loss	\$ (10,391)	\$ (9,343)	\$ (19,255)	\$ (14,343)
	=====	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

Microvision, Inc.
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Six Months Ended June 30,	
	2009	2008
Cash flows from operating activities		
Net loss	\$ (19,259)	\$ (14,304)
Adjustments to reconcile net loss to net cash used in operations:		
Depreciation	556	481
Non-cash stock-based compensation expense	1,924	1,604
Loss (gain) on derivative instruments, net	802	(1,419)
Inventory write-downs	340	--
Net accretion of discount on short-term investments	--	(92)
Non-cash deferred rent	(138)	(137)
Change in:		
Accounts receivable, net	195	1,582
Costs and estimated earnings in excess of billings on uncompleted contracts	244	277
Inventory	169	(645)
Other current assets	270	(81)
Other assets	(6)	(2)
Accounts payable	(1,006)	(276)
Accrued liabilities	(392)	(999)
Billings in excess of costs and estimated earnings on uncompleted contracts	(7)	(879)
	(16,308)	(14,890)
Net cash used in operating activities		
Cash flows from investing activities		
Sales of investment securities	--	12,800
Purchases of investment securities	--	(986)
Purchases of restricted investment securities	--	(350)
Purchases of property and equipment	(544)	(215)
	(544)	11,249
Net cash provided by (used in) investing activities		
Cash flows from financing activities		
Principal payments under capital leases	(26)	(18)
Principal payments under long-term debt	(35)	(32)
Net proceeds from issuance of common stock and warrants	14,996	331
	14,935	281
Net cash provided by financing activities		
Net decrease in cash and cash equivalents	(1,917)	(3,360)
Cash and cash equivalents at beginning of period	25,533	13,399
	\$ 23,616	\$ 10,039
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 31	\$ 25
Supplemental schedule of non-cash investing and financing activities		
Property and equipment acquired under capital leases	\$ 95	\$ --
Other non-cash additions to property and equipment	\$ 33	\$ 24

The accompanying notes are an integral part of these financial statements.

MICROVISION, INC.
Notes to Consolidated Financial Statements
June 30, 2009
(Unaudited)

1. MANAGEMENT'S STATEMENT AND PRINCIPLES OF CONSOLIDATION

Management's Statement

The Consolidated Balance Sheet as of June 30, 2009, the Consolidated Statements of Operations and Comprehensive Loss for the three and six months ended June 30, 2009 and 2008 and the Consolidated Statements of Cash Flows for the six months ended June 30, 2009 and 2008 have been prepared by Microvision, Inc. (the "Company" or "Microvision") and have not been audited. In the opinion of management, all adjustments necessary to state fairly the financial position at June 30, 2009 and the results of operations, comprehensive loss and cash flows for all periods presented have been made and consist of normal recurring adjustments. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules of the SEC. You should read these condensed financial statements in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008. The results of operations for the six months ended June 30, 2009 are not necessarily indicative of the operating results that may be attained for the entire fiscal year.

At June 30, 2009, Microvision had \$26.3 million in cash, cash equivalents and investment securities, available-for-sale. Microvision's operating plan for 2009 and 2010 includes the launch of its first accessory product, further development of its PicoP display engine for embedded applications and further development of automotive head-up display (HUD) and eyewear applications. In order to fully fund the Company's operating plan for 2009 and 2010, the Company will require additional capital. The Company plans to obtain additional cash through the issuance of equity or debt securities. There can be no assurance that additional cash will be available or that, if available, it will be available on terms acceptable to the Company on a timely basis. If adequate funds are not available by January 2010, the Company intends to consider reducing the scope of its business to extend its operations as it pursues other financing opportunities and business relationships. This reduction in scope could include delaying development projects resulting in reductions in staff, operating costs, capital expenditures and investment in research and development. With these adjustments to its operating plan the Company believes that it currently has sufficient cash, cash equivalents, and investment securities to fund operations into June 2010.

2. NET LOSS PER SHARE

Basic net loss per share is calculated on the basis of the weighted-average number of common shares outstanding during the reporting periods. Diluted net loss per share is calculated on the basis of the weighted-average number of common shares outstanding and taking into account the dilutive effect of all potential common stock equivalents

outstanding. Potentially dilutive common stock equivalents primarily consist of warrants, employee stock options and nonvested equity shares. Diluted net loss per share for the three and six months ended June 30, 2009 and 2008 is equal to basic net loss per share because the effect of all potential common stock outstanding during the periods, including options, warrants and nonvested equity shares is anti-dilutive. The components of basic and diluted net loss per share were as follows (in thousands, except loss per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Numerator:				
Net loss available for common shareholders - basic and diluted	\$ (10,394)	\$ (9,266)	\$ (19,259)	\$ (14,304)
Denominator:				
Weighted-average common shares outstanding - basic and diluted	68,881	56,782	68,482	56,756
Net loss per share - basic and diluted	\$ (0.15)	\$ (0.16)	\$ (0.28)	\$ (0.25)

On June 30, 2009 and 2008, the Company excluded the following convertible securities from diluted net loss per share as the effect of including them would have been anti-dilutive: options and warrants convertible into a total of 20,241,000 and 10,992,000 shares of common stock, respectively, and 409,000 and 125,000 shares of nonvested equity shares, respectively.

3. CASH EQUIVALENTS, INVESTMENT SECURITIES AVAILABLE-FOR-SALE AND FAIR VALUE MEASUREMENTS

The Company accounts for cash equivalents and investment securities in accordance with the provisions of Statement of Financial Accounting Standards (FAS) No. 115, *Accounting for Certain Investments in Debt and Equity Securities* (FAS 115) and FAS Board Staff Position (FSP) No. FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments*. FAS 115 addresses the accounting and reporting for investments in equity securities that have readily determinable fair values and debt securities. FSP FAS 115-2 and FAS 124-2 provides guidance on accounting and presentation of investments with other-than-temporary impairments. The Company adopted FSP FAS 115-2 and FAS 124-2 effective April 1, 2009. The Company applies guidance in FAS No. 157, *Fair Value Measurements* (FAS 157) and FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* when estimating fair values of its cash equivalents, investment securities and liability associated with common stock warrants. FAS 157 and FSP FAS 157-4 address estimating fair values and related disclosures. The Company adopted FAS 157 on January 1, 2008 for financial assets and liabilities and for nonfinancial assets and liabilities measured at fair value on a recurring basis. It elected to defer the adoption of FAS 157 for nonfinancial assets and liabilities accounted for on a nonrecurring basis until January 1, 2009 as permitted by FSP No. FAS 157-2, *Effective Date of FAS 157*. Neither of the two stages of adopting FAS 157 resulted in a material impact on the Company's consolidated financial position, results of operations or cash flows.

As of June 30, 2009, the Company held \$3.0 million par value student loan auction rate securities (SLARS), fair valued at \$2.7 million. The SLARS owned by the Company are investment grade long-term bonds with variable interest rate resets, purchases and sales to be determined via a Dutch Auction process every 28 days. They were issued to fund U.S. government guaranteed student loans. Beginning in February 2008 as global credit markets significantly deteriorated, insufficient clearing bids have been submitted for the SLARS. In accordance with the bond terms, the interest rates have been reset to "maximum rates" instead of "auction rates." Since that time, the SLARS have been illiquid through the auction process and secondary markets.

The valuation inputs hierarchy classification for assets and liabilities measured at fair value on a recurring basis are summarized below as of June 30, 2009:

	Level 1	Level 2	Level 3	Total
Assets				
Corporate debt and equity securities	\$ --	\$ 9,000	\$ --	\$ 9,000
Auction-rate securities	--	--	2,700,000	2,700,000
	\$ --	\$ 9,000	\$ 2,700,000	\$ 2,709,000
Liabilities				
Liability associated with common stock warrants		\$ 1,133,000		\$ 1,133,000

The corporate debt securities and liability associated with common stock warrants are classified within Level 2 of the fair value hierarchy because they are valued using valuation inputs and common methods with sufficient levels of transparency and observability. The SLARS are classified in Level 3 of the fair value hierarchy because of the significance of sufficiently unobservable assumptions and inputs developed by the Company and used in the valuations.

The following table summarizes the activity for those financial assets where fair value measurements are estimated utilizing Level 3 inputs:

Balance, December 31, 2008	\$ 2,700,000
Transfer to (from) Level 3, June 30, 2009	--
Recognized loss included in earnings	--
Balance, June 30, 2009	\$ 2,700,000

The Company's investments and liability associated with common stock warrants are summarized below as of June 30, 2009 and December 31, 2008:

	Classification on Balance Sheet							
	Cost/ Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Cash Equivalents	Investment Securities, Available- For-Sale	Other Current Assets	Liability Associated With Common Stock Warrants
As of June 30, 2009:								
Assets								
Corporate debt and equity securities	\$ 43,000	\$ --	\$ (34,000)	\$ 9,000	\$ --	\$ 9,000	\$ --	
Auction rate securities	2,700,000	--	--	2,700,000	--	2,700,000	--	
	\$ 2,743,000	\$ --	\$ (34,000)	\$ 2,709,000	\$ --	\$ 2,709,000	\$ --	

Liabilities							
Liability associated with common stock warrants				\$1,133,000			\$ 1,133,000
				=====			=====

Classification on Balance Sheet

	Cost/ Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Cash Equivalents	Investment Securities, Available- For-Sale	Other Current Assets	Liability Associated With Common Stock Warrants
	-----	-----	-----	-----	-----	-----	-----	-----
As of December 31, 2008:								
Assets								
Corporate debt and equity securities	\$ 5,022,000	\$ --	\$ (38,000)	\$4,984,000	\$4,979,000	\$ 5,000	\$ --	
Auction rate securities	2,700,000	--	--	2,700,000	--	2,700,000	--	
	-----	-----	-----	-----	-----	-----	-----	
	\$ 7,722,000	\$ --	\$ (38,000)	\$7,684,000	\$4,979,000	\$2,705,000	\$ --	
	=====	=====	=====	=====	=====	=====	=====	
Liabilities								
Liability associated with common stock warrants				\$ 331,000				\$ 331,000
				=====				=====

As of June 30, 2009, the unrealized losses on the Company's investments in equity securities were due primarily to declines in the stock prices of the equity securities. The realized gains and losses resulting from the liability associated with common stock warrants were primarily due to changes in the Microvision stock price and decreasing terms to expiration. The maturities of the debt investment securities available-for-sale as of June 30, 2009 are greater than 5 years.

The guidance in FAS 115-2 requires that impairments determined to be other than temporary be classified into one of two categories, "credit" or "other factors". Upon adoption, one is to apply this guidance on an as-if basis to investments currently held. As of September 30, 2008, based on continuing low market liquidity and auction failures with significant uncertainty as to when such conditions would improve, the Company determined that the estimated fair value of the SLARS no longer approximated par value, and the impairments were other-than-temporary. An "impairment of investment securities, available-for-sale" of \$300,000 was recorded on the consolidated statement of operations. The Company used a discounted cash flow model, with rates adjusted for liquidity, to determine that the present value of estimated cash collections was less than the adjusted cost. Upon adopting FAS 115-2 effective April 1, 2009, the other-than-temporary impairment that was recorded during the period ended September 30, 2008 was categorized as credit type and no transition adjustments were recorded.

The Company's significant nonfinancial assets and liabilities that are subject to consideration for recognition and disclosure at fair value in the financial statements on a nonrecurring basis primarily include property and equipment, long-term debt and deferred rent. If the Company concludes there has been an event indicating the potential impairment of a nonfinancial asset or liability, or periodically if no such indicating event is deemed to have occurred, it utilizes guidance contained in FAS 157 to determine the fair value, test for the existence of an impairment, and record significant impairments in the period of determination.

4. INVENTORY

Inventory at June 30, 2009 and December 31, 2008 consisted of the following:

	June 30, 2009	December 31, 2008
	-----	-----
Raw materials	\$ 28,000	\$ 45,000
Finished goods	988,000	1,480,000
	-----	-----
	\$ 1,016,000	\$ 1,525,000
	=====	=====

The inventory at June 30, 2009 and December 31, 2008 consisted of raw materials and finished goods for ROV, the Company's hand-held bar code scanner. Inventory is stated at the lower of cost or market, with cost determined on a weighted-average basis. Management periodically assesses the need to provide for obsolescence of inventory and adjusts the carrying value of inventory to its net realizable value when required. In addition, Microvision reduces the value of its inventory to its estimated scrap value when management determines that it is not probable that the inventory will be consumed through normal production during the next twelve months. During the second quarter of 2009, the Company recorded inventory write-downs of \$318,000.

5. SHARE-BASED COMPENSATION

The Company accounts for stock-based employee compensation arrangements in accordance with the provisions of Statement of FAS No. 123, as revised December 2004 (FAS 123(R)). The Company accounts for equity instruments issued to non-employees in accordance with the provisions of Emerging Issues Task Force Issue No. 96-18 and FAS No. 123. The following table shows the amount of stock-based employee compensation expense included in the Consolidated Statements of Operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	-----	-----	-----	-----
Cost of contract revenue	\$ 58,000	\$ 14,000	\$ 72,000	\$ 64,000
Cost of product revenue	7,000	1,000	14,000	12,000
Research and development expense	522,000	165,000	711,000	447,000
Sales, marketing, general and administrative expense	779,000	356,000	1,145,000	1,081,000
	-----	-----	-----	-----
Share-based employee compensation cost charged against income	\$ 1,366,000	\$ 536,000	\$ 1,942,000	\$ 1,604,000
	=====	=====	=====	=====

Options Activity and Positions

The following table summarizes shares, weighted average exercise price, weighted average remaining contractual term and aggregate intrinsic value of options outstanding and options exercisable as of June 30, 2009:

Weighted Average	Weighted Average Remaining Contractual	Aggregate
---------------------	---	-----------

Options	Shares	Exercise Price	Term (years)	Intrinsic Value
Outstanding as of June 30, 2009	8,712,000	\$ 3.53	7.4	\$4,606,000
Exercisable as of June 30, 2009	5,011,000	\$ 4.23	6.5	\$1,921,000

As of June 30, 2009, the Company's unamortized share-based compensation was \$4,698,000. The Company plans to amortize this share-based compensation cost over the next 2.7 years.

As of June 30, 2009, the Company's unamortized nonvested equity share-based compensation was \$504,000. The Company plans to amortize this nonvested equity share-based compensation cost over the next 2.4 years.

6. LIABILITY ASSOCIATED WITH COMMON STOCK WARRANTS

In March and December 2005, the Company issued warrants to purchase 2,302,000 shares of common stock. The warrants met the definition of derivative instruments that must be accounted for as liabilities under the provisions of Emerging Issues Task Force Issue No. 00-19, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock*, because the Company cannot engage in certain corporate transactions affecting the common stock unless it makes a cash payment to the holders of the warrants. The Company records changes in the fair values of the warrants in the statements of operations each period. In July 2008, warrants to purchase 750,000 shares of common stock expired unexercised. The Company valued the remaining warrants to purchase 1,552,000 shares of common stock at June 30, 2009 using the Black-Scholes option-pricing model with the following assumptions: expected volatilities of 78%; expected dividend yields of 0%; risk free interest rates of from 0.4% to 0.8%; and contractual lives ranging from 0.7 year to 1.4 years. The change in value of the warrants of \$982,000 for the three and \$802,000 for the six months ended June 30, 2009 was recorded as a non-operating loss and is included in "Gain (loss) on derivative instruments, net" in the consolidated statements of operations. The Company valued the warrants at June 30, 2008 using the Black-Scholes option-pricing model with the following assumptions: expected volatilities ranging from 65% to 68%; expected dividend yields of 0%; risk free interest rates ranging from 1.3% to 2.8%; and contractual lives ranging from 0.1 years to 2.4 years. The change in value of the warrants of \$202,000 for the three months ended June 30, 2008 was recorded as a non-operating loss and is included in "Gain (loss) on derivative instruments, net" in the consolidated statements of operations. The change in value of the warrants of \$1,535,000 for the six months ended June 30, 2008 was recorded as a non-operating gain and is included in "Gain (loss) on derivative instruments, net" in the consolidated statements of operations.

7. LONG-TERM NOTES

Tenant Improvement Loan Agreement

During 2006, the Company entered into a loan agreement with the lessor of the Company's corporate headquarters in Redmond to finance \$536,000 in tenant improvements. The loan carries a fixed interest rate of 9% per annum, is repayable over the initial term of the lease, which expires in 2013, and is secured by a letter of credit. The balance of the loan was \$358,000 at June 30, 2009.

8. COMMON STOCK

In June 2009, the Company raised approximately \$15,000,000, before issuance costs of approximately \$179,000, from the sale of 8,076,239 shares of common stock and warrants to purchase 2,019,060 shares of its common stock to Max Display Enterprises Limited, a subsidiary of Walsin Lihwa. Walsin Lihwa is the parent company of Touch Micro-system Technology Corp. (TMT). Microvision has worked for a number of years with both Walsin Lihwa and then TMT, as manufacturers of Microvision's Micro-Electrical Mechanical systems (MEMS) chips. The warrants have an exercise price of \$2.1850 per share, a three year term, and are exercisable on the date of issuance. The Company can call the warrants after six months and once the shares are registered if the average closing bid price of its stock is over \$8.74 for any 20 consecutive trading days. The warrants were accounted for as permanent equity under the provisions of Emerging Issues Task Force Issue No. 00-19, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock*. As of June 30, 2009, Max Display Enterprises Limited beneficially owned 12.9% of Microvision's common stock, as determined in accordance with the rules of the Securities Exchange Commission.

9. RECEIVABLES FROM RELATED PARTIES

In 2000, 2001 and 2002, the Board of Directors authorized the Company to provide unsecured lines of credit to each of the Company's three officers. The lines of credit carry interest rates of 5.4% to 6.2% and were due within one year of the officer's termination.

In January 2006, one officer left the Company and his outstanding loans became due in January 2007. In May 2007, the Company foreclosed on 50,000 shares of Lumera common stock pledged as collateral for the loans and sold the shares for net proceeds of \$227,000. The Company has sued the officer and his spouse to collect \$1,733,000 in outstanding loans that remain unpaid. Counterclaims were filed by the officer and his spouse, seeking to recover damages in an amount in excess of \$15,000,000. The Company believes these claims are without merit and intends to defend them vigorously. However, an adverse outcome could have a material adverse affect on the Company's financial condition.

Another officer with outstanding loans left the Company in August 2007 and his loans became due in August 2008. The Company is pursuing collection of the remaining outstanding balance from the former officer.

As of June 30, 2009 and December 31, 2008, the total amount outstanding under the lines of credit and the allowance for receivables from related parties was \$1,851,000.

10. COMMITMENTS AND CONTINGENCIES

Litigation

The Company is subject to various claims and pending or threatened lawsuits in the normal course of business. Other than described above in Note 9, the Company is not currently party to any such legal proceedings that management believes would have a material adverse effect on the Company's financial position, results of operations or cash flows.

11. NEW ACCOUNTING PRONOUNCEMENTS

In May 2009, the Financial Accounting Standards Board (FASB) issued SFAS No. 165, *Subsequent Events* (FAS 165). This standard sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. FAS 165 is effective for fiscal years and interim periods ended after June 15, 2009. The Company adopted this standard during the quarter ended June 30, 2009 and has evaluated any subsequent events through the date of this filing. The Company does not believe there are any material subsequent events which would require further disclosure.

In June 2009, the FASB issued SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* (FAS 168). FAS 168 replaces FASB Statement No. 162, *The Hierarchy of Generally Accepted Accounting Principles*, and establishes the FASB Accounting Standards Codification TM (the Codification) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). FAS 168 is effective for interim and annual periods ending after September 15, 2009. The Company will begin to use the new guidelines and numbering system prescribed by the Codification when referring to GAAP during the quarter ended September 30, 2009. The Codification will not have an impact on the results of the Company.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

The information set forth in this report in Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Item 3, "Quantitative and Qualitative Disclosure about Market Risk," includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is subject to the safe harbor created by that section. Such statements may include, but are not limited to, projections of revenues, income or loss, capital expenditures, plans for product development and cooperative arrangements, future operations, financing needs or plans of Microvision, as well as assumptions relating to the foregoing. The words "anticipate," "believe," "estimate," "expect," "goal," "may," "plan," "project," "will," and similar expressions identify forward-looking statements, which speak only as of the date the statement was made. Factors that could cause actual results to differ materially from those projected in our forward-looking statements include the following: our ability to obtain financing; market acceptance of our technologies and products; our financial and technical resources relative to those of our competitors; our ability to keep up with rapid technological change; government regulation of our technologies; our ability to enforce our intellectual property rights and protect our proprietary technologies; the ability to obtain additional contract awards and to develop partnership opportunities; the timing of commercial product launches; the ability to achieve key technical milestones in key products; and other risk factors identified in this report under the caption "Item 1A - Risk Factors."

Overview

We are developing high-resolution miniature display and imaging engines based upon our technology platform. Our technology platform utilizes our expertise in two dimensional Micro-Electrical Mechanical systems (MEMS), lasers, optics and electronics to create a high quality video or still image from a small form factor device with lower power needs than conventional display technologies.

Our strategy is to develop and supply a proprietary display engine called PicoP to potential OEM customers who will embed them into a variety of consumer and automotive products. The primary objective for consumer applications is to provide users of mobile devices with a large screen viewing experience produced by a small embedded projector. Mobile devices may include cell phones, PDA's, gaming consoles and other consumer electronics products. These potential products would allow users to watch movies, play videos, display images, and other data onto a variety of flat or curved surfaces.

We are currently developing a small accessory projector that would be the first commercial product based on the PicoP display engine. The accessory projector is expected to display images from a variety of video sources including cell phones, portable media players, PDAs, gaming consoles, laptop computers, digital cameras, and other consumer electronics products. We expect that the accessory product will be commercially available during 2009.

The PicoP with some modification could be embedded into a vehicle or integrated into a portable standalone aftermarket device to create a high-resolution head-up display (HUD) that could project point-by-point navigation, critical operational, safety and other information important to the driver or pilot. The PicoP could be further modified to be embedded into a pair of glasses to provide the mobile user with a see-through or occluded personal display to view movies, play games or access other content.

Results of Operations

Contract revenue.

	2009	% of contract revenue	2008	% of contract revenue	\$ change	% change
(in thousands)						
Three months ended June 30						
Government revenue	\$ 622	76.5	\$ 661	65.7	\$ (39)	(5.9)
Commercial revenue	191	23.5	345	34.3	(154)	(44.6)
Total contract revenue	\$ 813		\$ 1,006		\$ (193)	(19.2)
Six months ended June 30						
Government revenue	\$ 1,042	68.3	\$ 1,569	47.7	\$ (527)	(33.6)
Commercial revenue	483	31.7	1,718	52.3	(1,235)	(71.9)
Total contract revenue	\$ 1,525		\$ 3,287		\$ (1,762)	(53.6)

We earn contract revenue from performance on development contracts with the U.S. government and commercial customers and from the sale of prototype units and evaluation kits based on our PicoP display engine.

Our contract revenue from development contracts in a particular period is dependent upon when we enter into a contract, the value of the contracts we have entered into, and the availability of technical resources to perform work on the contracts.

We recognize contract revenue as work progresses on long-term, cost plus fixed fee and fixed price contracts using the percentage-of-completion method, which relies on estimates of total expected contract revenue and costs. Our revenue contracts generally include a statement of the work we are to complete and the total fee we will earn from the contract. When we begin work on the contract and at the end of each accounting period, we work with the members of our technical team to estimate the labor and material and other cost required to complete the statement of work compared to cost incurred to date. We use information provided by project managers, vendors, outside consultants and others as we deem necessary to develop our cost estimates. Since our contracts generally require some level of technology development to complete, the actual cost required to complete a statement of work can vary from our estimated cost to complete. We have developed processes that allow us to make reasonable estimates of the cost to complete a contract. Historically, we have made only immaterial revisions in the estimates to complete the contract at each reporting period. Recognized revenues are subject to revisions as the contract progresses to completion and actual revenue and cost becomes certain. Revisions in revenue estimates are reflected in the period in which the facts that give rise to the revision become known. In the future, revisions in these estimates could significantly impact recognized revenue in any one reporting period. If the U.S. government cancels a contract, we would receive payment for work performed and costs committed to prior to the cancellation.

We recognize contract revenue on the sales of prototype units and evaluation kits upon acceptance of the deliverables by the customer or expiration of the contractual acceptance period. While we anticipate future sales of these units, revenue may vary substantially due to the timing of orders from customers and potential constraints on resources.

Contract revenue was substantially lower during the three and six months ended June 30, 2009 than the same period in 2008, due to reduced contract activity and lower beginning backlog in 2009 compared to the prior year. We expect that we will have fewer opportunities to enter into new development contracts as we move closer to the commercialization of products based on our PicoP display engine.

As long as most of our revenue is earned from performance on development contracts, we believe there may be a high degree of variability in revenue from quarter to quarter.

In July 2009, Microvision entered into a 9 month \$1.0 million subcontract with Lockheed Martin Corporation to supply two full-color, daylight readable, see-through display systems as part of the U.S. government's Urban Leader Tactical Response, Awareness & Visualization program. Lockheed Martin holds a prime contract with the U.S. government for development of the soldier worn display.

Our backlog of development contracts, including orders for prototype units, at June 30, 2009 was \$719,000 compared to \$526,000 at June 30, 2008, all of which is scheduled for completion during the next twelve months.

Product revenue.

(in thousands)	2009	% of product revenue	2008	% of product revenue	\$ change	% change
Bar code revenue						
Three months ended June 30	\$ 174	100.0	\$ 616	100.0	\$ (442)	(71.8)
Six months ended June 30	413	100.0	905	100.0	(492)	(54.4)

Our bar code sales generally include acceptance provisions. We recognize revenue for bar code shipments upon acceptance of the product by the customer or expiration of the contractual acceptance period. Our quarterly bar code revenue may vary substantially due to the timing of product orders from customers.

Bar code revenue was lower during the three and six months ended June 30, 2009 than the same period in 2008, due to decreased purchasing volume of small and mid-sized businesses as a result of the global economic conditions.

The backlog of product orders at June 30, 2009 was approximately \$135,000, compared to \$153,000 at June 30, 2008, all of which is scheduled for delivery during the next twelve months.

Cost of contract revenue.

(in thousands)	2009	% of contract revenue	2008	% of contract revenue	\$ change	% change
Three months ended June 30	\$ 527	64.8	\$ 374	37.2	\$ 153	40.9
Six months ended June 30	910	59.7	1,136	34.6	(226)	(19.9)

Cost of contract revenue includes both the direct and allocated indirect costs of performing on development contracts. Direct costs include labor, materials and other costs incurred directly in performing on a contract. Indirect costs include labor and other costs associated with operating our research and development department and building our technical capabilities and capacity. Cost of contract revenue is determined both by the level of direct costs incurred on development contracts and by the level of indirect costs incurred in operating and building our technical capabilities and capacity. Both the direct and indirect costs can fluctuate substantially from period to period.

Cost of contract revenue was higher during the three months ended June 30, 2009 than the same period in 2008 as a result of the cost mix of the contracts during those periods. During the three months ended June 30, 2008, cost of contract revenue included contracts with more favorable cost structures and higher gross margins. Cost of contract revenue was lower during six months ended June 30, 2009 than June 30, 2008 as a result of the decreased activity on development contracts. The increase in cost of contract revenue as a percentage of contract revenue during the three and six month periods ended June 30, 2009 compared to the same periods in 2008 was also the result of differences in the cost mix of the contracts during those periods.

The cost of revenue as a percentage of revenue can fluctuate significantly from period to period, depending on the contract cost mix and the levels of direct and indirect costs incurred. However, over longer periods of time we expect modest fluctuations in the cost of contract revenue, as a percentage of contract revenue.

Cost of product revenue.

(in thousands)	2009	% of product revenue	2008	% of product revenue	\$ change	% change
Three months ended June 30	\$ 543	312.1	\$ 529	85.9	\$ 14	2.6
Six months ended June 30	784	189.8	868	95.9	(84)	(9.7)

Cost of product revenue includes both the direct and allocated indirect costs of manufacturing products sold to customers. Direct costs include labor, materials and other costs incurred directly in the manufacture of these products. Indirect costs include labor and other costs associated with operating our manufacturing capabilities and capacity.

Our overhead, which includes the costs of procuring, inspecting and storing material, facility and depreciation costs, is allocated to inventory, cost of product revenue, cost of contract revenue, and research and development expense based on the proportion of direct material purchased for the respective activity. During the three months ending June 30, 2009 and 2008, we expensed approximately \$62,000 and \$27,000, respectively, of manufacturing overhead associated with production capacity in excess of production requirements. For the six months ending June 30, 2009 and 2008, we expensed approximately \$134,000 and \$72,000, respectively, of manufacturing overhead associated with production capacity in excess of production requirements.

The Company has periodically entered into noncancelable purchase contracts in order to ensure the availability of materials to support bar code scanner production. Management periodically assesses the need to provide for the impairment on these purchase contracts and records a loss on purchase commitments when required. Cost of product revenue for the three and six month periods ending June 30, 2009 includes approximately \$318,000 and \$340,000 of inventory write-downs, respectively. In addition, cost of product revenue for the six months ended June 30, 2009 included \$19,000 for noncancelable purchase contracts that were in excess of estimated future proceeds from the sale of the ROV scanners.

The cost of product revenue as a percentage of product revenue can fluctuate significantly from period to period, depending on the product mix, the level of overhead expense and the volume of direct materials purchased.

Research and development expense.

(in thousands)	2009	2008	\$ change	% change
Three months ended June 30	\$ 5,716	\$ 5,881	\$ (165)	(2.8)
Six months ended June 30	11,326	10,307	1,019	9.9

Research and development expense consists of:

- Compensation related costs of employees and contractors engaged in internal research and product development activities,
- Laboratory operations, outsourced development and processing work, and
- Other operating expenses.

We have increased spending in research and development as part of our strategy to accelerate the time to market for products based on the PicoP. The increase in cost during the six months ended June 30, 2009 as compared to the six months ended June 30, 2008 is primarily attributable to increases in payroll costs and contracted services.

As discussed above, the cost of contract revenue was higher during the three months ended June 30, 2009 compared to the same period in 2008 as a result of differences in the cost mix of the contracts during those periods. As a result there was an increase in overhead applied to cost of contract revenue during the three months ended June 30, 2009 compared to the same period in 2008. The decrease in research and development expense for the three months ended June 30, 2009 as compared to the same period in 2008 is

primarily attributable to an increase in overhead allocated to cost of contract revenue as well as a decrease in operating expenses for the period.

We believe that a substantial level of continuing research and development expense will be required to develop additional commercial products using the scanned beam display technology. Accordingly, we anticipate our level of research and development spending will continue to be substantial.

Sales, marketing, general and administrative expense.

(in thousands)	2009	2008	\$ change	% change
Three months ended June 30	\$ 3,667	\$ 4,103	\$ (436)	(10.6)
Six months ended June 30	7,481	8,238	(757)	(9.2)

Sales, marketing, general and administrative expense includes compensation and support costs for marketing, sales, management and administrative staff, and for other general and administrative costs, including legal and accounting services, consultants and other operating expenses.

The decrease in sales, marketing, general and administrative expense for the three and six months ended June 30, 2009 compared to the same periods in 2008 was primarily the result of decreased payroll costs due to reductions in staffing levels.

We continue to aggressively manage these costs as part of our strategy to accelerate the development of PicoP-based products while controlling our cash used in operations.

Interest income.

(in thousands)	2009	2008	\$ change	% change
Three months ended June 30	\$ 79	\$ 279	\$ (200)	(71.7)
Six months ended June 30	143	691	(548)	(79.3)

The decrease in interest income for the three and six months ended June 30, 2009 compared to the same period in 2008 resulted primarily from lower average cash, investment securities balances, and interest rates.

Interest expense.

(in thousands)	2009	2008	\$ change	% change
Three months ended June 30	\$ 20	\$ 12	\$ 8	66.7
Six months ended June 30	31	25	6	24.0

Gain (loss) on derivative instruments, net.

(in thousands)	2009	2008	\$ change	% change
Three months ended June 30	\$ (982)	\$ (254)	\$ (728)	286.6
Six months ended June 30	(802)	1,419	(2,221)	(156.5)

In March and December 2005, we issued warrants to purchase 2,302,000 shares of common stock. The warrants met the definition of derivative instruments that must be accounted for as liabilities under the provisions of Emerging Issues Task Force Issue No. 00-19, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock*, because we cannot engage in certain corporate transactions affecting the common stock unless we make a cash payment to the holders of the warrants. We record changes in the fair values of the warrants in the statements of operations each period. In July 2008, warrants to purchase 750,000 shares of common stock expired unexercised. We valued the remaining warrants to purchase 1,552,000 shares of common stock at June 30, 2009 using the Black-Scholes option-pricing model with the following assumptions: expected volatilities of 78%; expected dividend yields of 0%; risk free interest rates of from 0.4% to 0.8%; and contractual lives ranging from 0.7 year to 1.4 years. The change in value of the warrants of \$982,000 for the three and \$802,000 for the six months ended June 30, 2009 was recorded as a non-operating loss and is included in "Gain (loss) on derivative instruments, net" in the consolidated statements of operations. We valued the warrants at June 30, 2008 using the Black-Scholes option-pricing model with the following assumptions: expected volatilities ranging from 65% to 68%; expected dividend yields of 0%; risk free interest rates ranging from 1.3% to 2.8%; and contractual lives ranging from 0.1 years to 2.4 years. The change in value of the warrants of \$202,000 for the three months ended June 30, 2008 was recorded as a non-operating loss and is included in "Gain (loss) on derivative instruments, net" in the consolidated statements of operations. The change in value of the warrants of \$1,535,000 for the six months ended June 30, 2008 was recorded as a non-operating gain and is included in "Gain (loss) on derivative instruments, net" in the consolidated statements of operations.

Prior to December 9, 2008, we held warrants to purchase 170,500 shares of Lumera common stock. On December 9, 2008, Lumera merged with GigOptix, LLC and the combined company now conducts business as GigOptix, Inc. Our Lumera warrants were exchanged for warrants to purchase shares of the new company's common stock, after applying a 0.125 exchange ratio and exercise price escalation. As of December 31, 2008, the fair value of the warrants was determined to be zero. As of June 30, 2008, the warrants were valued using the Black-Scholes option-pricing model with the following assumptions: expected volatility of 107%; expected dividend yields of 0%; risk free interest rates of 2.83%; and contractual lives of 2.7 years. The change in value of \$52,000 for the three months and \$116,000 for the six months ended June 30, 2008 was recorded as a non-operating loss and is included in "Gain (loss) on derivative instruments, net" in the consolidated statements of operations.

Liquidity and Capital Resources

We have funded our operations to date primarily through the sale of equity and debt securities and, to a lesser extent, from development contract revenues and product sales. At June 30, 2009, we had \$26.3 million in cash, cash equivalents and investment securities, available-for-sale. Our operating plan for 2009 and 2010 includes the launch of the first accessory product, further development of our PicoP display engine for embedded applications and further development of automotive HUD and eyewear applications. In order to fully fund our operating plan for 2009 and 2010, we will require additional capital. We plan to obtain additional cash through the issuance of equity or debt securities. There can be no assurance that additional cash will be available or that, if available, it will be available on terms acceptable to us on a timely basis. If adequate funds are not available by January 2010, we intend to consider reducing the scope of our business to extend our operations as we pursue other financing opportunities and business relationships. This reduction in scope could include delaying development projects resulting in reductions in staff, operating costs, capital expenditures and investment in research and development. With these adjustments to our operating plan, we believe that we currently have sufficient cash, cash equivalents, and investment securities to fund operations into June 2010.

Cash used in operating activities totaled \$16.3 million during the six months ended June 30, 2009, compared to \$14.9 million during the same period in 2008. During the six months ended June 30, 2009, the increase in cash used in operating activities was primarily driven by lower contract activity and higher research and development costs as we move closer to the commercialization of PicoP based products.

We had the following material gains and charges, and changes in assets and liabilities during the six months ended June 30, 2009:

- "Gain on derivative instruments, net" In March and December 2005 we issued warrants to purchase 2,302,000 shares of common stock, of which 1,552,000 remain

outstanding as of June 30, 2009. Due to changes in our stock price, we recognized a \$982,000 non-operating loss during the six months ended June 30, 2009.

- "Accounts payable" During the six months ended June 30, 2009, accounts payable decreased by \$1,006,000 due to payments made for inventory, research and development expenses, and general operating expenses that were billed to us in 2008.

Cash used in investing activities totaled \$544,000 for the six months ended June 30, 2009 compared to cash provided by investing activities of \$11.2 million during the six months ended June 30, 2008. During the six months ended June 30, 2009, we used cash of \$544,000 for capital expenditures, compared to \$215,000 during the same period in 2008. During the six months ended June 30, 2008, we had net sales of investment securities totaling \$11.8 million.

Cash provided by financing activities totaled \$14.9 million for the six months ended June 30, 2009 compared to \$281,000 during the same period in 2008. In June 2009, we raised approximately \$15.0 million, before issuance costs of approximately \$179,000, from the sale of 8,076,239 shares of common stock and warrants to purchase 2,019,060 shares of our common stock. The warrants have an exercise price of \$2.1850 per share, a three year term, and are exercisable on the date of issuance. We can call the warrants after six months and once the shares are registered if the average closing bid price of its stock is over \$8.74 for any 20 consecutive trading days.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate and Market Liquidity Risks

As of June 30, 2009, 90% of our total cash, cash equivalents and investment securities, available-for-sale have variable interest rates or are very short-term discount notes traded in active markets. Therefore, we believe our exposure to the market and interest rate risk is not material. The remaining 10% is composed of \$3.0 million par student loan auction-rate securities (SLARS). The SLARS owned by the Company are investment grade long-term bonds, structured with variable interest rate resets, purchases and sales to be determined via a Dutch Auction process every 28 days. They were issued to fund U.S. government guaranteed student loans. Beginning in February 2008 as global credit markets significantly deteriorated, insufficient clearing bids have been submitted for the SLARS. The auctions have thus failed and the interest rates have been reset to "maximum rates" instead of "auction rates". The SLARS have been illiquid through the auction process and through inactive secondary ARS markets.

Given the adverse credit market conditions, the fair value of the principal of these bonds has become affected by changes in interest rates, the spread between short and long rates, and credit market liquidity. As a result, at December 31, 2008, we estimated the fair value of our SLARS to be approximately \$2.7 million. If market conditions worsen, we may have to further adjust the estimated fair value of the SLARS, including additional charges to earnings, if we believe the adjustment is other than temporary. In the event we need access to the funds invested in the SLARS, we could be required to sell these securities at an amount below our original purchase value. Any of these events could affect our consolidated financial condition, results of operations and cash flows. However, based on our current operating plan and ability to access our \$23.6 million held in cash and cash equivalents and other investment securities available for sale held as of June 30, 2009, we do not expect to be required to sell these securities materially below their current estimated values.

Our investment policy generally directs that the investment managers should select investments to achieve the following goals: principal preservation, adequate liquidity and return. As of June 30, 2009, our cash and cash equivalents and investments available-for-sale securities portfolio are comprised of short-term highly rated money market funds, corporate bonds and the SLARS.

	Amount	Percent
Cash	\$ 6,677	25.36%
Less than one year	\$ 16,948	64.38%
One to two years	--	--
Greater than five years	2,700	10.26%
	\$ 26,325	100.00%

Foreign Exchange Rate Risk

All of our development contract payments are made in U.S. dollars. However, in the future we may enter into additional development contracts in foreign currencies that may subject us to foreign exchange rate risk. We intend to enter into foreign currency hedges to offset material exposure to currency fluctuations when we can adequately determine the timing and amounts of the foreign currency exposure.

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report and, based on this evaluation, our principal executive officer and principal financial officer have concluded that these disclosure controls and procedures are effective. There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f)) that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

OTHER INFORMATION

ITEM 1A - RISK FACTORS

Risk Factors Relating to the Microvision Business

We have a history of operating losses and expect to incur significant losses in the future.

We have had substantial losses since our inception. We cannot assure you that we will ever become or remain profitable.

- As of June 30, 2009, we had an accumulated deficit of \$311.3 million.
- We incurred consolidated net losses of \$239.6 million from inception through 2006, \$19.8 million in 2007, \$32.6 million in 2008, and consolidated net loss of \$19.3 million in the six months ended June 30, 2009.

The likelihood of our success must be considered in light of the expenses, difficulties and delays frequently encountered by companies formed to develop and market new technologies. In particular, our operations to date have focused primarily on research and development of the scanned beam technology and development of demonstration units. We are unable to accurately estimate future revenues and operating expenses based upon historical performance.

We cannot be certain that we will succeed in obtaining additional development contracts or that we will be able to obtain substantial customer orders for our products. In light of these factors, we expect to continue to incur losses and negative cash flow at least through at least 2010 and likely thereafter. We cannot be certain that we will achieve positive cash flow at any time in the future.

We will require additional capital to fund our operations and to implement our business plan. If we do not obtain additional capital, we may be required to curtail our operations substantially. Raising additional capital may dilute the value of current shareholders' shares.

Our operating plan for 2009 and 2010 includes the launch of our first accessory product, further development of the PicoP display engine for embedded applications and further

development of automotive HUD and eyewear applications. In order to fully fund our operating plan for 2009 and 2010, we will require additional capital. We plan to obtain additional cash through the issuance of equity or debt securities. We will require additional capital in the future to fund our operations, including to:

- Further develop the technology platform and PicoP display engine,
- Develop and protect our intellectual property rights, and
- Fund long-term marketing and business development opportunities.

Our capital requirements will depend on many factors, including, but not limited to, the rate at which we can, directly or through arrangements with original equipment manufacturers, introduce products incorporating the PicoP display engine and image capture technologies, the market acceptance and competitive position of such products, and the revenues, volumes and margins of such products. If the level of revenues or margin are less than anticipated amounts or if expenses exceed the amounts budgeted, the Company may require additional capital earlier than expected to further the development of our technologies, for expenses associated with product development, and to respond to competitive pressures or to meet unanticipated development difficulties. In addition, our operating plan provides for the development of strategic relationships with systems and equipment manufacturers that may require additional investments by us.

There can be no assurance that additional capital will be available to us, or if available, on terms acceptable to us or on a timely basis. Raising additional capital may involve issuing securities with rights and preferences that are senior to our common stock and may dilute the value of current shareholders' shares. If adequate funds are not available by January 2010, we intend to consider reducing the scope of our business to extend our operations as we pursue other financing opportunities and business relationships. This reduction in scope could include reductions in staff and operating costs as well as reductions in capital expenditures and investment in research and development. With these adjustments to our operating plan we believe that we currently have sufficient cash, cash equivalents, and investment securities to fund operations into June 2010.

If we cannot manufacture products at competitive prices, our financial results will be adversely affected.

We are currently negotiating component pricing with suppliers for our future products. The cost per unit for PicoP based accessory projectors currently exceeds the level at which we could expect to profitably sell these products. If we cannot lower our cost of production, we may face increased demands on our financial resources, possibly requiring additional equity and/or debt financing to sustain our business operations.

We cannot be certain that our technology platform or products incorporating our PicoP display engine will achieve market acceptance. If products incorporating the PicoP display engine do not achieve market acceptance, our revenues may not grow.

Our success will depend in part on customer acceptance of the PicoP display engine. The PicoP display engine may not be accepted by manufacturers who use display technologies in their products, by systems integrators who incorporate our products into their products or by end users of these products. To be accepted, the PicoP display engine must meet the expectations of our potential customers in the consumer, defense, industrial and medical markets. If our technology fails to achieve market acceptance, we may not be able to continue to develop our technology platform.

Our planned future products are dependent on advances in technology by other companies.

We rely on and will continue to rely on technologies, such as light sources, MEMS and optical components that are developed and produced by other companies. The commercial success of certain of our planned future products will depend in part on advances in these and other technologies by other companies. We may, from time to time, contract with and support companies developing key technologies in order to accelerate the development of them for our specific uses. There are no guarantees that such activities will result in useful technologies or components for us.

It may become more difficult to sell our stock in the public market.

Our common stock is listed for quotation on The NASDAQ Global Market. To keep our listing on this market, we must meet NASDAQ's listing maintenance standards. If we are unable to continue to meet NASDAQ's listing maintenance standards, our common stock could be delisted from The NASDAQ Global Market. If our common stock were delisted, we likely would seek to list the common stock on the NASDAQ Capital Market, the American Stock Exchange or on a regional stock exchange. Listing on such other market or exchange could reduce the liquidity for our common stock. If our common stock were not listed on the Capital Market or an exchange, trading of our common stock would be conducted in the over-the-counter market on an electronic bulletin board established for unlisted securities or directly through market makers in our common stock. If our common stock were to trade in the over-the-counter market, an investor would find it more difficult to dispose of, or to obtain accurate quotations for the price of, the common stock. A delisting from The NASDAQ Global Market and failure to obtain listing on such other market or exchange would subject our securities to so-called penny stock rules that impose additional sales practice and market-making requirements on broker-dealers who sell or make a market in such securities. Consequently, removal from The NASDAQ Global Market and failure to obtain listing on another market or exchange could affect the ability or willingness of broker-dealers to sell or make a market in our common stock and the ability of purchasers of our common stock to sell their securities in the secondary market. In addition, when the market price of our common stock is less than \$5.00 per share, we become subject to penny stock rules even if our common stock is still listed on The NASDAQ Global Market. While the penny stock rules should not affect the quotation of our common stock on The NASDAQ Global Market, these rules may further limit the market liquidity of our common stock and the ability of investors to sell our common stock in the secondary market. The market price of our stock has mostly traded below \$5.00 per share during 2008 and 2007. On July 30, 2009, the closing price of our stock was \$3.65.

Our lack of the financial and technical resources relative to our competitors may limit our revenues, potential profits, overall market share or value.

Our current products and potential future products will compete with established manufacturers of existing products and companies developing new technologies. Many of our competitors have substantially greater financial, technical and other resources than we have. Because of their greater resources, our competitors may develop products or technologies that are superior to our own. The introduction of superior competing products or technologies could result in reduced revenues, lower margins or loss of market share, any of which could reduce the value of our business.

We may not be able to keep up with rapid technological change and our financial results may suffer.

The information display industry has been characterized by rapidly changing technology, accelerated product obsolescence and continuously evolving industry standards. Our success will depend upon our ability to further develop our technology platform and to cost effectively introduce new products and features in a timely manner to meet evolving customer requirements and compete with competitors' product advances.

We may not succeed in these efforts because of:

- delays in product development,
- lack of market acceptance for our products, or
- lack of funds to invest in product development and marketing.

The occurrence of any of the above factors could result in decreased revenues, market share and value.

We could face lawsuits related to our use of the PicoP display engine or other technologies. Defending these suits would be costly and time consuming. An adverse outcome in any such matter could limit our ability to commercialize our technology and products, reduce our revenues and increase our operating expenses.

We are aware of several patents held by third parties that relate to certain aspects of light scanning displays and image capture products. These patents could be used as a basis to challenge the validity, limit the scope or limit our ability to obtain additional or broader patent rights of our patents or patents we have licensed. A successful challenge to the validity of our patents or patents we have licensed could limit our ability to commercialize our technology and the PicoP display engine and, consequently, materially reduce our revenues. Moreover, we cannot be certain that patent holders or other third parties will not claim infringement by us with respect to current and future technology. Because U.S. patent applications are held and examined in secrecy, it is also possible that presently pending U.S. applications will eventually be issued with claims that will be infringed

by our products or our technology. The defense and prosecution of a patent suit would be costly and time consuming, even if the outcome were ultimately favorable to us. An adverse outcome in the defense of a patent suit could subject us to significant cost, to require others and us to cease selling products that incorporate the PicoP display engine, to cease licensing our technology or to require disputed rights to be licensed from third parties. Such licenses, if available, would increase our operating expenses. Moreover, if claims of infringement are asserted against our future co-development partners or customers, those partners or customers may seek indemnification from us for damages or expenses they incur.

Our products may be subject to future health and safety regulations that could increase our development and production costs.

Products incorporating the PicoP display engine could become subject to new health and safety regulations that would reduce our ability to commercialize the PicoP display engine. Compliance with any such new regulations would likely increase our cost to develop and produce products using the PicoP display engine and adversely affect our financial results.

Our dependence on sales to distributors increases the risks of managing our supply chain and may result in excess inventory or inventory shortages.

Currently, the majority of our distributor relationships for the ROV Scanner and its accessories involve the distributor taking inventory positions and reselling to multiple customers. With these distributor relationships, we do not recognize revenue until the distributors sell the product through to their end user customers. Our distributor relationships do reduce our ability to forecast sales and increases risks to our business. Since our distributors act as intermediaries between us and the end user customers, we must rely on our distributors to accurately report inventory levels and production forecasts. This requires us to manage a more complex supply chain and monitor the financial condition and credit worthiness of our distributors and the end user customers. Our failure to manage one or more of these risks could result in excess inventory or shortages that could adversely impact our operating results and financial condition.

We do not have long-term commitments from our ROV customers, and plan purchases based upon our estimates of customer demand, which may require us to contract for the manufacture of our products based on inaccurate estimates.

Our ROV sales are made on the basis of purchase orders rather than long-term commitments. Our customers may cancel or defer purchases at any time. This requires us to forecast demand based upon assumptions that may not be correct. If our customers or we overestimate demand, we may create inventory that we may not be able to sell or use, resulting in excess inventory, which could become obsolete or negatively affect our operating results. Conversely, if our customers or we underestimate demand, or if sufficient manufacturing capacity is not available, we may lose revenue opportunities, damage customer relationships, and we may not achieve expected revenues.

Our future growth will suffer if we do not achieve sufficient market acceptance of our products to compete effectively.

Our success depends, in part, on our ability to gain acceptance of our current and future products by a large number of customers. Achieving market based acceptance for our products will require marketing efforts and the expenditure of financial and other resources to create product awareness and demand by potential customers. We may be unable to offer products consistently or at all that compete effectively with products of others on the basis of price or performance. Failure to achieve broad acceptance of our products by potential customers and to effectively compete would have a material adverse effect on our operating results.

Our operating results may be adversely impacted by worldwide political and economic uncertainties and specific conditions in the markets we address.

In the recent past, general worldwide economic conditions have experienced a downturn due to slower economic activity, concerns about inflation, increased energy costs, decreased consumer confidence, reduced corporate profits and capital spending, and adverse business conditions. Any continuation or worsening of the current global economic and financial conditions could materially adversely affect our ability to raise, or the cost of, needed capital and could materially adversely affect our ability to commercialize products. We cannot predict the timing, strength, or duration of any economic slowdown or subsequent economic recovery, worldwide, or in the display industry.

Because we plan to continue using foreign contract manufacturers, our operating results could be harmed by economic, political, regulatory and other factors in foreign countries.

We currently use a contract manufacturer in Asia to manufacture our ROV product, and we plan to use foreign manufacturers to manufacture future products, where appropriate. These international operations are subject to inherent risks, which may adversely affect us, including:

- political and economic instability;
- high levels of inflation, historically the case in a number of countries in Asia;
- burdens and costs of compliance with a variety of foreign laws;
- foreign taxes;
- changes in tariff rates or other trade and monetary policies; and
- changes or volatility in currency exchange rates.

If we have to qualify a new contract manufacturer or foundry for our products, we may experience delays that result in lost revenues and damaged customer relationships.

We rely on single suppliers to manufacture our ROV Scanner product and our MEMS chips in wafer form. The lead time required to establish a relationship with a new contract manufacturer or foundry is long, and it takes time to adapt a product's design to a particular manufacturer's processes. Accordingly, there is no readily available alternative source of supply for these products and components in high volumes. This could cause significant delays in shipping products if we have to change our source of supply and manufacture quickly, which may result in lost revenues and damaged customer relationships.

If we experience delays or failures in developing commercially viable products, we may have lower revenues.

We have developed demonstration units incorporating the PicoP display engine. However, we must undertake additional research, development and testing before we are able to develop additional products for commercial sale. Product development delays by us or our potential product development partners, or the inability to enter into relationships with these partners, may delay or prevent us from introducing products for commercial sale. We intend to rely on third party developments or to contract with other companies to continue development of green laser devices we will need for our products.

Our success will depend, in part, on our ability to secure significant third party manufacturing resources.

We are developing our capability to manufacture products in commercial quantities. Our success depends, in part, on our ability to provide our components and future products in commercial quantities at competitive prices. Accordingly, we will be required to obtain access, through business partners or contract manufacturers, to manufacturing capacity and processes for the commercial production of our expected future products. We cannot be certain that we will successfully obtain access to sufficient manufacturing resources. Future manufacturing limitations of our suppliers could result in a limitation on the number of products incorporating our technology that we are able to produce.

If our licensors and we are unable to obtain effective intellectual property protection for our products and technology, we may be unable to compete with other companies.

Intellectual property protection for our products is important and uncertain. If we do not obtain effective intellectual property protection for our products, processes and technology, we may be subject to increased competition. Our commercial success will depend in part on our ability and the ability of the University of Washington and our other licensors to maintain the proprietary nature of the PicoP display and other key technologies by securing valid and enforceable patents and effectively maintaining unpatented technology as trade secrets. We try to protect our proprietary technology by seeking to obtain United States and foreign patents in our name, or licenses to third-party patents, related to proprietary technology, inventions, and improvements that may be important to the development of our business. However, our patent position and the patent position of the University of Washington and other licensors involve complex legal and factual questions. The standards that the United States Patent and Trademark Office and its

foreign counterparts use to grant patents are not always applied predictably or uniformly and can change. Additionally, the scope of patents are subject to interpretation by courts and their validity can be subject to challenges and defenses, including challenges and defenses based on the existence of prior art. Consequently, we cannot be certain as to the extent to which we will be able to obtain patents for our new products and technology or the extent to which the patents that we already own or license from others protect our products and technology. Reduction in scope of protection or invalidation of our licensed or owned patents, or our inability to obtain new patents, may enable other companies to develop products that compete with ours on the basis of the same or similar technology.

We also rely on the law of trade secrets to protect unpatented know-how and technology to maintain our competitive position. We try to protect this know-how and technology by limiting access to the trade secrets to those of our employees, contractors and partners with a need to know such information and by entering into confidentiality agreements with parties that have access to it, such as our employees, consultants and business partners. Any of these parties could breach the agreements and disclose our trade secrets or confidential information, or our competitors might learn of the information in some other way. If any trade secret not protected by a patent were to be disclosed to or independently developed by a competitor, our competitive position could be materially harmed.

We could be exposed to significant product liability claims that could be time-consuming and costly, divert management attention and adversely affect our ability to obtain and maintain insurance coverage.

We may be subject to product liability claims if any of our product applications are alleged to be defective or cause harmful effects. For example, because some of our PicoP displays are designed to scan a low power beam of colored light into the user's eye, the testing, manufacture, marketing and sale of these products involve an inherent risk that product liability claims will be asserted against us. Product liability claims or other claims related to our products, regardless of their outcome, could require us to spend significant time and money in litigation, divert management time and attention, require us to pay significant damages, harm our reputation or hinder acceptance of our products. Any successful product liability claim may prevent us from obtaining adequate product liability insurance in the future on commercially desirable or reasonable terms. An inability to obtain sufficient insurance coverage at an acceptable cost or otherwise to protect against potential product liability claims could prevent or inhibit the commercialization of our products.

We rely heavily on a limited number of development contracts with the U.S. government, which are subject to immediate termination by the government for convenience at any time, and the termination of one or more of these contracts could have a material adverse impact on our operations.

During the first half of 2009 and the full year of 2008, 54% and 34%, respectively, of our revenue was derived from performance on a limited number of development contracts with the U.S. government. Therefore, any significant disruption or deterioration of our relationship with the U.S. government would significantly reduce our revenues. Our government programs must compete with programs managed by other contractors for limited amounts and uncertain levels of funding. The total amount and levels of funding are susceptible to significant fluctuations on a year-to-year basis. Our competitors continuously engage in efforts to expand their business relationships with the government and are likely to continue these efforts in the future. Our contracts with the government are subject to immediate termination by the government for convenience at any time. The government may choose to use contractors with competing display technologies or it may decide to discontinue any of our programs altogether. In addition, those development contracts that we do obtain require ongoing compliance with applicable government regulations. Termination of our development contracts, a shift in government spending to other programs in which we are not involved, a reduction in government spending generally, or our failure to meet applicable government regulations could have severe consequences for our results of operations.

Our development agreements have long sales cycles, which make it difficult to plan our expenses and forecast our revenues.

Our development agreements have lengthy sales cycles that involve numerous steps including determination of a product application, exploring the technical feasibility of a proposed product, evaluating the costs of manufacturing a product and manufacturing or contracting out the manufacturing of the product. Our long sales cycle, which can last several years, makes it difficult to predict the quarter in which contract signing and revenue recognition will occur. Delays in entering into development agreements could cause significant variability in our revenues and operating results for any particular quarterly period.

Our development contracts may not lead to products that will be profitable.

Our development contracts, including without limitation those discussed in this document are exploratory in nature and are intended to develop new types of products for new applications. These efforts may prove unsuccessful and these relationships may not result in the development of products that will be profitable.

Our revenues are highly sensitive to developments in the defense industry.

Our revenues to date have been derived principally from product development research relating to defense applications of our technology. We believe that development programs and sales of potential products in this market will represent a significant portion of our future revenues. Developments that adversely affect the defense sector, including delays in government funding and a general economic downturn, could cause our revenues to decline substantially.

If we lose our rights under our third party technology licenses, our operations will be adversely affected.

Our business depends in part on technology rights licensed from third parties. We could lose our exclusivity or other rights to use the technology under our licenses if we fail to comply with the terms and performance requirements of the licenses. In addition, certain licensors may terminate a license upon our breach and have the right to consent to sublicense arrangements. If we were to lose our rights under any of these licenses, or if we were unable to obtain required consents to future sublicenses, we would lose a competitive advantage in the market, and may even lose the ability to commercialize our products completely. Either of these results could substantially decrease our revenues.

We are dependent on third parties in order to develop, manufacture, sell and market our products.

Our strategy for commercializing our technology and products incorporating the PicoP display engine includes entering into cooperative development, manufacturing, sales and marketing arrangements with corporate partners, original equipment manufacturers and other third parties. We cannot be certain that we will be able to negotiate arrangements on acceptable terms, if at all, or that these arrangements will be successful in yielding commercially viable products. If we cannot establish these arrangements, we would require additional capital to undertake such activities on our own and would require extensive manufacturing, sales and marketing expertise that we do not currently possess and that may be difficult to obtain. In addition, we could encounter significant delays in introducing the PicoP display engine or find that the development, manufacture or sale of products incorporating the PicoP display engine would not be feasible. To the extent that we enter into cooperative development, sales and marketing or other joint venture arrangements, our revenues will depend upon the performance of third parties. We cannot be certain that any such arrangements will be successful.

Loss of any of our key personnel could have a negative effect on the operation of our business.

Our success depends on our executive officers and other key personnel and on the ability to attract and retain qualified new personnel. Achievement of our business objectives will require substantial additional expertise in the areas of sales and marketing, research and product development and manufacturing. Competition for qualified personnel in these fields is intense, and the inability to attract and retain additional highly skilled personnel, or the loss of key personnel, could reduce our revenues and adversely affect our business.

We are dependent on a small number of customers for our revenue. Our quarterly performance may vary substantially and this variance, as well as general market conditions, may cause our stock price to fluctuate greatly and potentially expose us to litigation.

Our revenues to date have been generated primarily from a limited number of development contracts with U.S. government entities and commercial partners. Our quarterly operating results may vary significantly based on:

- reductions or delays in funding of development programs involving new information display technologies by the U.S. government or our current or prospective commercial partners;
- changes in evaluations and recommendations by any securities analysts following our stock or our industry generally;

- announcements by other companies in our industry;
- changes in business or regulatory conditions;
- announcements or implementation by our competitors of technological innovations or new products;
- the status of particular development programs and the timing of performance under specific development agreements;
- economic and stock market conditions; or
- other factors unrelated to our company or industry.

In one or more future quarters, our results of operations may fall below the expectations of securities analysts and investors and the trading price of our common stock may decline as a consequence. In addition, following periods of volatility in the market price of a company's securities, shareholders often have instituted securities class action litigation against that company. If we become involved in a class action suit, it could divert the attention of management, and, if adversely determined, could require us to pay substantial damages.

If we fail to manage expansion effectively, our revenue and expenses could be adversely affected.

Our ability to successfully offer products and implement our business plan in a rapidly evolving market requires an effective planning and management process. The growth in business and relationships with customers and other third parties has placed, and will continue to place, a significant strain on our management systems and resources. We will need to continue to improve our financial and managerial controls, reporting systems and procedures and will need to continue to train and manage our work force.

ITEM 6. Exhibits

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|------|--|
| 10.1 | Securities Purchase Agreement dated June 22, 2009 by and between the Company and Max Display Enterprises Limited |
| 10.2 | Registration Rights Agreement dated June 22, 2009 by and between the Company and Max Display Enterprises Limited |
| 10.3 | Warrant No. 120 to Purchase Common Stock of Microvision, Inc. issued June 22, 2009 to Max Display Enterprises Limited |
| 31.1 | Chief Executive Officer Certification Pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | Chief Financial Officer Certification Pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1 | Chief Executive Officer Certification pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2 | Chief Financial Officer Certification pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |

SIGNATURES

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

MICROVISION, INC.

August 6, 2009	BY: /s/ Alexander Y. Tokman Alexander Y. Tokman Chief Executive Officer (Principal Executive Officer)
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August 6, 2009	BY: /s/ Jeff Wilson Jeff Wilson Chief Financial Officer (Principal Financial Officer)
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EXHIBIT INDEX

The following documents are filed.

<u>Exhibit Number</u>	<u>Description</u>
10.1	Securities Purchase Agreement dated June 22, 2009 by and between the Company and Max Display Enterprises Limited
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32.1	Chief Executive Officer Certification pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

**CERTIFICATION PURSUANT TO
RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Alexander Y. Tokman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Microvision, Inc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2009

By: /s/ Alexander Y. Tokman
Alexander Y. Tokman
Chief Executive Officer

**CERTIFICATION PURSUANT TO
RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jeff T. Wilson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Microvision, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2009

By: /s/ Jeff T. Wilson
Jeff T. Wilson
Chief Financial Officer

**CERTIFICATION PURSUANT TO
SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as chief executive officer of Microvision, Inc. (the "Company"), does hereby certify that to the undersigned's knowledge:

- 1) the Company's Form 10-Q for the quarter ended June 30, 2009 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) the information contained in the Company's Form 10-Q for the quarter ended June 30, 2009 fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 6, 2009

By: /s/ Alexander Y. Tokman
Alexander Y. Tokman
Chief Executive Officer

**CERTIFICATION PURSUANT TO
SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as chief financial officer of Microvision, Inc. (the "Company"), does hereby certify that to the undersigned's knowledge:

- 1) the Company's Form 10-Q for the quarter ended June 30, 2009 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) the information contained in the Company's Form 10-Q for the quarter ended June 30, 2009 fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 6, 2009

By: /s/ Jeff T. Wilson
Jeff T. Wilson
Chief Financial Officer

SECURITIES PURCHASE AGREEMENT

SECURITIES PURCHASE AGREEMENT (this "Agreement"), dated as of June 22, 2009, by and between Microvision, Inc., a Delaware corporation (the "Company"), and Max Display Enterprises Limited, a limited liability company formed under the laws of the British Virgin Islands (the "Investor").

- A. The Company wishes to sell to the Investor, and the Investor wishes to purchase, on the terms and subject to the conditions set forth in this Agreement, (i) 8,076,239 shares (the "Shares") of the Company's common stock, \$.001 par value per share (the "Common Stock"), and (ii) a Warrant in the form attached hereto as Exhibit A (the "Warrant"). The shares of Common Stock into which the Warrant is exercisable are referred to herein as the "Warrant Shares", and the Shares, the Warrant and the Warrant Shares are collectively referred to herein as the "Securities".
- B. The Warrant will entitle the Investor to purchase 2,019,060 number of Warrant Shares.
- C. The Company has agreed to effect the registration of the Shares and the Warrant Shares for resale by the holders thereof under the Securities Act (as defined below), pursuant to a Registration Rights Agreement in the form attached hereto as Exhibit B (the "Registration Rights Agreement").
- D. The sale of the Shares and the Warrant by the Company to the Investor will be effected in reliance upon the exemption from securities registration afforded by the provisions of Regulation D (as defined below), as promulgated by the Commission (as defined below) under the Securities Act.
- E. The Company and Walsin Lihwa Corporation, a company limited by shares organized under the laws of the Republic of China ("Walsin Lihwa"), have agreed to enter into a Business Collaboration Agreement dated on or about the date hereof (the "Business Collaboration Agreement").

In consideration of the mutual promises made herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Investor hereby agree as follows:

1. PURCHASE AND SALE OF SHARES AND WARRANT.

1. Closing of Purchase and Sale; Purchase Price

. Upon the terms and subject to the satisfaction or waiver of the conditions set forth herein, the Company agrees to sell and the Investor agrees to purchase the Shares and the Warrant. The date on which the closing of such purchase and sale occurs (the "Closing") is hereinafter referred to as the "Closing Date". The Closing will be deemed to occur at the offices of Ropes & Gray, One International Place, Boston, MA 02110, when (A) this Agreement and the other Transaction Documents (as defined below) have been executed and delivered to the Investor by the Company and, to the extent applicable, by the Investor, (B) each of the conditions to the Closing described in Section 5 hereof has been satisfied or waived as specified therein and (C) full payment of the Investor's Purchase Price (as defined below) has been made by the Investor to the Company by wire transfer of immediately available funds against physical delivery by the Company of duly executed certificates representing the Shares and the Warrant being purchased by the Investor.

2. Certain Definitions

. When used herein, the following terms shall have the respective meanings indicated:

"Affiliate" means, as to any Person (the "subject Person"), any other Person (a) that directly or indirectly through one or more intermediaries controls or is controlled by, or is under direct or indirect common control with, the subject Person, (b) that directly or indirectly beneficially owns or holds ten percent (10%) or more of any class of voting equity of the subject Person, or (c) ten percent (10%) or more of the voting equity of which is directly or indirectly beneficially owned or held by the subject Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, through representation on such Person's board of directors or other management committee or group, by contract or otherwise.

"Board of Directors" means the Company's board of directors.

"Business Collaboration Agreement" has the meaning specified in the preamble to this Agreement.

"Business Day" means any day other than a Saturday, a Sunday or a day on which the Nasdaq Global Market or the Taiwan Stock Exchange is closed or on which banks in the City of New York or Taiwan are required or authorized by law to be closed.

"Closing" and "Closing Date" have the respective meanings set forth in Section 1.1 hereof.

"Commission" means the Securities and Exchange Commission.

"Common Stock" has the meaning specified in the preamble to this Agreement.

"Company" has the meaning specified in the preamble to this Agreement.

"Debt" means, as to any Person at any time: (a) all indebtedness, liabilities and obligations of such Person for borrowed money; (b) all indebtedness, liabilities and obligations of such Person to pay the deferred purchase price of Property or services (except trade accounts payable, accrued compensation, accrued expenses, and unearned revenue and customer deposits of such Person that, in any such case, arise in the ordinary course of business and are not more than sixty (60) days past due); (c) all capital lease obligations of such Person; (d) all indebtedness, liabilities and obligations of others guaranteed by such Person; (e) all indebtedness, liabilities and obligations secured by a Lien existing on Property owned by such Person, whether or not the indebtedness, liabilities or obligations secured thereby have been assumed by such Person or are non-recourse to such Person; (f) all reimbursement obligations of such Person (whether contingent or otherwise) in respect of letters of credit, bankers' acceptances, surety or other bonds and similar instruments; and (g) all indebtedness, liabilities and obligations of such Person to redeem or retire shares of capital stock of such Person.

"Disclosure Documents" means all SEC Documents filed by the Company at least two (2) Business Days prior to the date of this Agreement via the Commission's Electronic Data Gathering, Analysis and Retrieval system (EDGAR) in accordance with the requirements of Regulation S-T under the Exchange Act.

"Effective Date" has the meaning set forth in the Registration Rights Agreement.

"Environmental Law" means any federal, state, provincial, local or foreign law, statute, code or ordinance, principle of common law, rule or regulation, as well as any Permit, order, decree, judgment or injunction issued, promulgated, approved or entered thereunder, relating to pollution or the protection, cleanup or restoration of the environment or natural resources, or to the public health or safety, or otherwise governing the generation, use, handling, collection, treatment, storage, transportation, recovery, recycling, discharge or disposal of hazardous materials.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the regulations and published interpretations thereunder.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

"Execution Date" means the date of this Agreement.

"FINRA" means the Financial Industry Regulatory Authority.

"GAAP" means generally accepted accounting principles, applied on a consistent basis, as set forth in (i) opinions of the Accounting Principles Board of the American Institute of Certified Public Accountants, (ii) statements of the Financial Accounting Standards Board and (iii) interpretations of the Commission and the staff of the Commission. Accounting principles are applied on a "consistent basis" when the accounting principles applied in a current period are comparable in all material respects to those accounting principles applied in a preceding period.

"Governmental Authority" means any nation or government, any state, provincial or political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including without limitation any stock exchange, securities market or self-regulatory organization.

"Governmental Requirement" means any law, statute, code, ordinance, order, rule, regulation, judgment, decree, injunction, franchise, license or other directive or requirement of any federal, state, county, municipal, parish, provincial or other Governmental Authority or any department, commission, board, court, agency or any other instrumentality of any of them.

"Intellectual Property" means any U.S. or foreign patents, patent rights, patent applications, trademarks, trade names, service marks, brand names, logos and other trade designations (including unregistered names and marks), trademark and service mark registrations and applications, copyrights and copyright registrations and applications, inventions, invention disclosures, protected formulae, formulations, processes, methods, trade secrets, computer software, computer programs and source codes, manufacturing research and similar technical information, engineering know-how, customer and supplier information, assembly and test data drawings or royalty rights.

"Investment Company Act" means the Investment Company Act of 1940, as amended.

"Investor" has the meaning specified in the preamble to this Agreement.

"Investor Party" has the meaning specified in [Section 4.10](#) hereof.

"Key Employee" has the meaning specified in [Section 3.19](#) hereof.

"Lien" means, with respect to any Property, any mortgage, pledge, hypothecation, assignment, deposit arrangement, security interest, tax lien, financing statement, pledge, charge, or other lien, charge, easement, encumbrance, preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever on or with respect to such Property (including, without limitation, any conditional sale or other title retention agreement having substantially the same economic effect as any of the foregoing).

"Market Price" means, as of a particular date, the average closing price for the ten (10) consecutive Trading Days occurring immediately prior to (but not including) such date. For the avoidance of doubt, the Market Price shall be determined by adding the daily closing price for each of the ten (10) Trading Days immediately preceding the relevant date, and dividing such sum by ten (10).

"Material Adverse Effect" means an effect that is material and adverse to (i) the consolidated business, properties, assets (including intangible assets), operations, results of operations, condition (financial or otherwise), prospects or customer, supplier or employee relations of the Company and its Subsidiaries taken as a whole, (ii) the ability of the Company to perform its obligations under this Agreement or the other Transaction Documents (as defined below) or (iii) the rights and benefits to which the Investor is entitled under this Agreement and the other Transaction Documents.

"Material Contracts" means, as to the Company, any agreement required pursuant to Item 601 of Regulation S-B or Item 601 of Regulation S-K, as applicable, promulgated under the Securities Act to be filed as an exhibit to any report, schedule, registration statement or definitive proxy statement filed or required to be filed by the Company with the Commission under the Exchange Act or any rule or regulation promulgated thereunder, and any and all amendments, modifications, supplements, renewals or restatements thereof.

"Pension Plan" means an employee benefit plan (as defined in ERISA) maintained by the Company for employees of the Company or any of its Affiliates.

"Permitted Liens" means the following:

- a. encumbrances consisting of easements, rights-of-way, zoning restrictions or other restrictions on the use of real property or imperfections to title that do not (individually or in the aggregate) materially impair the ability of the Company to use such Property in its businesses, and none of which is violated in any material respect by existing or proposed structures or land use;
- b. Liens for taxes, assessments or other governmental charges (including, without limitation, in connection with workers' compensation and unemployment insurance) that are not delinquent or which are being contested in good faith by appropriate proceedings, which proceedings have the effect of preventing the forfeiture or sale of the Property subject to such Liens, and for which adequate reserves (as determined in accordance with GAAP) have been established; and
- c. Liens of mechanics, materialmen, warehousemen, carriers, landlords or other similar statutory Liens securing obligations that are not yet due and are incurred in the ordinary course of business or which are being contested in good faith by appropriate proceedings, which proceedings have the effect of preventing the forfeiture or sale of the Property subject to such Liens, for which adequate reserves (as determined in accordance with GAAP) have been established.

"Person" means any individual, corporation, trust, association, company, partnership, joint venture, limited liability company, joint stock company, Governmental Authority or other entity.

"Principal Market" means the principal exchange or market on which the Common Stock is listed or traded.

"Property" means property and/or assets of all kinds, whether real, personal or mixed, tangible or intangible (including, without limitation, all rights relating thereto).

"Purchase Price" means, with respect to the Investor, the number of Shares purchased by the Investor at the Closing times 1.8573.

"Registrable Securities" has the meaning set forth in the Registration Rights Agreement.

"Registration Rights Agreement" has the meaning specified in the preamble to this Agreement.

"Regulation D" means Regulation D under the Securities Act or any successor provision.

"Reserved Amount" has the meaning specified in Section 4.3 hereof.

"Rule 144" means Rule 144 under the Securities Act or any successor provision.

"SEC Documents" has the meaning specified in Section 3.4 hereof.

"Section 203" has the meaning specified in Section 3.31 hereof

"Securities" has the meaning specified in the preamble to this Agreement.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations thereunder.

"Share" has the meaning specified in the preamble to this Agreement.

"Subsidiary" means, with respect to a Person, any corporation or other entity (other than an entity having no material operations or business during the twelve month period immediately preceding the Execution Date) of which at least a majority of the outstanding shares of stock or other ownership interests having by the terms thereof ordinary voting power to elect a majority of the board of directors (or Persons performing similar functions) of such corporation or entity (regardless of whether or not at the time, in the case of a corporation, stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned or controlled by such Person.

"Tax" shall mean (i) any and all federal, state, local and foreign taxes, including taxes based upon or measured by gross receipts, income,

profits, sales, use and occupation, and value added, ad valorem, transfer, franchise, withholding, payroll, recapture, employment, excise, property and other similar taxes, together with all interest, penalties and additions imposed with respect to such amounts whether disputed or not, (ii) any liability for the payment of any amounts of the type described in clause (i) as a result of being or ceasing to be a member of an affiliated, consolidated, combined or unitary group for any period (including any liability under Treasury Regulation Section 1.1502-6 or any comparable provision of foreign, state or local law) and (iii) any liability for the payment of any amounts of the type described in clause (i) or (ii) as a result of any express or implied obligation to indemnify any other Person or as a result of any obligations under any agreements or arrangements with any other Person with respect to such amounts and including any liability for taxes of a predecessor entity.

"Tax Returns" shall mean any return, report, information return or other document (including any related or supporting information) filed or required to be filed with any taxing authority with respect to Taxes.

"Termination Date" means the first date on which there is no Warrant outstanding.

"Trading Day" means any day on which the Common Stock is purchased and sold on the Principal Market.

"Transaction Documents" means, collectively, this Agreement, the Registration Rights Agreement, the Warrant, the Business Collaboration Agreement and all other agreements, documents and other instruments executed and delivered by or on behalf of the Company or any of its officers at the Closing.

"Walsin Lihwa" has the meaning specified in the preamble to this Agreement.

"Warrant" has the meaning specified in the preamble to this Agreement.

"Warrant Share" has the meaning specified in the preamble to this Agreement.

1. Other Definitional Provisions

. All definitions contained in this Agreement are equally applicable to the singular and plural forms of the terms defined. The words "hereof", "herein" and "hereunder" and words of similar import referring to this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement.

1. REPRESENTATIONS AND WARRANTIES OF THE INVESTOR.

The Investor hereby represents and warrants to the Company and agrees with the Company that, as of the Execution Date and as of the Closing Date:

1. Authorization; Enforceability

. The Investor is duly and validly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization with the requisite corporate power and authority to purchase the Shares and the Warrant to be purchased by it hereunder and to execute and deliver this Agreement and the other Transaction Documents to which it is a party. This Agreement and the Business Collaboration Agreement constitute, and upon execution and delivery thereof, each other Transaction Document to which the Investor is a party will constitute, the Investor's valid and legally binding obligation, enforceable in accordance with its terms, subject to (i) applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or other similar laws of general application relating to or affecting the enforcement of creditors' rights generally and (ii) general principles of equity.

2. Accredited Investor

. The Investor (i) is an "accredited investor" as that term is defined in Rule 501 of Regulation D and (ii) is acquiring the Securities in the ordinary course of its business, solely for its own account, and not with a view to the public resale or distribution of all or any part thereof, except pursuant to sales that are registered under the Securities Act or are exempt from the registration requirements of the Securities Act and does not have any agreement or understanding with any person to distribute any of the Securities.

3. Information

. The Company has, prior to the Execution Date, provided the Investor with information regarding the business, operations and financial condition of the Company and has, prior to the Execution Date, granted to the Investor the opportunity to ask questions of and receive satisfactory answers from representatives of the Company, its officers, directors, employees and agents concerning the Company and materials relating to the terms and conditions of the purchase and sale of the Securities hereunder, as the Investor deems relevant in making an informed decision with respect to its investment in the Securities. The Investor is able to bear the economic risk of an investment in the Securities and, at the present time, is able to afford a complete loss of such investment. Neither such information nor any other investigation conducted by the Investor or any of its representatives shall modify, amend or otherwise affect the Investor's right to rely on the Company's representations and warranties contained in this Agreement.

4. Limitations on Disposition

. The Investor acknowledges that, except as provided in the Registration Rights Agreement, the Securities have not been and are not being registered under the Securities Act and may not be transferred or resold without registration under the Securities Act or

unless pursuant to an exemption therefrom.

5. Legend

. The Investor understands that the certificates representing the Securities may bear at issuance a restrictive legend in substantially the following form:

"The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state, and may not be offered, transferred, pledged, hypothecated, sold or otherwise disposed of unless a registration statement under the Securities Act and applicable state securities laws shall have become effective with regard thereto, or an exemption from registration under the Securities Act and applicable state securities laws is available in connection with such offer or sale."

Notwithstanding the foregoing, it is agreed that, as long as (A) the resale or transfer (including, without limitation, a pledge) of any of the Securities is registered pursuant to an effective registration statement and the holder of such Securities represents in writing to the Company that such Securities have been or will be sold pursuant to such registration statement or (B) such Securities have been sold pursuant to Rule 144, subject to receipt by the Company of customary documentation in connection therewith, or (C) such Securities are eligible for resale under Rule 144(k) or any successor provision and the holder thereof represents in writing to the Company that it is eligible to use such rule for public resales of such Securities, the certificates representing such Securities shall be issued without any legend or other restrictive language and, with respect to Securities upon which such legend is stamped, the Company shall issue new certificates without such legend to the holder upon request.

6. 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 U.S. federal and state securities laws and that the Company is relying upon the truth and accuracy of the representations and warranties of the Investor set forth in this Section 2 in order to determine the availability of such exemptions and the eligibility of the Investor to acquire the Securities.

7. Fees

. The Investor will indemnify and hold harmless the Company from and against any claim against the Company by any person or entity alleging that, as a result of any agreement or arrangement between such Person and the Investor with respect to the purchase and sale of the Securities contemplated hereby, the Company is obligated to pay any compensation, fee, cost or related expenditure in connection with the purchase and sale of the Securities contemplated hereby.

2. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company hereby represents and warrants to the Investor that, except as (i) expressly set forth in the disclosure schedules to this Agreement dated as of the Execution Date with specific reference to the Section or subsection of this Agreement to which information stated in such disclosure schedule relates or (ii) qualified by disclosure in the SEC Documents if such qualification is expressly set forth in the applicable Section and subsection of this Section 3 and to the extent the qualifying nature of such disclosure is readily apparent on its face, but excluding any disclosure in such SEC Documents to the extent that it is predictive, cautionary or forward-looking in nature (it being understood and agreed that facts underlying any such predictive, cautionary or forward-looking statements shall not be excluded to the extent those facts are stated in such SEC Documents and in existence on the date of such SEC Documents), as of the Execution Date and as of the Closing Date:

1. Organization, Good Standing and Qualification

. The Company is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization and has all requisite power and authority to carry on its business as now conducted. The Company is duly qualified to transact business and is in good standing in each jurisdiction in which it conducts business except where the failure so to qualify has not had or would not reasonably be expected to have a Material Adverse Effect. The Company does not have any Subsidiaries.

2. Authorization; Consents

. The Company has the requisite corporate power and authority to enter into and perform its obligations under the Transaction Documents, including, without limitation, its obligations to issue and sell the Securities to the Investor in accordance with the terms hereof and thereof, and to issue the Warrant Shares upon exercise of the Warrant. All corporate action on the part of the Company by its officers, directors and stockholders necessary for the authorization, execution and delivery of, and the performance by the Company of its obligations under, the Transaction Documents has been taken, and no further consent or authorization of the Company, its Board of Directors, stockholders, any Governmental Authority or organization (other than such approval as may be required under the Securities Act and applicable state securities laws in respect of the registration or qualification of the Registrable Securities (as defined in the Registration Rights Agreement) required under the Registration Rights Agreement), or any other Person is required (pursuant to any rule of the FINRA or otherwise).

3. Due Execution; Enforceability

. This Agreement and the Business Collaboration Agreement have been and, at or prior to the Closing, each other Transaction

Document to be delivered at the Closing will be, duly executed and delivered by the Company. This Agreement and the Business Collaboration Agreement constitute and, upon the execution and delivery thereof by the Company, each other Transaction Document will constitute the valid and legally binding obligation of the Company, enforceable against it in accordance with its terms, subject to (i) applicable bankruptcy, insolvency, fraudulent transfer, moratorium, reorganization or other similar laws of general application relating to or affecting the enforcement of creditors' rights generally and (ii) general principles of equity.

4. Disclosure Documents; Agreements; Financial Statements; Other Information

. The Company is subject to the reporting requirements of the Exchange Act and has filed with the Commission all reports, schedules, registration statements and definitive proxy statements that the Company was required to file with the Commission on or after December 31, 2008 (collectively, the "SEC Documents"). The Company is not aware of any event occurring or expected to occur on or prior to the Closing Date (other than the transactions effected hereby and quarterly releases of financial results) that would require the filing of, or with respect to which the Company intends to file, a Form 8-K after the Closing. Each SEC Document, as of the date of the filing thereof with the Commission (or if amended or superseded by a filing prior to the Execution Date, then on the date of such amending or superseding filing), complied in all material respects with the requirements of the Securities Act or Exchange Act, as applicable, and the rules and regulations promulgated thereunder and, as of the date of such filing (or if amended or superseded by a filing prior to the Execution Date, then on the date of such filing), such SEC Document (including all exhibits and schedules thereto and documents incorporated by reference therein) did not contain an untrue statement of material fact or omit 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. All documents required to be filed as exhibits to the SEC Documents have been filed as required. Except as set forth in the Disclosure Documents, the Company has no liabilities, contingent or otherwise, other than liabilities incurred in the ordinary course of business which, under GAAP, are not required to be reflected in the financial statements included in the Disclosure Documents and which, individually or in the aggregate, are not material to the business or financial condition of the Company. As of their respective dates, the financial statements of the Company included in the SEC Documents have been prepared in accordance with GAAP (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 exclude 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 adjustments).

5. Due Authorization; Valid Issuance

. The Shares and the Warrant are duly authorized and, when issued, sold and delivered in accordance with the terms hereof, (i) the Shares and the Warrant will be duly and validly issued, and the Shares will be fully paid and nonassessable; in each case, free and clear of any Liens imposed by or through the Company, and (ii) assuming the accuracy of the Investor's representations in this Agreement, the Shares and the Warrant will be issued, sold and delivered in compliance with all applicable federal and state securities laws. The Warrant Shares are duly authorized and reserved for issuance and, when issued in accordance with the terms of the Warrant, will be duly and validly issued, fully paid and nonassessable, free and clear of any Liens imposed by or through the Company and, assuming the accuracy of the Investor's representations in this Agreement at the time of exercise, will be issued, sold and delivered in compliance with all applicable federal and state securities laws.

6. No Conflict with Other Instruments

. The Company is not in violation of any provisions of its charter, bylaws or any other governing document or in default (and no event has occurred which, with notice or lapse of time or both, would constitute a default) under any provision of any instrument or contract to which it is a party or by which it or any of its Property is bound, or in violation of any provision of any Governmental Requirement applicable to it, except for any violation or default under any such instrument or contract or any violation of any provision of a Governmental Requirement that, individually or in the aggregate, has not had or would not reasonably be expected to have a Material Adverse Effect. The (i) execution, delivery and performance of this Agreement and the other Transaction Documents, and (ii) consummation of the transactions contemplated hereby and thereby (including, without limitation, the issuance of the Shares and the Warrant and the reservation for issuance and issuance of the Warrant Shares) will not result in any violation of any provisions of the Company's charter, bylaws or any other governing document or in a default under any provision of any instrument or contract to which it is a party or by which it or any of its Property is bound, or in violation of any provision of any Governmental Requirement applicable to the Company or be in conflict with or constitute, with or without the passage of time and giving of notice, either a default under any such provision, instrument or contract or an event which results in the creation of any Lien upon any assets of the Company.

7. Form S-3

. The Company is eligible to register the Registrable Securities for resale by the Investor on a registration statement on Form S-3 under the Securities Act.

8. Fees

. The Company is not obligated to pay any compensation or other fee, cost or related expenditure to any underwriter, broker, agent or other representative in connection with the transactions contemplated hereby. The Company will indemnify and hold harmless the Investor from and against any claim against the Investor by any Person alleging that, as a result of any agreement or arrangement between such Person and the Company, the Investor is obligated to pay any such compensation, fee, cost or related

expenditure in connection with the transactions contemplated hereby or the other Transaction Documents.

9. Solicitation; Other Issuances of Securities

. Neither the Company nor any of its Subsidiaries or Affiliates, nor any person acting on its or their behalf, (i) has engaged in any form of general solicitation or general advertising (within the meaning of Regulation D) in connection with the offer or sale of the Securities, or (ii) has, directly or indirectly, made any offers or sales of any security or the right to purchase any security, or solicited any offers to buy any security or any such right, under circumstances that would require registration of the Securities under the Securities Act.

10. Exchange Act Registration; Listing

. The Company files supplementary and periodic information, documents, and reports pursuant to Section 15(d) of the Exchange Act. The Company's Common Stock is registered pursuant to Section 12(g) of the Exchange Act and is listed on the Nasdaq Global Market. The Company currently meets the continuing eligibility requirements for listing on the Nasdaq Global Market and has not received any notice from such market or the FINRA that it does not currently satisfy such requirements or that such continued listing is in any way threatened. The Company has taken no action designed to, or which, to the knowledge of the Company, would reasonably be expected to have the effect of, terminating the registration of the Common Stock under the Exchange Act or delisting the Common Stock from the Nasdaq Global Market.

11. Investment Company Status

. The Company is not, and immediately after receipt of payment for the Shares and the Warrant issued under this Agreement will not be, an "investment company" or an entity "controlled" by an "investment company" within the meaning of the Investment Company Act, and shall conduct its business in a manner so that it will not become subject to the Investment Company Act.

12. Capitalization

. The authorized capital stock of the Company as of the date hereof is as set forth in the SEC Documents. The capitalization of the Company as of March 31, 2009, including its authorized capital stock, the number of shares issued and outstanding, the number of shares issuable and reserved for issuance pursuant to the Company's stock option plans and agreements, the number of shares issuable and reserved for issuance pursuant to securities (other than the Warrant) exercisable for, or convertible into or exchangeable for any shares of Common Stock and the number of shares initially to be reserved for issuance upon exercise of the Warrant, is as set forth in the SEC Documents. All issued and outstanding shares of capital stock of the Company have been, or upon issuance will be, validly issued, fully paid and non-assessable. No shares of capital stock of the Company were issued in violation of any preemptive rights or any other similar rights of security holders of the Company. Except as disclosed in the SEC Documents, there are no outstanding preemptive rights, rights of first refusal, shareholder rights, options, warrants, scrip, rights to subscribe to, calls or commitments of any capital stock of the Company, or arrangements by which the Company is or may become (as a result of the transactions contemplated hereby or the other Transaction Documents or otherwise) bound to issue additional shares or capital stock of the Company (whether pursuant to anti-dilution, "reset" or other similar provisions).

13. Financial Condition

. The Company's financial condition is, in all material respects, as described in the SEC Documents, except for changes in the ordinary course of business. Except for changes in the ordinary course of business, since March 31, 2009 there has been no (i) material adverse change to the Company's business, operations, properties, financial condition, or results of operations or (ii) change by the Company in its accounting principles, policies and methods except as required by changes in the GAAP or applicable law.

14. No Undisclosed Liabilities

. The Company does not have any liabilities or obligations of any nature (absolute, accrued, contingent or otherwise) which are not properly reflected or reserved against in the financial statement described in Section 3.4 hereof to the extent required to be so reflected or reserved against in accordance with GAAP, except for liabilities that have arisen since March 31, 2009 in the ordinary course of business or that have not had a Material Adverse Effect.

15. Taxes

- a. The Company has filed all material Tax Returns required to have been filed as of the date hereof (or extensions have been duly obtained) and such Tax Returns are correct and complete in all material respects and have paid all material Taxes required to have been timely paid by it in full through the date hereof, except to the extent such Taxes are both (A) being challenged in good faith and (B) adequately provided for on the Financial Statements in accordance with GAAP.
- b. The Company does not have any material liability for Taxes of any Person (other than the Company) under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local or foreign law with respect to income taxes), as a transferee or successor or by contract.

- c. No deficiencies for any material Taxes have been proposed or assessed in writing against or with respect to the Company and there is no outstanding material audit, assessment, dispute or claim concerning any Tax liability of the Company pending or raised by an authority in writing.
- d. The Company has not participated in a "listed transaction" within the meaning of Treasury Regulation Section 1.6011- 4(b)(2).

1. Litigation

. There is no material claim, litigation or administrative proceeding pending or, to the Company's knowledge, threatened or contemplated, against the Company or, to the Company's knowledge, against any officer, director or employee of the Company in connection with such person's employment therewith, except as described in the SEC Documents. The Company is not a party to or subject to the provisions of, any order, writ, injunction, judgment or decree of any court or Governmental Authority which has had or would reasonably be expected to have a Material Adverse Effect.

2. Intellectual Property

- a. The Company owns, free and clear of claims or rights or any other Person, with full right to use, sell, license, sublicense, dispose of, and bring actions for infringement of, or, to the Company's knowledge, has acquired licenses or other rights to use, all Intellectual Property necessary for the conduct of its business as presently conducted (other than with respect to software which is generally commercially available and not used or incorporated into the Company's products and open source software which may be subject to one or more "general public" licenses). All works that are used or incorporated into the Company's services, products or services or products actively under development and which are proprietary to the Company were developed by or for the Company by the current or former employees, consultants or independent contractors of the Company or its predecessors in interest or purchased or licensed by the Company or its predecessors in interest.
- b. The business of the Company as presently conducted and the production, marketing, licensing, use and servicing of any products or services of the Company do not, to the Company's knowledge, infringe or conflict with any patent, trademark, copyright, or trade secret rights of any third parties or any other Intellectual Property of any third parties in any material respect. The Company has not received written notice from any third party asserting that any Intellectual Property owned or licensed by the Company, or which the Company otherwise has the right to use, is invalid or unenforceable by the Company and, to the Company's knowledge, there is no valid basis for any such claim (whether or not pending or threatened).
- c. No claim is pending or, to the Company's knowledge, threatened against the Company nor has the Company received any written notice or other written claim from any Person asserting that any of the Company's present or contemplated activities infringe or may infringe in any material respect any Intellectual Property of such Person and the Company is not aware of any infringement by any other Person of any material rights of the Company under any Intellectual Property Rights.
- d. All licenses or other agreements under which the Company is granted Intellectual Property (excluding licenses to use software utilized in the Company's internal operations and which is generally commercially available) are in full force and effect and, to the Company's knowledge, there is no material default by any party thereto. The Company has no reason to believe that the licensors under such licenses and other agreements do not have and did not have all requisite power and authority to grant the rights to the Intellectual Property purported to be granted thereby.
- e. The Company has taken all steps required in accordance with commercially reasonable business practice to establish and preserve its ownership in its owned Intellectual Property and to keep confidential all material technical information developed by or belonging to the Company which has not been patented or copyrighted. To the Company's knowledge, the Company is not making any material unlawful use of any Intellectual Property of any other Person, including, without limitation, any former employer of any past or present employees of the Company. To the Company's knowledge, neither the Company nor any of its employees has any agreements or arrangements with former employers of such employees relating to any Intellectual Property of such employers, which materially interfere or conflict with the performance of such employee's duties for the Company or result in any former employers of such employees having any rights in, or claims on, the Company's Intellectual Property. Each current and former employee of the Company who has had access to material confidential Intellectual Property has executed agreements regarding confidentiality, proprietary information and assignment of inventions and copyrights to the Company, each independent contractor or consultant of the Company who has or who had access to material confidential Intellectual Property or who is or has been involved with the development of material confidential Intellectual Property has executed agreements regarding confidentiality and proprietary information, and the Company has not received written notice that any employee, consultant or independent contractor is in violation of any agreement or in breach of any agreement or arrangement

with former or present employers relating to proprietary information or assignment of inventions. Without limiting the foregoing: (i) the Company has taken reasonable security measures to guard against unauthorized disclosure or use of any of its Intellectual Property; and (ii) the Company has no reason to believe that any Person (including, without limitation, any former employee or consultant of the Company) has unauthorized possession of any of its Intellectual Property, or any part thereof, or that any Person has obtained unauthorized access to any of its Intellectual Property. The Company is in compliance in all material respects with its obligations pursuant to all agreements relating to Intellectual Property rights that are the subject of licenses granted by third parties, except for any non-compliance that has not had or would not reasonably be expected to have a Material Adverse Effect.

1. Foreign Corrupt Practices

. Neither the Company, nor to the Company's knowledge, any director, officer, agent, employee or other person acting on behalf of the Company, has (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expenses relating to political activity, (ii) made any direct or indirect unlawful payment to any foreign or domestic government official or employee (including, without limitation, any bribe, rebate, payoff, influence payment, kickback or other unlawful payment), or (ii) violated any provision of the Foreign Corrupt Practices Act of 1977, as amended, except in each case as would not have a Material Adverse Effect.

2. Key Employees

. Each of the Company's executive officers (as defined in Rule 501(f) of the Securities Act) (each, a "Key Employee") is currently serving in the capacity described in the Disclosure Documents. The Company has no knowledge of any fact or circumstance (including, without limitation, (i) the terms of any agreement to which such person is a party or any litigation in which such person is or may become involved and (ii) any illness or medical condition that could reasonably be expected to result in the disability or incapacity of such person) that would limit or prevent any such person from serving in such capacity on a full-time basis in the foreseeable future, or of any intention on the part of any such person to limit or terminate his or her employment with the Company.

3. Employee Matters

. There is no strike, labor dispute or union organization activity pending or, to the Company's knowledge, threatened between it and its employees. No employees of the Company belong to any union or collective bargaining unit. The Company has complied in all respects with all applicable federal and state equal opportunity and other laws related to employment, except as would not have a Material Adverse Effect.

4. ERISA

. Except as described in the Company's SEC Documents, the Company does not maintain or contribute to, or have any obligation under, any Pension Plan. The Company is in compliance in all material respects with the presently applicable provisions of ERISA and the United States Internal Revenue Code of 1986, as amended, with respect to each Pension Plan except in any such case for any such matters that, individually or in the aggregate, have not had, and would not reasonably be expected to have, a Material Adverse Effect.

5. Environment

. To the Company's knowledge, the Company does not have any current liability under any Environmental Law, nor, to the Company's knowledge, do any factors exist that are reasonably likely to give rise to any such liability that, individually or in the aggregate, has had or would reasonably be expected to have a Material Adverse Effect. To the Company's knowledge, the Company has not violated any Environmental Law applicable to it now or previously in effect, other than such violations or infringements that, individually or in the aggregate, have not had and would not reasonably be expected to have a Material Adverse Effect.

6. Insurance

. The Company maintains insurance in such amounts and covering such losses and risks as the Company believes to be reasonably prudent in relation to the businesses in which the Company is engaged. No notice of cancellation has been received for any of such policies and the Company is in compliance with all of the terms and conditions thereof. The Company has no reason to believe that it will not be able to renew any existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue doing business as currently conducted without a significant increase in cost, other than normal increases in the industry. Without limiting the generality of the foregoing, the Company maintains directors and officers insurance in an amount deemed to be reasonable and appropriate by the Company's Board of Directors.

7. Property

. The Company does not own any real property. The Company owns all personal Property owned by it free and clear of all Liens except for Permitted Liens and except for such Liens which, individually and together with all other Liens (including without limitation Permitted Liens) do not have, and cannot reasonably be expected to have, a Material Adverse Effect. Any Property held under lease by the Company is held by it, to the Company's knowledge, under valid, subsisting and enforceable leases with such

exceptions as are not material and do not materially interfere with the use made or proposed to be made of such Property by the Company.

8. Regulatory Permits

. The Company possesses all material certificates, authorizations and permits issued by the appropriate federal, state or foreign regulatory authorities necessary to conduct its businesses other than where the failure to possess such certificates, authorizations or permits, individually or in the aggregate, has not had and would not reasonably be expected to have a Material Adverse Effect. The Company has not received any notice or otherwise become aware of any proceedings, inquiries or investigations relating to the revocation or modification of any such certificate, authorization or permit.

9. Transfer Taxes

. No stock transfer or other taxes (other than income taxes) are required to be paid under United States federal, state or local laws in connection with the issuance and sale of any of the Securities.

10. Sarbanes-Oxley Act; Internal Controls and Procedures

. The Company is in material compliance with any and all applicable requirements of the Sarbanes-Oxley Act of 2002 and any and all applicable rules and regulations promulgated by the SEC thereunder that are effective as of the date hereof. The Company maintains internal accounting controls, policies and procedures, and such books and records as are reasonably designed to provide reasonable assurance that (i) all transactions to which the Company is a party or by which its properties are bound are effected by a duly authorized employee or agent of the Company, supervised by and acting within the scope of the authority granted by the Company's senior management; (ii) the recorded accounting of the Company's consolidated assets is compared with existing assets at regular intervals; and (iii) all transactions to which the Company is a party, or by which its properties are bound, are recorded (and such records maintained) in accordance with all Governmental Requirements and as may be necessary or appropriate to ensure that the financial statements of the Company are prepared in accordance with GAAP.

11. Solvency

. After giving effect to the transactions contemplated by this Agreement, (i) the fair saleable value of the Company's assets exceeds the amount that will be required to be paid on or in respect of the Company's existing Debt as such Debt matures or is otherwise payable and (ii) the current cash flow of the Company, together with the proceeds the Company would receive upon liquidation of its assets, after taking into account all anticipated uses of such amounts, would be sufficient to pay all Debt when such Debt is required to be paid. The Company has no knowledge of any facts or circumstances which lead it to believe that it will be required to file for reorganization or liquidation under the bankruptcy or reorganization laws of any jurisdiction, and has no present intention to so file.

12. Transactions with Interested Persons

. Except as set forth in the SEC Documents, to the Company's knowledge, there are no business relationships or related-party transactions involving the Company and its officers or directors that are of the type required to be disclosed to the Commission.

13. Section 203; Rights Agreement

. The Board of Directors has heretofore taken all necessary action to approve, and has approved, for purposes of Section 203 of the Delaware General Corporation Law (including any successor statute thereto "Section 203") the Investor's becoming, together with its Affiliates and associates, an "interested stockholder" within the meaning of Section 203 solely as result of the transaction contemplated by this Agreement, such that, as of the Execution Date and from and after the Closing, Section 203 will not be applicable to any "business combination" within the meaning of Section 203 that may take place between the Investor and/or its affiliates or associates, on the one hand, and the Company, on the other, solely as a result of the transactions contemplated by this Agreement. The Company does not have a rights agreement, poison pill or similar arrangement in place.

1. COVENANTS OF THE COMPANY AND THE INVESTOR.

1. Participation Rights

. If the Investor does not lead the next equity financing round for the Company, whether (a) because the Investor was unable to arrange a syndicate, (b) an offered financing was not accepted by the Company or (c) any other reason, then, the Company will use commercially reasonable efforts to permit the Investor to invest fifteen percent (15%) (or greater if mutually agreed) of each subsequent equity financing over the two (2) years following the Closing Date at the same time and on the same terms as other investors in such financing, subject to Nasdaq and U.S. securities laws limitations, if any. To the extent practical under the circumstances, the Company will use commercially reasonable efforts to provide the Investor with a written notice (the "Participation Notice"), which the Company will use commercially reasonable efforts to provide not less than ten (10) Business Days prior to the expected date of the closing of such financing, which notice shall set forth in reasonable details, to the extent then known, the material terms of such financing, the expected date of the closing of such financing and, unless the Company is restricted from doing so, identities of the other investors. If the Investor indicates a desire to participate in such financing in writing, the Company will also use commercially reasonable efforts to keep the Investor reasonably informed of material developments in such financing and will instruct any placement agent, underwriter or broker hired by the Company to use commercially reasonable efforts to permit the Investor to participate in such financing as described above if so desired by the

Investor. The Investor will keep strictly confidential, and not use for any purpose other than evaluating its participation in such financing, any information provided to it by the Company hereunder. Without limiting the foregoing, in no event will Investor contact any proposed investor identified to the Investor hereunder with respect to a proposed investment in the Company. The Investor's right under this Section 4.1 will terminate if the Investor chooses not to participate in any such financing.

2. Director Seat

. The Company will promptly as practicable add a person designated by the Investor in writing, who is reasonably acceptable to the Company, to the Board of Directors and cause the Board of Directors to take all necessary actions to effect such appointment, if each of the following conditions has been satisfied: (a) either (i) the Company closes on an equity financing syndicated by the Investor of at least \$25 million within the twelve (12) months following the Closing or (ii) the Investor participates in a subsequent financing over the two (2) years following the Closing by purchasing securities sold in such financings from the Company with an aggregate purchase price of at least \$10 million and (b) the Investor has not at that time sold more than fifty percent (50%) of the Securities purchased pursuant to this Agreement and, if all the other conditions set forth in this Section 4.2 are satisfied prior to the second (2nd) anniversary of the Closing Date, agrees not to sell more than fifty percent (50%) of the Securities prior to the date two (2) years following the Closing Date.

3. Reservation of Common Stock

. The Company shall, on the Closing Date, have authorized and reserved for issuance to the Investor free from any preemptive rights, and shall keep available at all times during which the Warrant is outstanding, a number of shares of Common Stock (the "Reserved Amount") that, on the Closing Date, is not less than one hundred percent (100%) of the number of Warrant Shares issuable upon exercise of the Warrant issued at the Closing, without regard to any limitation or restriction on such conversion or exercise that may be set forth in the Warrant. In the event that the Reserved Amount is insufficient at any time to cover one hundred percent (100%) of the Registrable Securities issuable upon the exercise of the Warrant (without regard to any restriction on such conversion or exercise), the Company shall take such action (including, without limitation, holding a meeting of its stockholders) to increase the Reserved Amount to cover one hundred percent (100%) of the Registrable Securities issuable upon such conversion and exercise, such increase to be effective not later than the thirtieth (30th) day (or sixtieth (60th) day, in the event stockholders approval is required for such increase) following the Company's receipt of written notice of such deficiency. While the Warrant is outstanding, the Company shall not reduce the Reserved Amount without obtaining the prior written consent of the Investor.

4. Limitations on Disposition

. The Investor shall not sell, transfer, assign or dispose of any Securities, unless:

- a. there is then in effect an effective registration statement under the Securities Act covering such proposed disposition and such disposition is made in accordance with such registration statement; or
- b. the Investor has notified the Company in writing of any such disposition, and furnished the Company with an opinion of counsel, reasonably satisfactory to the Company, that such disposition will not require registration of such Securities under the Securities Act; provided, however, that no such opinion of counsel will be required (A) if the sale, transfer or assignment complies with federal and state securities laws and is made to a fund or other institutional investor that is an Affiliate of the Investor and which is also an "accredited investor" as that term is defined in Rule 501 of Regulation D; provided, that such Affiliate provides the Company with customary accredited investor and investment representations (comparable with those set forth in Section 2.2 hereof), and agrees to be bound by the terms and conditions of this Agreement or (B) if the sale, transfer or assignment is made pursuant to Rule 144 and the Investor provides the Company with evidence reasonably satisfactory to the Company that the proposed transaction satisfies the requirements of Rule 144.

1. Press Release

. The Company agrees with the Investor that the Company will (i) on or prior to 5:00 p.m. (Eastern Time) on the second Business Day following the Execution Date, issue a press release disclosing the material terms of this Agreement and the other Transaction Documents and the transactions contemplated hereby and thereby and (ii) on or prior to 5:00 p.m. (eastern time) on the fourth Business Day following the Execution Date, file with the Commission a Current Report on Form 8-K disclosing the material terms of this Agreement and the other Transaction Documents and the transactions contemplated hereby and thereby; provided, however, that the Investor shall have a reasonable opportunity to review and comment on any such press release or Form 8-K prior to the issuance or filing thereof.

2. Standstill

. The Investor and Walsin Lihwa represent to the Company that Walsin Lihwa is not a Subsidiary of any Person. Until the second (2nd) anniversary of the date of the Closing Date, none of the Investor, Walsin Lihwa or any of their respective Subsidiaries, will, without the prior written consent of the Company:

- a. acquire, offer to acquire, or agree to acquire, directly or indirectly, by purchase or otherwise, any voting shares or direct or indirect rights to acquire any voting shares of, or economic interest in (through

derivative securities or otherwise), the Company or any successor thereto;

- b. make, or in any way participate, directly or indirectly, in any "solicitation" of "proxies" to vote (as such terms are used in the rules of the Commission), seek to advise or influence any person or entity with respect to the voting of any voting shares of the Company or seek or propose to have called, or cause to be called, any meeting of the stockholders of the Company;
- c. make any public announcement with respect to, or submit a proposal for, or offer of (with or without conditions) any extraordinary transaction involving the Company or any of its securities or assets; or
- d. form, join or in any way participate in a "group" as defined in Section 13(d)(3) of the Exchange Act in connection with any of the foregoing.

The provisions of this Section 4.6 shall be inoperative and of no force or effect if, from and after the date hereof: (a) any Person or group shall have acquired or entered into a binding definitive agreement that has been approved by the Board of Directors (or any duly constituted committee thereof composed entirely of independent directors) to acquire more than 50% of the outstanding voting securities of the Company or assets of the Company or its Subsidiaries representing more than 50% of the consolidated earnings power of the Company and its subsidiaries, taken as a whole, (b) any Person commences a tender or exchange offer which, if consummated, would result in such Person's acquisition of beneficial ownership of more than 50% of the outstanding voting securities of the Company, and in connection therewith, the Company files with the Securities and Exchange Commission a Schedule 14D-9 with respect to such offer that does not recommend that the Company's stockholders reject such offer; or (c) the Board of Directors (or any duly constituted committee thereof composed entirely of independent directors) shall have determined in good faith, after consultation with outside legal counsel, that the failure to waive, limit, amend or otherwise modify the standstill provisions, would be reasonably likely to be inconsistent with the fiduciary duties of the Board of Directors under applicable law; provided, however, that with respect to clauses (a), (b) and (c) of this sentence, the Investor shall not have solicited, initiated or participated with any such other Person or group in connection with any of the transactions contemplated by clauses (a), (b) and (c) of this sentence.

The provisions of this Section 4.6 shall not limit the Investor's rights under Section 4.1 or limit the Investor from presenting an investment to the Company of up to \$40 million (reduced by any funds raised by the Company after the Closing Date) in the aggregate over the next twelve (12) months in which Investor is participating with the other syndicate members provided that (i) each syndicate member agrees to keep the offer to the Company and subsequent discussions confidential in a manner reasonably acceptable to the Company and (ii) no syndicate member other than the Investor would beneficially own (as defined in Rule 13d-3 under the Exchange Act), if the offer is accepted, more than 15% of the Company's Common Stock and the Investor would not beneficially own (as defined in Rule 13d-3 under the Exchange Act), if the offer is accepted, more than 19.9% of the Company's Common Stock.

1. Undertakings of the Company

. The Company agrees that it will, during the period beginning on the Execution Date and ending on the Termination Date:

- a. maintain its corporate existence in good standing; and
- b. comply with all Governmental Requirements applicable to the operation of its business, except for instances of noncompliance that would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

1. Use of Proceeds

. The Company shall use the proceeds from the sale of the Shares and the Warrant for general corporate purposes; provided, that the Company shall not use any of such proceeds (i) to pay any dividend or make any distribution on any of its securities, or (ii) to repay any loan made to or incurred by any Key Employee or any other officer or director or Affiliate of the Company.

2. Listing

. The Company has used, or promptly following the Closing shall use, its commercially reasonable efforts to include all of the Warrant Shares issuable upon exercise of the Warrant (without regard to any limitation on such exercise) for listing on the Nasdaq Global Market.

3. Indemnification of Investor Parties

. The Company will indemnify and hold the Investor and its directors, managers, officers, shareholders, members, partners, employees and agents (each, an "Investor Party") harmless from any and all losses, liabilities, obligations, claims, contingencies, damages, costs and expenses, including all judgments, amounts paid in settlements, court costs and reasonable attorneys' fees and costs of investigation that any such Investor Party may suffer or incur as a result of or relating to (a) any breach of any of the representations, warranties, covenants or agreements made by the Company in this Agreement or in the other Transaction Documents or (b) any action instituted against the Investor, or any of its Affiliates, by any stockholder of the Company who is not an Affiliate of the Investor, with respect to any of the transactions contemplated by the Transaction Documents (unless such action is based upon a breach of the Investor's representation, warranties or covenants under the Transaction Documents or any written agreements or understandings the Investor may have with any such stockholder or any violations by the Investor of state or federal securities laws or any conduct by the Investor which constitutes fraud, gross negligence, willful misconduct or malfeasance). If any action shall be brought against any Investor Party in respect of which indemnity may be sought pursuant to this

Agreement, such Investor Party shall promptly notify the Company in writing, and the Company shall have the right to assume the defense thereof with counsel of its own choosing. Any Investor Party shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Investor Party except to the extent that (i) the employment thereof has been specifically authorized by the Company in writing, (ii) the Company has failed after a reasonable period of time following such Investor Party's written request that it do so, to assume such defense and to employ counsel or (iii) in such action there is, in the reasonable opinion of such separate counsel, a material conflict on any material issue between the position of the Company and the position of such Investor Party. The Company will not be liable to any Investor Party under this Agreement (i) for any settlement by an Investor Party effected without the Company's prior written consent, which shall not be unreasonably withheld or delayed; or (ii) to the extent, but only to the extent that a loss, claim, damage or liability is attributable to such Investor Party's wrongful actions or omissions, or gross negligence or to such Investor Party's breach of any of the representations, warranties, covenants or agreements made by the Investor in this Agreement or in the other Transaction Documents.

1. CONDITIONS TO CLOSING.

1. Conditions to Investor's Obligations at the Closing

The Investor's obligations to effect the Closing, including, without limitation, its obligation to purchase Shares and Warrant at the Closing, are conditioned upon the fulfillment (or waiver by the Investor in its sole and absolute discretion) of each of the following events as of the Closing Date, and the Company shall use its commercially reasonable efforts to cause each of such conditions to be satisfied:

- a. the representations and warranties of the Company set forth in this Agreement and in the other Transaction Documents shall be true and correct as of such date as if made on such date (except to the extent that any such representation or warranty relates to a particular date, such representation or warranty shall be true and correct as of that particular date);
- b. the Company shall have complied with or performed all of the agreements, obligations and conditions set forth in this Agreement that are required to be complied with or performed by the Company on or before the Closing;
- c. the Company shall have delivered to the Investor a certificate, signed by the Chief Executive Officer and Chief Financial Officer of the Company, certifying that the conditions specified in Sections 5.1(a), (b), (h), (i), (k) and (l) have been fulfilled as of the Closing, it being understood that the Investor may rely on such certificate as though it were a representation and warranty of the Company made herein;
- d. the Company shall have delivered to the Investor duly executed certificates representing the Shares and the Warrant being purchased by the Investor;
- e. the Company shall have executed and delivered to the Investor the Registration Rights Agreement;
- f. the Company shall have executed and delivered to the Investor the Business Collaboration Agreement and the Business Collaboration Agreement shall be effective and shall not be terminated;
- g. the Company shall have delivered to the Investor a certificate, signed by the Secretary or an Assistant Secretary of the Company, attaching (i) the charter and bylaws of the Company, and (ii) resolutions passed by its Board of Directors to authorize the transactions contemplated hereby and by the other Transaction Documents, and certifying that such documents are true and complete copies of the originals and that such resolutions have not been amended or superseded, it being understood that the Investor may rely on such certificate as a representation and warranty of the Company made herein;
- h. the Company shall have authorized and reserved for issuance the aggregate number of shares of Common Stock issuable upon exercise of the Warrant to be issued at the Closing (such number to be determined without regard to any restriction on such exercise);
- i. there shall be no injunction, restraining order or decree of any nature of any court or Governmental Authority of competent jurisdiction that is in effect that restrains or prohibits the consummation of the transactions contemplated hereby and by the other Transaction Documents;
- j. the Closing Date shall occur on a date that is not later than July 3, 2009;
- k. there shall have occurred no material adverse change in the Company's consolidated business or financial condition since the date of the Company's most recent financial statements contained in the Disclosure Documents; and
- l. the Common Stock shall be listed on the Nasdaq Global Market.

1. Conditions to Company's Obligations at the Closing

The Company's obligations to effect the Closing with the Investor are conditioned upon the fulfillment (or waiver by the Company in its sole and absolute discretion) of each of the following events as of the Closing Date:

- a. the representations and warranties of the Investor set forth in this Agreement and in the other Transaction Documents to which it is a party shall be true and correct as of such date as if made on such date (except to the extent that any such representation or warranty relates to a particular date, such representation or warranty shall be true and correct as of that date);
- b. the Investor shall have complied with or performed all of the agreements, obligations and conditions set forth in this Agreement that are required to be complied with or performed by the Investor on or before the Closing;
- c. there shall be no injunction, restraining order or decree of any nature of any court or Governmental Authority of competent jurisdiction that is in effect that restrains or prohibits the consummation of the transactions contemplated hereby and by the other Transaction Documents;
- d. the Investor shall have executed each Transaction Document to which it is a party and shall have delivered the same to the Company; and
- e. the Investor shall have tendered to the Company the Purchase Price for the Shares and the Warrant being purchased by it at the Closing by wire transfer of immediately available funds.

1. MISCELLANEOUS.

1. Severability

. In the event that any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without said provision; *provided* that in such case the parties shall negotiate in good faith to replace such provision with a new provision which is not illegal, unenforceable or void, as long as such new provision does not materially change the economic benefits of this Agreement to the parties.

2. Successors and Assigns

. The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and permitted assigns of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and permitted assigns any rights, remedies, obligations or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement. The Investor may not assign its rights and obligations hereunder without prior written consent of the Company; provided, however, that the Investor may assign all or part of its rights and obligation hereunder to its Subsidiaries, Walsin Lihwa or any of the Subsidiaries of Walsin Lihwa without the Company's prior written consent.

3. No Reliance

. Each party acknowledges that (i) it has such knowledge in business and financial matters as to be fully capable of evaluating this Agreement, the other Transaction Documents, and the transactions contemplated hereby and thereby, (ii) it is not relying on any advice or representation or warranty of any other party in connection with entering into this Agreement, the other Transaction Documents, or such transactions (other than the representations and warranties made in this Agreement or the other Transaction Documents), (iii) it has not received from any party any assurance or guarantee as to the merits (whether legal, regulatory, tax, financial or otherwise) of entering into this Agreement or the other Transaction Documents or the performance of its obligations hereunder and thereunder, and (iv) it has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisors to the extent that it has deemed necessary, and has entered into this Agreement and the other Transaction Documents based on its own independent judgment and on the advice of its advisors as it has deemed necessary, and not on any view (whether written or oral) expressed by any party.

4. Injunctive Relief

. The parties hereto acknowledge and agree that a breach by either of their obligations hereunder will cause irreparable harm to the other party and that the remedy or remedies at law for any such breach will be inadequate and agrees that, in the event of any such breach, in addition to all other available remedies, the non-breaching party shall be entitled to an injunction restraining any breach and requiring immediate and specific performance of such obligations.

5. Governing Law; Jurisdiction

. This Agreement shall be governed by and construed under the laws of the State of Washington applicable to contracts made and to be performed entirely within the State of Washington. Each party hereby irrevocably submits to the non-exclusive jurisdiction of the state and federal courts sitting in the State of Washington for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby and hereby irrevocably waives, and agrees not to assert in any such 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 personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law.

6. Counterparts

. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. This Agreement may be executed and delivered by facsimile transmission or electronic mail.

7. Headings

. The headings used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

8. Notices

. Any notice, demand or request required or permitted to be given by the Company or the Investor pursuant to the terms of this Agreement shall be in writing and shall be deemed delivered (i) when delivered personally or by verifiable facsimile transmission or electronic mail, unless such delivery is made on a day that is not a Business Day, in which case such delivery will be deemed to be made on the next succeeding Business Day and (ii) on the third (3rd) Business Day after timely delivery to an international overnight courier, addressed as follows:

If to the Company:

Microvision, Inc.
6222 185th Avenue NE
Redmond, WA 98052
Attn: General Counsel
Tel: (425) 415-6847
Fax: (425) 936-4411

with a copy to:

Ropes & Gray LLP
One International Place
Boston, MA 02110
Attn: Joel F. Freedman
Tel: (617) 951-7000
Fax: (617) 951-7050

If to the Investor:

Max Display Enterprises Limited
c/o Walsin Lihwa Corporation
11F, No. 411
Rueiguang Road, Neihu
Taipei 114
Taiwan, R.O.C.
Attn: Jeff Chen and Sandy Yu
Tel: 886-2-2799-2211 x 6221 (Jeff Chen) / x 6136 (Sandy Yu)
Fax: 886-2-2799-8980

with a copy (which shall not constitute notice) to:

Simpson Thacher & Bartlett LLP
ICBC Tower - 35th Floor

3 Garden Road, Central

Hong Kong

Attn: Chris K. H. Lin

Tel: (852) 2514-7600

Fax: (852) 2869-7694

9. Expenses

. The Company and the Investor shall pay all of its respective costs and expenses that it incurs in connection with the negotiation, execution, delivery and performance of this Agreement or the other Transaction Documents.

10. Entire Agreement; Amendments

. This Agreement and the other Transaction Documents constitute the entire agreement between the parties with regard to the subject matter hereof and thereof, superseding all prior agreements or understandings, whether written or oral, between or among the parties. Except as expressly provided herein, neither this Agreement nor any term hereof may be amended except pursuant to a written instrument executed by the Company and the Investor and no provision hereof may be waived other than by a written instrument signed by the party against whom enforcement of any such waiver is sought. Any waiver or consent shall be effective only in the specific instance and for the specific purpose for which it is given.

11. Survival

. The representations, warranties, covenants and indemnity made by the Company herein and in the other Transaction Documents shall survive the Closing notwithstanding any diligence investigation made by or on behalf of the Investor.

[Signature Pages to Follow]

IN WITNESS WHEREOF, the undersigned have executed this Purchase Agreement as of the date first-above written.

MICROVISION, INC.

By: /s/ Jeff T. Wilson

Name: Jeff T. Wilson

Title: Chief Financial Officer

MAX DISPLAY ENTERPRISES LIMITED

By: /s/ Chiao Yu Lon

Name: Chiao Yu Lon

Title: Director

For the sole purpose of agreeing to the provisions of Section 4.6:

WALSIN LIHWA CORPORATION

By: /s/ Chiao Yu Lon

Name: Chiao Yu Lon

Title: Chairman

EXHIBIT A

WARRANT

EXHIBIT B

REGISTRATION RIGHTS AGREEMENT

REGISTRATION RIGHTS AGREEMENT

This REGISTRATION RIGHTS AGREEMENT (this "Agreement"), dated as of June 22, 2009, is by and between MICROVISION, INC., a Delaware corporation (the "Company"), and MAX DISPLAY ENTERPRISES LIMITED, a limited liability company formed under the laws of the British Virgin Islands (the "Investor").

A. The Company has agreed, on the terms and subject to the conditions set forth in the Securities Purchase Agreement, dated as of June 22, 2009 (the "Securities Purchase Agreement"), to issue and sell to the Investor named therein (A) shares of the Company's common stock, par value \$0.001 per share (the "Common Stock") and (B) the Warrant in the form attached to the Securities Purchase Agreement (the "Warrant").

B. The Warrant is exercisable into shares of Common Stock (the "Warrant Shares") in accordance with their terms.

In consideration of the Investor entering into the Securities Purchase Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. DEFINITIONS.

For purposes of this Agreement, the following terms shall have the meanings specified:

"Business Day" means any day other than a Saturday, a Sunday or a day on which the Nasdaq Global Market or the Taiwan Stock Exchange is closed or on which banks in the City of New York or Taiwan are required or authorized by law to be closed.

"Commission" means the Securities and Exchange Commission.

"Effective Date" means the date on which the Registration Statement is declared effective by the Commission.

"Holder" means any person owning or having the right to acquire, through exercise of the Warrant or otherwise, Registrable Securities, including initially the Investor and thereafter any permitted assignee thereof.

"Registrable Securities" means (i) the Shares and the Warrant Shares and any other shares of Common Stock issuable pursuant to the terms of the Securities Purchase Agreement or the Warrant, and (ii) any shares of capital stock issued or issuable from time to time (with any adjustments) in replacement of, in exchange for or otherwise in respect of the Shares or the Warrant Shares.

"Registration Deadline" means the last day of the 120-day period following the Closing Date.

"Registration Period" has the meaning set forth in Section 2(b).

"Registration Statement" means a registration statement or statements prepared in compliance with the Securities Act pursuant to Section 2(a).

"Required Holders" means the Holders of a majority of the Registrable Securities that are either then outstanding or are issuable on exercise of the Warrant then outstanding (without regard to any limitation on such exercise).

Capitalized terms used herein and not otherwise defined shall have the respective meanings specified in the Securities Purchase Agreement.

2. REGISTRATION.

(a) Filing of Registration Statement. As soon as practicable but in no event later than 30 days after the Closing (the "Filing Deadline"), the Company shall prepare and file with the Commission a Registration Statement on Form S-3 pursuant to Rule 415 under the Securities Act covering the resale of a number of shares of Registrable Securities equal to the sum of (i) the aggregate number of Shares issued under the Securities Purchase Agreement plus (ii) the aggregate number of shares of Common Stock issuable on the Closing Date pursuant to the exercise of the Warrant (such number to be determined using the Exercise Price in effect on such date and without regard to any restriction on the ability to exercise the Warrant as of such date). Such Registration Statement shall state, to the extent permitted by Rule 416 under the Securities Act, that it also covers such indeterminate number of additional shares of Common Stock as may become issuable upon the exercise of the Warrant as a result of adjustments pursuant to the Warrant. In the event that Form S-3 is not available for the registration of the resale of Registrable Securities hereunder, the Company shall (x) register the resale of the Registrable Securities on another appropriate form reasonably acceptable to the Required Holders and (y) undertake to register the Registrable Securities on Form S-3 as soon as such form is available, provided that the Company shall maintain the effectiveness of the Registration Statement then in effect until such time as a Registration Statement on Form S-3 covering the Registrable Securities has been declared effective by the Commission or is no longer required to be maintained effective hereunder.

(b) Effectiveness. The Company shall use its best efforts to cause the Registration Statement to become effective as soon as practicable, but in no event later than the Registration Deadline. The Company shall maintain the effectiveness of each Registration Statement filed pursuant to this Agreement until the earlier to occur of (i) the date on which all of the Registrable Securities eligible for resale thereunder have been publicly sold pursuant to either the Registration Statement or Rule 144, (ii) the date on which all of the Registrable Securities remaining to be sold under such Registration Statement (in the reasonable opinion of counsel to the Company) may be immediately sold to the public under

Rule 144 or any successor provision, and (iii) the third (3rd) anniversary of the Closing Date (the period beginning on the Closing Date and ending on the earlier to occur of (i), (ii) and (iii) above being referred to herein as the "Registration Period").

(c) Registration of Other Securities. In no event shall the Company include any securities other than Registrable Securities on any Registration Statement filed by the Company on behalf of the Holders pursuant to the terms hereof.

3. OBLIGATIONS OF THE COMPANY.

In addition to performing its obligations hereunder, including without limitation those pursuant to Section 2 above, the Company shall, with respect to each Registration Statement:

(a) prepare and file with the Commission such amendments and supplements to such Registration Statement and the prospectus used in connection with such Registration Statement as may be necessary to comply with the provisions of the Securities Act or to maintain the effectiveness of such Registration Statement during the Registration Period, or as may be reasonably requested by a Holder in order to incorporate information concerning such Holder or such Holder's intended method of distribution;

(b) promptly following the Closing, use its best efforts to secure the listing on the Nasdaq Global Market of all Registrable Securities and provide each Holder with reasonable evidence thereof;

(c) so long as a Registration Statement is effective covering the resale of the applicable Registrable Securities owned by a Holder, furnish to each Holder such number of copies of the prospectus included in such Registration Statement, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as such Holder may reasonably request in order to facilitate the disposition of such Holder's Registrable Securities;

(d) use commercially reasonable efforts to register or qualify the Registrable Securities under the securities or "blue sky" laws of such jurisdictions within the United States as shall be reasonably requested from time to time by a Holder, and do any and all other acts or things which may reasonably be necessary or advisable to enable such Holder to consummate the public sale or other disposition of the Registrable Securities in such jurisdictions; *provided* that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such jurisdiction;

(e) notify each Holder promptly after becoming aware of the occurrence of any event as a result of which the prospectus included in such Registration Statement, as then in effect, contains an untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing, and as promptly as practicable prepare and file with the Commission and furnish to each Holder a reasonable number of copies of a supplement or an amendment to such prospectus as may be necessary so that such prospectus does not contain an untrue statement of material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing;

(f) use commercially reasonable efforts to prevent the issuance of any stop order or other order suspending the effectiveness of such Registration Statement and, if such an order is issued, to use commercially reasonable efforts to obtain the withdrawal thereof at the earliest possible time and to notify each Holder in writing of the issuance of such order and the resolution thereof;

(g) furnish to each Holder, on the date that such Registration Statement, or any successor registration statement, becomes effective, a letter, dated such date, signed by an officer of the Company or of outside counsel to the Company (and reasonably acceptable to such Holder) addressed to such Holder, confirming such effectiveness and, to the knowledge of such officer or counsel, the absence of any stop order;

(h) provide to each Holder and its representatives the reasonable opportunity to conduct, subject to confidentiality agreements reasonably acceptable to the Company, a reasonable inquiry of the Company's financial and other records during normal business hours and make available during normal business hours and with reasonable advance notice its officers, directors and employees for questions regarding information which such Holder may reasonably request in order to fulfill any due diligence obligation on its part;

(i) permit counsel for each Holder to review such Registration Statement and all amendments and supplements thereto, and any comments made by the staff of the Commission concerning such Holder and/or the transactions contemplated by the Securities Purchase Agreement and the Company's responses thereto, within a reasonable period of time prior to the filing thereof with the Commission (or, in the case of comments made by the staff of the Commission, within a reasonable period of time following the receipt thereof by the Company); and

(j) in the event that, at any time, the number of shares available under the Registration Statement is insufficient to cover the sum of (i) the aggregate number of Shares plus (ii) the aggregate number of Warrant Shares that are Registrable Securities then outstanding or issuable under the Warrant (such number to be determined using the Exercise Price in effect at such time and without regard to any restriction on the ability to exercise the Warrant), the Company shall promptly amend such Registration Statement or file a new registration statement, in any event as soon as practicable, but not later than the tenth (10th) Business Day following notice from a Holder of the occurrence of such event, so that such Registration Statement or such new registration statement, or both, covers no less than the sum of (i) the aggregate number of Shares plus (ii) the aggregate number of the Warrant Shares that are Registrable Securities eligible for resale thereunder. The Company shall use its best efforts to cause such amendment and/or new Registration Statement to become effective as soon as practicable following the filing thereof. Any Registration Statement filed pursuant to this Section 3(j) shall state that, to the extent permitted by Rule 416 under the Securities Act, such Registration Statement also covers such indeterminate number of additional shares of Common Stock as may become issuable upon exercise of the Warrant in order to prevent dilution resulting from stock splits, stock dividends or similar events. Unless and until such amendment or new Registration Statement becomes effective, each Holder shall have the rights described in Section 2(c) above.

4. PERMITTED SUSPENSION.

(a) Black-Out Period. Notwithstanding the Company's obligations under this Agreement, if in the good faith judgment of the Company, following consultation with legal counsel, it would be detrimental to the Company or its stockholders for resales of Registrable Securities to be made pursuant to the Registration Statement due to the existence of a material development involving the Company which 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 stockholders, the Company shall have the right to suspend the use of the Registration Statement for a period of not more than thirty (30) days (the "Black-out Period"); *provided, however*, that the Company may so defer or suspend the use of the Registration Statement for no more than forty five (45) days in the aggregate in any twelve-month period.

(b) Suspension. Notwithstanding anything to the contrary contained herein or in the Securities Purchase Agreement, if the use of the Registration Statement is suspended by the Company, the Company shall promptly give written notice of the suspension to each Holder and shall promptly notify each Holder in writing as soon as the use of the Registration Statement may be resumed.

5. OBLIGATIONS OF EACH HOLDER.

In connection with the registration of Registrable Securities pursuant to a Registration Statement, and as a condition to the Company's obligations under Section 2 hereof, each Holder shall:

(a) timely furnish to the Company in writing (i) a completed shareholder questionnaire and (ii) such information in writing regarding itself and the intended method of disposition of such Registrable Securities, in each case, as the Company shall reasonably request in order to effect the registration thereof;

(b) upon receipt of any notice from the Company of the happening of any event of the kind described in Sections 3(e) or 3(f) or of the commencement of a Black-out Period, immediately discontinue any sale or other disposition of such Registrable Securities pursuant to such Registration Statement until the filing of an amendment or supplement as described in Section 3(e) or withdrawal of the stop order referred to in Section 3(f), or the termination of the Black-out Period, as the case may be, and maintain the confidentiality of such notice and its contents;

(c) to the extent required by applicable law, deliver a prospectus to the purchaser of such Registrable Securities;

(d) notify the Company when it has sold all of the Registrable Securities held by it; and

(e) notify the Company in the event that any information supplied by such Holder in writing for inclusion in such Registration Statement or related prospectus is untrue or omits to state a material fact required to be stated therein or necessary to make such information not misleading in light of the circumstances then existing; immediately discontinue any sale or other disposition of such Registrable Securities pursuant to such Registration Statement until the filing of an amendment or supplement to such prospectus as may be necessary so that such prospectus does not contain an untrue statement of material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing; and use commercially reasonable efforts to assist the Company as may be appropriate to make such amendment or supplement effective for such purpose.

6. INDEMNIFICATION.

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

(a) To the extent permitted by law, the Company shall indemnify and hold harmless each Holder, the officers, directors, employees, agents and representatives of such Holder, and each person, if any, who controls such Holder within the meaning of the Securities Act or the Securities Exchange Act of 1934, as amended (the "Exchange Act"), against any losses, claims, damages, liabilities or reasonable out-of-pocket expenses (whether joint or several) (collectively, including reasonable legal expenses or other expenses reasonably incurred in connection with investigating or defending same, "Losses"), insofar as any such Losses arise out of or are based upon (i) any untrue statement or alleged untrue statement of a material fact contained in such Registration Statement under which such Registrable Securities were registered, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, or (ii) the omission or alleged omission to state therein 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. Subject to the provisions of Section 6(c), the Company will reimburse such Holder, and each such officer, director, employee, agent, representative or controlling person, for any reasonable legal expenses or other out-of-pocket expenses as reasonably incurred by any such entity or person in connection with investigating or defending any Loss; *provided, however*, that the foregoing indemnity shall not apply to amounts paid in settlement of any Loss if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be obligated to indemnify any person for any Loss to the extent that such Loss is (i) based upon and is in conformity with written information furnished by such person expressly for use in such Registration Statement or (ii) based on a failure of such person to deliver or cause to be delivered the final prospectus contained in the Registration Statement and made available by the Company, if such delivery is required by applicable law. The Company shall not enter into any settlement of a Loss that does not provide for the unconditional release of such Holder from all liabilities and obligations relating to such Loss.

(b) To the extent permitted by law, each Holder who is named in such Registration Statement as a selling stockholder, acting severally and not jointly, shall indemnify and hold harmless the Company, the officers, directors, employees, agents and representatives of the Company, and each person, if any, who controls the Company within the meaning of the Securities Act or the Exchange Act, against any Losses to the extent (and only to the extent) that any such Losses are based upon and in conformity with written information furnished by such Holder expressly for use in such Registration Statement. Subject to the provisions of Section 6(c), such Holder will reimburse any legal or other expenses as reasonably incurred by the Company and any such officer, director, employee, agent, representative, or controlling person, in connection with investigating or defending any such Loss; *provided, however*, that the foregoing indemnity shall not apply to amounts paid in settlement of any such Loss if such settlement is effected without the consent of such Holder (which consent shall not be unreasonably withheld); and *provided*,

further, that, in no event shall any indemnity under this Section 6(b) exceed the gross proceeds resulting from the sale of the Registrable Securities sold by such Holder under such Registration Statement.

(c) Promptly after receipt by an indemnified party under this Section 6 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 6, promptly deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in and to assume the defense thereof with counsel selected by the indemnifying party and reasonably acceptable to the indemnified party; *provided, however*, that an indemnified party shall have the right to retain its own counsel, with the reasonably incurred fees and expenses of one such counsel for all indemnified parties to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate under applicable standards of professional conduct due to actual or potential conflicting interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, to the extent prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section 6 with respect to such action, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 6 or with respect to any other action unless the indemnifying party is materially prejudiced as a result of not receiving such notice.

(d) In the event that the indemnity provided in Sections 6(a) or 6(b) is unavailable or insufficient to hold harmless an indemnified party for any reason for the losses referred to therein, the Company and each Holder agree, severally and not jointly, to contribute to the aggregate Losses to which the Company or such Holder may be subject in such proportion as is appropriate to reflect the relative fault of the Company and such Holder in connection with the statements or omissions which resulted in such Losses; *provided, however*, that in no case shall such Holder be responsible for any amount in excess of the net proceeds resulting from the sale of the Registrable Securities sold by it under the Registration Statement. Relative fault shall be determined by reference to whether any alleged untrue statement or omission relates to information provided by the Company or by such Holder. The Company and each Holder agree that it would not be just and equitable if contribution were determined by *pro rata* allocation or any other method of allocation which does not take account of the equitable considerations referred to above. Notwithstanding the provisions of this Section 6(d), no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who is not guilty of such fraudulent misrepresentation. For purposes of this Section 6, each person who controls a Holder within the meaning of either the Securities Act or the Exchange Act and each officer, director, employee, agent or representative of such Holder shall have the same rights to contribution as such Holder, and each person who controls the Company within the meaning of either the Securities Act or the Exchange Act and each officer, director, employee, agent or representative of the Company shall have the same rights to contribution as the Company, subject in each case to the applicable terms and conditions of this Section 6(d).

(e) The obligations of the Company and each Holder under this Section 6 shall survive the exercise of the Warrants in full, the completion of any offering or sale of Registrable Securities pursuant to a Registration Statement under this Agreement, or otherwise. In addition, obligations of the Company under this Section 6 are in addition to any liability that the Company may have to any Holder.

7. REPORTS.

With a view to making available to each Holder the benefits of Rule 144 and any other similar rule or regulation of the Commission that may at any time permit such Holder to sell securities of the Company to the public without registration, the Company agrees to use commercially reasonable efforts (until all of the Registrable Securities have been sold under a Registration Statement or pursuant to Rule 144) to:

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

(b) file with the Commission in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act; and

(c) furnish to such Holder, so long as such Holder owns any Registrable Securities, promptly upon written request (i) a written statement by the Company, if true, that it has complied with the reporting requirements of Rule 144, the Securities Act and the Exchange Act, (ii) to the extent not publicly available through the Commission's EDGAR database, a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company with the Commission, and (iii) such other information as may be reasonably requested by such Holder in connection with such Holder's compliance with any rule or regulation of the Commission which permits the selling of any such securities without registration.

8. MISCELLANEOUS.

(a) Expenses of Registration. Except as otherwise provided in the Securities Purchase Agreement, all reasonable expenses, other than underwriting discounts and commissions and fees and expenses of counsel and other advisors to each Holder, incurred in connection with the registrations, filings or qualifications described herein, including (without limitation) all registration, filing and qualification fees, printers' and accounting fees, the fees and disbursements of counsel for the Company, and the fees and disbursements incurred in connection with the letter described in Section 3(g), shall be borne by the Company.

(b) Amendment; Waiver. Except as expressly provided herein, neither this Agreement nor any term hereof may be amended or waived except pursuant to a written instrument executed by the Company and the Required Holders. Any amendment or waiver effected in accordance with this Section 8(b) shall be binding upon each Holder, each future Holder and the Company. Any waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. The failure of any party to exercise any right or remedy under this Agreement or otherwise, or the delay by any party in exercising such right or remedy, shall not operate as a waiver thereof.

(c) Notices. Any notice, demand or request required or permitted to be given by the Company or a Holder pursuant to the terms of this Agreement shall be in writing and shall be deemed delivered (i) when delivered personally or by verifiable facsimile transmission or electronic mail, unless such delivery is made on a day that is not a Business Day, in which case such delivery will be deemed to be made on the next succeeding Business Day and (ii) on the third (3rd) Business Day after timely delivery to an international overnight courier, addressed as follows:

If to the Company:

Microvision, Inc.

6222 185th Avenue NE

Redmond, WA 98052

Attn: General Counsel

Tel: (425) 415-6847

Fax: (425) 936-4411

with a copy (which shall not constitute notice) to:

Ropes & Gray LLP

One International Place

Boston, MA 02110

Attn: Joel F. Freedman

Tel: (617) 951-7000

Fax: (617) 951-7050

and if to a Holder, to such address as shall be designated by such Holder in writing to the Company.

(d) Assignment. Upon the transfer of any Warrant or Registrable Securities by a Holder, the rights of such Holder hereunder with respect to such securities so transferred shall be assigned automatically to the transferee thereof, and such transferee shall thereupon be deemed to be a "Holder" for purposes of this Agreement, as long as: (i) the Company is, within a reasonable period of time following such transfer, furnished with written notice of the name and address of such transferee, (ii) the transferee agrees in writing with the Company to be bound by all of the provisions hereof, and (iii) such transfer is made in accordance with the applicable requirements of the Securities Purchase Agreement or the Warrant, as applicable.

(e) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. This Agreement may be executed and delivered by facsimile transmission.

(f) Governing Law. This Agreement shall be governed by and construed under the laws of the State of Washington applicable to contracts made and to be performed entirely within the State of Washington. Each party hereby irrevocably submits to the non-exclusive jurisdiction of the state and federal courts sitting in the State of Washington for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby and hereby irrevocably waives, and agrees not to assert in any such 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 personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law.

(g) Holder of Record. A person is deemed to be a Holder whenever such person owns or is deemed to own of record Registrable Securities. If the Company receives conflicting instructions, notices or elections from two or more persons with respect to the same Registrable Securities, the Company shall act upon the basis of instructions, notice or election received from the record owner of such Registrable Securities.

(h) Entire Agreement. This Agreement and the other Transaction Documents constitute the entire agreement between the parties with regard to the subject matter hereof and thereof, superseding all prior agreements or understandings, whether written or oral, between or among the parties.

(i) Headings. The headings used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

(j) 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.

[Signature Pages to Follow]

IN WITNESS WHEREOF, the undersigned have executed this Registration Rights Agreement as of the date first-above written.

MICROVISION, INC.

By: /s/ Jeff T. Wilson

Name: Jeff T. Wilson

Title: Chief Financial Officer

MAX DISPLAY ENTERPRISES LIMITED

By: /s/ Chiao Yu Lon

Name: Chiao Yu Lon

Title: Director

THIS WARRANT (THIS "WARRANT") AND THE UNDERLYING SECURITIES ISSUABLE UPON EXERCISE OF THIS WARRANT have not been registered under the Securities Act of 1933, as amended (the "SECURITIES Act"), or the securities laws of any state, and may not be offered, transferred, pledged, hypothecated, sold or otherwise disposed of unless a registration statement under the Securities Act and applicable state securities laws shall have become effective with regard thereto, or an exemption from registration under the Securities Act and applicable state securities laws is available in connection with such offer or sale.

Warrant No. 120 Date of Issuance: June 22, 2009

MICROVISION, INC.

COMMON STOCK PURCHASE WARRANT

This certifies that, for good and valuable consideration, Microvision, Inc., a Delaware corporation (the "Company"), grants to the holder of this Warrant (the "Warrantholder"), which on the date hereof shall be Max Display Enterprises Limited (the "Initial Holder"), the right to subscribe for and purchase from the Company 2,019,060 validly issued, fully paid and nonassessable shares (the "Warrant Shares") of the Company's Common Stock, par value \$0.001 per share (the "Common Stock"), at the purchase price per share of \$2.1850 (as adjusted pursuant to the provisions of this Warrant, the "Exercise Price"), at any time and from time to time on or after the date hereof to and including 11:59 P.M. Seattle Time on June 22, 2012 (the "Expiration Date"), all subject to the terms, conditions and adjustments herein set forth. The number of Warrant Shares and the Exercise Price shall be subject to further adjustment in accordance with Section 5.

This Warrant is issued pursuant to the Securities Purchase Agreement (the "Securities Purchase Agreement") by and between the Initial Holder and the Company, dated as of the date hereof, and the Initial Holder and the Company are each parties to the Registration Rights Agreement (the "Registration Rights Agreement"), dated as of the date hereof, a copy of each of which is on file at the principal office of the Company. Accordingly, the Warrantholder shall be entitled to all of the benefits and bound by all of the applicable obligations set forth in the Securities Purchase Agreement and the Registration Rights Agreement. Any capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Securities Purchase Agreement.

1. Exercise or Conversion of this Warrant.

1. Exercise of Warrant. Subject to the terms and conditions set forth herein, this Warrant may be exercised, in whole or in part, by the Warrantholder by: (i) the delivery of this Warrant to the Company, with a duly executed Exercise Form in the form attached as Exhibit A hereto (the "Exercise Form") specifying the number of Warrant Shares to be purchased, prior to the Expiration Date; and (ii) the delivery of payment to the Company, for the account of the Company, by cash, by wire transfer of immediately available funds or by certified or bank cashier's check, of the Exercise Price for the number of Warrant Shares specified in the Exercise Form in lawful money of the United States of America. The Company agrees that such Warrant Shares shall be deemed to be issued to the Warrantholder as the record holder of such Warrant Shares as of the close of business on the date on which this Warrant shall have been surrendered and payment made for such Warrant Shares as aforesaid.

2. Conversion of Warrant.

1.2.1. Right to Convert. If and only if at the time of exercise there is not then effective a registration statement filed under the Securities Act registering the resale of the Warrant Shares issuable on exercise hereof, then in addition to, and without limiting, the other rights of the Warrantholder hereunder, the Warrantholder shall have the right (the "Conversion Right") to convert this Warrant or any part hereof into Warrant Shares at any time and from time to time prior to the Expiration Date. Upon exercise of the Conversion Right, the Company shall deliver to the Warrantholder, without payment by the Warrantholder of any Exercise Price or any cash or other consideration, that number of Warrant Shares computed using the following formula:

$$X = \frac{Y}{A - B}$$

A

Where: X = The number of Warrant Shares to be issued to the Warrantholder

Y = The number of Warrant Shares purchasable pursuant to this Warrant at such time or such lesser number of Warrant Shares as may be selected by the Warrantholder in the Notice of Conversion (as defined herein)

A = The Market Price (as such term is defined in the Securities Purchase Agreement) as of the Conversion Date

B = The Exercise Price

1.2.2. Method of Conversion. The Conversion Right may be exercised by the Warrantholder by the surrender of this Warrant to the Company, together with a duly executed Notice of Conversion in the form attached as Exhibit B hereto (the "Notice of Conversion") specifying that the Warrantholder intends to exercise the Conversion Right and indicating the number of Warrant Shares to be acquired upon exercise of the Conversion Right. Such conversion shall be effective upon the

Company's receipt of this Warrant, together with the Notice of Conversion, or on such later date as is specified in the Notice of Conversion (the "Conversion Date"). Certificates for the Warrant Shares so acquired shall be promptly delivered to the Warrantholder, in any event not to exceed three (3) Business Days after the Conversion Date in accordance with Section 1.3. If applicable, the Company shall, upon surrender of this Warrant for cancellation, deliver a new Warrant evidencing the rights of the Warrantholder to purchase the remaining Warrant Shares which new Warrant shall in all other respects be identical to this Warrant.

3. Warrant Shares Certificate. A stock certificate or certificates for the Warrant Shares specified in the Exercise Form or Notice of Conversion, as the case may be, shall be promptly delivered to the Warrantholder, in any event not to exceed three (3) Business Days after receipt of such Exercise Form or the Conversion Date, as the case may be, and receipt of payment of the purchase price, if any ("Delivery Date"). If this Warrant shall have been exercised or converted only in part, the Company shall, at the time of delivery of the stock certificate or certificates, deliver to the Warrantholder a new Warrant evidencing the rights to purchase the remaining Warrant Shares, which new Warrant shall in all other respects be identical to this Warrant.
4. Payment of Taxes. The issuance of certificates for Warrant Shares shall be made without charge to the Warrantholder for any stock transfer or other issuance tax or other incidental expense of issuance; provided, however, that the Warrantholder shall be required to pay any and all taxes which may be payable in respect of any transfer involved in the issuance and delivery of any certificate in a name other than that of the Warrantholder as reflected upon the books of the Company.
5. Fractional Shares. No fractional shares of Common Stock or scrip shall be issued to the Warrantholder in connection with the exercise or conversion of this Warrant. Instead of any fractional shares of Common Stock that would otherwise be issuable to the Warrantholder, the Company will pay to the Warrantholder a cash adjustment in respect of such fractional interest in an amount equal to the product of such fractional interest and the Market Price as of the date of receipt of such Exercise Form or the Conversion Date, as the case may be.

2. Duration.

This Warrant shall expire and no longer be exercisable or convertible into Warrant Shares, and its provisions shall have no further force or effect, whether or not any portion thereof has been previously exercised or converted, upon the earlier to occur of (i) the first date upon which this Warrant has been exercised for or converted into the maximum amount of Warrant Shares available for issuance upon an exercise or conversion of this Warrant at such time, (ii) the last day of the Notice Period as provided in Section 7 with respect to all Warrant Shares subject to redemption and (iii) the Expiration Date.

3. Loss or Destruction of this Warrant.

Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant and, in the case of loss, theft or destruction, of such indemnification as the Company may reasonably require, and, in the case of such mutilation, upon surrender and cancellation of this Warrant, the Company will execute and deliver a new Warrant of like tenor.

4. Ownership of this Warrant.

The Company may deem and treat the person in whose name this Warrant is registered as the holder and owner hereof (notwithstanding any notations of ownership or writing thereon made by anyone other than the Company) for all purposes and shall not be affected by any notice to the contrary, other than a transfer pursuant to Section 6.

5. Certain Adjustments.

1. The number of Warrant Shares purchasable upon the exercise of this Warrant and the Exercise Price shall be subject to adjustment as follows:
 1. Stock Dividends, etc. If at any time after the date of the issuance of this Warrant and prior to the Expiration Date (i) the Company shall fix a record date for the issuance of any stock dividend payable in shares of Common Stock or (ii) the number of shares of Common Stock shall have been increased by a subdivision or split-up of shares of Common Stock, then, on the record date fixed for the determination of holders of Common Stock entitled to receive such dividend or immediately after the effective date of such subdivision or split up, as the case may be, the number of shares to be delivered upon exercise or conversion of this Warrant will be increased so that the Warrantholder will be entitled to receive the number of shares of Common Stock that such Warrantholder would have owned immediately following such action had this Warrant been exercised or converted in full immediately prior thereto. The Exercise Price payable upon the exercise of this Warrant shall be adjusted by multiplying such Exercise Price immediately prior to such adjustment by a fraction, of which the numerator shall be the number of Warrant Shares purchasable upon the exercise of this Warrant immediately prior to such adjustment, and of which the denominator shall be the number of Warrant Shares purchasable immediately thereafter. Notwithstanding the foregoing, in no circumstance shall the Exercise Price be reduced to less than the par value of a share of Common Stock.
 2. Combination of Stock. If the number of shares of Common Stock outstanding at any time after the date of the issuance of this Warrant shall have been decreased by a combination of the outstanding shares of Common Stock, then, immediately after the effective date of such combination, the number of shares of Common Stock to be delivered upon

exercise or conversion of this Warrant will be decreased so that the Warrantholder thereafter will be entitled to receive the number of shares of Common Stock that such Warrantholder would have owned immediately following such action had this Warrant been exercised or converted in full immediately prior thereto. The Exercise Price payable upon the exercise of this Warrant shall be adjusted by multiplying such Exercise Price immediately prior to such adjustment by a fraction, of which the numerator shall be the number of Warrant Shares purchasable upon the exercise of this Warrant immediately prior to such adjustment, and of which the denominator shall be the number of Warrant Shares purchasable immediately thereafter. Notwithstanding the foregoing, in no circumstance shall the Exercise Price be reduced to less than the par value of a share of Common Stock.

3. Reorganization, Merger, etc. In the event of a merger, consolidation, business combination, tender offer, exchange of shares, recapitalization, reorganization, redemption or other similar event, as a result of which the class of shares of Common Stock shall be changed into the same or a different number of shares of the same or another class or classes of stock or securities or other assets of the Company or another entity or the Company shall sell all or substantially all of its assets (each of the foregoing being a "Major Transaction"), the Company will give the Warrantholder at least fifteen (15) Business Days written notice prior to the earlier of (a) the closing or effectiveness of such Major Transaction and (b) the record date for the receipt of such shares of stock or securities or other assets, and: (i) the Warrantholder shall be permitted to exercise this Warrant in whole or in part at any time prior to the record date for the receipt of such consideration and shall be entitled to receive, for each share of Common Stock issuable to the Warrantholder upon such exercise, the same per share consideration payable to the other holders of Common Stock in connection with such Major Transaction, and (ii) if and to the extent that the Warrantholder retains any portion of this Warrant following such record date, the Company will cause the surviving or, in the event of a sale of assets, purchasing entity, as a condition precedent to such Major Transaction, to assume the obligations of the Company under this Warrant, with such adjustments to the Exercise Price and the securities covered hereby as may be reasonably determined in good faith by the Board of Directors to be necessary in order to preserve the economic benefits of this Warrant to the Warrantholder.

2. Notice of Adjustments. Whenever the number of Warrant Shares or the Exercise Price of such Warrant Shares is adjusted, as herein provided, the Company shall promptly mail by first class, postage prepaid, to the Warrantholder, notice of such adjustment or adjustments setting forth in reasonable detail the number of Warrant Shares and the Exercise Price of such Warrant Shares after such adjustment, a brief statement of the facts requiring such adjustment, and the computation by which such adjustment was made.

3. No Impairment. The Company shall not, by amendment of its certificate of incorporation or through any reorganization, recapitalization, transfer of assets, consolidation, merger, dissolution, issuance or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but shall at all times in good faith assist in the carrying out of all the provisions of this Section 5 and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the Warrantholder against impairment.

6. Transfers.

This Warrant and the Warrant Shares issued upon the exercise thereof may be transferred only in compliance with Section 4.4 of the Securities Purchase Agreement and the other restrictions on transfer set forth in the Registration Rights Agreement. Subject to such restrictions, the Company shall transfer this Warrant from time to time upon the books to be maintained by the Company for that purpose, upon surrender hereof for transfer, properly endorsed or accompanied by appropriate instructions for transfer and such other documents as may be reasonably required by the Company, including, if required by the Company, an opinion of its counsel reasonably satisfactory to the Company to the effect that such transfer is exempt from the registration requirements of the Act, to establish that such transfer is being made in accordance with the terms hereof, and a new Warrant shall be issued to the transferee and the surrendered Warrant shall be canceled by the Company.

Upon such transfer or other disposition, the Warrantholder shall deliver this Warrant to the Company together with a written notice to the Company, substantially in the form of the Transfer Notice in the form attached hereto as Exhibit C (the "Transfer Notice"), indicating the person or persons to whom this Warrant shall be transferred and, if less than all of this Warrant is transferred, the number of Warrant Shares to be covered by the part of this Warrant to be transferred to each such person. Within three (3) Business Days of receiving a Transfer Notice and the original of this Warrant, the Company shall deliver to the each transferee designated by the Warrantholder a Warrant or Warrants of like tenor and terms for the appropriate number of Warrant Shares and, if less than all this Warrant is transferred, shall deliver to the Warrantholder a Warrant for the remaining number of Warrant Shares.

7. Company Call Right.

Notwithstanding any other provision contained in this Warrant to the contrary, in the event that the average closing bid prices per share of Common Stock, as quoted on the Nasdaq Global Market (or such other exchange or stock market on which the Common Stock may then be listed or quoted) over a period of 20 consecutive Trading Days, as defined in the Securities Purchase Agreement, ending on or after the sixth (6th)-month anniversary of the date hereof, exceeds 400% of the Exercise Price then in effect, thereafter the Company, upon fifteen (15) Business Days prior written notice (the "Notice Period") ending at 11:59 P.M. (Seattle time) on the fifteenth (15th) Business Day (not counting the day such notice is given) given to the Warrantholder within ten (10) Business Days of the end of such 20 consecutive Trading Day period, may call the Warrant, in whole or in part, at a

redemption price equal to \$0.01 per share of Common Stock then purchasable pursuant to the Warrant called for redemption provided that (a) at all times during the Notice Period, there is an effective registration statement filed under the Securities Act registering the resale of the Warrant Shares issuable on exercise hereof; (b) the Warrantholder shall have the right to exercise this Warrant prior to the end of the Notice Period and (c) if the Warrantholder is Max Display Enterprises Limited or an Affiliate of Walsin Lihwa at the time, the written notice shall be given by the Company to the Warrantholder by both electronic mail and an international overnight courier at the address set forth in Section 8.5 hereof.

8. Miscellaneous.

1. Entire Agreement. This Warrant constitutes the entire agreement between the parties with regard to the subject matter hereof, superseding all prior agreements or understandings, whether written or oral, between or among the parties. Except as expressly provided herein, neither this Warrant nor any term hereof may be amended except pursuant to a written instrument executed by the Company and holders of at least a majority of the Warrant Shares and no provision hereof may be waived other than by a written instrument signed by the party against whom enforcement of any such waiver is sought. Any waiver or consent shall be effective only in the specific instance and for the specific purpose for which it is given.
2. Binding Effects; Benefits. This Warrant shall inure to the benefit of and shall be binding upon the Company and the Warrantholder and their respective heirs, legal representatives, successors and assigns. Nothing in this Warrant, expressed or implied, is intended to or shall confer on any person other than the Company and the Warrantholder, or their respective heirs, legal representatives, successors or assigns, any rights, remedies, obligations or liabilities under or by reason of this Warrant.
3. Amendment; Waiver. Any term of this Warrant may be amended or waived upon the written consent of the Company and the Warrantholder. If, at any time, any portion of this Warrant has been transferred in accordance with Section 6 above such that there are two or more warrants outstanding, any term of this Warrant and any other warrants issued pursuant to any such permitted transfers may be amended or waived upon the written consent of the Company and the holders of such warrants (including this Warrant) representing a majority of the aggregate Warrant Shares issuable upon the exercise or conversion thereof at such time.
4. Section and Other Headings. The headings used in this Warrant are used for convenience only and are not to be considered in construing or interpreting this Warrant.
5. Notices. Any notice, demand or request required or permitted to be given by the Company or the Warrantholder pursuant to the terms of this Warrant shall be in writing and shall be deemed delivered (i) when delivered personally or by verifiable facsimile transmission or electronic mail, unless such delivery is made on a day that is not a Business Day, in which case such delivery will be deemed to be made on the next succeeding Business Day and (ii) on the third (3rd) Business Day after timely delivery to an international overnight courier, addressed as follows:

(a) if to the Company, addressed to:

Microvision, Inc.

6222 185th Avenue NE

Redmond, WA 98052

Attn: General Counsel

Tel: (425) 415-6847

Fax: (425) 936-4411

with a copy to:

Ropes & Gray LLP

One International Place

Boston, MA 02110

Attn: Joel F. Freedman

Tel: (617) 951-7000

Fax: (617) 951-7050

(b) if to the Warrantholder, addressed to:

Max Display Enterprises Limited

c/o Walsin Lihwa Corporation

11F, No. 411

Rueiguang Road, Neihu

Taipei 114

Taiwan, R.O.C.

Attn: Jeff Chen and Sandy Yu

Tel: 886-2-2799-2211 x 6221 (Jeff Chen) / x 6136 (Sandy Yu)

Fax: 886-2-2799-8980

with a copy (which shall not constitute notice) to:

Simpson Thacher & Bartlett LLP

ICBC Tower - 35th Floor

3 Garden Road, Central

Hong Kong

Attn: Chris K. H. Lin

Tel: (852) 2514-7600

Fax: (852) 2869-7694

6. Severability. In the event that any provision of this Warrant becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Warrant shall continue in full force and effect without said provision; *provided* that in such case the parties shall negotiate in good faith to replace such provision with a new provision which is not illegal, unenforceable or void, as long as such new provision does not materially change the economic benefits of this Warrant to the parties.
7. Governing Law. This Warrant shall be governed by and construed under the laws of the State of Washington applicable to contracts made and to be performed entirely within the State of Washington. Each party hereby irrevocably submits to the non-exclusive jurisdiction of the state and federal courts sitting in the State of Washington for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby and hereby irrevocably waives, and agrees not to assert in any such 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 personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address in effect for notices to it under this Warrant and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law.
8. No Rights or Liabilities as Stockholder. Nothing contained in this Warrant shall be determined as conferring upon the Warrantholder any rights as a stockholder of the Company or as imposing any liabilities on the Warrantholder to purchase any securities whether such liabilities are asserted by the Company or by creditors or stockholders of the Company or otherwise.

[Remainder of page intentionally left blank; signature page follows]

IN WITNESS WHEREOF, the Company has caused this Warrant to be signed by its duly authorized officer as of the date first above written.

MICROVISION, INC.

By: /s/ Jeff T. Wilson

Name: Jeff T. Wilson

Title: Chief Financial Officer

ACCEPTED AND AGREED:

MAX DISPLAY ENTERPRISES LIMITED

By: /s/ Chiao Yu Lon

Name: Chiao Yu Lon

Title: Director

EXHIBIT A

FORM OF NOTICE OF EXERCISE

To: Microvision, Inc. ("the Company")

1. The undersigned hereby elects to purchase _____ shares of the Common Stock of the Company (the "Common Stock") pursuant to the terms of the Warrant, dated as of June 22, 2009 (the "Warrant") and tenders herewith payment of the purchase price of such shares in full.
2. Please issue or cause to be issued a certificate or certificates representing said shares in the name of the undersigned.
3. The undersigned hereby represents and warrants to the Company that it is the registered and beneficial owner of the portion of the Warrant which is the subject of this Notice of Exercise.
4. The undersigned acknowledges that each certificate for Common Stock issued upon exercise of the Warrant may bear a legend in accordance with Section 2.5 of the Securities Purchase Agreement, dated as of June 22, 2009 by and between the Company and Max Display Enterprises Limited.
5. Solely with respect to the shares of Common Stock being received pursuant to this Notice of Exercise, the representations and warranties of the Warrantholder, in its capacity as the "Purchaser", contained in the Securities Purchase Agreement are hereby repeated at and as of the time of delivery hereof and are true and correct in all respects at and as of the time of delivery hereof.
6. The undersigned hereby agrees that the restrictions on transfer described in Section 6 of the Warrant shall survive any and all exercises of the Warrant and shall be applicable to any and all of the shares of Common Stock issued on exercise thereof.

(Name of Registered Owner)

(Signature of Registered Owner)

(Street Address)

(City) (State) (Zip Code)

Date: _____

EXHIBIT B

FORM OF NOTICE OF CONVERSION

To: Microvision, Inc. ("the Company")

1. The undersigned registered owner irrevocably elects to surrender the Warrant, dated as of June 22, 2009 (the "Warrant"), for the number of shares of Common Stock of the Company ("Common Stock") as shall be issuable pursuant to the conversion right provisions of Section 1.2 of the Warrant, in respect of _____ shares of Common Stock underlying the Warrant.
2. Please issue or cause to be issued a certificate or certificates representing said shares in the name of the undersigned, and return cash to the undersigned for any fractional shares.
3. The undersigned hereby represents and warrants to the Company that it is the registered and beneficial owner of the portion of the Warrant which is the subject of this Notice of Conversion.
4. The undersigned acknowledges that each certificate for Common Stock issued upon exercise of the Warrant may bear a legend in accordance with Section 2.5 of the Securities Purchase Agreement, dated as of June 22, 2009 by and between the Company and Max Display Enterprises Limited.

5. The undersigned hereby agrees that the restrictions on transfer described in Section 6 of the Warrant shall survive any and all exercises of the Warrant and shall be applicable to any and all of the shares of Common Stock issued on exercise thereof.

(Name of Registered Owner)

(Signature of Registered Owner)

(Street Address)

(City) (State) (Zip Code)

Date: _____

EXHIBIT C

FORM OF TRANSFER NOTICE

To: Microvision, Inc. ("the Company")

FOR VALUE RECEIVED, the undersigned Warrantholder of the attached Warrant hereby sells, assigns and transfers unto the person or persons named below the right to purchase shares of the Common Stock of [] evidenced by the attached Warrant.

Date:

Name of Registered Warrantholder

By:

Name:

Title:

Transferee Name and Address:
