### MICROVISION, INC.

**Balance Sheet**

<table>
<thead>
<tr>
<th></th>
<th>June 30, 1998</th>
<th>December 31, 1997</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$4,085,800</td>
<td>$5,049,200</td>
</tr>
<tr>
<td>Investment securities available-for-sale</td>
<td>1,795,300</td>
<td>3,792,000</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>1,330,900</td>
<td>150,000</td>
</tr>
<tr>
<td>Costs and estimated earnings in excess of billings on uncompleted contracts</td>
<td>734,300</td>
<td>843,800</td>
</tr>
<tr>
<td>Other current assets</td>
<td>80,600</td>
<td>113,100</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>8,026,900</td>
<td>9,948,100</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>1,327,100</td>
<td>772,700</td>
</tr>
<tr>
<td>Other assets</td>
<td>44,100</td>
<td>20,000</td>
</tr>
</tbody>
</table>
## LIABILITIES AND SHAREHOLDERS' EQUITY

### Current liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>1998</th>
<th>1997</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$1,235,300</td>
<td>$768,200</td>
</tr>
<tr>
<td>Accrued liabilities</td>
<td>1,305,500</td>
<td>715,900</td>
</tr>
<tr>
<td>Billings in excess of costs and estimated earnings on uncompleted contracts</td>
<td>251,900</td>
<td>-</td>
</tr>
<tr>
<td>Current portion of capital lease obligations</td>
<td>85,000</td>
<td>22,700</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>$2,877,700</td>
<td>$1,506,800</td>
</tr>
</tbody>
</table>

### Capital lease obligations, net of current portion

<table>
<thead>
<tr>
<th>Description</th>
<th>1998</th>
<th>1997</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital lease obligations, net of current portion</td>
<td>224,300</td>
<td>69,600</td>
</tr>
</tbody>
</table>

### Shareholders' Equity

<table>
<thead>
<tr>
<th>Description</th>
<th>1998</th>
<th>1997</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock</td>
<td>25,553,300</td>
<td>25,375,300</td>
</tr>
<tr>
<td>Deferred compensation</td>
<td>(384,300)</td>
<td>(701,200)</td>
</tr>
<tr>
<td>Unrealized holding loss on investment securities</td>
<td>(4,700)</td>
<td>(1,200)</td>
</tr>
<tr>
<td>Accumulated deficit</td>
<td>(18,868,200)</td>
<td>(15,508,500)</td>
</tr>
<tr>
<td><strong>Total shareholders' equity</strong></td>
<td>$6,296,100</td>
<td>$9,164,400</td>
</tr>
</tbody>
</table>

### See accompanying notes to financial statements.

3

### MICROVISION, INC.

## Statement of Operations

### Three Months Ended June 30, Six Months Ended

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contract revenue</strong></td>
<td>$2,055,900</td>
<td>$102,200</td>
<td>$3,764,100</td>
<td>$768,200</td>
</tr>
<tr>
<td><strong>Research and development expense</strong></td>
<td>2,926,500</td>
<td>933,700</td>
<td>4,785,800</td>
<td></td>
</tr>
<tr>
<td><strong>Marketing, general and administrative expense</strong></td>
<td>1,345,800</td>
<td>726,900</td>
<td>2,514,600</td>
<td></td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>4,272,300</td>
<td>1,660,600</td>
<td>7,300,400</td>
<td></td>
</tr>
<tr>
<td><strong>Loss from operations</strong></td>
<td>(2,216,400)</td>
<td>(1,558,400)</td>
<td>(3,536,300)</td>
<td>(2,888,400)</td>
</tr>
<tr>
<td><strong>Other income</strong></td>
<td>-</td>
<td>222,500</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Interest income</strong></td>
<td>82,100</td>
<td>161,100</td>
<td>189,500</td>
<td></td>
</tr>
<tr>
<td><strong>Interest expense</strong></td>
<td>(8,900)</td>
<td>(600)</td>
<td>(12,900)</td>
<td></td>
</tr>
<tr>
<td><strong>Net loss</strong></td>
<td>$2,143,200</td>
<td>$1,175,400</td>
<td>$3,359,700</td>
<td></td>
</tr>
</tbody>
</table>
Net loss per share                             $      (0.36)        $      (0.20)            $       (0.56)       $ (0.40)

Weighted average shares outstanding               5,964,700            5,782,200                 5,954,900
5,780,600

Net loss per share assuming dilution           $       0.36         $      (0.20)            $       (0.56)       $ (0.40)

Weighted average shares outstanding
assuming dilution                              5,964,700            5,782,200                 5,954,900
5,780,600

See accompanying notes to financial statements.

MICROVISION, INC.

Statement of Cash Flows


Cash flows from operating activities
Net loss                                                 $ (3,359,700)        $ (2,334,100)
Adjustments to net cash used in operations:
  Depreciation and write-off of fixed assets                207,200               45,900
  Non-cash expenses related to issuance of stock,
  warrants and options and deferred compensation        317,700               49,900
  Unrealized holding loss on investment securities          (3,500)                   -
Changes in:
  Accounts receivable                               (1,180,900)             (49,300)
  Costs and expenses in excess of billings             109,500                    -
  Other current assets                                  32,500              (48,700)
  Other assets                                         (24,100)              18,000
  Accounts payable                                     467,100               12,000
  Accrued liabilities                                  589,600             (288,000)
  Billings in excess of costs and expenses             251,900                   -
Net cash used in operating activities                (2,592,700)          (2,594,300)

Cash flows from investing activities:
  Purchases of investment securities, net                   1,996,700                    -
  Purchases of property and equipment                       (525,100)            (234,400)
Net cash used in investing activities                     1,471,600             (234,400)

Cash flows from financing activities:
  Principal payments on capital leases                 (19,500)                   -
  Issuance of common stock                                177,200              26,300
Net cash provided by financing activities                 157,700               26,300

Net decrease in cash and cash equivalents                     (963,400)           (2,802,400)
Cash and cash equivalents at beginning of period           5,049,200            14,265,800
Cash and cash equivalents at end of period                  $  4,085,800         $ 11,463,400

See accompanying notes to financial statements.
### Statement of Comprehensive Income

<table>
<thead>
<tr>
<th></th>
<th>Three months ended June 30</th>
<th>Six Months Ended June 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1998</td>
<td>1997</td>
</tr>
<tr>
<td>Net loss</td>
<td>$(2,143,200)</td>
<td>$(1,175,400)</td>
</tr>
<tr>
<td>Other comprehensive loss:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized loss on investment securities available-for-sale</td>
<td>$(100)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>$(2,143,300)</td>
<td>$(1,175,400)</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.

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### Management's Statement

The accompanying unaudited financial statements of Microvision, Inc. (the "Company") at June 30, 1998 and December 31, 1997 and for the periods then ended 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, 1997. These statements include all adjustments (consisting only of normal recurring accruals) that, in the opinion of the Company's management, are necessary for a fair presentation of the financial position, results of operations and cash flows 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, 1997, which are included in the Company's Annual Report on Form 10-KSB as filed with the Securities and Exchange Commission.

### Computation of Net Loss Per Share

Net loss per share and net loss per share assuming dilution 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 and net loss per share assuming dilution because the effect of their inclusion is anti-dilutive.

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

Preliminary Note Regarding Forward-Looking Statements The information set forth in this Item 2 contains forward-looking statements within the meaning of Section 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
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 ("UW") and entered into a research agreement (the "Research Agreement") with the University of Washington to further develop the VRD technology. The Company was in the development stage as of and for the period ended December 31, 1996. In connection with its development activities, the Company incurred costs to incorporate and establish its business activities as well as develop and market VRD technology. As of December 31, 1997, the Company was no longer considered a development stage enterprise. Since the completion of its initial public offering in August 1996, the Company also has established and equipped its own in-house laboratory for the continuing development of the VRD technology and has transferred the core research and development work from the University of Washington's Human Interface Technology Lab to the Company. The Company has incurred substantial losses since its inception and expects to continue to incur significant operating losses over 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 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, and through OEMs and 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 development contracts with both commercial and government customers. Revenues from sales of products may not occur for several years.

The Company currently has several prototype versions of the VRD including monochromatic and color portable units and a full-color bench-top model. The Company plans to continue funding prototype and demonstration versions of products incorporating the VRD technology throughout 1998. 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 technical and management personnel and anticipate and adapt to a rapidly changing, competitive market for information display technologies.

Plan of Operation

The Company intends to continue entering into strategic co-development relationships with systems and equipment manufacturers to pursue the development of commercial products incorporating VRD technology. The Company continues to identify, assess and pursue various market and product opportunities available to the Company for the commercialization of the VRD technology and to identify and evaluate potential co-development partners. The Company plans to continue to expand its sales and marketing staff in support of its objective of commercializing the VRD technology.

The Company also plans to continue investing in ongoing innovation and improvements to the technology, including the development of component technology and additional prototypes, as well as 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 current cooperative development projects and future cooperative development projects, which the Company expects to receive. The Company plans to continue hiring technical personnel to achieve the Company's technology development objectives and to continue performing on the Company's development contracts.
Results of Operations

The Company's revenues have been derived generally from development contracts with both commercial and government customers. As of June 30, 1998, the Company had an accumulated deficit since inception of $18.9 million. The Company expects to continue and to increase expenditures in research and development as well as in sales, marketing and administration as it continues to focus its efforts on further development and refinement of the VRD technology and as it continues to pursue commercialization of the VRD technology.

THREE MONTHS ENDED JUNE 30, 1998 COMPARED TO THREE MONTHS ENDED JUNE 30, 1997

Revenue in the three months ended June 30, 1998 increased $1,953,700 to $2,055,900 or 1,912% from $102,200 in the comparable period in 1997. The revenue for the period ended June 30, 1998 was derived from contracts into which the Company entered during both 1997 and the current year.

Research and development expenses in the three months ended June 30, 1998 increased $1,992,800 or 213% to $2,926,500 from $933,700 in the comparable period in 1997. In the period ended June 30, 1997, the Company made a payment of $320,800 to the University of Washington pursuant to the Research Agreement. The balance of the expenses of $2,926,500 and $612,900 in the periods ended June 30, 1998 and 1997, respectively, were incurred directly by the Company in part to further develop the VRD technology.

The increase in research and development expenses of $1,992,800 for the quarter ended June 30, 1998 over the comparable period in 1997 reflects continued 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 in-house laboratories, 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.

In 1997, 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. In September 1997, the Company and the UW agreed to extend the term of the Research Agreement from October 31, 1997 to March 31, 1998 at no additional cost to the Company. In March 1998, the Company and the UW agreed to extend the term of the Research Agreement from March 31, 1998 to December 31, 1998, at no additional cost to the Company. The extension is expected to enable the UW 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 research capabilities in support of current and future contracts, to expand internal research and development activities, to increase technical support of sales and marketing efforts, and to prepare for performing on future contracts relating to the commercialization of the VRD technology.

Marketing, general and administrative expenses in the three months ended June 30, 1998 increased $618,900 or 85% to $1,345,800 from $726,900 in the comparable period in 1997. The increase includes increased aggregate compensation and associated support costs for employees including those employed at June 30, 1997 and those hired subsequent to that date 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.

Other income for the three months ended June 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 three months ended June 30, 1998 was $73,200 compared to net interest income of $160,500 in the comparable period of 1997. This decrease was due principally to lower average cash balances in the three months ended June 30, 1998, compared to the same period in 1997, representing the remaining net proceeds received by the Company from its initial public offering in August 1996.

During the quarter ended June 30, 1998, the Company announced that it had
entered into two development contracts. In May, the Company announced the receipt of a Phase II Small Business Innovation Research (SBIR) contract from the Department of Defense for the development of a High Fidelity Head Mounted Display (HMD). The HDTV quality HMD is for use in flight simulators for training military pilots. The $1.1 million award combines funding from the Department of Defense and Saab AB and Ericsson-Saab Avionics, Microvision's commercial partner in the "fast-track" program. In June, the Company announced that it had received another Phase II SBIR contract totaling approximately $583,000 from the U.S. Air Force to develop a wide field-of-view head-worn display system. Microvision's VRD technology is expected to enable Command, Control, Communications, Computers & Intelligence personnel to view large amounts of mission- and situation-critical data through a lightweight eyewear display system, resembling glasses, during both wartime conditions and training sessions.

The Company also made important deliveries during the quarter. In April, the Company delivered an advanced helmet-mounted display to a large, international avionics company. More recently the Company delivered its second HMD to Saab-AB and Ericsson-Saab Avionics, pursuant to its development agreement with those companies.

The Company also continues to increase its intellectual property (IP) portfolio both related to its proprietary VRD technology and in other technologies. Rapid growth of the IP portfolio is a part of the Company's marketing strategy and aggressive micro-display technology research and development efforts.

In April the Company announced that it had expanded its IP portfolio with the issuance of four new patents. Also, the number of pending applications has increased to twelve. In excess of twenty patent applications are expected to be filed during 1998.

Subsequent to the end of the quarter, the Company announced that it had acquired the rights to three patents and eleven pending patents relating to the design and fabrication of a micro miniature scanning device that can be manufactured using semi-conductor fabrication techniques. The Company also demonstrated the device, which represents a breakthrough for a wide variety of next generation display and imaging products. The development is significant because of the degree of miniaturization it enables, and because it has the potential to afford significant production economies through the use of highly automated batch fabrication techniques.

SIX MONTHS ENDED JUNE 30, 1998 COMPARED TO SIX MONTHS ENDED JUNE 30, 1997

Revenue in the six months ended June 30, 1998 increased by $3,661,900 or 3,583% to $3,764,100 from $102,200 in the comparable period in 1997. The revenue for the period ended June 30, 1998 was derived from contracts into which the Company entered during both 1997 and the current period.

Research and development expenses in the six months ended June 30, 1998 increased by $3,202,400 or 202% to $4,785,800 from $1,583,400 in the comparable period in 1997. In the period ended June 30, 1997, the Company made payments totaling $641,600 to the University of Washington pursuant to the Research Agreement. The balance of the expenses of $4,785,800 and $941,800 in the periods ended June 30, 1998 and 1997, respectively, were incurred directly by the Company in part to further develop the VRD technology.

The increase in research and development expenses of $3,202,400 for the six months ended June 30, 1998 over the comparable period in 1997 reflects continued 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 in-house laboratories, 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.

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 research capabilities in support of current and future contracts, to expand internal research and development activities, to increase technical support of sales and marketing efforts, and to prepare for performing on future contracts relating to the commercialization of the VRD technology.

Marketing, general and administrative expenses in the six months ended June 30, 1998 increased $1,107,400 or 79% to $2,514,600 from $1,407,200 in the comparable period in 1997. The increase includes increased aggregate compensation and associated support costs for employees including those employed at June 30, 1997 and those hired subsequent to that date 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.

Other income for the six months ended June 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 six months ended June 30, 1998 was $176,600 compared to net interest income of $331,800 in the comparable period of 1997. This decrease was due principally to lower average cash balances in the six months ended June 30, 1998, as compared to the same period in 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.

At June 30, 1998 the Company had $5.9 million in combined cash, cash equivalents and investment securities available-for-sale. The Company believes that these funds together with revenue earned on contracts 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, to meet unanticipated development difficulties, or for other working capital purposes. There can be no assurance that any additional financing will be available when needed or, if available, on terms satisfactory to the Company.

Subsequent to the end of the quarter, the Company entered into a letter of intent to lease office space to house the company's operations over the longer term by providing space to accommodate the Company's planned growth in staff and lab requirements. Under the terms of the proposed lease, the Company would lease between 92,000 square feet and 101,000 square feet in two commitments over the first four years of the seven year term of the lease. The proposed lease is a triple net lease. Based on the initial commitment of approximately 67,500 square feet, the base rent expense during the first year of occupancy is estimated at approximately $861,000, increasing to approximately $931,000 in the second year. The proposed lease terms include an option for the Company to extend the initial lease term for one period of five years as well as other options to acquire additional space should the need arise. Occupancy is expected during the first quarter of 1999.

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 its 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 operations.

The Company is currently working to resolve the potential impact of the year 2000 on the processing of date-sensitive information by the Company's computerized information systems. The year 2000 problem is the result of computer programs being written using two digits (rather than four) to define the applicable year. Any of the Company's programs that have time-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000, which could result in miscalculation or system failures. Based on preliminary information, costs of addressing potential problems are not currently expected to have a material adverse impact on the Company's financial position, results of operations or cash flows in future periods. However, if the Company, its customers or vendors are unable to resolve such processing issues in a timely manner, it could result in a material financial risk. Accordingly, the Company plans to devote the necessary resources to resolve all significant year 2000 issues in a timely manner.
Item 1. Legal Proceedings

The Company is not a party to, nor is its property subject to, any material pending legal proceeding.

Item 2. Changes in Securities and Use of Proceeds

In August 1996 the Company issued certain underwriters' warrants to Marion Bass Securities Corporation ("Bass") as partial underwriting compensation in connection with the Company's initial public offering ("Offering"). Bass transferred certain of the underwriters' warrants to Burt Davis, an employee of Bass, subsequent to the closing of the Offering. On January 23, 1998, the Company issued 12,489 shares of Common Stock and warrants to purchase 12,489 shares of Common Stock to Bryan Isley upon the "cashless exercise" of underwriters' warrants acquired by Mr. Isley from Mr. Davis in a private transaction. On May 27, 1998, the Company issued 5,187 shares of Common Stock and warrants to purchase 5,187 shares of Common Stock to Bass upon the "cashless exercise" of underwriters' warrants.

On May 27, 1998, the Company also issued 14,008 shares of Common Stock and warrants to purchase 14,008 shares of Common Stock to Mr. Isley upon the "cashless exercise" of certain private warrants issued to Mr. Davis in consideration of pre-Offering financial consulting services provided to the Company. Mr. Isley acquired such private warrants from Mr. Davis in a private transaction.

The Company's sale of the shares of Common Stock and Common Stock purchase warrants to Bass and to Mr. Isley were exempt from the registration requirements of the Securities Act of 1933 pursuant to Section 4(2) thereof, based on the nature of the offering and status of the offerees.

Item 3. Defaults upon Senior Securities

None

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

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

a. Exhibits

   3.1 Amended and Restated Bylaws

   10.1 Form of office lease between the City of Seattle and Microvision, Inc. dated April 29, 1998 relating to Suite 280 of office building located at 2203 Airport Way South, Seattle, Washington 98134

   10.2 Form of Executive Stock Loan Agreement

   11. Computation of Net Loss Per Share and Net Loss Per Share Assuming Dilution

   27. Financial Data Schedule

b. Reports on Form 8-K

   During the quarterly period ended March 31, 1998, the Company filed no Current Reports on Form 8-K.

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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: August 14, 1998

RICHARD F. RUTKOWSKI

---------------------------------------
Richard F. Rutkowski
Date: August 14, 1998

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

EXHIBIT INDEX

<table>
<thead>
<tr>
<th>Exhibit Number</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1</td>
<td>Amended and Restated Bylaws</td>
</tr>
<tr>
<td>10.1</td>
<td>Form of office lease between the City of Seattle and Microvision, Inc. dated April 29, 1998 relating to Suite 280 of office building located at 2203 Airport Way South, Seattle, Washington 98134</td>
</tr>
<tr>
<td>10.2</td>
<td>Form of Executive Stock Loan Agreement</td>
</tr>
<tr>
<td>11.</td>
<td>Computation of Net Loss Per Share and Net Loss Per Share Assuming Dilution</td>
</tr>
<tr>
<td>27.</td>
<td>Financial Data Schedule</td>
</tr>
</tbody>
</table>
SHAREHOLDERS AND SHAREHOLDERS' MEETINGS

1.1 Annual Meeting. The annual meeting of the shareholders of this corporation (the "Corporation") for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held each year at the principal office of the Corporation, or at some other place either within or without the State of Washington as designated by the Board of Directors, on the day and at the time specified in Exhibit A, which is attached hereto and incorporated herein by this reference, or on such other day and time as may be set by the Board of Directors. If the specified day is a Sunday or a legal holiday, then the meeting will take place on the next business day at the same time or on such other day and time as may be set by the Board of Directors.

1.2 Special Meetings. Special meetings of the shareholders for any purpose or purposes may be called at any time by the Board of Directors, the Chairman of the Board, the President or a majority of the Board of Directors. Further, a special meeting of the shareholders shall be held if the holders of not less than 25% of all the votes entitled to be cast on the issue proposed to be considered at such special meeting have dated, signed and delivered to the Secretary one or more written demands for such meeting, describing the purpose or purposes for which it is to be held; provided, however, that upon qualification of the Corporation as a "public company" under Title 23B RCW, the percentage of votes required to call a special meeting shall be 30%. The meetings shall be held at the time and place as the Board of Directors may prescribe, or, if not held upon the request of the Board of Directors, at such time and place as may be established by the President or by the Secretary in the President's absence.

1.3 Notice of Meetings. Written notice of the place, date and time of the annual shareholders' meeting and written notice of the place, date, time and purpose or purposes of special shareholders' meetings shall be delivered not less than 10 (or, if required by Washington law, 20) nor more than 60 days before the date of the meeting, either personally, by facsimile, or by mail, or in any other manner approved by law, by or at the direction of the President or the Secretary, to each shareholder of record entitled to notice of such meeting. Mailed notices shall be deemed to be delivered when deposited in the mail, first-class postage prepaid, correctly addressed to the shareholder's address shown in the Corporation's current record of shareholders. Notice given in any other manner shall be deemed effective when dispatched to the shareholder's address, telephone number or other number appearing on the records of the Corporation.

1.4 Waiver of Notice. Except where expressly prohibited by law or the Amended and Restated Articles of Incorporation, notice of the place, date, time and purpose or purposes of any shareholders' meeting may be waived in a signed writing delivered to the Corporation by any shareholder at any time, either before or after the meeting. Attendance at the meeting in person or by proxy waives objection to lack of notice or defective notice of the meeting unless the shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting. A shareholder waives objection to consideration of a particular matter at a meeting that is not within the purpose or purposes described in the meeting notice, unless the shareholder objects to considering the matter when it is presented.

1.5 Shareholders' Action Without a Meeting. The shareholders may take any action without a meeting at a meeting, if one or more written consents setting forth the action so taken are signed by all of the shareholders entitled to vote with respect to the subject matter and are delivered to the Corporation for inclusion in the minutes or filing with the corporate records. In complying with Washington law, all nonvoting shareholders must be given written notice of the proposed action at least 10 days before the action is taken, unless such notice is waived in a manner consistent with these Bylaws. Actions taken under this section are effective when all consents are in the possession of the Corporation, unless otherwise specified in the consent. A shareholder may withdraw consent only by delivering a written notice of withdrawal to the Corporation prior to the time that all consents are in the possession of the Corporation.

1.6 Telephone Meetings. Shareholders may participate in a meeting of shareholders by means of a conference telephone or any similar communications equipment that enables all persons participating in the meeting to hear each other during the meeting. Participation by such means shall constitute presence in person at a meeting.
1.7 List of Shareholders. At least 10 days before any shareholders' meeting, the Secretary of the Corporation or the agent having charge of the stock transfer books of the Corporation shall have prepared an alphabetical list of the names of the shareholders on the record date who are entitled to notice of a shareholders' meeting, arranged by voting group, and within each voting group, by class or series of shares, and showing the address of and number of shares held by each shareholder.

1.8 Quorum and Voting. The presence in person or by proxy of the holders of a majority of the votes entitled to be cast on a matter at a meeting shall constitute a quorum of shareholders for that matter. If a quorum exists, action on a matter shall be approved by a voting group if the votes cast within a voting group favoring the action exceed the votes cast within the voting group opposing the action, unless a greater number of affirmative votes is required by the Amended and Restated Articles of Incorporation or by law. If the Amended and Restated Articles of Incorporation or Washington law provide for voting by two or more voting groups on a matter, action on a matter is taken only when voted upon by each of those voting groups counted separately. Action may be taken by one voting group on a matter even though no action is taken by another voting group.

1.9 Adjourned Meetings. If a shareholders' meeting is adjourned to a different place, date or time, whether for failure to achieve a quorum or otherwise, notice need not be given of the new place, date or time if the new place, date or time is announced at the meeting before adjournment. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in these Bylaws, that determination shall apply to any adjournment thereof, unless Washington law requires fixing a new record date. If Washington law requires that a new record date be set for the adjourned meeting, notice of the adjourned meeting must be given to shareholders as of the new record date. Any business may be transacted at an adjourned meeting that could have been transacted at the meeting as originally called.

1.10 Proxies. A shareholder may appoint a proxy to vote or otherwise act for the shareholder by signing an appointment form, either personally or by an agent. No appointment shall be valid after 11 months from the date of its execution unless the appointment form expressly so provides. An appointment of a proxy is revocable unless the appointment is coupled with an interest. No revocation shall be effective until written notice thereof has actually been received by the Secretary of the Corporation or any other person authorized to tabulate votes.

1.11 Business for Shareholders' Meetings.

1.11.1 Business at Annual Meetings.

(a) In addition to the election of directors, other proper business may be transacted at an annual meeting of shareholders, provided that such business is properly brought before such meeting. To be properly brought before an annual meeting business must be (i) brought by or at the direction of the Board or (ii) brought before the meeting by a shareholder by inclusion in the Corporation's proxy statement pursuant to the provisions of Rule 14a-8 under Section 14 of the Securities Exchange Act of 1934, as amended, or any successor provision, when and if such Rule is applicable thereto, or if such business is not so included in the Corporation's proxy statement, only pursuant to written notice thereof in accordance with subsection 1.12 hereof, and received by the Secretary not fewer than 60 nor more than 90 days prior to the date of such annual meeting (or, if less than 60 days' notice or prior public disclosure of the date of the annual meeting is given or made to the shareholders, not later than the close of business on the tenth business day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made, whichever first occurs).

(b) Any such shareholder notice shall set forth (i) the name and address of the shareholder proposing such business; (ii) a representation that the shareholder is entitled to vote at such meeting; (iii) a statement of the number of shares of the Corporation which are beneficially owned by the shareholder and the date upon which such shares were acquired; (iv) a representation that the shareholder intends to appear in person or by proxy at the meeting to propose such business; and (v) as to each matter the shareholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting, the language of the proposal (if appropriate), and any material interest of the shareholder in such business.

(c) No business shall be conducted at any annual meeting of shareholders except in accordance with this subsection 1.11.1. If the facts warrant, the Board, or the chairman of an annual meeting of shareholders, may determine and declare that (i) a proposal does not constitute proper business to be transacted at the meeting or (ii) the business was not properly brought.
before the meeting in accordance with the provisions of this subsection 1.11.1
and, if, in either case, it is so determined, any such business shall not be transacted.

1.11.2 Business at Special Meetings. At any special meeting of the shareholders, only business within the purpose or purposes described in the meeting notice required by Section 1.3 may be conducted.

1.12 Notice to Corporation. Any written notice required to be delivered by a shareholder to the Corporation pursuant to section 1.2 or section 1.11 hereof must be given, either by personal delivery or by registered or certified mail, postage prepaid, to the Secretary at the Corporation's principal office.

SECTION 2

BOARD OF DIRECTORS

2.1 Number and Qualification. The business affairs and property of the Corporation shall be managed under the direction of a Board of Directors, which shall consist of not fewer than seven nor more than eleven members. The number of directors shall be fixed from time to time by resolution of the Board of Directors. A director need not be a shareholder of the Corporation or a Washington resident. The Board of Directors also may appoint an advisory board of unlimited number.

2.2 Election--Term of Office.

2.2.1 The directors shall be elected by the shareholders at each annual shareholders' meeting or at a special shareholders' meeting called for such purpose.

2.2.2 The term of office of a director shall commence effective immediately upon election, unless otherwise specified in a resolution approved by the shareholders in connection with the election of such director. Directors shall serve until their successors are elected and qualified or until their earlier death, resignation or removal from office, or until there is a decrease in the authorized number of directors; provided, however, that no decrease in the number of directors shall have the effect of shortening the term of any incumbent director.

2.3 Nominations.

2.3.1 Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors. Nominations for the election of directors may be made (a) by or at the direction of the Board or (b) by any shareholder of record entitled to vote for the election of directors at such meeting; provided, however, that a shareholder may nominate persons for election as directors only if written notice (in accordance with section 1.12 hereof) of such shareholder's intention to make such nominations is received by the Secretary not later than (i) with respect to an election to be held at an annual meeting of the shareholders, not fewer than 60 nor more than 90 days prior to the date of such annual meeting (or, if less than 60 days' notice or prior public disclosure of the date of the annual meeting is given or made to the shareholders, not later than the close of business on the tenth business day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made, whichever first occurs) and (ii) with respect to an election to be held at a special meeting of the shareholders for the election of directors, the close of business on the tenth business day following the date on which notice of such meeting is first mailed to shareholders.

2.3.2 Any such shareholder's notice shall set forth (a) the name and address of the shareholder who intends to make a nomination; (b) a representation that the shareholder is entitled to vote at such meeting; (c) a statement of the number of shares of the Corporation which are beneficially owned by the shareholder and the dates upon which such shares were acquired; (d) a representation that the shareholder intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (e) as to each person the shareholder proposes to nominate for election or reelection as a director, the name and address of such person and such other information regarding such nominee as would be required in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had such nominee been nominated by the Board, and a description of any arrangements or understandings between the shareholder and such nominee and any other persons (including their names), pursuant to which the nomination is to be made; and (f) the consent of each such nominee to serve as a director if elected.

2.3.3 If the facts warrant, the Board, or the chairman of a shareholders' meeting at which directors are to be elected, shall determine and declare that a nomination was not made in accordance with the foregoing procedure and, if it is so determined, the defective nomination shall be
disregarded. The right of shareholders to make nominations pursuant to the foregoing procedure is subject to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation. The procedures set forth in this section 2.3 for nomination for the election of directors by shareholders are in addition to, and not in limitation of, any procedures now in effect or hereafter adopted by or at the direction of the Board or any committee thereof.

2.4 Removal.

2.4.1 Any director or the entire Board may be removed with cause by the holders of not less than two-thirds of the shares entitled to elect the director or directors whose removal is sought. Such action may only be taken at a special meeting of the shareholders called expressly for that purpose, provided that notice of the proposed removal, which shall include a statement of the charges alleged against the director, shall have been duly given to the shareholders together with or as a part of the notice of the meeting.

2.4.2 The vacancy created by the removal of a director under this section 2.4 shall be filled only by a vote of the holders of two-thirds of the shares then entitled to elect the director removed. Such vote may be taken at the same meeting at which the removal of such director was accomplished, or at such later meeting, annual or special, as the shareholders may decide.

2.5 Vacancies. Subject to the provisions of Section 2.4 hereof and unless the Amended and Restated Articles of Incorporation provide otherwise, vacancies in the Board of Directors, whether caused by resignation, death, retirement, disqualification, increase in the number of directors, or otherwise, may be filled by a resolution of a majority of the remaining directors. The term of a director elected to fill a vacancy shall expire upon the election and qualification of his or her successor. A vacancy that will occur at a specific later date may be filled before the vacancy occurs, but the new director may not take office until the vacancy occurs. The validity of any action of the Board of Directors shall not be affected by the fact that, at the time of any such action, a vacancy existed on the Board of Directors.

2.6 Quorum and Voting. At any meeting of the Board of Directors, the presence in person (including presence by electronic means such as a telephone conference) of 50% of the number of directors presently in office shall constitute a quorum for the transaction of business. Notwithstanding the foregoing, in no case shall a quorum be less than one-third of the authorized number of directors. If a quorum is present at the time of a vote, the affirmative vote of a majority of the directors present at the time of the vote shall be the act of the Board of Directors and of the Corporation except as may be otherwise specifically provided by the Amended and Restated Articles of Incorporation, by these Bylaws, or by law. A director who is present at a meeting of the Board of Directors when action is taken is deemed to have assented to the action taken unless: (a) the director objects at the beginning of the meeting, or promptly upon his or her arrival, to holding it or to transacting business at the meeting; (b) the director’s dissent or abstention from the action taken is entered in the minutes of the meeting; or (c) the director delivers written notice of his or her dissent or abstention to the presiding officer of the meeting before its adjournment or to the Corporation within a reasonable time after adjournment of the meeting. The right of dissent or abstention is not available to a director who votes in favor of the action taken.

2.7 Annual and Regular Meetings. An annual meeting of the Board of Directors shall be held without notice immediately after and at the same place as the annual meeting of shareholders. Regular meetings of the Board of Directors shall be held at such place, date and time as shall from time to time be fixed by resolution of the Board.

2.8 Special Meetings. Special meetings of the Board of Directors may be held at any place and at any time and may be called by the Chairman of the Board, the President, Vice President, Secretary or Treasurer, or any two or more directors.

2.9 Notice of Meetings.

2.9.1 Unless the Amended and Restated Articles of Incorporation provide otherwise, any regular meeting of the Board of Directors may be held without notice of the date, time, place, or purpose of the meeting. Any special meeting of the Board of Directors must be preceded by at least two days’ notice of the date, time, and place of the meeting, but not of its purpose, unless the Amended and Restated Articles of Incorporation or these Bylaws require otherwise. Each director shall have a mailing address, telephone number and facsimile number on record with the Corporation for purposes of receiving notice.

2.9.2 Notice may be given personally, by facsimile, by mail, or
in any other manner allowed by law. Oral notice shall be sufficient only if a written record of such notice is included in the Corporation's minute book. Notice shall be deemed effective at the earliest of: (a) receipt; (b) delivery to the proper address or telephone number of the director as shown in the Corporation's records; or (c) three days after its deposit in the United States mail, as evidenced by the postmark, if correctly addressed and mailed with first-class postage prepaid.

2.9.3 Notice of any meeting of the Board of Directors may be waived by any director at any time, by a signed writing, delivered to the Corporation for inclusion in the minutes, either before or after the meeting. Attendance or participation by a director at a meeting shall constitute a waiver of any required notice of the meeting unless the director promptly objects to holding the meeting or to the transaction of any business on the grounds that the meeting was not lawfully convened and the director does not thereafter vote for or assent to action taken at the meeting.

2.10 Directors' Action Without A Meeting. The Board of Directors or a committee thereof may take any action without a meeting that it could properly take at a meeting if one or more written consents setting forth the action are signed by all of the directors, or all of the members of the committee, as the case may be, either before or after the action is taken, and if the consents are delivered to the Corporation for inclusion in the minutes or filing with the corporate records. Such action shall be effective upon the signing of a consent by the last director to sign, unless the consent specifies a later effective date.

2.11 Committees of the Board of Directors. The Board of Directors, by resolutions adopted by a majority of the members of the Board of Directors in office, may create from among its members one or more committees and shall appoint the members thereof. Each such committee must have two or more members, who shall be directors and who shall serve at the pleasure of the Board of Directors. Each committee of the Board of Directors may exercise the authority of the Board of Directors to the extent provided in its enabling resolution and any pertinent subsequent resolutions adopted in like manner, provided that the authority of each such committee shall be subject to applicable law. Each committee of the Board of Directors shall keep regular minutes of its proceedings and shall report to the Board of Directors when requested to do so.

2.12 Telephone Meetings. Members of the Board of Directors or of any committee appointed by the Board of Directors may participate in a meeting of the Board of Directors or committee by means of a conference telephone or similar communications equipment that enables all persons participating in the meeting to hear each other during the meeting. Participation by such means shall constitute presence in person at a meeting.

2.13 Compensation of Directors. The Board of Directors may fix the compensation of directors as such and may authorize the reimbursement of their expenses.

SECTION 3
OFFICERS

3.1 Officers Enumerated--Election. The officers of the Corporation shall consist of such officers and assistant officers as may be designated by resolution of the Board of Directors. The officers may include a Chairman of the Board, a President, a Chief Executive Officer, a Chief Operating Officer, one or more Vice Presidents, a Secretary, a Treasurer, and any assistant officers. The officers shall hold office at the pleasure of the Board of Directors. Unless otherwise restricted by the Board of Directors, the President may appoint any assistant officer, the Secretary may appoint one or more Assistant Secretaries, and the Treasurer may appoint one or more Assistant Treasurers; provided that any such appointments shall be recorded in writing in the corporate records.

3.2 Qualifications. None of the officers of the Corporation need be a director. Any two or more corporate offices may be held by the same person.

3.3 Duties of the Officers. Unless otherwise prescribed by the Board of Directors, the duties of the officers shall be as follows:

3.3.1 Chairman of the Board. The Chairman of the Board, if one is elected, shall preside at meetings of the Board of Directors and of the shareholders, shall be responsible for carrying out the plans and directives of the Board of Directors, shall report to and consult with the Board of Directors and, if the Board so resolves, shall be the Chief Executive Officer. The Chairman of the Board shall have such other powers and duties as the Board of Directors may from time to time prescribe.

3.3.2 President. The President shall exercise the usual executive powers pertaining to the office of President. In the absence of a Chairman of the Board, the President shall preside at meetings of the Board of Directors and
of the shareholders, perform the other duties of the Chairman of the Board
prescribed in this section, and perform such other duties as the Board of
Directors may from time to time designate. In addition, if there is no Secretary
in office, the President shall perform the duties of the Secretary.

3.3.3 Vice President. Each Vice President shall perform such
duties as the Board of Directors may from time to time designate. In addition,
in the absence or disability of the President, the Vice President (or if there
is more than one Vice President, then in the order designated by the Board of
Directors) shall perform the duties of the President, and when so acting, shall
have all the powers of and be subject to all restrictions upon the President.

3.3.4 Secretary. The Secretary shall be responsible for and shall
keep, personally or with the assistance of others, records of the proceedings of
the directors and shareholders; authenticate records of the Corporation; attest
all certificates of stock in the name of the Corporation; keep the corporate
seal, if any, and affix the same to certificates of stock and other proper
documents; keep a record of the issuance of certificates of stock and the
transfers of the same; and perform such other duties as the Board of Directors
may from time to time designate.

3.3.5 Treasurer. The Treasurer shall have the care and custody
of, and be responsible for, all funds and securities of the Corporation and
shall cause to be kept regular books of account. The Treasurer shall cause to be
deposited all funds and other valuable effects in the name of the Corporation in
such depositories as may be designated by the Board of Directors. In general,
the Treasurer shall perform all of the duties incident to the office of
Treasurer, and such other duties as from time to time may be assigned by the
Board of Directors.

3.3.6 Assistant Officers. Assistant officers may consist of one
or more Assistant Vice Presidents, one or more Assistant Secretaries, and one or
more Assistant Treasurers. Each assistant officer shall perform those duties
assigned to him or her from time to time by the Board of Directors, the
President, or the officer who appointed him or her.

3.4 Vacancies. Vacancies in any office arising from any cause may be
filled by the Board of Directors at any regular or special meeting.

3.5 Removal. Any officer or agent may be removed by action of the
Board of Directors with or without cause, but any removal shall be without
prejudice to the contract rights, if any, of the person removed. Election or
appointment of an officer or agent shall not of itself create any contract
rights.

3.6 Compensation. The compensation of all officers of the Corporation
shall be fixed by the Board of Directors.

SECTION 4
SHARES AND CERTIFICATES OF SHARES

4.1 Share Certificates. Share certificates shall be issued in
numerical order, and each shareholder shall be entitled to a certificate signed
by the Chairman of the Board, President or a Vice President, and signed by the
Secretary or an Assistant Secretary. Share certificates may be sealed with the
corporate seal, if any. Facsimiles of the signatures and seal may be used as
permitted by law. Every share certificate shall state:

(a) the name of the Corporation;

(b) that the Corporation is organized under the laws of the State of
    Washington;

(c) the name of the person to whom the share certificate is issued;

(d) the number, class and series (if any) of shares that the
    certificate represents; and

(e) if the Corporation is authorized to issue shares of more than one
    class or series, that upon written request and without charge,
    the Corporation will furnish any shareholder with a full
    statement of the designations, preferences, limitations and
    relative rights of the shares of each class or series, and the
    authority of the Board of Directors to determine variations for
    future series.

4.2 Consideration for Shares. Shares of the Corporation may be issued
for such consideration as shall be determined by the Board of Directors to be
adequate. The consideration for the issuance of shares may be paid in whole or
in part in cash, or in any tangible or intangible property or benefit to the
Corporation, including but not limited to promissory notes, services performed, contracts for services to be performed, or other securities of the Corporation. Establishment by the Board of Directors of the amount of consideration received or to be received for shares of the Corporation shall be deemed to be a determination that the consideration so established is adequate.

4.3 Transfers. Shares may be transferred by delivery of the certificate, accompanied either by an assignment in writing on the back of the certificate, or by a written power of attorney to sell, assign and transfer the same, signed by the record holder of the certificate. Except as otherwise specifically provided in these Bylaws, no shares of stock shall be transferred on the books of the Corporation until the outstanding certificate therefor has been surrendered to the Corporation.

4.4 Loss or Destruction of Certificates. In the event of the loss or destruction of any certificate, a new certificate may be issued in lieu thereof upon satisfactory proof of such loss or destruction, and upon the giving of security against loss to the Corporation by bond, indemnity or otherwise, to the extent deemed necessary by the Board of Directors, the Secretary, or the Treasurer.

4.5 Fixing Record Date. The Board of Directors may fix in advance a date as the record date for determining shareholders entitled: (a) to notice of or to vote at any shareholders' meeting or any adjournment thereof; (b) to receive payment of any share dividend; or (c) to receive payment of any distribution. The Board of Directors may in addition fix record dates with respect to any allotment of rights or conversion or exchange of any securities by their terms, or for any other proper purpose, as determined by the Board of Directors and by law. The record date shall be not more than 70 days and, in case of a meeting of shareholders, not less than 10 days (or such longer period as may be required by Washington law) prior to the date on which the particular action requiring determination of shareholders is to be taken. If no record date is fixed for determining the shareholders entitled to notice of or to vote at a meeting of shareholders, the record date shall be the date before the day on which notice of the meeting is mailed. If no record date is fixed for the determination of shareholders entitled to a distribution (other than one involving a purchase, redemption, or other acquisition of the Corporation's own shares), the record date shall be the date on which the Board adopted the resolution declaring the distribution. If no record date is fixed for determining shareholders entitled to a share dividend, the record date shall be the date on which the Board of Directors authorized the dividend.

SECTION 5
BOOKS, RECORDS AND REPORTS

5.1 Records of Corporate Meetings, Accounting Records and Share Registers.

5.1.1 The Corporation shall keep, as permanent records, minutes of all meetings of the Board of Directors and shareholders, and all actions taken without a meeting, and all actions taken by a committee exercising the authority of the Board of Directors. The Corporation or its agent shall maintain, in a form that permits preparation of a list, a list of the names and addresses of its shareholders, in alphabetical order by class of shares, showing the number, class, and series, if any, of shares held by each.

5.1.2 The Corporation shall also maintain appropriate accounting records, and at its principal place of business shall keep copies of: (a) its Articles of Incorporation or restated Articles of Incorporation and all amendments in effect; (b) its Bylaws or restated Bylaws and all amendments in effect; (c) minutes of all shareholders' meetings and records of all actions taken without meetings for the past three years; (d) the year-end balance sheets and income statements for the past three fiscal years, prepared as required by Washington law; (e) all written communications to shareholders generally in the past three years; (f) a list of the names and business addresses of its current officers and directors; and (g) its most recent annual report to the Secretary of State.

5.2 Copies of Corporate Records. Any person dealing with the Corporation may rely upon a copy of any of the records of the proceedings, resolutions, or votes of the Board of Directors or shareholders, when certified by the Chairman of the Board, President, Vice President, Secretary or Assistant Secretary.

5.3 Examination of Records.

5.3.1 A shareholder shall have the right to inspect and copy, during regular business hours at the principal office of the Corporation, in person or by his or her attorney or agent, the corporate records referred to in subsection 5.1.2 hereof if the shareholder gives the Corporation written notice
of the demand at least five business days before the date on which the shareholder wishes to make such inspection.

5.3.2 In addition, if a shareholder's demand is made in good faith and for a proper purpose, a shareholder may inspect and copy, during regular business hours at a reasonable location specified by the Corporation, excerpts from minutes of any meeting of the Board of Directors, records of any action of a committee of the Board of Directors, minutes of any meeting of the shareholders, and records of actions taken by the shareholders or the Board of Directors without a meeting, to the extent not subject to inspection under subsection 5.3.1, accounting records of the Corporation, or the record of shareholders; provided that the shareholder shall have made a demand describing with reasonable particularity the shareholder's purpose and the records the shareholder desires to inspect, and provided further that the records are directly connected to the shareholder's purpose.

5.3.3 section shall not affect any right of shareholders to inspect records of the Corporation that may be otherwise granted to the shareholders by law.

5.4 Financial Statements. Not later than four months after the end of each fiscal year, or in any event prior to its annual meeting of shareholders, the Corporation shall prepare a balance sheet and income statement in accordance with Washington law. The Corporation shall furnish a copy of each to any shareholder upon written request.

SECTION 6
FISCAL YEAR

The fiscal year of the Corporation shall be as set forth in Exhibit A.

SECTION 7
CORPORATE SEAL

The corporate seal of the Corporation, if any, shall be in the form shown on Exhibit A.

SECTION 8
MISCELLANEOUS PROCEDURAL PROVISIONS

The Board of Directors may adopt rules of procedure to govern any meetings of shareholders or directors to the extent not inconsistent with law, the Corporation's Amended and Restated Articles of Incorporation, or these Bylaws, as they are in effect from time to time. In the absence of any rules of procedure adopted by the Board of Directors, the chairman of the meeting shall make all decisions regarding the procedures for any meeting.

SECTION 9
AMENDMENT OF BYLAWS

The Board of Directors is expressly authorized to adopt, amend and repeal the Bylaws of the Corporation; provided, however, the Board of Directors may not repeal or amend any bylaw that the shareholders have expressly provided may not be amended or repealed by the Board of Directors. The shareholders of the Corporation also have the power to adopt, amend or repeal the Bylaws of the Corporation by the affirmative vote of the holders of not less than two-thirds of the outstanding shares and, to the extent, if any, provided by resolution adopted by the Board of Directors authorizing the issuance of a class or series of Preferred Stock, by the affirmative vote of the holders of not less than two-thirds of the outstanding shares of Common Stock and/or of such class or series of Preferred Stock, voting as separate voting groups.

SECTION 10
INDEMNIFICATION OF DIRECTORS AND OTHERS

10.1 Grant of Indemnification.

10.1.1 Third Party Proceedings. Subject to section 10.2, each person who was or is made a party or is threatened to be made a party to or is involved (including, without limitation, as a witness) in any threatened, pending, or completed action, suit or proceeding, whether formal or informal,
10.1 Right to Indemnification. (a) Each director or officer of the Corporation who was or is a party or is threatened to be made a party to any threatened, pending, or completed action or suit by or in the name of the Corporation to procure a judgment in its favor by reason of the fact that he or she is or was a director of the Corporation who, while a director of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of this or another corporation or of a partnership, joint venture, trust, other enterprise, or employee benefit plan, whether the basis of such proceeding is alleged action in an official capacity as a director or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent permitted by applicable law, as then in effect, against all expense, liability and loss (including attorneys' fees, costs, judgments, fines, ERISA excise taxes or penalties and amounts to be paid in settlement) actually and reasonably incurred or suffered by such person in connection therewith if such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe his or her conduct was unlawful. Such indemnification shall continue as to a person who has ceased to be a director and shall inure to the benefit of his or her heirs, executors and administrators.

10.1.2 Proceedings by or in the right of the Corporation. Subject to section 10.2, each person who was or is made a party or is threatened to be made a party to any threatened, pending, or completed action or suit by or in the name of the Corporation to procure a judgment in its favor by reason of the fact that he or she is or was a director of the Corporation or who, while a director of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of this or another corporation or of a partnership, joint venture, trust, other enterprise, or employee benefit plan, shall be indemnified and held harmless by the Corporation to the fullest extent permitted by applicable law, as then in effect, against all expense actually and reasonably incurred or suffered by such person in connection therewith if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person acted in bad faith or in a manner which he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe his or her conduct was unlawful. Such indemnification shall continue as to a person who has ceased to be a director and shall inure to the benefit of his or her heirs, executors and administrators.

10.2 Limitations on Indemnification. Notwithstanding section 10.1, no indemnification shall be provided hereunder to any such person to the extent that such indemnification would be prohibited by the Washington Business Corporation Act or other applicable law as then in effect, nor, except as provided in section 10.4 with respect to proceedings seeking to enforce rights to indemnification hereunder or to any proceeding in advance of its final disposition authorized under section 10.3, with respect to any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, initiated by such person except where such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation.

10.3 Advancement of Expenses. The right to indemnification conferred in this section shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition upon receipt of an undertaking by or on behalf of such director to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation as authorized in this section, except where the Board of Directors shall have adopted a resolution expressly disapproving such advancement of expenses.

10.4 Right to Enforce Indemnification. If a claim under section 10.1 is not paid in full by the Corporation within 60 days after a written claim has been received by the Corporation, or if a claim for expenses incurred in defending a proceeding in advance of its final disposition authorized under section 10.3 is not paid within 60 days after a written claim has been received by the Corporation, or if the Corporation, at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, to the extent successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. The claimant shall be presumed to be entitled to indemnification hereunder upon submission of a written claim (and, in an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition, where the required undertaking has been tendered to the Corporation), and thereafter the Corporation shall have the burden of proof to overcome the presumption that the claimant is so entitled. It shall be a defense to any such action (other than an action with respect to expenses authorized under section 10.3) that the claimant has not met the standards of conduct which make it permissible hereunder or under the Washington Business Corporation Act for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be
10.5 Alternate Procedures. Any indemnification under this section shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director is proper in the circumstances because he or she has met the applicable standard of conduct set forth in subsections 10.1.1 and 10.1.2. Such determination shall be made (1) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (2) if there are no such directors, or if such directors are not direct, by independent legal counsel in a written opinion. Pursuant to RCW 23B.08.560(2) or any successor provision of the Washington Business Corporation Act, the procedures for indemnification and advancement of expenses set forth in this section are in lieu of the procedures required by RCW 23B.08.550 or any successor provision of the Washington Business Corporation Act.

10.6 Nonexclusivity. The right to indemnification and the advancement of expenses conferred in this section shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Amended and Restated Articles of Incorporation or the Bylaws of the Corporation, general or specific action of the Board, contract or otherwise.

10.7 Indemnification of Officers, Employees and Agents. The Corporation may, by action of its Board of Directors from time to time, provide indemnification and pay expenses in advance of the final disposition of a proceeding to officers, employees and agents of the Corporation on the same terms and with the same scope and effect as the provisions of this section with respect to the indemnification and advancement of expenses of directors of the Corporation or pursuant to rights granted pursuant to, or provided by, the Washington Business Corporation Act or on such other terms as the Board may deem proper.

10.8 Insurance and Other Security. The Corporation may maintain insurance, at its expense, to protect itself and any individual who is or was a director, officer, employee or agent of the Corporation or another Corporation, partnership, joint venture, trust or other enterprise against any liability asserted against or incurred by the individual in that capacity or arising from his or her status as an officer, director, agent, or employee, whether or not the Corporation would have the power to indemnify such person against the same liability under the Washington Business Corporation Act. The Corporation may enter into contracts with any director or officer of the Corporation in furtherance of the provisions of this section and may create a trust fund, grant a security interest or use other means (including, without limitation, a letter of credit) to ensure the payment of such amounts as may be necessary to effect indemnification as provided in this section.

10.9 Amendment or Modification. This section may be altered or amended at any time as provided in these Bylaws, but no such amendment shall have the effect of diminishing the rights of any person who is or was an officer or director as to any acts or omissions taken or omitted to be taken prior to the effective date of such amendment.

10.10 Effect of Section. The rights conferred by this section shall be deemed to be contract rights between the Corporation and each person who is or was a director or officer. The Corporation expressly intends each such person to rely on the rights conferred hereby in performing his or her respective duties on behalf of the Corporation.

EXHIBIT A

Section 1.1. Date and time of annual shareholders' meeting: fourth Thursday of June each year commencing in 1997, at 10:00 a.m. or such time as the Board shall direct.

Section 6. Fiscal year: December 31

Section 7. Corporate Seal: In the form adopted by resolution by the Board of Directors.

Date Adopted by the Directors: July 2, 1996

Dated Approved by the Shareholders: August 9, 1996

Date Amended: April 23, 1998 (Sections 2.1 and 2.5)
This Lease is made this 29th day of April 1998 by and between The City of Seattle, a Washington municipal corporation ("Landlord"), and Microvision, Inc., a Washington corporation ("Tenant"), who agree as follows:

1. Fundamental Terms. As used in this Lease, the following capitalized terms shall have the following meanings:

   a. "Land" means the land on which the Building is located, situated in the City of Seattle, County of King, State of Washington, which is described on Exhibit A.

   b. "Project" means that project in which the Building is located, commonly known as Park 90/5, Buildings A, B, C, D, and E, the street addresses of which are 2203 Airport Way South, Seattle, Washington.

   c. "Building" means the building in which the Premises are located, commonly known as Building A, the street address of which is 2203 Airport Way South, Seattle, Washington 98134.

   d. "Premises" means that certain space outlined in red in Exhibit B and located on the second floor of the Building designated as Suite 280.

   e. "Agreed Areas" means the agreed amount of rentable square feet of space in the Building and the Premises. Landlord and Tenant stipulate and agree for all purposes under this Lease that the Project contains approximately 285,079 rentable square feet of space (the "Project Area"), that the Building contains approximately 97,300 rentable square feet of space (the "Building Area") and that the Premises contain approximately 4,579 rentable square feet of space (the "Premises Area"). Landlord and Tenant further agree that the Building Area may exclude portions of the Building which are used for other than office purposes, such as areas used for retail purposes or for storage purposes.

   f. "Tenant's Share" means "Tenant's Share of the Building" or "Tenant's Share of the Project", as applicable. Tenant's Share of the Building means the Premises Area divided by the Building Area, expressed as a percentage, which is four and seventy-one one-hundredths percent (4.71%). Tenant's Share of the Project means the Premises Area divided by the Project Area, expressed as a percentage, which is one and sixty-one one-hundredths (1.61%) Notwithstanding the foregoing, if one or more of the facilities, services and utilities the costs of which are included within the definition of Operating Costs is not furnished to one or more tenants or to particular types of tenants, then in connection with the calculation of Tenant's Share of each of such costs the Building Area shall be reduced by the number of rentable square feet of space occupied by such tenants and Tenant's Share shall be separately computed as to each of such costs.

If a portion of the Building is damaged or condemned, or any other event occurs which alters the number of rentable square feet of space in the Premises, the Building, or the Project, then Landlord shall adjust Tenant's Share to equal the number of rentable square feet of space then existing in the Premises (as altered by such event) divided by the number of rentable square feet of space then existing in the Building (as altered by such event).

   g. "Commencement Date" means May 11, 1998.

   h. "Expiration Date" means January 14, 1999.

   i. "Term" means the period of time commencing on the Commencement Date and ending on the Expiration Date, unless sooner terminated pursuant to this Lease.

   j. "Minimum Monthly Rent" means the following amounts as to the following periods during the Term of this Lease:

<table>
<thead>
<tr>
<th>Period</th>
<th>Monthly Amount</th>
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-1-
May 11, 1998 to June 30, 1998 $2,861.88 per month
July 1, 1998 to January 14, 1999 $5,723.75 per month

k. "Permitted Use" means use for purposes of general business office and related administrative purposes.

l. "Base Year" means the calendar year 1997.

m. "Prepaid Rent" means Zero Dollars ($0.00).

n. "Security Deposit" means Zero Dollars ($0.00).

o. "Parking stalls" means five (5) unreserved parking stalls in the Building parking area, subject to the provisions of Section 36 captioned "Parking."

p. "Landlord's Address for Notice" means Park 90/5, c/o Martin Smith Inc, 1109 First Avenue, Suite 500, Seattle, Washington 98101-2988.

q. "Landlord's Address for Payment of Rent" means Park 90/5 Building, c/o Martin Smith Inc, 1109 First Avenue, Suite 500, Seattle, Washington 98101-2988.


s. "Landlord's Agent" means Martin Smith Inc or such other agent as Landlord may appoint from time to time.

t. "Broker(s)" means Martin Smith Inc representing the Landlord.

u. "Exhibits" means the following Exhibits to this Lease:

Exhibit A - Legal Description of the Property
Exhibit B - Outline Drawing of the Premises
Exhibit C - Work Letter
Exhibit D - Rules and Regulations

v. "Definitions" means the words and phrases defined in Section 38 captioned "Definitions."

2. Premises. Landlord leases to Tenant and Tenant leases from Landlord the Premises for the Term.

3. Appurtenances. Tenant, and its authorized representatives, shall have the right to use, in common with others and subject to the Rules and Regulations, the Common Areas of the Building. Landlord shall have the right, in Landlord's sole discretion, from time to time to (i) make changes to the Building interior and exterior and Common Areas, including without limitation, changes in the location, size, shape, number and appearance thereof, (ii) to close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Premises remains available, and (iii) to use the Common Areas while engaged in making additional improvements, repairs or alterations to the Building. All of the windows and exterior walls of the Premises and any space in the Premises used for shafts, stacks, pipes, conduits, ducts, electrical equipment or other utilities or Building facilities are reserved solely to Landlord and Landlord shall have rights of access through the Premises for the purpose of operating, maintaining and repairing the same, provided, however, that such changes shall not materially affect Tenant's access to, or use and occupancy of, the Premises.

4. Term. This Lease shall become legally binding as of the earlier of the Commencement Date or the date Tenant enters onto the Premises with Landlord's consent, and shall remain in full force and effect thereafter until the expiration of the Term, unless sooner terminated pursuant to this Lease. The Term shall commence on the Commencement Date and expire on the Expiration Date. The Commencement Date shall be the date specified in Section 1.

5. Minimum Monthly Rent; Late Charge.

a. Minimum Monthly Rent. Tenant shall pay to Landlord the Minimum Monthly Rent without deduction, offset, prior notice or demand, in advance on the first day of each month during the Term. Minimum Monthly Rent for any partial month shall be prorated at the rate of 1/30th of the Minimum Monthly Rent per day. Minimum Monthly Rent is exclusive of any sales, franchise, business or occupation or other tax based on rents (other than Landlord's general income taxes) and should such taxes apply during the Term, the Minimum Monthly Rent shall be increased by the amount of such taxes. All Rent shall be
paid to Landlord at Landlord's Address for Payment of Rent or at such other address as Landlord may specify by notice to Tenant.

b. Late Charge. Tenant acknowledges that the late payment by Tenant of any Rent will cause Landlord to incur administrative, collection, processing and accounting costs and expenses not contemplated under this Lease, the exact amount of which are extremely difficult or impracticable to fix. Therefore, if any Rent is not received by Landlord from Tenant by the fifth (5th) calendar day after such Rent is due, Tenant shall immediately pay to Landlord a late charge equal to five percent (5%) of the amount of such Rent or Seventy-five and No/100th Dollars ($75.00), whichever is greater. Landlord and Tenant agree that this late charge represents a reasonable estimate of such costs and expenses and is fair compensation to Landlord for its loss caused by Tenant's nonpayment. Should Tenant pay said late charge but fail to pay contemporaneously therewith any unpaid amounts of Rent, or, Tenant's acceptance of this late charge shall not constitute a waiver of Tenant's default with respect to Tenant's nonpayment nor prevent Landlord from exercising all other rights and remedies available to Landlord under this Lease or under law.

6. Prepaid Rent and Security Deposit. On execution of this Lease, Tenant shall deposit with Landlord the Prepaid Rent, as monthly rent for the first full month of the Term for which Rent is payable, and the Security Deposit, as a Security Deposit for the performance by Tenant of the provisions of this Lease. If Tenant is in default, Landlord may use the Security Deposit, or any portion of it, to cure the default, including without limitation, paying for the cost of any work necessary to restore the Premises, the Tenant improvements and any alterations to good condition or to compensate Landlord for all damage sustained by Landlord resulting from Tenant's default. Tenant shall within five (5) days of demand pay to Landlord a sum equal to the portion of the Security Deposit expended or applied by Landlord as provided in this Section so as to maintain the Security Deposit in the sum initially deposited with Landlord. If Tenant is not in default as of the expiration or termination of the Term, including without limitation, in default in payment of the Rent for the last month of the Term, then Landlord shall return the Security Deposit, without interest, to Tenant within a reasonable period of time after the expiration or termination of the Term. Landlord's obligations with respect to the Security Deposit are those of a debtor and not a trustee. Landlord may commingle the Security Deposit with Landlord's general and other funds.

7. Real Property Taxes.

a. Payment of Tenant's Share of Increases in Real Property Taxes. Tenant shall pay to Landlord, as Additional Rent, monthly, in advance on the first day of each month during the Term, an amount equal to one-twelfth (1/12th) of Tenant's Share of all increases in Real Property Taxes, or such other taxes required by the State of Washington for government-owned property, that are or will be levied or assessed against the Property during each calendar year during the Term over and above the Real Property Taxes that are levied or assessed against the Property during the Base Year as reasonably estimated by Landlord. Such Additional Rent is exclusive of any sales, franchise, business or occupation or other tax based on rents and should such taxes apply during the Term, such Additional Rent shall be increased by the amount of such taxes. Within one hundred twenty (120) days after the end of each calendar year during the Term or within such longer period of time as may be reasonably necessary, Landlord shall furnish to Tenant a statement of the Real Property Taxes for the preceding calendar year and Tenant's Share of the increase in Real Property Taxes. If Tenant's Share of the increase in such Real Property Taxes exceeds the monthly payments made by Tenant, then Tenant shall pay Landlord the deficiency within thirty (30) days after receipt of the statement. If Tenant's payments made during that calendar year exceed Tenant's Share of the increase in such Real Property Taxes for that calendar year over such Real Property Taxes for the Base Year, then, at Landlord's option, either Landlord shall pay Tenant the excess at the time Landlord furnishes the statement to Tenant, or Tenant shall be entitled to offset the excess against the next installment(s) of Minimum Monthly Rent and Additional Rent, provided, however, that at the end of the Term Landlord shall pay Tenant the excess at the time Landlord furnishes the statement to Tenant.

b. General and Special Assessments. With respect to any general or special assessments which may be levied against or upon the Property, or which under the laws then in force may be evidenced by improvement or other bonds or may be paid in annual installments, only the amount of such annual installment, and interest due thereon, shall be included in the computation of Real Property Taxes.

c. Proration. Tenant's Share of Real Property Taxes shall be prorated on the basis of a 360-day year to account for any fractional portion of a tax year included in the Term at its commencement and expiration.
d. No Effect on Minimum Monthly Rent. Notwithstanding anything to the contrary in this Section, the Minimum Monthly Rent payable by Tenant shall in no event be less than the Minimum Monthly Rent specified in Section 1.

8. Personal Property Taxes. Tenant shall pay prior to delinquency all personal property taxes assessed against and levied upon trade fixtures, furnishings, equipment and all other personal property of Tenant contained in the Premises or elsewhere. If possible, Tenant shall cause such trade fixtures, furnishings, equipment and all other personal property of Tenant to be assessed and billed separately from the Property.


a. Payment of Tenant's Share of Increases in Operating Costs. Tenant shall pay to Landlord, as Additional Rent, monthly, in advance on the first day of each month during the Term, an amount equal to one-twelfth (1/12th) of Tenant's Share of the increase in the Operating Costs of the Property for each calendar year during the Term over the Operating Costs for the Base Year as reasonably estimated by Landlord. The Property is part of the Project. Those Operating Costs attributable to the Project shall be appropriately apportioned by Landlord to the Building based on the ratio of the Building Area to the Project Area unless in Landlord's reasonable judgment any such Operating Costs should be apportioned to the Building on another basis. If any tenant or occupant of space in the Building or Project provides or pays separately for one or more of its utilities and services, then Landlord shall have the right to increase the Operating Costs of the Building or Project, as the case may be, by an amount equal to the costs that Landlord would have incurred if it had provided and paid for such utilities and services. Landlord shall reasonably estimate the Operating Costs for the Base Year and for each calendar year during the Term based on the Operating Costs that would have been incurred if the Building had been 95% occupied during the Base Year or each such calendar year, as the case may be, taking into account historical operating costs for the Building. Such Additional Rent is exclusive of any sales, franchise, business or occupation or other tax based on rents and should such taxes apply during the Term, such Additional Rent shall be increased by the amount of such taxes. Within one hundred twenty (120) days after the end of each calendar year during the Term or within such longer period of time as may be reasonably necessary, Landlord shall furnish to Tenant a statement of the Operating Costs for the preceding calendar year and Tenant's Share of the increase in the Operating Costs. If Tenant's Share of the increase in the Operating Costs for that calendar year over the Operating Costs for the Base Year exceeds the monthly payments made by Tenant, then Tenant shall pay Landlord the deficiency within thirty (30) days after receipt of the statement. If Tenant's payments made during that calendar year exceed Tenant's Share of the increase in the Operating Costs for that calendar year over the Operating Costs for the Base Year,

then, at Landlord's option, either Landlord shall pay Tenant the excess at the time Landlord furnishes the statement to Tenant, or Tenant shall be entitled to offset the excess against the next installment(s) of Minimum Monthly Rent and Additional Rent, provided, however, that at the end of the Term Landlord shall pay Tenant the excess at the time Landlord furnishes the statement to Tenant.

b. Proration. Tenant's Share of Operating Costs shall be prorated on the basis of a 360 day year to account for any fractional portion of a year included in the Term at its commencement and expiration.

c. No Effect on Minimum Monthly Rent. Notwithstanding anything to the contrary in this Section, the Minimum Monthly Rent payable by Tenant shall in no event be less than the Minimum Monthly Rent specified in Section 1.

10. Use. Tenant shall use the Premises for the Permitted Use and for no other use without Landlord's prior consent. Tenant agrees that it has determined to its satisfaction that the Premises can be used for the Permitted Use. Tenant waives any right to terminate this Lease if the Premises cannot be used for the Permitted Use during the Term unless the prohibition on use is the result of actions taken by Landlord. Tenant's use of the Premises shall be in accordance with the following:

a. Insurance. Tenant shall not do, bring, or keep anything in or about the Premises or the Property that will cause a cancellation of any insurance covering the Property. If the rate of any insurance carried by Landlord on the Property as published by the Washington Survey and Rating Bureau, or any successor rating bureau or agency, is increased as a result of Tenant's use, then Tenant shall pay to Landlord not less than ten (10) days before the date Landlord is obligated to pay a premium on the insurance, a sum equal to the difference between the original premium and the increased premium.

b. Compliance with Laws. Tenant shall comply with all Laws concerning the Premises and Tenant's use of the Premises.

c. Waste, Nuisance and Improper Use. Tenant shall not use the Premises in any manner that will constitute waste, nuisance or unreasonable annoyance to
other tenants in the Building, including without limitation, (i) the use of loudspeakers or sound or light apparatus that can be heard or seen outside the Premises, (ii) for cooking or other activities that cause odors that can be detected outside the Premises, or (iii) for lodging or sleeping rooms.

d. Damage to Property. Tenant shall not do anything in, on or about the Premises that will cause damage to the Property.

e. Rules and Regulations. Tenant and its authorized representatives shall comply with the Rules and Regulations set forth on Exhibit D attached hereto. Landlord shall have the right to amend the Rules and Regulations from time to time. In the event of a conflict between this Lease and the Rules and Regulations, as amended, this Lease shall control. Landlord shall have the right to enforce the Rules and Regulations. Landlord shall have no liability or responsibility whatsoever with respect to the noncompliance by other tenants or their authorized representatives with any of such Rules and Regulations.

11. Hazardous Substances. Tenant shall not dispose of or otherwise allow the release of any Hazardous Substances in, on or under the Premises, or the Property, or in any tenant improvements or alterations placed on the Premises by Tenant. Tenant represents and warrants to Landlord that Tenant's intended use of the Premises does not involve the use, production, disposal or bringing on to the Premises of any Hazardous Substances, except for products normally used in general business offices which constitute Hazardous Substances, provided that such products are used, stored and disposed of in accordance with applicable laws and manufacturers and suppliers guidelines. Tenant shall promptly comply with all laws and with all orders, decrees or judgments of governmental authorities or courts having jurisdiction, relating to the use, collection, treatment, disposal, storage, control, removal or cleanup of Hazardous Substances, on or under the Premises or the Property, or incorporated in any tenant improvements or alterations, at Tenant's expense.

a. Compliance; Notification. After notice to Tenant and a reasonable opportunity for Tenant to effect such compliance, Landlord may, but is not obligated to, enter upon the Premises and take such actions and incur such costs and expenses to effect such compliance as it deems advisable to protect its interest in the Premises and the Property, provided, however that Landlord shall not be obligated to give Tenant notice and an opportunity to effect such compliance if (i) such delay might result in material adverse harm to the Premises, or the Property, or (ii) an emergency exists. Tenant shall reimburse Landlord for the full amount of all costs and expenses incurred by Landlord in connection with such compliance activities, and such obligation shall continue even after expiration or termination of the Term. Tenant shall notify Landlord immediately of any release of any Hazardous Substances on the Premises or the Property.

b. Indemnity by Tenant. Tenant agrees to hold Landlord harmless from and against any and all damages, charges, cleanup costs, remedial actions, costs and expenses, assessments, judgments, liens, loss or expense, or asserted against Landlord, the Premises or the Property by reason of, or in connection with (1) any misrepresentation, breach of warranty or other default by Tenant under this Lease, or (2) the acts or omissions of Tenant, its authorized representatives, or any subtenant or other person for whom Tenant would otherwise be liable, resulting in the release of any Hazardous Substances on the Premises or the Property.

c. Acknowledgment as to Hazardous Substances. Tenant acknowledges that the Premises may contain Hazardous Substances, and Tenant accepts the Premises and the Building notwithstanding such Hazardous Substances. If Landlord is required by any law to take any action to remove or abate any Hazardous Substances, or if Landlord deems it necessary to conduct special maintenance or testing procedures with regard to any Hazardous Substances, or to remove or abate any Hazardous Substances, Landlord may take such action or conduct such procedures at times and in a manner that Landlord deems appropriate under the circumstances, and Tenant shall permit the same.

d. Survival. The Provisions of this Section shall survive the expiration or sooner termination of the Term. No subsequent modification or termination of this Lease by agreement of the parties or otherwise shall be construed to waive or to modify any provisions of this Section unless the termination or modification agreement or other document expressly so states in writing.

12. Landlord's Maintenance; Inclusion in Operating Costs.

a. Landlord's Maintenance. Except as provided in Section 13 captioned "Tenant's Maintenance; Remedies," Section 18 captioned "Destruction" and Section...
19 captioned "Condemnation" and except for damage caused by any negligent or intentional act or omission of Tenant or its authorized representatives, Landlord shall maintain in good condition and repair the following: (i) the structural parts of the Building, which structural parts include only the foundations, bearing and exterior walls (excluding glass and doors), subflooring and roof, (ii) the building standard lighting fixtures, window coverings and ceiling tiles and the unexposed electrical, plumbing and sewage systems, including without limitation, those portions lying outside the Premises, (iii) the heating, ventilating and air-conditioning system, if any, servicing the Building, (iv) the lobbies, corridors, elevators, public or common restrooms and other common areas of the Building, and (v) the sidewalks, grounds, landscaping, parking and loading areas, if any, and other common areas of the Property.

b. Inclusion in Operating Costs. The cost of maintaining, repairing, replacing, servicing the portions of the Building that Landlord is required to maintain pursuant to this Section shall be included in Operating Costs to the extent provided in Section 9 captioned "Operating Costs."

13. Tenant's Maintenance; Remedies.

a. Tenant's Maintenance. Except as provided in Section 12 captioned "Landlord's Maintenance; Inclusion in Operating Costs," Section 18 captioned "Destruction" and Section 19 captioned "Condemnation" and except for damage caused by any grossly negligent or intentional act or omission of Landlord or its authorized representatives, Tenant, at its cost, shall maintain in good condition and repair the Premises, including without limitation, all of the Tenant Improvements (except for latent defects), Tenant's alterations, Tenant's trade fixtures, Tenant's personal property, signs, walls, interior partitions, wall coverings, windows, non-building standard window coverings, glass, doors, flooring, non-building standard lighting fixtures, non-building standard ceiling tiles, plumbing fixtures and non-building standard window coverings. Tenant shall be liable for any damage to the Premises and the Building resulting from the acts or omissions of Tenant or its authorized representatives.

b. Landlord's Remedies. If Tenant fails to maintain the Premises in good condition and repair as required by Subsection 13(a) and if such failure is not cured within thirty (30) days after notice of such failure is given by Landlord to Tenant, then Landlord may, at its option, cause the Premises to be maintained in good condition and repair and Tenant shall promptly reimburse Landlord for all costs incurred by Landlord in performance of Tenant's obligation to maintain the Premises.

14. Tenant Improvements and Alterations; Trade Fixtures.

a. Tenant Improvements and Alterations. Tenant accepts the Premises in "AS IS" condition without any obligations for the performance of improvements or other work by Landlord. Tenant shall install and pay for the improvements and alterations as set forth in the Work Letter attached hereto as Exhibit C. Tenant shall not make any other improvements or alterations to the Premises without Landlord's prior consent. Any improvements and alterations made by either party shall remain on and be surrendered with the Premises on expiration or termination of the Term, except that Landlord can elect by giving notice to Tenant within thirty (30) days before the expiration of the Term, or within thirty (30) days after termination of the Term, to require Tenant to remove any improvements and alterations that Tenant has made to the Premises. If Landlord so elects, Tenant, at its cost, shall restore the Premises to the condition designated by Landlord in its election, before the last day of the Term, or within thirty (30) days after notice of election is given, whichever is later. Any improvements and alterations that remain on the Premises on expiration or termination of the Term shall automatically become the property of Landlord and title to such improvements and alterations shall automatically pass to Landlord at such time without any payment therefor by Landlord to Tenant. If Tenant or its authorized representatives make any improvements or alterations to the Premises as provided in this Section, then such improvements and alterations (i) shall be made in a first class manner in conformity with then building standard improvements, (ii) shall be made utilizing then building standard materials, (iii) shall be made in compliance with the Rules and Regulations and the reasonable directions of Landlord, (iv) shall be made pursuant to a valid building permit to be obtained by Tenant, at its cost, (v) shall be made in conformity with then applicable Laws, including without limitation, building codes, and (vi) shall not be commenced until five (5) days after Landlord has received notice from Tenant stating the date the installation of such improvements and alterations is to commence so that Landlord can post and record an appropriate notice of nonresponsibility.

b. Trade Fixtures. Tenant shall not install any trade fixtures in or on the Premises without Landlord's prior consent.

15. Mechanics' Liens. Tenant shall pay, or cause to be paid, all costs of
labor, services and/or materials supplied in connection with any Work. Tenant shall keep the Property free and clear of all mechanics' liens and other liens resulting from any Work. Prior to the commencement of any Work or the supply or furnishing of any labor, services and/or materials in connection with any Work, Tenant shall provide Landlord with a labor and material payment bond in an amount equal to one hundred percent (100%) of the aggregate price of all contracts therefor, with release of the bond conditioned on Tenant's payment in full of all claims of lien claimants for such labor, services and/or materials supplied in the prosecution of the Work. Said payment bond shall name Landlord as a Primary obligee, shall be given by a surety which is satisfactory to Landlord, and shall be in such form as Landlord shall approve in its sole discretion. Tenant shall have the right to contest lien release bond issued by a responsible corporate surety in an amount sufficient to satisfy statutory requirements there in the State of Washington. Tenant shall promptly pay or cause to be paid all sums awarded to the claimant on its suit, and, in any event, before any execution is issued with respect to any judgment obtained by the claimant in its suit or before such judgment becomes a lien on the Premises, whichever is earlier. If Tenant shall be in default under this Section, by failing to provide security for or satisfaction of any mechanic's or other liens, then Landlord may (but shall not be obligated to), in addition to any other rights or remedies it may have, discharge said lien by (i) paying the claimant an amount sufficient to settle and discharge the claim, (ii) procuring and recording a lien release bond, or (iii) taking such other action as Landlord shall deem necessary or advisable, and, in any such event, Tenant shall pay as Additional Rent, on Landlord's demand, all costs (including reasonable attorney fees) incurred by Landlord in settling and discharging such lien together with interest thereon in accordance with Section 39 captioned "Interest on Unpaid Rent" from the date of Landlord's payment of said costs. Landlord's payment of such costs shall not waive any default of Tenant under this Section.


a. Utilities and Services Furnished by Landlord. Landlord shall furnish the Premises with:

i. Electricity for lighting and power suitable for the use of the Premises for ordinary general office purposes; provided, however, that Tenant shall not at any time have a connected electrical load for lighting purposes in excess of the wattage per square foot of Premises Area required for building standard amounts of lighting, or a connected load for all other power requirements in excess of four (4) watts per square foot of Premises Area as determined by Landlord, and the electricity so provided for lighting and power shall not exceed such limits, subject to any lower limits set by any governmental authority with respect thereto;

ii. Subject to the reasonable limitations of the existing building systems, heating, ventilating and air-conditioning, if the Building has an air-conditioning system, to maintain a temperature range in the Premises which is customary for similar office space in the Seattle, Washington area (but in compliance with any applicable governmental regulations with respect thereto). Tenant agrees to keep closed, when necessary, blinds, draperies and windows which must be closed to provide for the efficient operation of the heating and air conditioning systems, if any, and Tenant agrees to cooperate with Landlord and to abide by the regulations and requirements which Landlord may prescribe for the proper functioning and protection of the heating, ventilating and air-conditioning system, if any, requires heating, ventilating and air conditioning to the Premises other than during normal business hours from 7:30 A.M. to 6:00 P.M. daily, except Saturdays, Sundays and those legal holidays generally observed in the State of Washington, Landlord shall, upon Tenant's request made not less than 24 hours before the time Tenant requires the after hour service, and not later than Noon on the Friday before any Saturday or Sunday on which Tenant requires such service, and not later than Noon of the day before any holiday on which Tenant requires such service (except as otherwise provided in the Rules and Regulations), furnish such heating, ventilating and air conditioning. If Tenant receives such services, then Tenant shall pay, upon demand, an amount equal to Tenant's proportionate share of the actual direct cost to Landlord in providing the heating, ventilating and air conditioning outside of normal business hours;

iii. Water for restroom and drinking purposes and access to restroom facilities;

iv. Elevator service for general office pedestrian usage if the Building is serviced by elevators;

v. Relamping of building-standard light fixtures;

vi. Washing of interior and exterior surfaces of exterior windows with reasonable frequency; and

vii. Janitorial service five (5) times per week, except holidays.
b. Payment for Excess Utilities and Services. All services and utilities for the Premises not required to be furnished by Landlord pursuant to Section 16(a) shall be paid for by Tenant. If Tenant requires, on a regular basis, water, heat, air conditioning, electric current, elevator or janitorial service in excess of that provided for in Section 16(a), then Tenant shall first obtain the consent of Landlord which consent may be withheld in Landlord's sole discretion. If Landlord consents to such excess use, Landlord may install an electric current or water meter (including, without limitation, any additional wiring, conduit or panel required therefor) to measure the excess electric current or water consumed by Tenant or may cause the excess usage to be measured by other reasonable methods (e.g. by temporary "check" meters or by survey). Tenant shall pay to Landlord upon demand (i) the cost of any and all water, heat, air conditioning, electric current, janitorial, elevator or other services or utilities required to be furnished to Tenant in excess of the services and utilities required to be furnished by Landlord as provided in Section 16(a); (ii) the cost of installation, maintenance and repair of any meter installed in the Premises; (iii) the cost of all electricity and water consumed by Tenant in connection with any dedicated heating, ventilating and/or air conditioning, computer power and/or air conditioning, telecommunications or other special systems of Tenant, including any power usage other than through existing standard 110-volt AC outlets; and (iv) any cost incurred by Landlord in keeping account of or determining such excess utilities or services furnished to Tenant. Landlord's failure to bill Tenant for any such excess utilities or services shall not waive Landlord's right to bill Tenant for the excess at a later time.

c. Temperature Balance. Landlord makes no representation to Tenant regarding the adequacy or fitness of the heating, ventilating and air-conditioning systems, if any, in the Building to maintain temperatures that may be required by or for the use of any Tenant's equipment which uses other than the fractional horsepower normally required for office equipment, and Landlord shall have no liability for loss or damage result of (i) any lights, machines or equipment (including without limitation electronic data processing machines) used by Tenant in the Premises, (ii) the occupancy of the Premises by more than one person per two hundred (200) square feet of rentable area therein, (iii) an electrical load for lighting or power in excess of the limits per square foot of rentable area of the Premises specified in Section 16(a), or (iv) any rearrangement of partitioning or other improvements, Landlord may install any equipment, or modify any existing equipment (including the standard air conditioning equipment) Landlord deems necessary to restore the temperature balance. The cost of any such equipment, including without limitation, the cost of design and installation thereof, and the cost of operating, metering, maintaining or repairing the same, shall be paid by Tenant to Landlord upon demand. Tenant shall not install or operate window-mounted heating or air-conditioning units.

d. Special Electrical or Water Connections; Electricity Use. Tenant will not, without the prior consent of Landlord, which Landlord in its sole discretion may refuse, connect or use any apparatus or device in the Premises (i) using current in excess of 110 volts or (ii) which will cause the amount of electricity, water, heating, air conditioning or ventilation furnished to the Premises to exceed the amount required for use of the Premises for ordinary general office purposes, as determined by Landlord, during normal business hours or (iii) which would cause Tenant's connected load to exceed any limits established in Section 16(a). Tenant shall not connect with electric current except through existing outlets in the Premises and shall not connect with water pipes except through existing plumbing fixtures in the Premises. In no event shall Tenant's use of electricity exceed the capacity of existing feeders to the Building or the risers or wiring installation, and Landlord may prohibit the use of any electrical equipment which in Landlord's opinion will overload such wiring or interfere with the use thereof by other tenants in the Building. If Landlord consents to equipment requiring such changes, Tenant shall pay the cost of installing any additional risers, panels or other facilities that may be necessary to furnish energy to the Premises.

Landlord will not permit additional coring of the floor of the Premises in order to install new electric outlets in the Premises unless Tenant furnishes Landlord with X-ray scans of the floor area where the Tenant wishes to place additional electrical outlets and Landlord, in its absolute discretion, is satisfied, on the basis of such X-ray scans and other information obtained by Landlord, that coding of the floor in order to install such additional outlets will not weaken the structure of the floor.

e. Landlord's Duties. Landlord shall not be in default under this Lease or liable for any damages resulting from, or incidental to, any of the following, nor shall any of the following be an actual or constructive eviction of Tenant, nor shall the Rent be abated by reason of. (i) failure to furnish or delay in furnishing any of the services described in this Section when such failure or delay is caused by accident or any condition beyond the reasonable
control of Landlord, including the making of necessary repairs or improvements to the Premises or to the Building, (ii) any electrical surges or spikes, or (iii) failure to make any repair or to perform any maintenance, unless such failure shall persist for an unreasonable time after notice of the need for such repair or maintenance is given to Landlord by Tenant. Landlord shall use reasonable efforts to remedy any interruption in the furnishing of such services.

f. Governmental Regulations. Any other provisions of this Section notwithstanding, if any governmental authority or utility supplier imposes any laws, controls, conditions, or other restrictions upon Landlord, Tenant, or the Building, relating to the use or conservation of energy or utilities, mandated changes in temperatures to be maintained in the Premises or the Building or the reduction of automobile or other emissions (collectively, the "Controls"), or in the event Landlord is required or elects to make alterations to the Building in order to comply with the Controls, Landlord may, in its sole discretion, comply and may require Tenant to comply with the Controls or make such alterations to the Building in order to comply with the Controls. Such compliance and the making of such alterations shall not constitute an actual or constructive eviction of Tenant, impose on Landlord any liability whatsoever, or entitle Tenant to any abatement of Rent.

17. Insurance. Prior to the commencement of use of this Lease, Tenant shall secure and maintain, at no expense to Landlord, a policy or policies of insurance as set forth below. Evidence of such insurance shall be delivered to the address set forth below. Said policy(ies) (1) shall be subject to approval by the Landlord's Risk Manager as to Company, Form and Coverage, (2) be primary to all other insurance the Landlord may secure, and (3) must protect Landlord from any and all claims and risks in connection with any activity performed by virtue of this Lease or any use and occupancy of the Premises authorized by this Lease. Said insurance policy(ies) and subsequent renewals must be maintained in full force and effect, at no expense to the Landlord, throughout the entire Term of this Lease.

a. Commercial General Liability Insurance. A policy of Commercial General Liability Insurance written on an insurance industry standard occurrence form (CG 00 01)

or equivalent, including all the usual coverages known as:

Premises/Operations Liability
Products/Completed Operations
Personal/Advertising Injury
Contractual Liability
Independent Contractors Liability
Stop Gap/Employers Contingent Liability
Liquor Liability/Host Liquor Liability (as applicable)
Fire Damage Legal Liability

Such Policy(ies) must provide the following minimum limits:

Bodily Injury and Property Damage
$ 2,000,000 General Aggregate
$ 2,000,000 Products and Completed Operations Aggregate
$1,000,000 Personal and Advertising Injury
$ 1,000,000 Each Occurrence
$100,000 Fire Damage

Stop Gap Employers Liability
$ 1,000,000 Each Accident
$ 1,000,000 Disease - Policy Limit
$ 1,000,000 Disease - Each Employee

Any deductible or self-insured retention must be disclosed and is subject to approval by the Landlord's Risk Manager. The cost of any claim payments falling within the deductible shall be the responsibility of the Tenant.

b. Business Automobile Liability Insurance. A policy of Business Automobile Liability Insurance, including coverage for owned, non-owned, leased or hired vehicles, written on an insurance industry standard form (CA 00 01) or equivalent. Such policy(ies) must provide the following minimum limit:

Bodily Injury and Property Damage $ 1,000,000 per accident

Such insurance, as provided under items (a) and (b) above, shall be endorsed to include the Landlord, its officers, elected officials, employees, agents and volunteers as additional insured, and shall not be reduced or canceled without forty-five (45) days prior written notice to the Landlord. In addition, Tenant's insurance shall be primary as respects the Landlord, and any other insurance maintained by the Landlord shall be excess and not contributing insurance with the Tenant's insurance.
c. Worker's Compensation Insurance. A policy of Worker's Compensation insurance. As respects Workers' Compensation insurance in the State of Washington, the Tenant shall secure its liability for industrial injury to its employees in accordance with the provisions of Title 51 of the Revised Code of Washington. If the Tenant is qualified as a self-insurer in accordance with Chapter 51.14 of the Revised Code of Washington, Tenant shall so certify by a letter signed by a corporate officer setting forth the limits of any policy of excess insurance covering its employees.

d. Property Insurance. A policy of Property Insurance covering its furniture, fixtures, equipment and inventory and all improvements which it makes to the Premises in an amount equal to replacement cost thereof, against (i) loss from the perils of fire, and other risks of direct physical loss, not less broad than provided for by the insurance industry standard "causes of loss - Special Form (CP 10 30)," (ii) Loss or damage from water damage, or sprinkler systems now or hereafter installed in or on the premises; (iii) Loss or damage by explosion of steam boilers, pressure vessels, oil or gasoline storage; and (iv) Business Interruption or Extra Expense, with sufficient coverage to provide for the payment of Rent and other fixed costs during any interruption of Tenant's business because of fire or other cause.

e. Coverage and/or Limits. Coverage and/or limits may be altered or increased as necessary, to reflect type of or exposure to risk. Landlord shall have the right to periodically review the appropriateness of such limits in view of inflation and/or changing industry conditions and to require an increase in such limits upon ninety (90) days prior written notice.

f. Evidence of Insurance. The following documents must be provided as evidence of insurance coverage:

i. A copy of the policy's declarations pages, showing the Insuring Company, policy effective dates, limits of liability, and the Schedule of Forms and Endorsements.

ii. A copy of the endorsement naming the Landlord as an Additional Insured, showing the policy number, and signed by an authorized representative of the insurance company on Form CG2026 (ISO) or equivalent.

iii. A copy of the "Endorsements Form List" to the policy or policies showing endorsements issued on the policy, and including any company-specific or manuscript endorsements.

iv. A copy of an endorsement stating that the coverages provided by this policy to the Landlord or any other named insured shall not be terminated, reduced or otherwise materially changed without providing at least forty-five (45) days prior written notice to the Landlord.

v. A copy of a "Separation of Insureds" or "Severability of Interests" clause, insuring essentially that except with respect to the limits of insurance, and any rights or duties specifically assigned to the first named insured, this insurance applies as if each named insured were the only named insured, and separately to each insured against whom claim is made or suit is brought (Commercial General Liability and Business Automobile Liability Insurance).

vi. All policies shall be subject to approval by the Landlord's Risk Manager as to company (must be rated A-VII or higher in the A.M. Best's Key Rating Guide and licensed to do business in the State of Washington or issued as a surplus line by a Washington Surplus lines broker), form and coverage, and primary to all other insurance.

g. Maintain insurance. If Tenant fails to maintain such insurance, Landlord may do so, and Tenant shall reimburse Landlord for the full expense thereof upon demand. Tenant shall not keep or use in or about the Premises any article which is prohibited by Landlord's insurance policy. Tenant shall pay immediately any increase in Landlord's premiums for insurance during the term of this Lease which results from Tenant's use of the Premises.

h. Waiver of Subrogation. Either Landlord nor Tenant shall be liable to the other party or to any insurance company (by way of subrogation or otherwise) insuring the other party for any loss or damage to any building, structure or tangible personal property of the other occurring in or about the Premises or Building, even though such loss or damage might have been occasioned by the negligence or, its' agents or employees, if such loss or damage is covered by insurance benefiting the party suffering such loss or damage or was required under the terms of this Lease to be covered by insurance procured by the party suffering the loss.

18. Destruction.

a. Insured Damage. If during the Term the Premises or the Building are
partially or totally destroyed by any casualty that is covered by any insurance
carried by Landlord covering the Building, rendering the Premises partially or
totally inaccessible or unusable, Landlord shall restore the Premises or the
Building to substantially the same condition as they were in immediately before
such destruction, if (i) the insurance proceeds available to Landlord equal or
exceed the cost of such restoration, (ii) in the opinion of a registered
architect or engineer appointed by Landlord such restoration can be completed
within one hundred eighty (180) days after the date on which Landlord obtains
all permits necessary for such restoration, and (iii) such restoration is
permitted under then existing laws.

b. Major or Uninsured Damage. If during the Term the Premises or the
Building are partially or totally destroyed by any casualty and Landlord is not
obligated under Section 18(a) captioned "Insured Damage" to restore the Premises
or the Building, as the case may be, then Landlord may, at its election, either
(i) restore the Premises or the Building to substantially the same condition as
they were in immediately before such destruction, or (ii) terminate this Lease
effective as of the date of such destruction. If Landlord does not give Tenant
notice within sixty (60) days after the date of such destruction of its election
to restore the Premises or the Building, as the case may be, Landlord shall be
deemed to have elected to terminate this Lease. If Landlord elects to restore
the Premises or the Building, as the case may be, Landlord shall use
commercially reasonable efforts to complete such restoration within one hundred
eighty (180) days after the date on which Landlord obtains all permits necessary
for such restoration, provided, however, that such one hundred eighty (180) day
period shall be extended by a period equal to any delays caused by Force
Majeure, and such destruction shall not terminate this Lease.

c. Damage to the Building. If during the Term the Building is
partially destroyed by any casualty and if in the opinion of Landlord the
Building should be restored in such a way as to materially alter the Premises,
then Landlord may, at Landlord's election, terminate this Lease by giving notice
to Tenant of Landlord's election to do so within sixty (60) days after the date
of such destruction.

d. Extent of Landlord's Obligation to Restore. If Landlord is required
or elects to restore the Premises as provided in this Section, Landlord shall
not be required to restore alterations made by Tenant, Tenant's trade fixtures
and Tenant's personal property, such excluded items being the sole
responsibility of Tenant to restore.

e. Abatement or Reduction of Rent. In case of damage to, or
destruction of, the Premises or the Building the Minimum Monthly Rent shall be
abated or reduced, between the date of destruction and the date of completion of
restoration, by an amount that is in the same ratio to the Minimum Monthly Rent
as the total number of square feet of the Premises that are so damaged or
destroyed bears to the total number of square feet in the Premises.

19. Condemnation. If during the Term there is any taking of part or all of
the Premises or the Building by condemnation, then the rights and obligations of
the parties shall

be as follows:

a. Minor Taking. If there is a taking of less than ten percent (10%)
of the Premises, this Lease shall remain in full force and effect.

b. Major Taking. If there is a taking of ten percent (10%) or more of
the Premises and if the remaining portion of the Premises is of such size or
configuration that Tenant is unable to conduct its business in the Premises,
then the Term shall terminate as of the date of taking.

c. Taking of Part of the Building. If there is a taking of a part of
the Building other than the Premises and if in the opinion of Landlord the
Building should be restored in such a way as to materially alter the Premises,
then Landlord may terminate the Term by giving notice to such effect to Tenant
within sixty (60) days after the date of vesting of title in the condemnor and
the Term shall terminate as of the date specified in such notice, which date
shall not be less than sixty (60) days after the giving of such notice.

d. Award. The entire award for the Premises, the Building and the

Property, shall belong to and be paid to Landlord, Tenant hereby assigning to
Landlord Tenant's interest therein, if any, provided, however, that Tenant shall
have the right to claim and recover from the condemnor compensation for the loss
of any alterations made by Tenant, Tenant's trade fixtures, Tenant's personal
property, moving expenses and business interruption.

e. Abatement of Rent. If any part of the Premises is taken by
condemnation and this Lease remains in full force and effect, on the date of
taking the Premises, the Rent shall be reduced by an amount that is in the
same ratio to the Minimum Monthly Rent as the total number of square feet in the
Premises taken bears to the total number of square feet in the Premises
immediately before the date of taking.

20. Assignment and Subletting.

a. Landlord's Consent; Definitions. Tenant acknowledges that the
Building is a multi-tenant office building, occupied by tenants specifically
selected by Landlord, and that Landlord has a legitimate interest in the type
and quality of such tenants, the location of tenants in the Building and in
controlling the leasing of space in the Building so that Landlord can better
meet the particular needs of its tenants and protect and enhance the relative
image, position and value of the Building in the office building market. Tenant
further acknowledges that the rental value of the Premises may fluctuate during
the Term in accordance with market conditions, and, as a result, the Rent paid
by Tenant under the Lease at any particular time may be higher or lower than the
then market rental value of the Premises. Landlord and Tenant agree, and the
provisions of this Section are intended to so provide, that, if Tenant
voluntarily assigns its interest in this Lease in or in the Premises or
subleases any part or all of the Premises, a portion of the profits from any
increase in the market rental value of the Premises shall belong solely to
Landlord. Tenant acknowledges that, if Tenant voluntarily assigns this Lease or
subleases any part or all of the Premises, Tenant's investment in the subject
portion of the Premises (specifically including, but not limited to, tenant
improvements, good will or other assets) may be lost or reduced as a result of
such action.

b. Consent Required. Tenant shall not voluntarily assign or encumber
its interest in this Lease or in the Premises, or sublease any part or all of
the Premises, without Landlord's prior consent, which consent shall not be
unreasonably withheld. Any assignment, encumbrance or sublease without
Landlord's consent shall be voidable and, at Landlord's election, shall
constitute a default by Tenant under this Lease. In determining whether to
approve a proposed assignment or sublease, Landlord shall place primary emphasis
on the prospective transferee's financial strength and creditworthiness, the character of
the business to be conducted by the proposed transferee at the Premises and the
affect of such assignment or subletting on the tenant mix in the Building. In
addition, Landlord shall have the right to approve the specific form of any
assignment or sublease agreement. In no event shall Landlord be obligated to
consent to any assignment or subletting which increases (i) the Operating Costs,
(ii) the burden on the Building services, or (iii) the foot traffic, elevator
usage or security concerns in the Building, or creates an increased probability
of the comfort and/or safety of the Landlord and other tenants in the Building
being unreasonably compromised or reduced (for example, but not exclusively,
Landlord may deny consent to an assignment or subletting where the space will be
used for a school or training facility, an entertainment, sports or recreation
facility, retail sales to the public (unless Tenant's permitted use is retail
sales), a personnel or employment agency, a medical office, or an embassy or
consulate or similar office. Landlord shall not be obligated to approve an
assignment or subletting to (x) a current tenant of the Building or (y) a
prospective tenant of the Building with whom Landlord is then negotiating.
Landlord's foregoing rights and options shall continue throughout the entire
term of this Lease. No consent to any assignment, encumbrance or sublease shall
constitute a waiver of the provisions of this Section and no other or subsequent
assignment, encumbrance or sublease shall be made without Landlord's prior
consent. Neither an assignment or subletting nor the collection of Rent by
Landlord from any person other than Tenant, nor the application of any such Rent
as provided in this Section shall be deemed a waiver of any of the provisions of
this Section or release Tenant from its obligation to comply with the terms and
provisions of this Lease and Tenant shall remain fully and primarily liable for
all of Tenant's obligations under this Lease, including the obligation to pay
Rent under this Lease. Any personal guarantee(s) of Tenant's obligations under
this Lease shall remain in full force and effect following any such assignment
or subletting. Landlord may condition approval of an assignment or subletting
hereunder on an increase in the amount of the Security Deposit or on receipt of
personal's or sublessee's obligations under this
Lease. If Landlord approves of an assignment or subletting hereunder and this
Lease contains any renewal options, expansion options, rights

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of first refusal, rights of first negotiation or any other rights or options
pertaining to additional space in the Building, such rights and/or options shall
c. Conditions to Assignment or Sublease. Tenant agrees that any instrument by which Tenant assigns or sublets all or any portion of the Premises shall expressly provide that the assignee or subtenant may not further assign or sublet the assigned or sublet space without Landlord's prior consent (which consent shall be in Landlord's discretion), and that such consent shall not constitute Landlord's agreement to deal directly with the assignee or subtenant, but shall be unreasonably withheld or delayed, and that the assignee or subtenant shall comply with all of the provisions of this Lease and that Landlord may enforce the provisions directly against such assignee or subtenant. If this Lease is assigned, whether or not in violation of the terms and provisions of this Lease, Landlord may collect Rent from the assignee. If the Premises, or any part thereof, is sublet, Landlord may, upon a default under this Lease, collect rent from the subtenant. In either event, Landlord may apply the amount collected from the assignee or subtenant to Tenant's obligation to pay Rent under this Lease.

d. Events Constituting an Assignment or Sublease. For purposes of this Section, the following events shall be deemed an assignment or sublease, as appropriate: (i) the issuance of equity interests (whether stock, partnership interests or otherwise) in Tenant, or any assignee or subtenant, if applicable, or any entity controlling any of them, to any person or group of related persons, in a single transaction or a series of related or unrelated transactions, such that, following such issuance, such person or group shall have Control (as defined below) of Tenant, or any assignee or subtenant, if applicable; (ii) a transfer of Control of Tenant, or any assignee or subtenant, if applicable, or any entity controlling any of them, in a single transaction or a series of related or unrelated transactions (including, without limitation, by consolidation, merger, acquisition or reorganization), except that the transfer of outstanding capital stock or other listed equity interests by persons or parties other than "Insiders" within the meaning of the Securities Exchange Act of 1934, as amended, through the "over-the-counter" market or any recognized national or international securities exchange, shall not be included in determining whether Control has been transferred. "Control" shall mean direct or indirect ownership of fifty percent (50%) or more of all the legal and equitable interest in any business entity.

e. Processing Expenses. Tenant shall pay to Landlord the amount of Landlord's cost of processing each proposed assignment or subletting, including without limitation, attorneys' and other professional fees, and the cost of Landlord's administrative, accounting and clerical time (collectively, "Processing Costs"), and the amount of all direct and indirect expense incurred by Landlord arising from the assignee or sublessee taking occupancy of the subject space, including without limitation, costs of freight elevator operation for moving of furnishings and trade fixtures, security service, janitorial and cleaning services, rubbish removal service, costs of changing signage, and costs of changing locks and making keys (collectively, "Occupancy Costs"). Notwithstanding anything to the contrary herein, Landlord shall not be required to process any request for Landlord's consent to an assignment or subletting until Tenant has paid to Landlord the amount of Landlord's estimate of the Processing Costs and the Occupancy Costs.

f. Consideration to Landlord. In the event of any assignment or sublease, whether or not requiring Landlord's consent, Landlord shall be entitled to receive, as Additional Rent, one-half (1/2) of any consideration, including without limitation, payment for leasehold improvements owned by Landlord, paid by the assignee or subtenant for the assignment or sublease and, in the case of sublease, the excess of the amount of rent paid for the sublet space by the subtenant over the total amount of Minimum Monthly Rent under Section 5 and Additional Rent under Sections 7 and 9. Upon Landlord's request, Tenant shall assign to Landlord all amounts to be paid to Tenant by the assignee or subtenant and shall direct such assignee or subtenant to pay the same directly to Landlord. If there is more than one sublease under this Lease, the amounts (if any) to be paid by Tenant to Landlord pursuant to the preceding sentence shall be separately calculated for each sublease and amounts due Landlord with regard to any one sublease may not be offset against rental and other consideration pertaining due under any other sublease.

With regard to an approved assignment or subletting, Tenant acknowledges that Landlord's agreement to deal directly with the assignee or subtenant with regard to such party's occupancy of the Premises and the administration of the Lease, without requiring Tenant to monitor or become directly involved in such matters, constitutes appropriate and acceptable consideration for the capture by Landlord of any rent or consideration paid by the assignee or subtenant in excess of that required to be paid by Tenant under the Lease.

g. Procedures. If Tenant desires to assign this Lease or any interest therein or sublet all or part of the Premises, Tenant shall give Landlord written notice thereof designating the space proposed to be sublet and the terms

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proposed. Landlord shall have the prior right and option (to be exercised by written notice to Tenant given within fifteen (15) days after receipt of Tenant's notice) (i) to sublet from Tenant any portion of the Premises proposed by Tenant to be sublet, for the term for which such portion is proposed to be sublet, but at the same Rent (including Additional Rent as provided for in Sections 7 and 9) as Tenant is required to pay to Landlord under this Lease for the same space, computed on a pro rata square footage basis, and during the term of such sublease Tenant shall be released of its obligations under the Lease with regard to the subject space, (ii) if the term of the sublease (including any renewal terms) will expire during the final eighteen (18) months of the Term (or if Tenant has exercised a renewal option, if any, then during the final eighteen (18) months of the subject renewal period), to terminate this Lease as it pertains to the portion of the Premises so proposed by Tenant to be sublet, or (iii) to approve Tenant's proposal to sublet conditional upon Landlord's subsequent written approval of the specific sublease obtained by Tenant and the specific subtenant named therein. If Landlord exercises its option in (i) above, then Landlord may, at Landlord's sole cost, construct improvements in the subject space and, so long as the improvements are suitable for general office purposes, Landlord shall have no obligation to restore the subject space to its original condition following the termination of the sublease. If Landlord exercises its option described in (iii) above, Tenant shall submit to Landlord for Landlord's written approval Tenant's proposed sublease agreement (in which the proposed subtenant shall be named) together with a current reviewed or audited financial statement prepared by a certified public accountant for such proposed subtenant and a credit report on such proposed subtenant prepared by a recognized credit reporting agency. If Landlord fails to exercise any aforesaid option to sublet or to terminate, this shall not be construed as or constitute a waiver of any of the provisions of this Section. If Landlord exercises any such option to sublet or to terminate, Landlord shall not have any liability for any real estate brokerage commission(s) or with respect to any of the costs and expenses that Tenant may have incurred in connection with its proposed subletting, and Tenant agrees to hold Landlord harmless from and against any and all claims (including, without limitation, claims for commissions) arising from such proposed subletting. Landlord's foregoing rights and options shall continue throughout the Term. For purposes of this Section, a proposed assignment of this Lease in whole or in part shall be deemed a proposed subletting of such space.

h. Documentation. No permitted subletting by Tenant shall be effective until there has been delivered to Landlord a counterpart of the sublease in which the subtenant agrees to be and remain jointly and severally liable with Tenant for the payment of Rent pertaining to the sublet space and for the performance of all of the terms and provisions of this Lease; provided, however, that the subtenant shall be liable to Landlord for rent only in the amount set forth in the subleases. No permitted assignment shall be effective unless and until there has been delivered to Landlord a counterpart of the assignment in which the assignee assumes all of Tenant's obligations under this Lease arising on or after the date of the assignment. The failure or refusal of a subtenant or assignee to execute any such instrument shall not release or discharge the subtenant or assignee from its liability as set forth above.

i. No Merger. Without limiting any of the provisions of this Section, if Tenant has entered into any subleases of any portion of the Premises, the voluntary or other surrender of this Lease by Tenant, or a mutual cancellation by Landlord and Tenant, shall not work a merger, and shall, at the option of Landlord, terminate all or any existing subleases or subtenancies or, at the option of Landlord, operate as an assignment to Landlord of any or all such subleases or subtenancies.

21. Default. The occurrence of any of the following shall constitute a default by Tenant under this Lease:

a. Failure to Pay Rent. Failure to pay Rent when due, if the failure continues for a period of three (3) days after notice of such default has been given by Landlord to Tenant.

b. Failure to Comply with Rules and Regulations. Failure to comply with the Rules and Regulations, if the failure continues for a period of twenty-four (24) hours after notice of such default is given by Landlord to Tenant. If the failure to comply cannot reasonably be cured within twenty-four (24) hours, then Tenant shall not be in default under this Lease if Tenant commences to cure the failure to comply within twenty-four (24) hours and diligently and in good faith continues to cure the failure to comply.

c. Other Defaults. Failure to perform any other provision of this Lease, if the failure to perform is not cured within thirty (30) days after notice of such default has been given by Landlord to Tenant. If the default cannot reasonably be cured within thirty (30) days, then Tenant shall not be in default under this Lease if Tenant commences to cure the default within thirty
(30) days and diligently and in good faith continues to cure the default.

d. Appointment of Trustee or Receiver. The appointment of a trustee or receiver to take possession of substantially all of the Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within sixty (60) days; or the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged within sixty (60) days.

22. Remedies. If Tenant commits a default, Landlord shall have the following alternative remedies, which are in addition to any remedies now or later allowed by law:

a. Maintain Lease in Force. Maintain this Lease in full force and effect and recover the Rent and other monetary charges as they become due, without terminating Tenant's right to possession, irrespective of whether Tenant shall have abandoned the Premises. If Landlord elects to not terminate the Lease, Landlord shall have the right to attempt to re-let the Premises at such rent and upon such conditions and for such a term, and to do all acts necessary to maintain or preserve the Premises as Landlord deems reasonable and necessary without having been deemed to have elected to terminate the Lease including removal of all persons and property from the Premises; such property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Tenant. In the event any such re-letting occurs, this Lease shall terminate automatically upon the new Tenant taking possession of the Premises.

   Notwithstanding that Landlord fails to elect to terminate the Lease initially, Landlord at any time during the term of this Lease may elect to terminate this Lease by virtue of such previous default of Tenant.

b. Terminate Lease. Terminate Tenant's right to possession by any lawful means, in which case this Lease shall terminate and Tenant shall immediately surrender possession of the Premises to Landlord. In such event Landlord shall be entitled to recover from Tenant all damages incurred by Landlord by reason of Tenant's default including without limitation thereto, the following: (i) The worth at the time of award of any unpaid Rent which had been earned at the time of such termination; plus (ii) the worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus (iii) the worth at the time of award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of such rental loss that is proved could be reasonably avoided; plus (iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including without limitation, any costs or expenses incurred by Landlord in (A) retaking possession of the Premises, including reasonable attorney fees therefor, (B) maintaining or preserving the Premises after such default, (C) preparing the Premises for reletting to a new tenant, including repairs or necessary alterations to the Premises for such reletting, (D) leasing commissions, and (E) any other costs necessary or appropriate to rent the Premises; plus (v) at Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable state law. Upon any such re-entry Landlord shall have the right to make any reasonable repairs, alterations or modifications to the Premises, which Landlord in its sole discretion deems reasonable and necessary. As used in Subsection 22(b)(i) the "worth at the time of award" is computed by allowing interest at the rate of eighteen percent (18%) per year from the date of default. As used in Subsections 22(b)(ii) and 22(b)(iii) the "worth at the time of award" is computed by discounting such amounts at the discount rate of eight percent (8%) per year.

23. Bankruptcy.

   a. Assumption of Lease. If Tenant becomes a Debtor under Chapter 7 of the Bankruptcy Code ("Code") or a petition for reorganization or adjustment of debts is filed concerning Tenant under Chapters 11 or 13 of the Code, or a proceeding is filed under Chapter 7 of the Code and is transferred to Chapters 11 or 13 of the Code, the Trustee or Tenant, as Debtor and as Debtor-In-Possession, may not elect to assume this Lease unless, at the time of such assumption, the Trustee or Tenant has:

      i. Cured all defaults under the Lease and paid all sums due and owing under the Lease or of Tenant's interest in this Lease, where possession is not restored to Tenant within sixty (60) days; or the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged within sixty (60) days.
defaults and breaches under this lease, or, if the nature of such non-monetary defaults is such that more than twenty (20) days are reasonably required for such cure, that the Trustee or Tenant will commence to cure such non-monetary defaults within twenty (20) days and thereafter diligently prosecute such cure to completion; and (iii) the assumption will be subject to all of the provisions of this lease.

ii. For purposes of this Section, Landlord and Tenant acknowledge that, in the context of a bankruptcy proceeding involving Tenant, at a minimum, "Adequate Assurance" shall mean: (i) the Trustee or Tenant has and will continue to have sufficient unencumbered assets after the payment of all secured obligations and administrative expenses to assure Landlord that the Trustee or Tenant will have sufficient funds to fulfill the obligations of Tenant under this Lease; (ii) the Bankruptcy Court shall have entered an Order segregating sufficient cash payable to Landlord and/or the Trustee or Tenant shall have granted a valid and perfected first lien and security interest and/or mortgage in or on property of Trustee or Tenant acceptable as to value and kind to Landlord, to secure to Landlord the obligation of the Trustee or Tenant to cure the monetary and/or non-monetary defaults and breaches under this Lease within the time periods set forth above; and (iii) the Trustee or Tenant, at the very minimum, shall deposit a sum equal to two (2) month's Minimum Monthly Rent to be held by Landlord (without any allowance for interest thereon) to secure Tenant's future performance under the Lease.

b. Assignment of Lease. If the Trustee or Tenant has assumed the Lease pursuant to the provisions of this Section for the purpose of assigning Tenant's interest hereunder to any other person or entity, such interest may be assigned only after the Trustee, Tenant or the proposed assignee have complied with all of the terms, covenants and conditions of this Lease, including, without limitation, those with respect to Additional Rent. Landlord and Tenant acknowledge that such terms, covenants and conditions are commercially reasonable in the context of a bankruptcy proceeding of Tenant. Any person or entity to which this Lease is assigned pursuant to the provisions of the Code shall be deemed without further act or deed to have assumed all of the obligations arising under this Lease on and after the date of such assignment. Any such assignee shall upon request execute and deliver to Landlord an instrument confirming such assignment.

c. Adequate Protection. Upon the filing of a petition by or against Tenant under the Code, Tenant, as Debtor and as Debtor-In-Possession, and any Trustee who may be appointed agree to adequately protect Landlord as follows: (i) to perform each and every obligation of Tenant under this Lease until such time as this Lease is either rejected or assumed by Order of the Bankruptcy Court; (ii) to pay all monetary obligations required under this Lease, including without limitation, the payment of Minimum Monthly Rent, Tenant's Share of Real Property Taxes, Tenant's Share of Operating Costs and any other sums payable by Tenant to Landlord under this Lease which is considered reasonable compensation for the use and occupancy of the Premises; (iii) provide Landlord a minimum of thirty (30) days prior written notice, unless a shorter period is agreed to in writing by the parties, of any proceeding relating to any assumption of this Lease or any intent to abandon the Premises, which abandonment shall be deemed a rejection of this Lease; and (iv) to perform to the benefit of Landlord as otherwise required under the Code. The failure of Tenant to comply with the above shall result in an automatic rejection of this Lease.

24. Limitation of Actions. Any claim, demand, right or defense of any kind by Tenant which is based upon or arises in connection with this Lease or the negotiations prior to its execution, shall be barred unless Tenant commences an action thereon, or interposes in a legal proceeding a defense by reason thereof, within one (1) year after the date of the act or omission on which such claim, demand, right or defense is based.

25. Limitation on Landlord's Liability. Anything in this Lease to the contrary notwithstanding, covenants, undertakings and agreements herein made on the part of Landlord are made and intended not as personal covenants, undertakings and agreements or for the purpose of binding Landlord personally or the assets of Landlord except Landlord's interest in the Property, but are made and intended for the purpose of binding only the Landlord's interest in the Property. No personal liability or personal responsibility is assumed by, nor shall at any time be asserted or enforceable against Landlord or its partners and their respective heirs, legal representatives, successors and assigns on account of this Lease or on account of any covenant, undertaking or agreement of Landlord contained in this Lease.

26. Signs. Tenant shall not have the right to place, construct or maintain any sign, advertisement, awning, banner or other exterior decoration without Landlord's consent. Any sign that Tenant has Landlord's consent to place, construct and maintain shall comply with all laws, and Tenant shall obtain any
approval required by such laws. Landlord makes no representation with respect to Tenant's ability to obtain such approval.

27. Landlord's Right to Enter the Premises. Landlord and its authorized representatives shall have the right to enter the Premises at reasonable times and upon reasonable prior notice (except in an emergency when no such notice shall be required) for any of the following purposes: (i) to determine whether the Premises are in good condition and whether Tenant is complying with its obligations under this Lease, (ii) to do any maintenance; to make any restoration to the Premises or the Building that Landlord has the right or the obligation to perform, and to make any improvements to the Premises or the Building that Landlord deems necessary, (iii) to serve, post or keep posted any notices required or allowed under the provisions of this Lease, (iv) to post any ordinary "For Sale" signs at any time during the Term and to post any ordinary "For Lease" signs during the last ninety (90) days of the Term, and (v) to show the Premises to prospective brokers, agents, purchasers, tenants or lenders, at any time during the Term.

Landlord shall not be liable in any manner for any inconvenience, annoyance, disturbance, loss of business, nuisance, or other damage arising out of Landlord's entry on the Premises as provided in this Section, except damage resulting from the grossly negligent or willful acts of Landlord or its authorized representatives. Tenant shall not be entitled to an abatement or reduction of Rent if Landlord exercises any right reserved in this Section. Landlord shall conduct its activities on the Premises as allowed in this Section in a reasonable manner so as to cause minimal inconvenience, annoyance or disturbance to Tenant.

28. Subordination. This Lease is and shall be prior to any mortgage recorded after the date of this Lease affecting the Property. If, however, a lender requires that this Lease be subordinate to any mortgage, this Lease shall be subordinate to that mortgage if Landlord first obtains from the lender a written agreement that provides substantially the following:

As long as Tenant performs its obligations under this Lease, no foreclosure of, deed given in lieu of foreclosure of, or sale under the mortgage, and no steps or procedures taken under the mortgage, shall affect Tenant's rights under this Lease.

Tenant shall attorn to any purchaser at any foreclosure sale, or to any grantee or transferee designated in any deed given in lieu of foreclosure. Tenant shall execute the written agreement and any other documents required by the lender to accomplish the purposes of this Section.

29. Right to Estoppel Certificates. Tenant, within ten (10) days after notice from Landlord, shall execute and deliver to Landlord, in recordable form, a certificate stating that this Lease is unmodified and in full force and effect, or in full force and effect as modified and stating the modifications. The certificate shall also state the amount of Minimum Monthly Rent, the dates to which Rent has been paid in advance, and the amount of any Prepaid Rent or Security Deposit and such other matters as Landlord may reasonably request. Failure to deliver the certificate within such ten (10) day period shall be conclusive upon Tenant for the benefit of Landlord and any successor to Landlord, that this Lease is in full force and effect and has not been modified except as may be represented by Landlord requesting the certificate.

30. Transfer of Landlord's Interest. If Landlord sells or transfers the Property, Landlord, on consummation of the sale or transfer, shall be released from any liability thereafter accruing under this Lease if Landlord's successor has assumed in writing, for the benefit of Tenant, Landlord's obligations under this Lease. If any Security Deposit or Prepaid Rent has been paid by Tenant, Landlord shall transfer the Security Deposit or Prepaid Rent to Landlord's successor and on such transfer Landlord shall be discharged from any further liability with respect to such Security Deposit or Prepaid Rent.

31. Attorneys' Fees. If either party shall bring any action for relief against the other party, declaratory or otherwise, arising out of this Lease, including any action by Landlord for the recovery of Rent or possession of the Premises, the losing party shall pay the successful party a reasonable sum for attorneys' fees which shall be deemed to have accrued on the commencement of such action and shall be paid whether or not such action is prosecuted to judgment.

32. Surrender; Holding Over.

a. Surrender. On expiration or ten (10) days after termination of the Term, Tenant shall surrender the Premises to Landlord broom clean and in good condition. Tenant shall remove
all of its trade fixtures and personal property within the time period stated in this Section. Tenant, at its cost, shall perform all restoration made necessary by, and repair any damage to the Premises caused by, the removal of its trade fixtures, personal property and signs to Landlord's reasonable satisfaction within the time period stated in this Section. Landlord may, at its election, retain or dispose of in any manner any of Tenant's trade fixtures or personal property that Tenant does not remove from the Premises on expiration or within ten (10) days after termination of the Term as allowed or required by the provisions of this Lease by giving ten (10) days notice to Tenant. Title to any such trade fixtures and personal property that Landlord elects to retain or dispose of on expiration of such ten (10) day period shall vest in Landlord. Tenant waives all claims against Landlord for any damage to Tenant resulting from Landlord's retention or disposition of any such trade fixtures and personal property. Tenant shall be liable to Landlord for Landlord's costs for storing, removing and disposing of Tenant's trade fixtures and personal property. If Tenant fails to surrender the Premises to Landlord on expiration or ten (10) days after termination of the Term as required by this Section, Tenant shall pay Landlord Rent in an amount equal to twice the Minimum Monthly Rent applicable for the month immediately prior to the expiration or termination of the Term for the entire time Tenant thus remains in possession and Tenant shall hold Landlord harmless from all damages resulting from Tenant's failure to timely surrender the Premises, including without limitation, (i) any Rent payable by, or on account of, Tenant, (ii) any damages claimed by, any prospective tenant of any part or all of the Premises, and (iii) Landlord's damages resulting from such prospective tenant rescinding or refusing to enter into the prospective lease of part or all of the Premises by reason of Tenant's failure to timely surrender the Premises. If Tenant, without Landlord's prior consent, remains in possession of the Premises after expiration or termination of the Term, or after the date in any notice given by Landlord to Tenant terminating this Lease, such possession by Tenant shall be deemed to be a tenancy at sufferance terminable at any time by either party.

b. Holding Over with Landlord's Consent. If Tenant, with Landlord's prior consent, remains in possession of the Premises after expiration or termination of the Term, or after the date in any notice given by Landlord to Tenant terminating this Lease, such possession by Tenant shall be deemed to be a month-to-month tenancy terminable by Landlord by a notice given to Tenant at least twenty (20) days prior to the end of any such monthly period or by Tenant by a notice given to Landlord at least thirty (30) days prior to the end of any such monthly period. During such month-to-month tenancy, Tenant shall pay Rent in the amount then agreed to in writing by Landlord and Tenant. All provisions of this Lease, except those pertaining to term, shall apply to the month-to-month tenancy.

33. Agency Disclosure; Broker.

a. Agency Disclosure. Martin Smith Inc hereby discloses that it represents the Landlord in this transaction.

b. Broker. Landlord and Tenant each represent to the other that neither is represented by any broker, agent or finder with respect to this Lease in any manner, except the Broker(s). The commission due to the Broker(s) shall be paid by Landlord pursuant to a separate agreement. Each party agrees to indemnify and hold the other party harmless from and against any and all liability, costs, damages, causes of action or other proceedings instituted by any broker, agent or finder, licensed or otherwise, claiming through, under or by reason of the indemnifying party in any manner whatsoever in connection with this Lease. If Tenant engages a broker, agent or finder to represent Tenant in connection with any renewal of this Lease, then the commission or any fee of such broker, agent or finder shall be paid by Tenant.

34. Interest on Unpaid Rent. In addition to the Late Charge as provided in Section 5(b), Rent not paid when due shall bear interest from the date due until paid at the rate of eighteen percent (18%) per year, or the maximum legal rate of interest, whichever is less.

35. Consent. Whenever the consent of either Landlord or Tenant is required under this Lease, such consent shall not be effective unless given in writing and shall not be unreasonably withheld or delayed, provided, however, that such consent may be conditioned as provided in this Lease.

36. Parking. Landlord grants Tenant the right to use the number of parking stalls provided for in Section 1 of this Lease. Each parking stall provided to Tenant shall be unassigned, except as may be expressly provided otherwise in Section 1 of this Lease. Tenant's parking privilege under this Lease shall be subject to reasonable regulations as Landlord and/or Landlord's parking operator may adopt from time to time. Landlord retains the right to alter such rules and regulations and to relocate within a reasonable distance, or to reconfigure, the parking area in which Tenant's parking stall(s) are located, with reasonable notice to Tenant, but Landlord shall at all times continue to provide the designated number of parking stall(s) to Tenant. Tenant shall pay, upon demand by Landlord, Landlord's costs incurred to stencil any reserved parking stall(s) provided to Tenant under this Lease.
37. Nondiscrimination and Affirmative Action. Tenant shall comply with all federal, state, and local laws and ordinances prohibiting discrimination with regard to race, color, national origin, ancestry, creed, religion, political ideology, sex, sexual orientation, marital status, or the presence of any sensory, mental or physical handicap.

38. Definitions. As used in this Lease, the following words and phrases, whether or not capitalized, shall have the following meanings:

a. "Additional Rent" means pass-throughs of increases in Operating Costs and Taxes, as defined in this Lease, and other monetary sums to be paid by Tenant to Landlord under the provisions of this Lease.

b. "Alteration" means any addition or change to, or modification of, the Premises made by Tenant, including without limitation, fixtures, but excluding trade fixtures as defined in this Section.

c. "Authorized representatives" means any officer, agent, employee, independent contractor or invitee of either party.

d. "Award" means all compensation, sums or anything of value awarded, paid or received on a total or partial condemnation.

e. "Common Areas" means all areas outside the Premises and within the Building or on the Land that are provided and designated by Landlord from time to time for the general, non-exclusive use of Landlord, Tenant and other tenants of the Building and their authorized representatives, including without limitation, common entrances, lobbies, corridors, stairways and stairwells, elevators, escalators, public restrooms and other public portions of the Building.

f. "Condemnation" means the exercise of any governmental power, whether by legal proceedings or otherwise, by a condemnor and a voluntary sale or transfer by Landlord to any condemnor, either under threat of condemnation or while legal proceedings for condemnation are pending.

g. "Condemnor" means any public or quasi-public authority or entity having the power of condemnation.

h. "Damage" means any injury, deterioration, or loss to a person, property, the Premises or the Building caused by another person's acts or omissions or by Acts of God. Damage includes death.

i. "Damages" means a monetary compensation or indemnity that can be recovered in the courts by any person who has suffered damage to his person, property or rights through another's acts or omissions.

j. "Date of taking" means the date the condemnor has the right to possession of the property being condemned.

k. "Encumbrance" means any mortgage, deed of trust or other written security device or agreement affecting the Premises, and the note or other obligation secured by it, that constitutes security for the payment of a debt or performance of an obligation.

l. "Expiration" means the coming to an end of the time specified in the Lease as its duration, including any extension of the Term.

m. "Force majeure" means strikes, lockouts, labor disputes, shortages of labor or materials, fire or other casualty, Acts of God or any other cause beyond the reasonable control of a party.

n. "Good condition" means the good physical condition of the Premises and each portion of the Premises, including without limitation, all of the Tenant Improvements, Tenant's alterations, Tenant's Personal Property, all as defined in this Section, signs, walls, interior partitions, windows, window coverings, glass, doors, carpeting and resilient flooring, ceiling tiles, plumbing fixtures and lighting fixtures, all of which shall be in conformity with building standard finishes, ordinary wear and tear, damage by fire or other casualty and taking by condemnation excepted.

o. "Hazardous substances" means any industrial waste, toxic waste, chemical contaminant or other substance considered hazardous, toxic or lethal to persons or property or designated as hazardous, toxic or lethal to persons or property under any laws, including without limitation, asbestos material or materials containing asbestos.

p. "Hold harmless" means to defend and indemnify from all liability,
losses, penalties, damages as defined in this Section, costs, expenses (including without limitation, attorneys' fees), causes of action, claims or judgments arising out of or related to any damage, as defined in this Section, to any person or property.

q. “Law” means any constitution, statute, ordinance, regulation, rule, resolution, judicial decision, administrative order or other requirement of any federal, state, county, municipal or other governmental agency or authority having jurisdiction over the parties or the Property, or both, in effect either at the time of execution of this Lease or at any time during the Term, including without limitation, any regulation or order of a quasi official entity or body (e.g., board of fire examiners or public utilities) and any legally effective conditions, covenants or restrictions affecting the Property.

r. “Lender” means the mortgagee, beneficiary, secured party or other holder of an encumbrance, as defined in this Section.

s. “Lien” means a charge imposed on the Premises by someone other than Landlord, by which the Premises are made security for the performance of an act.

t. “Maintenance” means repairs, replacement, repainting and cleaning.

u. “Mortgage” means any deed of trust, mortgage or other written security device or agreement affecting the Premises, and the note or other obligation secured by it, that constitutes security for the payment of a debt or performance of an obligation.

v. “Mortgagee” means the beneficiary under a deed of trust or mortgagee under a mortgage.

w. “Mortgagor” means the grantor or trustor under a deed of trust or mortgagor under a mortgage.

x. “Operating Costs” means all costs of any kind incurred by Landlord in operating, cleaning, equipping, protecting, lighting, repairing, replacing, heating, air-conditioning, maintaining and insuring the Property. Operating Costs shall include, without limitation, the following costs: (i) salaries, wages, other compensation (including hospitalization, medical, surgical, retirement plan, pension plan, union dues, life insurance, including group life insurance, welfare and other fringe benefits, and vacation, holidays and other paid absence benefits) relating to employees of Landlord or its agents directly engaged in the operation, repair, or maintenance of the Property; (ii) payroll, social security, workers' compensation, unemployment and similar taxes with respect to such employees of Landlord or its authorized representatives, and the cost of providing disability or other benefits imposed by law or otherwise, with respect to such employees; (iii) uniforms (including the cleaning, replacement and pressing thereof provided to such employee); (iv) premiums and other charges incurred by Landlord with respect to fire, earthquake, other casualty, all risk, rent loss and liability insurance, any other insurance as is deemed necessary or advisable in the reasonable judgment of Landlord and, after the Base Year, costs of repairing an insured casualty to the extent of the deductible amount under the applicable insurance policy; (v) water charges and sewer rents or fees; (vi) license, permit and inspection fees; (vii) sales, use and excise taxes on goods and services purchased by Landlord in connection with the operation, maintenance or repair of the Property and Building systems and equipment; (viii) telephone, facsimile, messenger, express delivery service, postage, stationery supplies and other expenses incurred in connection with the operation, management, maintenance, or repair of the Property; (ix) property management fees and expenses; (x) repairs to and physical maintenance of the Property, including building systems and appurtenances thereto and normal repair and replacement of worn-out equipment, facilities and installations, but excluding the replacement of major building systems (except to the extent provided in (xvi) and (xvii) below); (xi) janitorial, window cleaning, security, extermination, water treatment, rubbish removal, plumbing and other services and inspection or service contracts for elevator, electrical, HVAC, mechanical and other building equipment and systems or as may otherwise be necessary or proper for the operation or maintenance of the Property; (xii) supplies, tools, materials, and equipment used in connection with the operation, maintenance or repair of the Property; (xiii) accounting, legal and other professional fees and expenses; (xiv) painting the exterior or the public or common areas of the Building and the cost of maintaining the sidewalks and common areas of the Property; (xv) all costs and expenses for electricity, chilled water, air conditioning, water for heating, gas, fuel, steam, heat, lights, power and other energy related utilities required in connection with the operation, maintenance and repair of the Property; (xvi) the cost of any improvements which Landlord elects to capitalize made by Landlord to the Property during the Term in compliance with the requirements of any laws or regulation or insurance requirement with which the Property was not required to comply during the Base Year, as reasonably
amortized by Landlord, with interest on the unamortized balance at the rate of twelve percent (12%) per year, or the maximum legal rate of interest, whichever is less; (xvii) the cost of any improvements which Landlord elects to capitalize made by Landlord to the Property during the term of this Lease for the protection of the health and safety of the occupants of the Property or that are intended to reduce other Operating Costs, as reasonably amortized by Landlord, with interest on the unamortized balance at the rate of twelve percent (12%) per year, or the maximum legal rate of interest, whichever is less; (xviii) a reasonable reserve for repair or replacement of equipment used in the maintenance or operation of the Property; (xix) the cost of furniture, draperies, carpeting, landscaping and other customary and ordinary items of personal property (excluding paintings, sculptures and other works of art) provided by Landlord for use in common areas of the Building or in the Building office (to the extent that such Building office is dedicated to the operation and management of the Property), such costs to be amortized over the useful life thereof; (xx) any such expenses and costs resulting from substitution of work, labor, material or services in lieu of any of the above itemizations, or for any such additional work, labor, services or material resulting from compliance with any laws or orders applicable to the Property; (xxi) Building office rent or rental value; and (xxii) all other costs which, in accordance with generally accepted accounting principles used by Landlord, as applied to the maintenance and operation of office and/or retail buildings, are properly chargeable to the operation and maintenance of the Property.

Operating Costs shall not include the following:(i) depreciation on the Building; (ii) debt service; (iii) capital improvements, except as otherwise provided in clauses (xvi) and (xvii) above, (iv) rental under any ground or underlying leases; (v) Real Property Taxes, (vi) attorneys' fees and expenses incurred in connection with lease negotiations with prospective tenants; (vii) the cost of tenant improvements; (viii) advertising expenses; or (ix) real estate brokers or other leasing commissions.

y. "Parties" means Landlord and Tenant.

z. "Party" means Landlord or Tenant.

aa. "Person" means one or more human beings, or legal entities or other artificial persons, including without limitation, partnerships, corporations, trusts, estates, associations and any combination of human beings and legal entities.

bb. "Property" means the Premises, Building, Project, and Land.

c. "Provision" means any term, agreement, covenant, condition, clause, qualification, restriction, reservation, or other stipulation in the Lease that defines or otherwise controls, establishes, or limits the performance required or permitted by either party.

dd. "Real Property Taxes" means any form of tax, assessment, general assessment, special assessment, lien, levy, bond obligation, license fee, license tax or permission, or any other levy, charge or expense, together with any statutory interest thereon, (individually and collectively, the "Impositions"), now or hereafter imposed or required by any authority having the direct or indirect power to tax, including any federal, state, county or city government or any school, agricultural, lighting, drainage or other improvement or special assessment district thereof, (individually and collectively, the "Governmental Agencies") on any interest of Landlord or Tenant or both (including any legal or equitable interest of Landlord or its mortgagee, if any) in the Premises or the Property, including without limitation:

i. any Impositions upon, allocable to or measured by the area of the Premises or the Property, or the rental payable hereunder, including without limitation, any gross income tax or excise tax levied by any Governmental Agencies with respect to the receipt of such rental; or

ii. any Impositions upon or with respect to the possession, leasing, operation, management, maintenance, alteration, repair or use or occupancy by Tenant of the Premises or any portion thereof; or

iii. any Impositions upon or with respect to the building equipment and personal property used in connection with the operation and maintenance of the Property or upon or with respect to the furniture, fixtures and decorations in the common areas of the Property.

iv. any Impositions upon this Lease or this transaction or any document to which Tenant is a party creating or transferring an interest or an estate in the Premises; or

v. any Impositions by Governmental Agencies (whether or not such Impositions constitute tax receipts) in substitution, partially or totally, of any impositions now or previously included within the definition of real
property taxes, including those calculated to increase tax increments to Governmental Agencies and to pay for such services as fire protection, water drainage, street, sidewalk and road maintenance, refuse removal or other governmental services formerly provided without charge to property owners or occupants; or

vi. any and all costs, including without limitation, the fees of attorneys, tax consultants and experts, incurred by Landlord should Landlord elect to negotiate or contest the amount of such real property taxes in formal or informal proceedings before the Governmental Agency imposing such real property taxes; provided, however, that real property taxes shall in no event include Landlord's general income, inheritance, estate, gift or franchise taxes.

ee. "Rent" means Minimum Monthly Rent, as adjusted from time to time under thisation, Additional Rent, Prepaid Rent, Security Deposit, all as defined in this Section. Changes of Tenant's Share of increases in Real Property Taxes and Operating Costs, insurance, utilities and other charges payable by Tenant to Landlord.

ff. "Rentable square feet of space" as to the Premises or the Building, as the case may be, means the number of usable square feet of space times the applicable R/U Ratio(s) as defined in this Section.

gg. "Restoration" means the reconstruction, rebuilding, rehabilitation and repairs that are necessary to return damaged portions of the Premises and the Building to substantially the same physical condition as they were in immediately before the damage.

hh. "R/U Ratio" means the rentable area of a floor of the Building divided by the usable area of such floor, both of which shall be computed in accordance with American National Standard Z65.1-1996 Method of Measuring Floor Space in Office Buildings as published by the Building Owners and Managers Association, as amended from time to time.

ii. "Substantially complete" or "substantially completed" or "substantial completion" means the completion of Landlord's construction obligation, subject to completion or correction of "punch list" items, that is, minor items of incomplete or defective work or materials or mechanical maladjustments that are of such a nature that they do not materially interfere with or impair Tenant's use of the Premises for the Permitted Use.

jj. "Successor" means assignee, transferee, personal representative, heir, or other person or entity succeeding lawfully, and pursuant to the provisions of this Lease, to the rights or obligations of either party.

kk. "Tenant Improvements" means (i) the improvements and alterations set forth in Exhibit C, (ii) window coverings, lighting fixtures, plumbing fixtures, cabinetry and other fixtures installed by either Landlord or Tenant at any time during the Term, and (iii) any improvements and alterations of the Premises made for Tenant by Landlord at any time during the Term.

ll. "Tenant's personal property" means Tenant's equipment, furniture, and movable property placed in the Premises by Tenant.

mm. "Tenant's trade fixtures" means any property attached to the Premises by Tenant.

nn. "Termination" means the ending of the Term for any reason before expiration, as defined in this Section.

oo. "Work" means the construction of any improvements or alterations or the performance of any repairs done by Tenant or caused to be done by Tenant on the Premises as permitted by this Lease.


a. Entire Agreement. This Lease sets forth the entire agreement of the parties as to the subject matter hereof and supersedes all prior discussions and understandings between them. This Lease may not be amended or rescinded in any manner except by an instrument in writing signed by a duly authorized officer or representative of each party hereto.

b. Governing Law. This Lease shall be governed by, and construed and enforced in accordance with, the laws of the State of Washington.

c. Severability. Should any of the provisions of this Lease be found to be invalid, illegal or unenforceable by any court of competent jurisdiction, such provision shall be stricken and the remainder of this Lease shall nonetheless remain in full force and effect unless striking such provision shall materially alter the intention of the parties.

d. Jurisdiction. In the event any action is brought to enforce any of the provisions of this Lease, the parties agree to be subject to exclusive in
personam jurisdiction in the Superior Court, King County, for the State of Washington or in the United States District Court for the Western District of Washington and agree that in any such action venue shall lie exclusively at Seattle, Washington.

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e. Waiver. No waiver of any right under this Lease shall be effective unless contained in a writing signed by a duly authorized officer or representative of the party sought to be charged with the waiver and no waiver of any right arising from any breach or failure to perform shall be deemed to be a waiver of any future right or of any other right arising under this Lease.

f. Captions. Section captions contained in this Lease are included for convenience only and form no part of the agreement between the parties.

g. Notices. All notices or requests required or permitted under this Lease shall be in writing. If given by Landlord such notices or requests may be personally delivered or sent by certified mail, return receipt requested, postage prepaid. If given by Tenant such notices or requests shall be sent by certified mail, return receipt requested, postage prepaid. Such notices or requests shall be deemed given when so delivered or mailed, irrespective of whether such notice or request is actually received by the addressees. All notices or requests to Landlord shall be sent to Landlord at Landlord's Address for Notice and all notices or requests to Tenant shall be sent to Tenant at Tenant's Address for Notice. Either party may change the address to which notices shall be sent by notice to the other party.

h. Binding Effect. Subject to the provisions of Section 20 captioned "Assignment and Subletting", this Lease shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. No permitted assignment of this Lease or Tenant's rights hereunder shall be effective against Landlord unless and until an executed counterpart of the instrument of assignment shall have been delivered to Landlord and Landlord shall have been furnished with the name and address of the assignee. The term "Tenant" shall be deemed to include the assignee under any such permitted assignment.

i. Effectiveness. This Lease shall not be binding or effective until properly executed and delivered by Landlord and Tenant.

j. Gender and Number. As used in this Lease, the masculine shall include the feminine and neuter, the feminine shall include the masculine and neuter, the neuter shall include the masculine and feminine, the singular shall include the plural and the plural shall include the singular, as the context may require.

k. Time of the Essence. Time is of the essence in the performance of all covenants and conditions in this Lease for which time is a factor.

Dated the date first above written.

Landlord: Tenant:

The City of Seattle, a Washington municipal corporation

Microvision, Inc., a Washington corporation

By_____________________________________        By_______________________________
Dwight Dively                         Its______________________________
Director
Executive Services Department

By_________________________________        By_______________________________
Its________________________________

This Lease has been prepared for submission to you and your attorney. Martin Smith Inc is not authorized to give legal or tax advice. Neither Landlord nor Martin Smith Inc makes any representations or recommendations as to the legal sufficiency, legal effect or tax consequences of this document or any transaction relating thereto. These are questions for your attorney with whom you should consult before signing the document to determine whether your legal rights are adequately protected.

[Notary attached]
Dear [Executive Officer]:

Re: Executive Stock Loan Agreement

The Board of Directors of Microvision, Inc. (the "Company") has granted you the opportunity to borrow funds from the Company, solely for the purpose of exercising your vested options to purchase the common stock of the Company, in accordance with the terms and conditions set forth below.

1. You may borrow an amount not greater than one hundred percent (100%) of your current annual salary.

2. You may elect at any time to exercise your vested stock options using the loan available to you hereunder by:
   (a) Filing a notification of exercise with the Secretary of the Company; and
   (b) Executing a promissory note payable to the Company in the form set forth at Exhibit A hereto in an amount equal to the loan proceeds. Such promissory note shall bear interest at the rate established by the U.S. Department of the Treasury from time to time for the purpose of imputing taxable income under the Internal Revenue Code in relation to low interest or no interest loans, which interest shall be payable annually at the end of the Company's fiscal year.

4. The interest due on your note will be forgiven annually as of December 31 of each year in which you remain employed by the Company through that date. An amount equal to the interest forgiven shall be imputed as income to you pursuant to the Code.

5. Any loans used to exercise stock options granted before October 1, 1997 must be repaid no later than the expiration date of the stock option exercised with the loan proceeds.

6. Any proceeds received upon sale of shares of the Company's stock acquired with the proceeds of a loan hereunder must first be used to satisfy the outstanding loan balance related to such option exercise. Any excess proceeds (other than those required to be withheld for tax purposes) shall be retained to you.

7. If your employment with the Company terminates for any reason, all outstanding loans must be repaid within ninety (90) days of the date of such termination.

8. If you participate in a transaction in which the shares of common stock acquired with the proceeds of a loan made pursuant to this Agreement are exchanged for the shares of stock of another corporation, then any outstanding loan balance shall be due and payable after such exchange on the same terms and conditions as if the stock received in the exchange were the common stock of the company acquired with the proceeds of such loan.

10. Nothing herein contained shall be construed as a contract of employment, nor constitute a guarantee of continued employment with the Company.

Please acknowledge below your agreement to be bound to the terms of this Agreement.

Yours very truly,

MICROVISION, INC.

--------------------------------------
By
Title:

Agreed to:

--------------------------------------
By

--------------------------------------
By
Date

Attachment: Form of Promissory Note
Exhibit 11
MICROVISION, INC.
COMPUTATION OF NET LOSS PER SHARE AND
NET LOSS PER SHARE ASSUMING DILUTION

<table>
<thead>
<tr>
<th></th>
<th>Three months ended June, 1998</th>
<th></th>
<th>Six months ended June, 1998</th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Net loss</td>
<td>$ (2,143,200)</td>
<td>$ (1,175,400)</td>
<td>$ (3,359,700)</td>
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<tr>
<td>Shares used in computing net loss per share and net loss per share assuming dilution:</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Weighted average shares outstanding</td>
<td>5,964,700</td>
<td>5,782,200</td>
<td>5,954,900</td>
<td>5,780,600</td>
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</tbody>
</table>

Net loss per share
(0.40) $ (0.36) $ (0.20) $ (0.56) $ (0.40)

Net loss per share, assuming dilution
(0.40) $ (0.36) $ (0.20) $ (0.56) $ (0.40)
This Schedule contains summary financial information extracted from the unaudited financial statements of Microvision, Inc., for the three month period ended June 30, 1998 and is qualified in its entirety by reference to such financial statements.

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<tr>
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<td>NET-INCOME</td>
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<td>EPS-PRIMARY</td>
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<td>EPS-DILUTED</td>
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