U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934.
For the quarterly period ended September 30, 1997

[ ] 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 Small Business Issuer as Specified in Its Charter)

Washington	91-1600822
(State or Other Jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)

2203 Airport Way South, Suite 100, Seattle, Washington 98134
(Address of Principal Executive Offices)

Registrant's telephone number, including area code: (206) 623-7055

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.Yes [X] No [ ]

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of September 30, 1997, 5,817,421 shares of the Company's common stock, no par value, were outstanding.

Transitional Small Business Disclosure Format (check one): Yes [ ] No [X]

PART I
FINANCIAL INFORMATION

MICROVISION, INC.
(A Development Stage Company)
BALANCE SHEETS

	September 30, 1997	December 31, 1996
ASSETS		
Current Assets		
Cash and cash equivalents	$ 10,021,900	$ 14,265,800
Accounts receivable	263,800	25,000
Other current assets	545,400	86,500
Total current assets	10,831,100	14,377,300
Equipment, net	455,900	157,800
Other assets	13,800	30,200
Total assets	$ 11,300,800	$ 14,565,300
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$ 390,800	$ 388,600
Accrued liabilities	636,400	667,600
Total liabilities	1,027,200	1,056,200
Shareholders' Equity		

Common stock	24,798,800	24,116,200
Deferred compensation	(455,600)	(43,600)
Accumulated deficit	(14,069,600)	(10,563,500)
Total shareholders' equity	10,273,600	13,509,100
Total liabilities and shareholders' equity	$ 11,300,800	$ 14,565,300

See accompanying notes to financial statements

<TABLE>
<CAPTION>

MICROVISION, INC.
(A Development Stage Company)
STATEMENT OF OPERATIONS

<S>	Three months ended September 30, 1997 <C>	Three months ended September 30, 1996 <C>	Nine months ended September 30, 1997 <C>	Nine months ended September 30, 1996 <C>	May 1993 (inception) through September 30, 1997 <C>
Contract revenue	$ 750,300	$ 50,000	$ 852,500	$ 77,200	$ 984,000
Research and development expense	1,362,600	323,300	2,946,000	1,015,400	9,616,900
Marketing, general and administrative expense	702,900	661,100	2,110,100	1,331,100	6,260,200
Total expenses	2,065,500	984,400	5,056,100	2,346,500	15,877,100
Loss from operations	(1,315,200)	(934,400)	(4,203,600)	(2,269,300)	(14,893,100)
Other income	--	--	222,500	--	222,500
Interest income	143,600	74,400	476,700	79,400	839,000
Interest expense	(400)	(10,300)	(1,700)	(12,700)	(238,000)
Net loss	$ (1,172,000)	$ (870,300)	$ (3,506,100)	$ (2,202,600)	$(14,069,600)
Net loss per share	$ (0.20)		$ (0.61)		
Weighted average shares outstanding	5,791,700		5,784,300		
Pro forma net loss per share		$ (0.16)		$ (0.43)	
Pro forma weighted average shares and share equivalents outstanding		5,600,900		5,089,900	

</TABLE>

See accompanying notes to financial statements

<TABLE>
<CAPTION>

MICROVISION, INC.
(A Development Stage Company)
STATEMENT OF CASH FLOWS

May

	Nine months ended September 30, 1997	Nine months ended September 30, 1996	1993 (inception) through September 30, 1997
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net loss	$ (3,506,100)	$ (2,202,600)	$(14,069,600)
Adjustments to reconcile net loss to net cash used in operations:			
Depreciation and write-off of fixed assets	84,900	9,900	164,600
Non-cash expenses related to issuance of stock, warrants and options and amortization of deferred compensation	86,400	123,600	1,715,300
Changes in:			
Accounts receivable	(238,800)	(50,000)	(263,800)
Other current assets	(458,900)	(5,300)	(545,400)
Other assets	16,400	(99,300)	(13,800)
Accounts payable	2,200	713,000	390,800
Accrued liabilities	(31,200)	136,000	636,400
Net cash used in operating activities	(4,045,100)	(1,374,700)	(11,985,500)
Cash flows from investing activities:			
Purchase of fixed assets	(383,000)	(103,300)	(620,500)
Net cash used in investing activities	(383,000)	(103,300)	(620,500)
Cash flows from financing activities:			
Proceeds from 7% convertible subordinated notes		750,000	750,000
Repayment of 7% convertible subordinated notes			(750,000)
Net proceeds from issuance of preferred stock		1,493,900	3,532,800
Net proceeds from issuance of common stock	184,200	15,582,600	19,095,100
Net cash provided by financing activities	184,200	17,826,500	22,627,900
Net increase (decrease) in cash and cash equivalents	(4,243,900)	16,348,500	10,021,900
Cash and cash equivalents at beginning of period	14,265,800	98,500	--
Cash and cash equivalents at end of period	$ 10,021,900	$ 16,447,000	$ 10,021,900

</TABLE>

See accompanying notes to financial statements

MICROVISION, INC.
(A Development Stage Company)
Notes to Financial Statements
September 30, 1997

Management's Statement

The accompanying unaudited financial statements of Microvision, Inc. (the

"Company") at September 30, 1997 and 1996 and for the periods then ended, including the period from inception to date, have been prepared in accordance with generally accepted accounting principles for interim financial information on a basis consistent with the audited financial statements of the Company for the twelve month period ended December 31, 1996. These statements include all adjustments (consisting only of normal recurring adjustments) that, in the opinion of the Company's management, are necessary for a fair presentation of the financial position, results of operations and cashflows for the periods presented. The interim results are not necessarily indicative of results that may be expected for a full year and should be read in conjunction with MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS set forth herein and with the Company's audited financial statements for the year ended December 31, 1996, which are included in the Company's Annual Report on Form 10-KSB as filed with the Securities and Exchange Commission.

Computation of Earnings (Loss) per Share

Net loss per share information is computed using the weighted average number of shares of common stock outstanding during each period in which the Company reports a loss. Common equivalent shares issuable upon the exercise of outstanding options and warrants to purchase shares of the Company's common stock (using the treasury stock method) are not included in the calculation of the net loss per share because the effect of their inclusion is anti-dilutive. In accordance with Securities and Exchange Commission Staff Accounting Bulletins (SABs), common stock and common equivalent shares issued by the Company at prices below the public offering price of $8.00 per unit during the period beginning one year prior to the initial filing of the registration statement for the Company's 1996 initial public offering have been included in the calculation of 1996 pro forma net loss per share as if they were outstanding for all periods (using the treasury stock method and the initial public offering price of $5.25 per share).

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128 "Earnings per Share" (SFAS128). The Company will adopt SFAS 128 for the year ending December 31, 1997. The Company does not expect that adoption of this standard will have a material effect on earnings per share amounts previously reported.

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

Preliminary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-QSB contains forward-looking statements within the meaning of 21E of the Securities Exchange Act of 1934, as amended. 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 the Company, as well as assumptions relating to the foregoing. The words "believe," "expect," "anticipate," "estimate," "project," and similar expressions identify forward-looking statements, which speak only as of the date the statement was made. Such statements are inherently subject to risks and uncertainties as further described herein and in the "Considerations Related to the Company's Business" section of the Company's Annual Report on Form 10-KSB for the year ended December 31, 1996, as filed with the Securities and Exchange Commission. The Company's actual results may differ materially from the results projected in the forward-looking statements.

Overview

The Company commenced operations in May 1993 to develop and commercialize technology for displaying images and information onto the retina of the viewer's eye. In 1993, the Company acquired an exclusive license (the "Exclusive License") to the Virtual Retinal Display(TM) technology ("VRD"(TM)) from the University of Washington and entered into a research agreement (the "Research Agreement") with the University of Washington to further develop the VRD technology. Since its formation, the Company has been in the development stage, with its principal activities consisting of assembling a qualified technical, business development and executive management team, continuing development of the VRD technology and prototype products, raising capital and marketing of the VRD technology. The Company has not generated substantial revenues and has incurred substantial losses since its inception. The Company expects to continue to incur substantial operating losses for the next several years.

The Company's objective is to be a leading provider of personal display products and imaging technology in a broad range of professional and consumer applications. The Company expects to achieve this objective and to generate revenues through a combination of the following activities: technology licensing to original equipment manufacturers ("OEMs") of consumer electronics products; provision of engineering services associated with cooperative product development arrangements and research contracts; and the manufacture and sale of high-performance personal display products to professional users, directly, through OEMs or through joint ventures.

The Company is in discussions with systems and equipment manufacturers in the defense and wireless communications, computing, and commercial and consumer electronics industries. The Company expects to work with certain of these manufacturers to develop or co-develop specific products that the Company believes to be the most commercially viable.

To date, the Company's revenues have been derived generally from cooperative development projects and government research contracts. Revenues from sales of products may not occur for several years.

The Company currently has two prototype versions of the VRD. The Company expects to continue funding prototype and demonstration versions of products incorporating the VRD technology throughout 1997. Future revenues, profits and cash flow, and the Company's ability to achieve its strategic objectives as described herein will depend upon a number of factors, including acceptance of the VRD technology by various industries and OEMs, market acceptance of products incorporating the VRD technology and the technical performance of such products. Additionally, the Company must be able to attract, retain and motivate qualified technical and management personnel and both anticipate and adapt to a rapidly changing, competitive market for information display technologies.

Plan of Operation

The Company intends to invest over the next year in ongoing innovation and improvements to the VRD technology, including the development of component technology and additional prototypes as well as the design of subsystems and products. The Company has established, staffed and equipped an in-house laboratory to support VRD technology development and product development engineering associated with future cooperative development projects, which the Company expects to receive. The Company is expanding its technical and business staff in support of its technology development and marketing objectives and, in particular, is hiring additional technical personnel. The operating plan also provides for the development of strategic relationships with systems and equipment manufacturers and completion of the Research Agreement with the University of Washington.

Results of Operations

The Company is in the development stage and has not generated substantial revenues. As of September 30, 1997, the Company had an accumulated deficit since inception of $14.1 million. The Company expects continuing and increasing expenditures in research and development as it focuses its efforts on further development and refinement of the VRD technology and pursues commercialization of the VRD technology.

THREE MONTHS ENDED SEPTEMBER 30, 1997 COMPARED
TO THREE MONTHS ENDED SEPTEMBER 30, 1996

Revenue in the three months ended September 30, 1997 increased $700,300 or 1,400% to $750,300 from $50,000 in the comparable period in 1996. The revenue for the period ended September 30, 1997 was derived from contracts into which the Company entered during the prior and current periods. Contract revenue has been recognized using the percentage of completion method.

Research and development expenses in the three months ended September 30, 1997 increased $1,039,300 or 321% to $1,362,600 from $323,300 in the comparable period in 1996. In each period, the Company made a payment of $320,800 to the University of Washington pursuant to the Research Agreement. The balance of the expenses of $1,041,800 and $2,500 in the periods ended September 30, 1997 and 1996 respectively, were incurred directly by the Company in part to further develop the VRD technology.

The increase in research and development expenses of $1,039,300 for the quarter ended September 30, 1997 over the comparable period in 1996 reflects implementation of the Company's operating plan, which calls for building its technical staff; supporting activities to further develop the Company's technology; establishing and equipping its own laboratory; and performing work in support of the Company's sales and marketing activities related to the commercialization of the VRD technology. The increase also includes increased costs incurred in the performance of contracts.

During the quarter, the Company made the final payment due under its Research Agreement with the University of Washington, which resulted in the Company now having paid in full the $5.1 million license fee due under its Exclusive License for the VRD technology. Subsequent to September 30, 1997, the Company and the University of Washington agreed to extend the term of the Research Agreement from October 28, 1997 to March 31, 1998, at no additional cost to the Company. The extension is expected to enable the University of Washington to complete performance of certain research activities under the Research Agreement.

The Company expects its research and development expenses to increase in the future over prior periods. In addition to costs associated with performing on contracts, the Company plans to continue to build its technical staff and related research capabilities in support of current and future contracts; expand internal research and development activities; increase requirements to support sales and marketing efforts; and prepare for performing on future contracts relating to commercialization of the VRD technology.

Marketing, general and administrative expenses in the three months ended September 30, 1997 increased $41,800 or 6% to $702,900 from $661,100 in the comparable period in 1996. The increase includes increased aggregate compensation and associated support costs for employees including those employed at September 30, 1996 and those hired subsequent to that date both in sales and marketing and in administration. The Company expects marketing, general and administrative expenses to increase in future periods as the Company makes additional investments in sales and marketing activities to promote its VRD technology and anticipated products and as it adds to its sales and marketing and administrative staff and increases the level of corporate and administrative activity.

Net interest income in the three months ended September 30, 1997 was $143,200 as compared to net interest income of $64,100 in the comparable period of 1996. This increase was due to higher average cash balances in the three months ended September 30, 1997, representing the remaining net proceeds received by the Company from its initial public offering in August 1996.

During the three months ended September 30, 1997, the Company entered into a commercial development contract to incorporate its VRD technology into advanced helmet-mounted display systems for fixed wing military aircraft. Also during this period, the Company delivered on schedule to The Boeing Company a technology demonstration system incorporating the VRD, which will be used to demonstrate new kinds of human interfaces for advanced aircrew systems. The helmet-mounted display is the first full-color VRD system to be delivered by the Company to any customer.

Subsequent to September 30, 1997, the Company delivered to Saab and Ericsson Saab Avionics a high-resolution helmet-mounted display demonstration system incorporating the Company's VRD technology for use in aircraft simulators. The delivery was made on schedule to Saab and Ericsson Saab Avionics in support of their joint effort with the Company to develop VRD technology for use in fighter aircraft.

NINE MONTHS ENDED SEPTEMBER 30, 1997 COMPARED
TO NINE MONTHS ENDED SEPTEMBER 30, 1996

Revenue in the nine months ended September 30, 1997 increased by $775,300 or 1,004% to $852,500 from $77,200 in the comparable period in 1996. The increase resulted from the Company recognizing revenue from various contracts entered into in the nine month period ended September 30, 1997, which exceeded the recognition of contract revenue in the comparable period of the prior year. Contract revenue has been recognized using the percentage of completion method.

Research and development expenses in the nine months ended September 30, 1997 increased $1,930,600 or 190% to $2,946,000 from $1,015,400 in the comparable period in 1996. In each period, the Company made payments totaling $962,400 to the University of Washington pursuant to the Research Agreement. The balance of the expenses of $1,983,600 and $53,000 in the periods ended September 30, 1997 and 1996 respectively, were incurred directly by the Company in part to further develop the VRD technology.

The increase in research and development expenses of $1,930,600 for the quarter ended September 30, 1997 over the comparable period in 1996 reflects implementation of the Company's operating plan, which calls for building its technical staff supporting activities to further develop the Company's technology; establishing and equipping its own laboratory; and performing work in support of the Company's sales and marketing activities related to the commercialization of the VRD technology. The increase also includes increased costs incurred in the performance of contracts.

Marketing, general and administrative expenses in the nine months ended September 30, 1997 increased $779,000 or 59% to $2,110,100 from $1,331,100 in the comparable period in 1996. The increase includes increased aggregate compensation and associated support costs for employees, including those employed at September 30, 1996 and those hired subsequent to that date, both in sales and marketing and in administration. The Company expects marketing, general and administrative expenses to increase in future periods as the Company makes additional investments in sales and marketing activities to promote its VRD technology and anticipated products and as it adds to its sales and marketing and administrative staff and increases from the level of corporate and administrative activity.

Other income for the nine month period ended September 30, 1997 was $222,500, which resulted from the reduction of an accrued liability for litigation upon settlement of the matter at a lesser amount than the established reserve.

Net interest income in the nine months ended September 30, 1997 was $475,000 as compared to net interest income of $66,700 in the comparable period of 1996. This increase was due to higher average cash balances in the nine months ended Sepember 30, 1997, representing the remaining net proceeds received by the Company from its initial public offering in August 1996.

LIQUIDITY AND CAPITAL RESOURCES

From inception through July 1996, the Company financed its operations primarily through private equity sales and a private placement of convertible subordinated notes. In August 1996, the Company completed its initial public offering of 2,250,000 units, each unit consisting of one share of common stock and one five-year redeemable warrant to purchase one share of common stock at $12.00 per share. The Company received net proceeds from the offering of approximately $15.5 million after deducting underwriting discounts and offering expenses.

The Company's cash and cash equivalents balance at September 30, 1997 was $10.0 million. The Company believes that this balance will satisfy its budgeted cash requirements for at least the next twelve months based on the Company's current operating plan. Actual expenses, however, may exceed the amounts budgeted, and will depend, in part, on the opportunities that arise for commercialization of the VRD technology. The Company may require additional capital earlier to develop products, to respond to competitive pressures, or to meet unanticipated development difficulties. There can be no assurance that any additional financing will be available when needed or, if available, on terms satisfactory to the Company.

The Company's future expenditures and capital requirements will depend on numerous factors, including the progress of its research and development program, the progress in commercialization activities, the cost of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights, competing technological and market developments and the ability of the Company to establish cooperative development, joint venture and licensing arrangements. If the Company is successful in establishing co-development and joint venture arrangements, it is expected that the Company's partners would fund certain non-recurring engineering costs for product development. Nevertheless, the Company expects its cash requirements to increase significantly each year as it expands its activities and operations.

Pending use of its cash and cash equivalents, the Company invests in short-term, interest bearing investment grade securities.

Part II
OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

None

Item 3. Defaults upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

The annual meeting of the shareholders of the Company was held on August 7, 1997. Richard F. Rutkowski, Stephen R. Willey, Richard A. Raisig, Jacob Brouwer, Robert A. Ratliffe, Richard A. Cowell, and Walter J. Lack were elected as directors for one year terms expiring at the next annual meeting of shareholders.

The appointment of Price Waterhouse LLP as independent auditors of the Company for the year ending December 31, 1997 was approved.

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

a. Exhibits

10.1 Employment Agreement for Richard A. Raisig

10.2 Letter dated September 30, 1997 extending the term of the Research Agreement between the University of Washington and Microvision, Inc.

11. Computation of Net Loss Per Share and Pro Forma Net Loss Per Share

27. Financial Data Schedule

b. Reports on Form 8-K

During the quarterly period ended September 30, 1997, the Company filed no Current Reports on Form 8-K with the Commission.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MICROVISION, INC.

Date: November 14, 1997

RICHARD F. RUTKOWSKI

Richard F. Rutkowski

President, Chief Executive Officer
(Principal Executive Officer)

Date: November 14, 1997

RICHARD A. RAISIG

Richard A. Raisig
Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT INDEX

Exhibit Number	Description
10.1	Employment Agreement for Richard A. Raisig
10.2	Letter dated September 30, 1997 extending the term of the Research Agreement between the University of Washington and Microvision, Inc.
11	Computation of Net Loss Per Share and Pro Forma Net Loss Per Share
27	Financial Data Schedule

Employment Agreement
Richard A. Raisig

This employment agreement ("Agreement") is made effective on the 26th day of August, 1996, between Microvision, Inc., a Washington corporation (the "Company"), and Richard A. Raisig ("Employee").

1. Employment. Beginning on the Effective Date (as defined in Section 7), the Company will employ Employee, and Employee will accept employment by the Company, as its Chief Financial Officer and Vice President of Operations.

2. Duties. Employee's primary duties will consist of those as may be reasonably determined by the Board of Directors or the Chief Executive Officer, and as are generally consistent with the duties of a Chief Financial Officer and Vice President of Operations and include, but are not limited to: Accounting and financial issues related to the Company and operational issues related to the development of the Company. The Board of Directors will assist and work with Employee in the performance of his duties.

3. Full Time Employee. Employee will be a full-time employee of the Company. Employee will devote his best efforts to the Company's business and will not engage in any activities in conflict with the Company's interest.

3.1 Term of Employment. Employee will be employed by the Company, unless otherwise terminated as provided for in Section 7, until August 26, 1999.

4. Compensation. For all services rendered by Employee under this Agreement, the Company will pay Employee as follows from the Effective Date.

4.1 Base Salary. A base salary of $115,000 per year subject to increases as determined by the Board of Directors. Said salary shall be payable in semi-monthly installments on the fifteenth day and on the last day of each month. In addition, Employee shall receive a signing bonus of $15,000 upon the execution of this Agreement.

4.2 Stock Option Bonus. In addition to cash compensation set forth above, the Company will pay Employee a bonus payable in common stock options as follows:

4.2.1 In consideration of the employment relationship and services rendered by Employee, the Company has authorized and hereby grants options to purchase common stock of the Company to Employee upon execution of this Agreement. Employee shall vest in such options on the following schedule:

<TABLE>
<CAPTION>

Term of Employment	Shares (Pre Reverse Split)	Exercise Price	Exercise Term
<S>	<C>	<C>	<C>
August 26, 1996 through August 25, 1997	100,000	$1.64 per share	December 31, 2002
August 26, 1997 through August 25, 1998	105,000	$2.25 per share	December 31, 2003
August 26, 1998 through August 25, 1999	115,000	$2.75 per share	December 31, 2004

</TABLE>

Options due Employee each year shall vest pro rata on the last day of each quarter. The shares noted above are before giving effect to the Company's proposed 1 for 3.2 reverse stock split.

4.2.2 Employee's entitlement to each successive stock allocation shall vest on the dates indicated above only if Employee continues the term of employment pursuant to Section 3.1. Employee shall immediately vest in all unvested options while employee is employed by the Company, one day before either of the following triggering events:

1. Upon any sale or public offering of the Company (stock or assets to a third party, other than Employee, whereby fifty (50%) or more of the issued and outstanding stock, as of August 26, 1996 or fifty percent (50%) or more of the Company's assets held by the Company, as of August 26, 1996, (in both cases after adjustment for the proposed initial public offering) are owned by the third party, or

2. Any merger, consolidation, liquidation or dissolution of the Company.

4.3 Relocation. Employee shall receive a stipend of $20,000 against documented expenses associated with Employee's relocation from New York, New York to Seattle.

4.4 Benefits. Employee shall be entitled to all fringe benefits offered generally to the Company's officers and any other benefit plans established by the Company, subject to the rules and regulations in effect regarding participation in such benefit plans. If these benefits do not include full medical and dental benefits, then the Company shall reimburse Employee on a monthly basis for coverage obtained by Employee.

4.5. Performance Bonus. Employee may also receive a performance bonus in an amount to be determined by the Board of Directors and subject to milestones to be agreed upon by the Employee and the Company. A guaranteed minimum performance bonus of $15,000 shall be granted Employee at the conclusion of the first year of this Employment Agreement and additional bonuses shall be subject to the discretion of the management of the Company and the Compensation Committee.

5. Noncompetition and Confidentiality.

5.1 Except in provided in Section 7.4 below, during the Employee's employment with the Company and for a period of two (2) years thereafter, Employee will not, directly or indirectly, be employed by, own, manage, operate, join, control or participate in the ownership, management, operation or control of or be connected in any manner with the field of laser-or LED-based retinal scanning technologies. Employee shall be deemed to be connected with a business if such business is carried on by a partnership in which he is a general or limited partner, consultant or employee, or a corporation or association of which he is a shareholder, officer, director, employee, member, consultant or agent; provided, that nothing herein shall prevent the purchase or ownership by Employee of shares of less than 1% of the outstanding shares in a publicly or privately held company.

5.2 Commencing as of the date of this Agreement and continuing until two years after the termination of Employee's employment with the Company, Employee shall not solicit the employment of personnel employed by the Company or by any direct or indirect parent or subsidiary of the Company.

5.3 Employee agrees that, commencing as of the date of this Agreement and thereafter, he will not, except to the Company, its subsidiaries, and affiliates, communicate or divulge to any person, firm or corporation either directly or indirectly, any confidential or proprietary information relating to the business, customers and suppliers or other affairs of the Company, its parents, subsidiaries and their affiliates other than in the normal cause of performing his duties. Without limited the foregoing, all information concerning procedures and strategy of the Company, its subsidiaries and parents shall be deemed confidential and proprietary information.

5.4 Change of Control.

5.4.1 Employee acknowledges that this accord not to compete is essential to the Company and that the Company would not enter into this Agreement if it did not include such accord. Employee shall have no obligation under Sections 5.1 or 5.2 if (i) he leaves the employment of the Company following a Change in Control Event, as defined below, (ii) if the Company terminates this Agreement without cause, or (iii) Employee terminates this Agreement with Cause.

5.4.2 For purposes of this Agreement, a Change in Control Event shall mean (i) the sale of all or substantially all of the Company's assets or (ii) any transaction or series of related transactions (including without limitation, any reorganization, merger or consolidation) that will result in the shareholders of the Company (or, if the Company is at least 80% owned by another entity, the shareholders of the Company's ultimate parent entity, as defined below) immediately prior to such transaction holding, following such transaction, less than fifty percent (50%) of the voting power of the surviving or continuing entity. "Ultimate parent entity" means the entity that directly, or through one or more other entities, owns eighty percent (80%) or more of the Company's voting power.

6. Equitable Relief. Employee acknowledges that any violation by him of this Agreement may cause the Company injury. The Company (acting through its Board of Directors) acknowledges that any violation by the Company of this Agreement may cause Employee injury. Therefore, each party separately agrees that the injured party shall be entitled in addition to any remedies it may have under this Agreement or at law, to injunctive and other equitable relief to prevent or curtail any breach of this Agreement by the other party, including, without limitation, Section 5.

7. Term and Termination.

7.1 This Agreement is effective (the "Effective Date") as of the date first noted above and unless otherwise terminated as provided in this Section 7, shall remain in effect for a period of three years.

7.2 This Agreement shall be terminated, to the extent such termination does not conflict with any applicable rights that Employee may have under law (e.g. FMLA,ADA etc.) or any other rights that Employee may have from sources outside this relationship with the Company, upon the following:

(a) Death of Employee; or

(b) Inability of Employee to perform his duties for a period of 60 consecutive days due to sickness, disability or any other cause unless Employee is granted a leave of absence by the Board of Directors; or

(c) For cause as provided in sections 8.1 or 8.2 or 8.3.

7.3 Termination with Cause by the Company. Employee shall be entitled to compensation earned through the date of termination if termination is with cause by the Company, without cause by Employee or because of Employee's death or disability as provided in Sections 7.2(a) or (b).

7.4 Termination without Cause by the Company. In the event the Company elects to terminate Employee without cause during the term of this Employment Agreement, Employee shall be entitled to all stock options granted under Section 4 for the quarter during which notice of termination is made to Employee and one (1) succeeding quarter. In addition, Employee shall be entitled to base salary compensation equal to one year of compensation, as severance, from the date of termination without cause. Further, the period of noncompetition under Section 5 shall be reduced to one (1) year which is the period of severance compensation in the event of Termination without Cause. However, termination under this sub-section in the final year of this Agreement, shall entitle Employee to base salary compensation equal to the remaining portion of that year's compensation, as severance from the date of termination without cause. Termination without cause by the Company must be preceded by a minimum of a sixty (60) day written notice of such termination to the Employee.

7.5 Resignation by Employee. In the event Employee elects to terminate his relationship with the Company without cause by resigning, or otherwise, Employee shall be entitled to no further cash or stock option compensation from the date of such termination. Furthermore, termination

without cause by Employee must be preceded by a minimum of a sixty (60) day written notice of such termination to the Company.

7.6 Provisions After Termination. Despite termination of this Agreement, and irrespective of whether such termination has been effected with or without cause by either Company or Employee, such termination shall not affect the continuing enforceability of those provisions hereof that are by their terms expressly intended to apply after the termination hereof, including without limitation, those contained in Section 6.

8. Cause and Breach.

8.1 Where reference is made in this Agreement to termination by the Company with or without cause, "cause" shall mean cause given by Employee to the Company and is limited to the following:

(a) Repeated failure or refusal to carry out the reasonable directions of the Board of Directors, provided such directions are consistent with the duties and obligations herein set forth to be performed by Employee; or

(b) Willful violation of a state or federal law involving the commission of a crime against the Company or a felony materially adversely affecting the Company; or

(c) Employee's medically confirmed dependence on or abuse of alcohol or any controlled substance; or

(d) Any material breach of this Agreement or of any covenant herein or the falsity of any material representation or warranty not corrected as provided in Section 8.3 hereof.

8.2 Where reference is made in this Agreement to termination being by Employee with or without cause, "cause" shall mean any breach of this Agreement by the Company not corrected as provided in Section 8.3 hereof.

8.3 Whenever a breach of this Agreement by either party is relied upon as a justification for any action taken by a party pursuant to any provision of this Agreement, before such action is taken, the party asserting the breach shall give the other party written notice of the existence and nature of the breach and the opportunity to correct such breach during the thirty-day period following such notice.

9. Notice. All notices and requests in connection with this Agreement shall be in writing and may be given by personal delivery, registered or certified mail, return receipt requested, telegram or any other customary means of communication addressed as follows:

Employee: Richard A. Raisig
c/o Microvision, Inc.
2203 Airport Way South, Suite 100
Seattle, WA 98134

Company: Richard F. Rutkowski
Microvision, Inc.
2203 Airport Way South, Suite 100
Seattle, WA 98134

or to such other address as the party to receive the notice or request shall designate by written notice to the other. The effective date of any notice or request shall be five days from the date it is sent by registered mail, or when delivered to a telegraph company, properly addressed as above with charges prepaid, or when personally delivered.

10. Assignment.

10.1 Except as provided in Section 10.2 hereof, the rights of either party shall not be assigned or transferred either voluntarily or by operation of law without the other party's written consent, nor shall the duties of either party be delegated in whole or in part either voluntarily or by operation of law without the other party's written consent. Any unauthorized assignment, transfer or delegation shall be of no force or effect.

10.2 Notwithstanding Section 10.1 hereof, the Company may assign or delegate all or any part of its rights or obligations under this Agreement to a direct or indirect subsidiary or direct or indirect parent or to any entity owned by such a subsidiary or parent or by merger, consolidation, sale or transfer of all or substantially all of the Company's assets, provided any resulting assignee or transferee succeeds to the obligations of the Company hereunder. All references to the Company shall include any permitted assignee or successor of the Company.

11. Prior Obligations. Employee represents and warrants to the Company that he may enter into this Agreement and perform his obligations hereunder without violating any contractual commitment to any other person, covenants that in the performance of this duties under this Agreement he will not use or divulge any information of any person he is lawfully required to maintain in confidence.

12. Preparation of Agreement. Employee acknowledges that this Agreement was prepared by attorneys representing the Company. This Agreement will have tax consequences to Employee. Employee has been advised to consult with an attorney and tax advisor of this choice before entering into this Agreement and he has done so. Employee acknowledges that he has not relied upon any legal or tax advice of the Company's attorney in connection with this Agreement.

13. Miscellaneous.

13.1 Waiver. No waiver of any of the provisions of this Agreement shall be valid unless in writing, signed by the party against whom such waiver is sought to be enforced, nor shall failure to enforce any right hereunder constitute a continuing waiver of the same or a waiver of any other right hereunder.

13.2 Amendments. All amendments to this Agreement shall be made in writing, signed by the parties, and no oral amendment shall be binding on the parties.

13.3 Integration. This agreement constitutes the entire agreement between the parties relating to the subject matter hereof and supersedes and cancels all other prior agreements and understandings of the parties in connection with such subject matter.

13.4 Severability. The unenforceability or invalidity of any provision or provisions of this Agreement shall not render any other provisions or provisions hereof unenforceable or invalid. If any one or more of the provisions of this Agreement shall for any reason by excessively broad as to duration, scope, activity or subject, it shall be construed by reducing such provision, so as to be enforceable to the extent compatible with applicable law.

13.5 Headings. The headings or titles of this Agreement are for the purpose of reference only and shall not in any way affect the interpretation or construction of this Agreement.

13.6 Governing Law. This Agreement will be governed by the laws of the State of Washington.

14. Arbitration of Claims. A claim by either party for breach or enforcement of a provision of this Agreement is subject to binding arbitration through Judicial Arbitration and Mediation Services/Endispute ("JAMS"), to be held before such arbitrator as the parties may agree or, if they are unable to

do so, to be elected by obtaining five proposed arbitrators from JAMS and alternatively striking names until one name remains. The arbitration shall be conducted according to the Judicial Arbitration and Mediation Services Rules of Practice and Procedure then in effect. A claim shall be initiated by calling JAMS at 622-JAMS. The decision of the arbitrator shall be final and conclusive and the parties waive the right to trial de novo or appeal, excepting only for the purpose of enforcing the arbitrator's decision, for which purpose the parties agree that the Superior Court of King County, Washington shall have jurisdiction. The substantially prevailing party will be entitled to recover reasonable attorney's fees and costs of bringing or defending the arbitration and any action for enforcement, the amount of the awards to be determined by the arbitrator and the compensation, for benefits under a benefits plan that contains an arbitration provision or for enforcement of Sections 4 or 5 above.

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

EMPLOYEE:	COMPANY:
	MICROVISION, INC.
/s/	/s/
Richard A. Raisig	Richard F. Rutkowski Chief Executive Officer

UNIVERSITY OF WASHINGTON
SEATTLE, WASHINGTON 98195-6613

Office of Research
Grant and Contract Services

September 30, 1997

Richard Raisig
Chief Financial Officer
Microvision, Inc.
2203 Airport Way South, Suite 100
Seattle, WA 98134

Sent via Fix to #623-7331 (original sent by mail)

Subject: No Cost Time Extension of the Research Agreement Between the University of Washington and Microvision

Dear Mr. Raisig:

This is in reference to University of Washington letters of July 28, 1997 and August 22, 1997 requesting a no cost extension until March 31, 1998. During our telephone conversation last week, you asked me to fax you our unexpended balance. In addition, you requested our unobligated balance which reflects obligations incurred, but not yet posted on the official accounting record.

The unexpended balance as of September 29, 1997 is $605,106. This figure does not reflect the payroll for the last half of September and other obligations incurred by Dr. Furness. When considering all obligations (encumbrances) on the program, the unencumbered balance as of September 30, 1997 is $537,919.

Dr. Furness anticipates that an extension of the contact to March 31, 1998 would enable him to complete the ongoing projects. He anticipates that the remaining funds would be used by March 31, 1998.

I am requesting that you approve our request by signing this letter. Please send your approval to my attention. Thank you.

Sincerely,

/s/

Donald W. Allen, Director
Grant and Contract Services

APPROVED for Microvision, Inc.

/s/

Richard A. Raisig
Chief Financial Officer

<TABLE>
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MICROVISION, INC.

COMPUTATION OF NET LOSS AND PRO FORMA LOSS PER SHARE

	Three months ended Sepember 30, 1997	Three months ended September 30, 1996	Nine months ended September 30, 1997	Nine months ended September 30, 1996
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Net loss	($1,172,000)	($870,300)	($3,506,100)	($2,202,600)
Shares used in computing net loss and pro forma net loss per share:				
Weighted average shares outstanding	5,791,700	4,230,400	5,784,300	3,719,400
Common stock equivalent shares outstanding during the period		1,328,300		1,328,300
Pro forma effect of conversion of:				
7% Convertible Subordinated Notes due 1997		42,200		42,200
	5,791,700	5,600,900	5,784,300	5,089,900
Net loss per share	($0.20)		($0.61)	
Pro forma net loss per share		($0.16)		($0.43)

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This Schedule contains summary financial information extracted from the unaudited financial statements of Microvision, Inc., for the nine month period ended September 30, 1997 and is qualified in its entirety by reference to such financial statements.
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