

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

FORM 10-Q

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

For the quarterly period ended September 30, 2021

OR

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

For the transition period from _____ to _____

Commission file number 001-34170



MicroVision, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

91-1600822

(I.R.S. Employer Identification Number)

6244 185th Avenue NE, Suite 100

Redmond, Washington 98052

(Address of Principal Executive Offices, including Zip Code)

(425) 936-6847

(Registrant's Telephone Number, including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.001 par value per share	MVIS	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

YES NO

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NO

The number of shares of the registrant's common stock outstanding as of November 3, 2021 was 164,103,810.

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PART I.

ITEM 1. FINANCIAL STATEMENTS

MicroVision, Inc.
 Condensed Balance Sheets
 (In thousands, except per share data)
 (Unaudited)

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 125,135	\$ 16,862
Inventory	1,182	-
Other current assets	2,780	698
Total current assets	<u>129,097</u>	<u>17,560</u>
Property and equipment, net	2,780	1,883
Operating lease right-of-use asset	652	946
Restricted cash	435	435
Intangible assets, net	127	164
Other assets	974	18
Total assets	<u>\$ 134,065</u>	<u>\$ 21,006</u>
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable	\$ 1,394	\$ 630
Accrued liabilities	885	495
Contract liabilities	5,822	7,765
Other current liabilities	1,884	-
Current portion of long-term debt	685	431
Current portion of operating lease liability	691	676
Current portion of finance lease obligations	23	31
Total current liabilities	<u>11,384</u>	<u>10,028</u>
Long-term debt, net of current portion	-	1,151
Operating lease liability, net of current portion	307	774
Finance lease obligations, net of current portion	27	44
Total liabilities	<u>11,718</u>	<u>11,997</u>
Commitments and contingencies (Note 9)		
Shareholders' equity		
Preferred stock, par value \$0.001; 25,000 shares authorized; no and no shares issued and outstanding	-	-
Common stock, par value \$0.001; 210,000 shares authorized; 164,104 and 152,926 shares issued and outstanding at September 30, 2021 and December 31, 2020, respectively	164	153
Additional paid-in capital	738,991	601,224
Subscriptions receivable	-	(6,135)
Accumulated deficit	(616,808)	(586,233)
Total shareholders' equity	<u>122,347</u>	<u>9,009</u>
Total liabilities and shareholders' equity	<u>\$ 134,065</u>	<u>\$ 21,006</u>

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

MicroVision, Inc.
Condensed Statements of Operations
(In thousands, except per share data)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Product revenue	\$ -	\$ 100	\$ -	\$ 1,347
License and royalty revenue	718	539	1,943	1,323
Contract revenue	-	-	-	25
Total revenue	<u>718</u>	<u>639</u>	<u>1,943</u>	<u>2,695</u>
Cost of product revenue	(10)	-	(46)	1,394
Cost of contract revenue	-	-	-	4
Total cost of revenue	<u>(10)</u>	<u>-</u>	<u>(46)</u>	<u>1,398</u>
Gross profit	<u>728</u>	<u>639</u>	<u>1,989</u>	<u>1,297</u>
Research and development expense	5,791	1,972	17,629	7,262
Sales, marketing, general and administrative expense	5,006	1,485	15,608	4,536
Gain on disposal of fixed assets	-	-	-	(450)
Total operating expenses	<u>10,797</u>	<u>3,457</u>	<u>33,237</u>	<u>11,348</u>
Loss from operations	(10,069)	(2,818)	(31,248)	(10,051)
Gain on debt extinguishment	692	-	692	-
Other expenses, net	<u>(5)</u>	<u>(8)</u>	<u>(19)</u>	<u>(13)</u>
Net loss	<u>\$ (9,382)</u>	<u>\$ (2,826)</u>	<u>\$ (30,575)</u>	<u>\$ (10,064)</u>
Net loss per share - basic and diluted	<u>\$ (0.06)</u>	<u>\$ (0.02)</u>	<u>\$ (0.19)</u>	<u>\$ (0.07)</u>
Weighted-average shares outstanding - basic and diluted	<u>163,985</u>	<u>143,685</u>	<u>159,452</u>	<u>137,027</u>

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

MicroVision, Inc.
Condensed Statements of Shareholders' Equity (Deficit)
(In thousands)
(Unaudited)

	Common Stock		Additional paid-in capital	Subscriptions receivable	Accumulated deficit	Total shareholders' equity (deficit)
	Shares	Par value				
Balance at June 30, 2021	163,960	\$ 164	\$ 736,159	\$ -	\$ (607,426)	\$ 128,897
Share-based compensation expense	95	-	2,810	-	-	2,810
Exercise of options	49	-	30	-	-	30
Sales of common stock	-	-	(8)	-	-	(8)
Net loss	-	-	-	-	(9,382)	(9,382)
Balance at September 30, 2021	164,104	\$ 164	\$ 738,991	\$ -	\$ (616,808)	\$ 122,347
Balance at January 1, 2021	152,926	\$ 153	\$ 601,224	\$ (6,135)	\$ (586,233)	\$ 9,009
Share-based compensation expense	2,235	2	12,343	-	-	12,345
Exercise of options	1,389	1	2,539	-	-	2,540
Sales of common stock	7,554	8	122,885	6,135	-	129,028
Net loss	-	-	-	-	(30,575)	(30,575)
Balance at September 30, 2021	164,104	\$ 164	\$ 738,991	\$ -	\$ (616,808)	\$ 122,347
Balance at June 30, 2020	143,433	\$ 143	\$ 577,172	\$ -	\$ (579,837)	\$ (2,522)
Share-based compensation expense	-	-	449	-	-	449
Exercise of options	98	-	104	-	-	104
Sales of common stock	375	1	601	-	-	602
Net loss	-	-	-	-	(2,826)	(2,826)
Balance at September 30, 2020	143,906	\$ 144	\$ 578,326	\$ -	\$ (582,663)	\$ (4,193)
Balance at January 1, 2020	125,803	\$ 126	\$ 568,496	\$ -	\$ (572,599)	\$ (3,977)
Share-based compensation expense	201	-	793	-	-	793
Exercise of options	102	-	107	-	-	107
Sales of common stock	17,800	18	8,930	-	-	8,948
Net loss	-	-	-	-	(10,064)	(10,064)
Balance at September 30, 2020	143,906	\$ 144	\$ 578,326	\$ -	\$ (582,663)	\$ (4,193)

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

MicroVision, Inc.
Condensed Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2021	2020
Cash flows from operating activities		
Net loss	\$ (30,575)	\$ (10,064)
Adjustments to reconcile net loss to net cash used in operations:		
Depreciation and amortization	1,040	726
Impairment of property and equipment	664	-
Gain on disposal of property and equipment	-	(450)
Share-based compensation expense	12,345	839
Non-cash interest expense	(10)	7
Inventory write-downs	-	168
Gain on extinguishment of debt	(692)	-
Change in:		
Accounts receivable, net	-	1,079
Inventory	(1,182)	24
Other current and non-current assets	(3,038)	104
Accounts payable	573	(340)
Accrued liabilities	390	(1,750)
Deferred revenue	-	(21)
Contract liabilities and other current liabilities	(59)	(1,678)
Operating lease liabilities	(506)	(491)
Other long-term liabilities	(195)	-
Net cash used in operating activities	(21,245)	(11,847)
Cash flows from investing activities		
Proceeds on sale of property and equipment	-	525
Purchases of property and equipment	(2,034)	(94)
Net cash provided by (used in) investing activities	(2,034)	431
Cash flows from financing activities		
Principal payments under finance leases	(25)	(19)
Increase in long-term debt	-	1,571
Payments received on subscriptions receivable	6,135	-
Net proceeds from issuance of common stock	125,442	9,054
Net cash provided by financing activities	131,552	10,606
Change in cash, cash equivalents, and restricted cash	108,273	(810)
Cash, cash equivalents, and restricted cash at beginning of period	17,297	6,272
Cash, cash equivalents, and restricted cash at end of period	\$ 125,570	\$ 5,462
Supplemental schedule of non-cash investing and financing activities		
Non-cash additions to property and equipment	\$ 298	\$ 19

The following table provides a reconciliation of the cash, cash equivalents, and restricted cash balances as of September 30, 2021 and December 31, 2020:

	September 30, 2021	December 31, 2020
Cash and cash equivalents	\$ 125,135	\$ 16,862
Restricted cash	435	435
Cash, cash equivalents and restricted cash	\$ 125,570	\$ 17,297

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

MicroVision, Inc.
Notes to Condensed Financial Statements
(Unaudited)

1. MANAGEMENT'S STATEMENT

The Condensed Balance Sheets as of September 30, 2021, the Condensed Statements of Operations and the Condensed Statements of Shareholders' Equity (Deficit) for the three and nine months ended September 30, 2021 and 2020, and the Condensed Statements of Cash Flows for the nine months ended September 30, 2021 and 2020, have been prepared by MicroVision, Inc. ("we" or "our") and have not been audited. In the opinion of management, all adjustments necessary to state fairly the financial position at September 30, 2021 and the results of operations and cash flows for all periods presented have been made and consist of normal recurring adjustments. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules of the Securities and Exchange Commission (SEC). The year-end condensed balance sheet data was derived from audited financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America. You should read these condensed financial statements in conjunction with the financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020. The results of operations for the three and nine months ended September 30, 2021 are not necessarily indicative of the operating results that may be attained for the entire fiscal year.

We are focused on increasing the value of the Company by completing development of our 1st Generation Long Range Lidar (LRL) module to a level that it would be ready to scale in the market. We believe our technology and designs for automotive lidar can be successful in the market, and we expect our solutions to have features and performance that exceed those of competitors and will provide a sustainable strategic advantage in the market.

For the past few years, our strategy has been to sell Augmented Reality (AR) displays or components, Interactive Displays, or Consumer Lidars to original equipment manufacturers (OEMs) and original design manufacturers (ODMs) for incorporation into their products. However, while we do have a customer for one of these products which generates royalty income, the volume of sales and resulting royalties from that product are not significant, and we have been unable to secure additional customers to launch one of our products. As a result, in February 2020, we began seeking strategic alternatives while continuing to develop our 1st Generation Long Range Lidar module.

We have incurred significant losses since inception. We have funded our operations to date primarily through the sale of common stock, convertible preferred stock, warrants, the issuance of convertible debt and, to a lesser extent, from development contract revenues, product sales and licensing activities.

At September 30, 2021, we had \$125.1 million in cash and cash equivalents. Based on our current operating plan, we anticipate that we have sufficient cash and cash equivalents to fund our operations for at least the next 12 months.

2. NET LOSS PER SHARE

Basic net loss per share is calculated using the weighted-average number of common shares outstanding during the period. Net loss per share, assuming dilution, is calculated using the weighted-average number of common shares outstanding and the dilutive effect of all potentially dilutive securities, including common stock equivalents and convertible securities. Net loss per share, assuming dilution, is equal to basic net loss per share because the effect of dilutive securities outstanding during the period, including options and warrants computed using the treasury stock method, is anti-dilutive.

The components of basic and diluted net loss per share were as follows (in thousands, except loss per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Numerator:				
Net loss available for common shareholders - basic and diluted	\$ (9,382)	\$ (2,826)	\$ (30,575)	\$ (10,064)
Denominator:				
Weighted-average common shares outstanding - basic and diluted	163,985	143,685	159,452	137,027
Net loss per share - basic and diluted	\$ (0.06)	\$ (0.02)	\$ (0.19)	\$ (0.07)

For the three and nine months ended September 30, 2021 and 2020, we excluded the following securities from net loss per share as the effect of including them would have been anti-dilutive: outstanding options exercisable into a total of 1,712,000 and 3,906,000 shares of common stock, respectively, and 2,553,000 and 2,001,000 nonvested restricted and performance stock units, respectively.

3. LONG-TERM CONTRACTS

In May 2018, we signed a five-year license agreement with Sharp Corporation granting them exclusive license to our laser beam scanning (LBS) technology for display-only applications. The agreement includes an initial exclusivity period with requirements that must be met in order to maintain exclusivity. Because of the impact of COVID-19 on global commerce and new product introductions of consumer electronic devices, in February 2021 the agreement was amended to increase the term to six years and add twelve months to the initial exclusivity period. If this licensee acquires a customer, the agreement requires the licensee to buy specific components from us. The exclusivity period is scheduled to end in the fourth quarter of 2021.

4. REVENUE RECOGNITION

The following is a description of principal activities from which we generate revenue. Revenues are recognized when control of the promised goods or services are transferred to our customers, in an amount that reflects the consideration that we expect to receive in exchange for those goods or services. We generate all of our revenue from contracts with customers.

We evaluate contracts based on the 5-step model as stated in Topic 606 as follows: (i) identify the contract, (ii) identify the performance obligations, (iii) determine the transaction price, (iv) allocate the transaction price, and (v) recognize revenue when (or as) performance obligations are satisfied.

A contract contains a promise (or promises) to transfer goods or services to a customer. A performance obligation is a promise (or a group of promises) that is distinct, as defined in the revenue standard.

The transaction price is the amount of consideration an entity expects to be entitled to from a customer in exchange for providing the goods or services. A number of factors should be considered to determine the transaction price, including whether there is variable consideration, a significant financing component, noncash consideration, or amounts payable to the customer. The determination of variable consideration will require a significant amount of judgment. In estimating the transaction price we will use either the expected value method or the most likely amount method.

The transaction price is allocated to the separate performance obligations in the contract based on relative standalone selling prices. Determining the relative standalone selling price can be challenging when goods or services are not sold on a standalone basis. The revenue standard sets out several methods that can be used to estimate a standalone selling price when one is not directly observable. Allocating discounts and variable consideration must also be considered. Allocating the transaction price can require significant judgement on our part.

Revenue is recognized when (or as) the customer obtains control of the good or service/performance obligations are satisfied. Topic 606 provides guidance to help determine if a performance obligation is satisfied at a point in time or over time. Where a performance obligation is satisfied over time, the related revenue is also recognized over time.

Disaggregation of revenue

The following table provides information about disaggregated revenue by timing of revenue recognition (in thousands):

	Three Months Ended September 30, 2021			
	Product revenue	License and royalty revenue	Contract revenue	Total
Timing of revenue recognition:				
Products transferred at a point in time	\$ -	\$ 718	\$ -	\$ 718
Product and services transferred over time	-	-	-	-
Total	<u>\$ -</u>	<u>\$ 718</u>	<u>\$ -</u>	<u>\$ 718</u>

	Nine Months ended September 30, 2021			
	Product revenue	License and royalty revenue	Contract revenue	Total
Timing of revenue recognition:				
Products transferred at a point in time	\$ -	\$ 1,943	\$ -	\$ 1,943
Product and services transferred over time	-	-	-	-
Total	<u>\$ -</u>	<u>\$ 1,943</u>	<u>\$ -</u>	<u>\$ 1,943</u>

	Three Months Ended September 30, 2020			
	Product revenue	License and royalty revenue	Contract revenue	Total
Timing of revenue recognition:				
Products transferred at a point in time	\$ 100	\$ 539	\$ -	\$ 639
Product and services transferred over time	-	-	-	-
Total	<u>\$ 100</u>	<u>\$ 539</u>	<u>\$ -</u>	<u>\$ 639</u>

	Nine Months ended September 30, 2020			
	Product revenue	License and royalty revenue	Contract revenue	Total
Timing of revenue recognition:				
Products transferred at a point in time	\$ 1,347	\$ 1,323	\$ 4	\$ 2,674
Product and services transferred over time	-	-	21	21
Total	<u>\$ 1,347</u>	<u>\$ 1,323</u>	<u>\$ 25</u>	<u>\$ 2,695</u>

Contract balances

Under Topic 606, our rights to consideration are presented separately depending on whether those rights are conditional or unconditional. We present our unconditional rights to consideration as “accounts receivable” in our Balance Sheet.

Significant changes in the contract assets and the contract liabilities balances during the period are as follows (in thousands, except percentages):

	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Contract assets	\$ -	\$ -	\$ -	-
Contract liabilities	(5,822)	(7,765)	1,943	(25.0)
Net contract assets (liabilities)	<u>\$ (5,822)</u>	<u>\$ (7,765)</u>	<u>\$ 1,943</u>	<u>(25.0)</u>

In April 2017, we signed a contract with Microsoft Corporation to develop an LBS display system. Under the agreement, we received an upfront payment of \$10.0 million. As of December 31, 2020, we had applied \$2.2 million against the contract liability. During the three and nine months ended September 30, 2021, we applied \$718,000 and \$1.9 million, respectively, against the contract liability with this customer.

Contract acquisition costs

We are required to capitalize certain contract acquisition costs consisting primarily of commissions paid when contracts are signed. We currently do not pay any commissions upon the signing of a contract; therefore, no commission cost has been incurred as of September 30, 2021.

Transaction price allocated to the remaining performance obligations

The following table includes estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The \$10.0 million upfront payment received from our customer as noted above was being recognized as revenue as component sales were transferred to the customer. Under the arrangement reached in March 2020, the royalties we expect to earn will be applied against the remaining prepayment. We expect to apply an additional \$582,000 during the remainder of 2021 and \$2.5 million during 2022, and this amount is included in revenue below. Because there is uncertainty about the timing of the application of the remainder of the contract liability, it has been excluded from future estimated revenue in the table below. The \$5.8 million contract liability is classified as a current liability on our balance sheet. It is likely that recognition of revenue may extend beyond the next twelve months.

The following table provides information about the estimated timing of revenue recognition (in thousands):

	<u>Remainder of 2021</u>	<u>2022</u>
License and royalty revenue	\$ 582	\$ 2,500

5. CONCENTRATION OF CREDIT RISK AND MAJOR CUSTOMERS AND SUPPLIERS

Concentration of credit risk

Financial instruments that potentially subject us to a concentration of credit risk are primarily cash equivalents and accounts receivable. We typically do not require collateral from our customers. As of September 30, 2021, our cash and cash equivalents are comprised of operating checking accounts and short-term highly rated money market savings accounts.

Concentration of major customers and suppliers

For the three and nine months ended September 30, 2021, one customer, Microsoft Corporation, accounted for \$718,000 and \$1.9 million in revenue, respectively, representing 100% of our total revenue, for each period. For the three and nine months ended September 30, 2020, the same customer accounted for \$539,000 and \$2.6 million in revenue, respectively, representing 84% and 96% of our total revenue, respectively.

Typically, a significant concentration of our components and the products we have sold are manufactured and obtained from single or limited-source suppliers. The loss of any single or limited-source supplier, the failure of any of these suppliers to perform as expected, or the disruption in the supply chain of components from these suppliers could subject us to risks and uncertainties including, but not limited to, increased cost of sales, possible loss of revenues, or significant delays in product development or product deliveries, any of which could adversely affect our financial condition and operating results.

6. INVENTORY

Inventory consists of the following:

<i>(in thousands)</i>	September 30, 2021	December 31, 2020
Raw materials	\$ 1,182	\$ -
Finished goods	-	-
	<u>\$ 1,182</u>	<u>\$ -</u>

Inventory consists of raw materials and finished goods assemblies. Inventory is computed using the first-in, first-out (FIFO) method and is stated at the lower of cost and net realizable value. Management periodically assesses the need to account for obsolescence of inventory and adjusts the carrying value of inventory to its net realizable value when required.

7. SHARE-BASED COMPENSATION

We issue share-based compensation to employees in the form of stock options, restricted stock units (RSUs), and performance stock units (PSUs). We account for the share-based awards by recognizing the fair value of share-based compensation expense on a straight-line basis over the service period of the award, net of estimated forfeitures. The fair value of stock options is estimated on the grant date using the Black-Scholes option pricing model. The fair value of RSUs and non-executive PSUs is based on the closing price of our common stock on the grant date. Executive PSUs are valued using a binomial option pricing model using the following inputs: stock price, volatility, and risk-free interest rates. Changes in estimated inputs or using other option valuation methods may result in materially different option values and share-based compensation expense.

The following table summarizes the amount of share-based compensation expense by line item on the statements of operations:

Share-based compensation expense

<i>(in thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Research and development expense	\$ 1,371	\$ 291	\$ 4,758	\$ 433
Sales, marketing, general and administrative expense	1,439	159	7,587	406
	<u>\$ 2,810</u>	<u>\$ 450</u>	<u>\$ 12,345</u>	<u>\$ 839</u>

Options activity and positions

The following table summarizes shares, weighted-average exercise price, weighted-average remaining contractual term and aggregate intrinsic value of options outstanding and options exercisable as of September 30, 2021:

Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding as of September 30, 2021	1,712,000	\$ 1.31	6.5	\$ 16,689,000
Exercisable as of September 30, 2021	1,351,000	\$ 1.49	6.1	\$ 12,942,000

As of September 30, 2021, our unrecognized share-based employee compensation related to stock options was \$103,000 which we plan to expense over the next 0.8 years.

Restricted stock activity and positions

The following table summarizes activity and positions with respect to RSUs and PSUs for the nine months ended September 30, 2021:

	<u>Shares</u>	<u>Weighted-average price</u>
Unvested as of December 31, 2020	1,983,000	\$ 0.76
Granted	3,937,000	13.21
Vested	(2,250,000)	2.99
Forfeited	(1,117,000)	12.16
Unvested as of September 30, 2021	<u>2,553,000</u>	<u>\$ 13.01</u>

As of September 30, 2021, our unrecognized share-based compensation related to RSUs was \$26.0 million which we plan to expense over the next 2.5 years and our unrecognized share-based compensation related to the non-executive PSUs was \$1.2 million, which we plan to expense over the next 1.0 years.

8. LEASES

We lease our office space and certain equipment under finance and operating leases. Our leases have remaining lease terms of one to two years. Our office lease agreement includes both lease and non-lease components, which are accounted for separately. Our finance leases contain options to purchase the leased property. The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless we are reasonably certain to exercise the purchase option.

In September 2021, we entered into an office lease with Redmond East Office Park LLC, a Washington limited liability company, pursuant to which we will lease approximately 16,681 square feet of space located in Redmond, Washington that we will use primarily for general office space and product testing. The lease provides for an initial term of 128 months commencing November 1, 2021. Pursuant to the lease, annual base rent will be approximately \$500,000 for the first year and is subject to annual increases of 3.0%. In addition to base rent, we will pay additional rent comprised of our proportionate share of any operating expenses, real estate taxes, and management fees. We have the option to extend the term for one ten-year renewal period, provided that the rent would be subject to market adjustment at the beginning of the renewal term. The total minimum lease payments related to this forward-starting lease are \$6.4 million.

In September 2021, we entered into a second office lease with Redmond East Office Park LLC, pursuant to which we will lease approximately 36,062 square feet of space located in Redmond, Washington that we will use primarily for general office and lab space. The lease provides for an initial term of 120 months with a target commencement date of July 1, 2022. Pursuant to the lease, annual base rent will be approximately \$1.1 million for the first year and is subject to annual increases of 3.0%. In addition to base rent, we will pay additional rent comprised of our proportionate share of any operating expenses, real estate taxes, and management fees. We have the option to extend the term for one ten-year renewal period, provided that the rent would be subject to market adjustment at the beginning of the renewal term. The total minimum lease payments related to this forward-starting lease are \$13.0 million.

In connection with the effectiveness of the second lease with Redmond East Office Park, we amended our current office lease to provide for early termination intended to coincide with our move into the new 36,062 square feet of space but, in any event, no later than October 31, 2022.

The components of lease expense were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<i>(in thousands)</i>				
Operating lease expense	\$ 116	\$ 116	\$ 348	\$ 348
Finance lease expense:				
Amortization of leased assets	7	6	24	18
Interest on lease liabilities	-	-	2	2
Total finance lease expense	7	6	26	20
Total lease expense	\$ 123	\$ 122	\$ 374	\$ 368

Supplemental cash flow information related to leases was as follows:

	Nine Months Ended September 30,	
	2021	2020
<i>(in thousands)</i>		
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 506	\$ 491
Operating cash flows from finance leases	2	2
Financing cash flows from finance leases	25	19

Supplemental balance sheet information related to leases was as follows:

	September 30,	December 31,
	2021	2020
<i>(in thousands)</i>		
Operating leases		
Operating lease right-of-use assets	\$ 652	\$ 946
Current portion of operating lease liability	691	676
Operating lease liability, net of current portion	307	774
Total operating lease liabilities	\$ 998	\$ 1,450
Finance leases		
Property and equipment, at cost	\$ 112	\$ 112
Accumulated depreciation	(49)	(28)
Property and equipment, net	\$ 63	\$ 84
Current portion of finance lease obligations	\$ 23	\$ 31
Finance lease obligations, net of current portion	27	44
Total finance lease liabilities	\$ 50	\$ 75
Weighted Average Remaining Lease Term		
Operating leases	1.5 years	2.3 years
Finance leases	1.3 years	2.0 years
Weighted Average Discount Rate		
Operating leases	6.0%	6.0%
Finance leases	6.3%	6.3%

As of September 30, 2021, maturities of lease liabilities were as follows:

(in thousands)

Years Ended December 31,	Operating leases	Finance leases
2021	\$ 170	\$ 6
2022	696	26
2023	175	21
2024	-	-
Thereafter	-	-
Total minimum lease payments	<u>1,041</u>	<u>53</u>
Less: amount representing interest	(43)	(3)
Present value of capital lease liabilities	<u>\$ 998</u>	<u>\$ 50</u>

9. COMMITMENTS AND CONTINGENCIES

Litigation

We are subject to various claims and pending or threatened lawsuits in the normal course of business. We are not currently party to any legal proceedings that management believes are reasonably possible to have a material adverse effect on our financial position, results of operations or cash flows.

10. COMMON STOCK

In June 2021, we entered into a \$140.0 million ATM equity offering agreement with Craig-Hallum. Under the agreement we are able, at our discretion, to offer and sell shares of our common stock having an aggregate value of up to \$140.0 million through Craig-Hallum. As of September 30, 2021, we had issued 4.0 million shares of our common stock for net proceeds of \$67.8 million under this ATM agreement. There were no transactions under this agreement in the third quarter of 2021.

In February 2021, we entered into a \$50.0 million ATM equity offering agreement with Craig-Hallum. Under the agreement we were able, at our discretion, to offer and sell shares of our common stock having an aggregate value of up to \$50.0 million through Craig-Hallum. We issued 2.5 million shares of our common stock for net proceeds of \$48.8 million under this ATM agreement. No further shares are available for sales under this agreement.

In December 2020, we entered into a \$13.0 million ATM equity offering agreement with Craig-Hallum. Under the agreement we were able, from time to time, at our discretion to offer and sell shares of our common stock having an aggregate value of up to \$13.0 million through Craig-Hallum. As of December 31, 2020, we had issued 1.0 million shares for net proceeds of \$6.1 million that was received in January 2021. The \$6.1 million was classified as subscriptions receivable on our December 31, 2020 balance sheet and is not included in the cash balance as of December 31, 2020. In January 2021, we issued 1.1 million shares of our common stock for net proceeds of \$6.6 million under the agreement. In total, we issued 2.1 million shares of our common stock for net proceeds of \$12.7 million under this ATM agreement. No further shares are available for sales under this agreement.

In November 2020, we entered into a \$10.0 million ATM equity offering agreement with Craig-Hallum Capital Group. Under the agreement we were able, from time to time, at our discretion to offer and sell shares of our common stock having an aggregate value of up to \$10.0 million through Craig-Hallum. As of December 31, 2020, we had completed sales under such sales agreement, having sold 4.9 million shares for net proceeds of \$9.6 million.

In December 2019, we entered into a Common Stock Purchase Agreement with Lincoln Park granting us the right to sell shares of our common stock having an aggregate value of up to \$16.0 million. Under the terms of the agreement, Lincoln Park made an initial purchase of 1.5 million shares of common stock for \$1.0 million at a purchase price of \$0.6531 per share. Subject to various limitations and conditions set forth in the agreement, we were able to sell up to an additional \$15.0 million in shares of common stock, from time to time, at our sole discretion to Lincoln Park over a 24-month period beginning December 2019. In consideration for entering into the agreement, we issued 375,000 shares of our common stock, having a value of \$277,000, based on the closing stock price at the date of grant, to Lincoln Park as a commitment fee. We incurred an additional \$90,000 in issuance costs. As of December 31, 2020, we had completed sales under such sales agreement, having sold 22.2 million shares for net proceeds of \$15.6 million.

11. LONG-TERM DEBT

In April 2020, we received funds in the amount of approximately \$1.6 million pursuant to a loan under the Paycheck Protection Program of the 2020 CARES Act (PPP) administered by the Small Business Administration. The loan has an interest rate of 0.98% and a term of 24 months. Due to an extension of the program, no payments were due until August 2021, although interest accrued during that period. Thereafter, the loan was repayable in monthly installments over the next 9 months to retire the loan plus accrued interest. Funds from the loan could only be used for certain purposes, including payroll, benefits, rent and utilities, and a portion of the loan used to pay certain costs was forgivable, all as provided by the terms of the PPP. The CARES Act provided that the forgivable portion of the PPP loan could be reduced if the borrower reduced full-time equivalent employees during the covered period as compared to a base period. As of December 31, 2020, all of the funds received under the PPP had been used for qualified purposes. We applied for and, in July 2021, received partial forgiveness of the loan of approximately \$690,000 in accordance with PPP guidelines. The forgiveness was recorded in our financial statements in the third quarter of 2021 as a gain on debt extinguishment. The loan is evidenced by a promissory note, which contains customary events of default relating to, among other things, payment defaults and breaches of representations and warranties. We may prepay the loan at any time prior to maturity with no prepayment penalties.

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

Forward-looking statements

The information set forth in this report in Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Item 3, "Quantitative and Qualitative Disclosures about Market Risk," includes "Forward-Looking Statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is subject to the safe harbor created by those sections. Such statements may include, but are not limited to, projections of revenues, income or loss, capital expenditures, plans for product development and cooperative arrangements, technology development by third parties, future operations, financing needs or plans of MicroVision, Inc. ("we," "our," or "us"), as well as assumptions relating to the foregoing. The words "anticipate," "could," "would," "believe," "estimate," "expect," "goal," "may," "plan," "project," "will," and similar expressions identify forward-looking statements. Factors that could cause actual results to differ materially from those projected in our forward-looking statements include risk factors identified below in Item 1A.

Overview

MicroVision, Inc. is developing a lidar sensor to be used in automotive safety and autonomous driving applications. Our lidar sensor uses our pioneering laser beam scanning (LBS) technology. Our LBS technology is based on our patented expertise in systems that include micro-electrical mechanical systems (MEMS), laser diodes, opto-mechanics, electronics, algorithms and software and how those elements are packaged into a small form factor. Our lidar sensor also utilizes edge computing and machine intelligence as part of the solution. Though automotive lidar is our current priority, we have also developed solutions for Augmented Reality (AR), Interactive Displays, and Consumer Lidars.

We are developing our 1st generation lidar sensor, which we call Long Range Lidar (LRL), for OEMs and Tier 1 automotive suppliers to be incorporated into automotive active collision avoidance systems and autonomous driving vehicles. This product may also be targeted for sales to technology companies focused on Mobility as a Service (MaaS), which are currently major users of automotive lidar sensors.

We believe our technology and designs for automotive lidar can be successful in the market and expect our solutions to have features and performance that exceed market expectations and competitive products and that will provide us several sustainable strategic advantages in the market. In April 2021 we completed our A-Sample LRL module. During the third quarter of 2021, we tested our A-Sample hardware on an outdoor track, and we demonstrated the module at a significant trade show in Munich, Germany. We are continuing to develop the LRL module to improve and refine its features.

In addition to our automotive lidar sensor, in prior years we developed micro-display concepts and designs for use in head-mounted AR headsets and developed a 1440i MEMS module that can support AR headsets. We also developed a display solution targeted at the smart speakers market, which we call an Interactive Display module. This display is designed to project onto a countertop, tabletop or a wall from inside a smart speaker. The user can then touch the projected image on any surface on which the display is visible and it will behave like a touchscreen, as on a tablet or smartphone. Lastly, we developed a small lidar sensor, which we call Consumer Lidar, for use indoors with smart home systems. This allows for a smart home system to understand what is happening in the home and then enable the smart home to respond in an appropriate way.

For the past few years, our strategy has been to sell AR displays or components, Interactive Displays, or Consumer Lidars to OEMs and ODMs for incorporation into their products. Currently, our sole customer is Microsoft Corporation. Our arrangement with this customer generates royalty income; however, the volume of sales and resulting royalties from that arrangement are not significant. In the recent past, we have been unable to secure additional customers to launch one of our products.

As a result, in February 2020, we began seeking strategic alternatives while continuing to develop our 1st Generation Long Range Lidar module. We currently have no agreements or commitments to engage in any specific strategic transactions.

We have incurred substantial losses since inception, and we expect to incur a significant loss during the fiscal year ending December 31, 2021.

Impact of COVID-19 on Our Business

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic, which continues to be spread throughout the United States and the world. The impact from the COVID-19 outbreak is uncertain and may impact our business and results of operations and could impact our financial condition in the future. We are unable to accurately predict the full impact that COVID-19 may have due to numerous uncertainties, including the severity, duration and spread of the outbreak, and actions that may be taken by governmental authorities.

Several of the suppliers of components in our LBS modules have experienced closures or have been operating at reduced capacity, resulting in lower component availability. Continued disruptions to the supply chain could have a material impact on our future operating results.

As a result of the COVID-19 pandemic, including related governmental guidance or directives, some of our office-based employees continue to work remotely. We may experience reductions in productivity and disruptions to our business routines while our hybrid work policy remains in place, or if our employees become ill and are unable to work. This could have an adverse effect on the timing of our development activities.

In April 2020, we received funds in the amount of approximately \$1.6 million pursuant to a loan under the Paycheck Protection Program of the 2020 CARES Act (PPP) administered by the Small Business Administration. The loan has an interest rate of 0.98% and a term of 24 months. Due to an extension of the program, no payments were due until August 2021, although interest accrued during that period. Thereafter, the loan was repayable in monthly installments over the next 9 months to retire the loan plus accrued interest. Funds from the loan could only be used for certain purposes, including payroll, benefits, rent and utilities, and a portion of the loan used to pay certain costs was forgivable, all as provided by the terms of the PPP. The CARES Act provided that the forgivable portion of the PPP loan could be reduced if the borrower reduced full-time equivalent employees during the covered period as compared to a base period. As of December 31, 2020, all of the funds received under the PPP had been used for qualified purposes. We applied for and received partial forgiveness of the loan of approximately \$690,000 in accordance with PPP guidelines. The forgiveness was recorded in our financial statements in the third quarter of 2021. The loan is evidenced by a promissory note, which contains customary events of default relating to, among other things, payment defaults and breaches of representations and warranties. We may prepay the loan at any time prior to maturity with no prepayment penalties.

Key accounting policies and estimates

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that materially affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent liabilities. We evaluate our estimates on a continuous basis. We base our estimates on historical data, terms of existing contracts, our evaluation of trends in the consumer display and 3D sensing industries, information provided by our current and prospective customers and strategic partners, information available from other outside sources and on various other assumptions we believe to be reasonable under the circumstances. The results form the basis for making judgments regarding the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. There have been no significant changes to our critical accounting judgments, policies, and estimates as described in our Annual Report on Form 10-K for the year ended December 31, 2020.

Results of operations

Product revenue

(in thousands)

	<u>2021</u>	<u>2020</u>	<u>\$ change</u>	<u>% change</u>
Three Months Ended September 30,	\$ -	\$ 100	\$ (100)	(100.0)
Nine Months ended September 30,	-	1,347	(1,347)	(100.0)

Product revenue is revenue from sales of our products which are LBS modules and their components. Revenue is recognized when control of the goods passes to the customer. Our quarterly product revenue may vary substantially due to the timing of product orders from customers, product shipments, production constraints and availability of components and raw materials.

The decrease in product revenue for the three and nine months ended September 30, 2021 compared to the same periods in 2020 was due to ceasing product shipments in March 2020 in connection with our transfer of production to our customer. From the third quarter of 2019 through the end of February 2020, we produced and sold to the customer components to a high definition display system that we developed for the customer pursuant to a development agreement. The volume and resulting revenue and gross profit from this arrangement was fairly low. Therefore, in March 2020 we transferred production of the components to the customer. Starting in March 2020, instead of recognizing product revenue and the related cost, we earn a royalty from the customer for each unit shipped. Product revenue backlog at September 30, 2021 and 2020 was zero.

License and royalty revenue

<i>(in thousands)</i>	<u>2021</u>	<u>2020</u>	<u>\$ change</u>	<u>% change</u>
Three Months Ended September 30,	\$ 718	\$ 539	\$ 179	33.2
Nine Months ended September 30,	1,943	1,323	620	46.9

License and royalty revenue is revenue under license agreements to our PicoP® scanning technology. We recognize revenue on upfront license fees at a point in time if the nature of the license granted is a right-to-use license, representing functional intellectual property with significant standalone functionality. If the nature of the license granted is a right-to-access license, representing symbolic intellectual property, which excludes significant standalone functionality, we recognize revenue over the period of time we have ongoing obligations under the agreement. We will recognize revenue from sales-based royalties on the basis of the quarterly reports provided by our customer as to the number of royalty-bearing products sold or otherwise distributed. In the event that reports are not received, we will estimate the number of royalty-bearing products sold by our customers.

As described above, in March 2020, our customer took over production of components that we had been producing for them. As a result, beginning in March 2020, we earn a royalty on each component shipped that is approximately equal to the gross profit we would have earned if we had continued to produce and ship the components. The increase in license and royalty revenue for the three and nine months ended September 30, 2021 compared to the same periods in 2020 was primarily due to this change, resulting in revenue from this arrangement being recognized as royalty revenue rather than as product revenue with a related cost of product revenue. As we recognize this revenue, we record a corresponding reduction in the \$10.0 million prepayment that we received from this customer in 2017; accordingly, no cash will be received for this royalty revenue unless and until the prepayment is exhausted.

Contract revenue

<i>(in thousands)</i>	<u>2021</u>	<u>2020</u>	<u>\$ change</u>	<u>% change</u>
Three Months Ended September 30,	\$ -	\$ -	\$ -	-
Nine Months ended September 30,	-	25	(25)	(100.0)

Contract revenue includes revenue from performance on development contracts and the sale of prototype units and evaluation kits based on our PicoP® scanning module. Our contract revenue in a particular period is dependent upon when we enter into a contract, the value of the contracts we have entered into, and the availability of technical resources to perform work on the contracts. We recognize contract revenue either at a point in time, or over time, depending upon the characteristics of the individual contract. If control of the deliverable(s) occur over time, the revenue is recognized in proportion to the transfer of control. If control passes to the customer only upon completion and transfer of the asset, revenue is recognized at the completion of the contract. In contracts that include significant customer acceptance provisions, we recognize revenue only upon acceptance of the deliverable(s).

The decrease in contract revenue during the nine months ended September 30, 2021 compared to the same period in 2020 was attributed to decreased support contract activity with our customer and no prototype shipments. Our contract backlog, including orders for prototype units and evaluation kits, at September 30, 2021 and 2020 was zero.

Cost of product revenue

<i>(in thousands)</i>	<u>2021</u>	<u>% of product revenue</u>	<u>2020</u>	<u>% of product revenue</u>	<u>\$ change</u>	<u>% change</u>
Three Months Ended September 30,	\$ (10)	-	\$ -	-	\$ (10)	-
Nine Months ended September 30,	(46)	-	1,394	103.5	(1,440)	(103.3)

Cost of product revenue includes the direct and allocated indirect costs of products sold to customers. Direct costs include labor, materials, reserves for estimated warranty expenses, and other costs incurred directly, or charged to us by our contract manufacturers, in the manufacture of these products. Indirect costs include labor, manufacturing overhead, and other costs associated with operating our manufacturing capabilities and capacity. Manufacturing overhead includes the costs of procuring, inspecting and storing material, facility and other costs, and is allocated to cost of product revenue based on the proportion of indirect labor which supported production activities.

Cost of product revenue can fluctuate significantly from period to period, depending on the product mix and volume, the level of manufacturing overhead expense and the volume of direct material purchased. As described above, cost of product revenue was lower during the three and nine months ended September 30, 2021 compared to the same periods in 2020 due to ceasing product shipments to our customer after we transferred production to the customer in March 2020. The credits of \$10,000 and \$46,000 for the three and nine months ending September 30, 2021, respectively, are related to the reversal of accrued warranty liabilities since warranty claims were less than expected. Inventory write-downs of \$168,000 were recorded in the nine months ended September 30, 2020.

Cost of contract revenue

<i>(in thousands)</i>	<u>2021</u>	<u>% of contract revenue</u>	<u>2020</u>	<u>% of contract revenue</u>	<u>\$ change</u>	<u>% change</u>
Three Months Ended September 30,	\$ -	-	\$ -	-	\$ -	-
Nine Months ended September 30,	-	-	4	16.0	(4)	(100.0)

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

The decrease in the cost of contract revenue during the nine months ended September 30, 2021 was primarily attributed to reduced contract activity.

Research and development expense

<i>(in thousands)</i>	<u>2021</u>	<u>2020</u>	<u>\$ change</u>	<u>% change</u>
Three Months Ended September 30,	\$ 5,791	\$ 1,972	\$ 3,819	193.7
Nine Months ended September 30,	17,629	7,262	10,367	142.8

Research and development expense consists of compensation related costs of employees and contractors engaged in internal research and product development activities, direct material to support development programs, laboratory operations, outsourced development and processing work, and other operating expenses. We assign our research and development resources based on the business opportunity of the available projects, the skill mix of the resources available and the contractual commitments we have made to our customers. We believe that a substantial level of continuing research and development expense will be required to further develop our scanning technology.

The increase in research and development expense during the three and nine months ended September 30, 2021 compared to the same periods in 2020 was primarily due to higher non-cash compensation expense and increased headcount and direct material and equipment expenses related to the development of our lidar sensor. Due to changes in our incentive compensation and retention programs, we expect higher non-cash compensation expenses in future periods.

Sales, marketing, general and administrative expense

(in thousands)

	<u>2021</u>	<u>2020</u>	<u>\$ change</u>	<u>% change</u>
Three Months Ended September 30,	\$ 5,006	\$ 1,485	\$ 3,521	237.1
Nine Months ended September 30,	15,608	4,536	11,072	244.1

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

The increase in sales, marketing, general and administrative expense during the three and nine months ended September 30, 2021 compared to the same period in 2020 was primarily attributed to higher non-cash compensation expense and professional services.

Liquidity and capital resources

We have incurred significant losses since inception. We have funded operations to date primarily through the sale of common stock, convertible preferred stock, warrants, the issuance of convertible debt and, to a lesser extent, from development contract revenues, product sales, and licensing activities. At September 30, 2021, we had \$125.1 million in cash and cash equivalents.

Based on our current operating plan, we anticipate that we have sufficient cash and cash equivalents to fund our operations for at least the next 12 months.

Operating activities

Cash used in operating activities totaled \$21.2 million during the nine months ended September 30, 2021 compared to cash used in operating activities of \$11.8 million during the same period in 2020. The change in cash flows from operating activities is primarily attributed to increased operating expenses to support development activities during the nine months ended September 30, 2021 compared to the same period in 2020.

Investing activities

During the nine months ended September 30, 2021, net cash used in investing activities was \$2.0 million compared to net cash provided by investing activities of \$431,000 during the nine months ended September 30, 2020. During the nine months ended September 30, 2020, we sold fixed assets to our customer for \$525,000 as part of our transfer of production of components that we had previously been producing. Purchases of property and equipment during the nine months ended September 30, 2021 and 2020 were \$2.0 million and \$94,000, respectively.

Financing activities

In June 2021, we entered into a \$140.0 million ATM equity offering agreement with Craig-Hallum. Under the agreement we are able, at our discretion, to offer and sell shares of our common stock having an aggregate value of up to \$140.0 million through Craig-Hallum. As of September 30, 2021, we had issued 4.0 million shares of our common stock for net proceeds of \$67.8 million under this ATM agreement. There were no transactions under this agreement in the third quarter of 2021.

In February 2021, we entered into a \$50.0 million ATM equity offering agreement with Craig-Hallum. Under the agreement we were able, at our discretion, to offer and sell shares of our common stock having an aggregate value of up to \$50.0 million through Craig-Hallum. We issued 2.5 million shares of our common stock for net proceeds of \$48.8 million under this ATM agreement. No further shares are available for sales under this agreement.

In December 2020, we entered into a \$13.0 million ATM equity offering agreement with Craig-Hallum. Under the agreement we were able to, from time to time, at our discretion offer and sell shares of our common stock having an aggregate value of up to \$13.0 million through Craig-Hallum. As of December 31, 2020, we had issued 1.0 million shares for net proceeds of \$6.1 million that was received in January 2021. The \$6.1 million was classified as subscriptions receivable on our December 31, 2020 balance sheet and is not included in the cash balance as of December 31, 2020. In January 2021, we issued 1.1 million shares of our common stock for net proceeds of \$6.6 million under the agreement. In total, we issued 2.1 million shares of our common stock for net proceeds of \$12.7 million under this ATM agreement. No further shares are available for sales under this agreement.

In December 2019, we entered into a Common Stock Purchase Agreement with Lincoln Park granting us the right to sell shares of our common stock having an aggregate value of up to \$16.0 million. Under the terms of the agreement, Lincoln Park made an initial purchase of 1.5 million shares of common stock for \$1.0 million at a purchase price of \$0.6531 per share. Subject to various limitations and conditions set forth in the agreement, we may sell up to an additional \$15.0 million in shares of common stock, from time to time, at our sole discretion to Lincoln Park over a 24-month period beginning December 2019. In consideration for entering into the agreement, we issued 375,000 shares of our common stock, having a value of \$277,000, based on the closing stock price at the date of grant, to Lincoln Park as a commitment fee. We incurred an additional \$90,000 in issuance costs. As of December 31, 2020, we had completed sales under such sales agreement, having sold 22.2 million shares for net proceeds of \$15.6 million.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate and market liquidity risk

As of September 30, 2021, all of our cash and cash equivalents have variable interest rates. Therefore, we believe our exposure to market and interest rate risk is not material.

Our investment policy generally directs that the investment manager should select investments to achieve the following goals: principal preservation, adequate liquidity and return. As of September 30, 2021, we had \$125.1 million in cash and cash equivalents, which are comprised of operating checking accounts and short-term, highly rated money market savings accounts.

Foreign exchange rate risk

Our major contract and collaborative research and development agreements, product sales, and licensing activity payments are currently made in U.S. dollars. However, in the future we may enter into contracts or collaborative research and development agreements in foreign currencies that may subject us to foreign exchange rate risk. We have entered into purchase orders and supply agreements in foreign currencies in the past and may enter into such arrangements, from time to time, in the future. We believe our exposure to currency fluctuations related to these arrangements is not material. We may enter into foreign currency hedges to offset material exposure to currency fluctuations when we can adequately determine the timing and amounts of the exposure.

ITEM 4. CONTROLS AND PROCEDURES

Our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended) are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and to ensure that information required to be disclosed is accumulated and communicated to management, including our principal executive and financial officers, to allow timely decisions regarding disclosure.

Under the supervision and with the participation of our management, including the chief executive officer (principal executive officer) and the chief financial officer (principal financial officer), we carried out an evaluation of the effectiveness of our disclosure controls and procedures, as defined in the Exchange Act, as of September 30, 2021.

During the second quarter of 2021, we identified a material weakness in the controls that support the determination of the grant date of equity awards. We have implemented remediation activities to address the material weakness that was identified, including: a) revision of processes for issuance of equity grants, b) definition of documentation requirements for issuing equity grants, and c) training of personnel involved in issuance of equity grants. The material weakness will not be considered remediated until the applicable remedial controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. We expect that the remediation of this material weakness will be completed prior to the end of this fiscal year. As remediation has not yet been completed, our chief executive officer and chief financial officer have concluded that our disclosure controls and procedures continued to be ineffective at a level that provides reasonable assurance as of September 30, 2021.

Other than the remediation activities noted above, there have been no changes in our internal control over financial reporting as of September 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II.

ITEM 1. LEGAL PROCEEDINGS

We are subject to various claims and pending or threatened lawsuits in the normal course of business. We are not currently party to any other legal proceedings that management believes are reasonably possible to have a material adverse effect on our financial position, results of operations or cash flows.

ITEM 1A. RISK FACTORS

You should carefully consider the risks described below together with the other information set forth in this report, which could materially affect our business, financial condition and future results. The risks described below are not the only risks facing our company. Risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and operating results.

Risk Factors Related to Our Business and Industry

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

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

- As of September 30, 2021, we had an accumulated deficit of \$616.8 million.
- We had an accumulated deficit of \$586.2 million from inception through 2020, and a net loss of \$30.6 million during the nine months ended September 30, 2021.

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

We cannot be certain that we will succeed in obtaining additional development revenue or commercializing our technology or products. In light of these factors, we expect to continue to incur significant losses and negative cash flow at least through 2021 and likely thereafter. There is significant risk that we will not achieve positive cash flow at any time in the future.

We were unable to secure a customer to launch one of our module products in 2020, as planned. As a result, we focused our immediate attention on strategic alternatives, including a potential sale or merger of the Company, sale of part of the Company, strategic minority investment, licensing agreement or other transaction. We also focused on developing our lidar sensor for the automotive market. There is substantial risk that these efforts will be unsuccessful. We currently have no agreements or commitments to engage in any specific strategic transactions.

COVID-19 has had an adverse effect on our business, and the future COVID-19 effects on our financial position and business prospects are uncertain.

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic, which continues to be spread throughout the United States and the world. The impact from the COVID-19 outbreak is uncertain and may impact our business and results of operations and could impact our financial condition in the future. We are unable to accurately predict the full impact that COVID-19 may have due to numerous uncertainties, including the severity, duration and spread of the outbreak, and actions that may be taken by governmental authorities.

The adverse impacts of the pandemic on our business and future financial performance could include, but are not limited to:

- our ability to raise additional capital,
- our ability to enter into sales, licensing, strategic transactions, or other agreements,
- our technology development plans and timelines,
- significant declines in revenue or delays in revenue or development efforts due to supply chain disruptions,
- our ability to add manufacturing capabilities in other countries due to travel restrictions and supply chain disruptions, and
- our operating effectiveness resulting from employees working remotely or being ill and unable to work.

We may require additional capital to fund our operations and to implement our business plan. Raising additional capital may dilute the value of current shareholders' shares.

Based on our current operating plan, we anticipate that we have sufficient cash and cash equivalents to fund our operations for at least the next 12 months. We may require additional capital to fund our operating plan past that time. We may seek to obtain additional capital through the issuance of equity or debt securities, product sales and/or licensing activities. There can be no assurance that any such efforts to obtain additional capital would be successful.

We are currently focused on developing our automotive lidar module. This involves introducing new technology into an emerging market which creates significant uncertainty about our ability to accurately project revenue, costs and cash flows. Our capital requirements will depend on many factors, including, but not limited to, the commercial success of our LBS modules, the rate at which OEMs and ODMs introduce products incorporating our LBS technology and the market acceptance and competitive position of such products. If revenues are less than we anticipate, if the mix of revenues and the associated margins vary from anticipated amounts or if expenses exceed the amounts budgeted, we may require additional capital earlier than expected to fund our operations. In addition, our operating plan provides for the development of strategic relationships with suppliers of components, products and systems, and equipment manufacturers that may require additional investments by us.

Additional capital may not be available to us or, if available, may not be available on terms acceptable to us or on a timely basis. Raising additional capital may involve issuing securities with rights and preferences that are senior to our common stock and may dilute the value of our current shareholders' shares. If adequate capital resources are not available on a timely basis, we may consider limiting our operations substantially and we may be unable to continue as a going concern. This limitation of operations could include reducing investments in our research and development projects, staff, operating costs, and capital expenditures which could jeopardize our ability to achieve our business goals or satisfy our customer requirements.

Qualifying a contract manufacturer or foundry for our products could cause us to experience delays that result in lost revenues and damaged customer relationships.

We rely on single or limited-source suppliers to manufacture our products. Establishing a relationship with a contract manufacturer or foundry is a time-consuming process, as our unique technology may require significant manufacturing process adaptation to achieve full manufacturing capacity. Accordingly, we may be unable to establish a relationship with a contract manufacturer at prices or on other terms that are acceptable to us.

Changes in our supply chain may result in increased cost and delay and may subject us to risks and uncertainties regarding, but not limited to, product warranty, product liability and quality control standards. The loss of any single or limited-source supplier, the failure of any of these suppliers to perform as expected or the disruption in the supply chain of components from these suppliers could cause significant delays in product deliveries, which may result in lost revenues and damaged customer relationships. To the extent that we are not able to establish a relationship with a contract manufacturer or foundry in a timely manner, we may be unable to meet contract or production milestones, which could have a material adverse effect on our financial condition, results of operations and cash flows.

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

Our success will depend, in part, on our ability to provide our components and future products in commercial quantities at competitive prices and on schedule. Accordingly, we will be required to obtain and retain access, through business partners or contract manufacturers, to manufacturing capacity and processes for the commercial production of our expected future products.

Our foreign contract manufacturers could experience severe financial difficulties or other disruptions in their business, and such continued supply could be significantly reduced or terminated. In addition, we cannot be certain that we will successfully obtain and retain access to needed manufacturing resources concurrent with a significant increase in our planned production levels. Future manufacturing limitations of our suppliers could constrain the number of products that we are able to develop and produce.

We are dependent on third parties in order to develop, manufacture, sell and market products incorporating our LBS technology, scanning modules, and the scanning module components.

Our business strategy for commercializing our technology in products incorporating LBS technology includes entering into development, manufacturing, licensing, sales and marketing arrangements with OEMs, ODMs and other third parties. These arrangements reduce our level of control over production and distribution and may subject us to risks and uncertainties regarding, but not limited to, product warranty, product liability and quality control standards.

We cannot be certain that we will be able to negotiate arrangements on acceptable terms, if at all, or that these arrangements will be successful in yielding commercially viable products. If we cannot establish these arrangements, we would require additional capital to undertake such activities on our own and would require extensive manufacturing, sales and marketing expertise that we do not currently possess and that may be difficult to obtain.

In addition, we could encounter significant delays in introducing our LBS technology or find that the development, manufacture or sale of products incorporating our technology would not be feasible. To the extent that we enter into development, manufacturing, licensing, sales and marketing or other arrangements, our revenues will depend upon the performance of third parties. We cannot be certain that any such arrangements will be successful.

We cannot be certain that our technology system or products incorporating our LBS technology will achieve market acceptance. If our technology system or products incorporating our technology do not achieve market acceptance, our revenues may not grow.

Our success will depend in part on customer acceptance of our LBS technology. Our technology may not be accepted by manufacturers who use lidar sensing and display technologies in their products, by systems integrators, OEMs, and ODMs who incorporate the scanning module components into their products or by end users of these products. To be accepted, our LBS technology must meet the expectations of our current and potential customers in the consumer electronics, automotive, and other markets. If our technology system or products incorporating our LBS technology do not achieve market acceptance, we may not be able to continue to develop our technology.

Future products incorporating our LBS technology and scanning modules are dependent on advances in technology by other companies.

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

Our revenue is generated from one customer. Our quarterly performance may vary substantially and this variance, as well as general market conditions, may cause our stock price to fluctuate greatly and potentially expose us to litigation.

For the nine months ended September 30, 2021, one customer accounted for \$1.9 million in revenue, representing 100% of our total revenue. For the nine months ended September 30, 2020, the same customer accounted for \$2.6 million in revenue, representing 96% of our total revenue. Generally, our customers take time to obtain, and the loss of a significant customer, in particular our current sole customer, could negatively affect our revenue. Our quarterly operating results may vary significantly based upon:

- Market acceptance of products incorporating our LBS technology;
- Changes in evaluations and recommendations by any securities analysts following our stock or our industry generally;
- Announcements by other companies in our industry;
- Changes in business or regulatory conditions;
- Announcements or implementation by our competitors of technological innovations or new products;
- The status of particular development programs and the timing of performance under specific development agreements;
- Economic and stock market conditions; or
- Other factors unrelated to our company or industry.

In one or more future quarters, our results of operations may fall below the expectations of securities analysts and investors and the trading price of our common stock may decline as a consequence. In addition, following periods of volatility in the market price of a company's securities, shareholders often have instituted securities class action litigation against that company.

If we become involved in a class action suit, it could divert the attention of management and, if adversely determined, could require us to pay substantial damages.

We or our customers may fail to perform under open orders or agreements, which could adversely affect our operating results and cash flows.

We or our customers may be unable to meet the performance requirements and obligations under open orders or agreements, including performance specifications, milestones or delivery dates, required by such purchase orders or agreements. Furthermore, our customers may be unable or unwilling to perform their obligations thereunder on a timely basis, or at all if, among other reasons, our products and technologies do not achieve market acceptance, our customers' products and technologies do not achieve market acceptance or our customers otherwise fail to achieve their operating goals. To the extent we are unable to perform under such purchase orders or agreements or to the extent customers are unable or unwilling to perform, our operating results and cash flows could be adversely affected.

We identified a material weakness in our internal controls.

In the second quarter of 2021, we identified a material weakness in the controls that support our determination of the grant date of equity awards. If not remediated, or if we identify further material weaknesses in our internal controls, our failure to establish and maintain effective disclosure controls and procedures and internal control over financial reporting could result in material misstatements in our financial statements and a failure to meet our reporting obligations. Any such failure could cause investors to lose confidence in the accuracy of our financial reports, harm our reputation and adversely affect the market price of our common stock.

Our stock price has fluctuated in the past, has recently been volatile and may be volatile in the future, and as a result, investors in our common stock could incur substantial losses.

Our stock price has fluctuated in the past, has recently been volatile and may be volatile in the future. During the 12 months prior to the date of this report, our common stock has traded at a low of \$1.52 and a high of \$28.00. From the beginning of 2021 through November 3, 2021, our common stock has traded at a low of \$4.86 and a high of \$28.00. We may incur rapid and substantial decreases in our stock price in the foreseeable future that are unrelated to our operating performance or prospects. For the fiscal year ended December 31, 2020, we incurred a loss per share of \$(0.10).

As a result of this volatility, investors may experience losses on their investment in our common stock. The market price for our common stock may be influenced by many factors, including the following:

- investor reaction to our business strategy;
- the success of competitive products or technologies;
- any developments with respect to our pursuit of strategic alternatives;
- the timing and results of our development efforts with respect to our first generation LRL module;
- changes in regulatory or industry standards applicable to our technologies;
- variations in our financial and operating results or those of companies that are perceived to be similar to us;
- developments concerning our collaborations or partners;
- developments or disputes with any third parties that supply, manufacture, sell or market any of our products;
- developments or disputes concerning patents or other proprietary rights, including patents, litigation matters and our ability to obtain patent protection for our products;
- actual or perceived defects in any of our products, if commercialized, and any related product liability claims;
- our ability or inability to raise additional capital and the terms on which we raise it;
- declines in the market prices of stocks generally;
- trading volume of our common stock;
- sales of our common stock by us or our stockholders;
- general economic, industry and market conditions; and
- other events or factors, including those resulting from such events, or the prospect of such events, including war, terrorism and other international conflicts, public health issues including health epidemics or pandemics, such as the recent outbreak of COVID-19, and natural disasters such as fire, hurricanes, earthquakes, tornados or other adverse weather and climate conditions, whether occurring in the United States or elsewhere, could disrupt our operations, disrupt the operations of our suppliers or result in political or economic instability.

Since the stock price of our common stock has fluctuated in the past, has been recently volatile and may be volatile in the future, investors in our common stock could incur substantial losses. In the past, following periods of volatility in the market, securities class-action litigation has often been instituted against companies. Such litigation, if instituted against us, could result in substantial costs and diversion of management's attention and resources, which could materially and adversely affect our business, financial condition, results of operations and growth prospects. There can be no guarantee that our stock price will remain at current levels or that future sales of our common stock will not be at prices lower than those sold to investors.

Additionally, securities of certain companies have recently experienced significant and extreme volatility in stock price due to short sellers of shares of common stock, known as a "short squeeze." These short squeezes have caused extreme volatility in both the stock prices of those companies and in the market, and have led to the price per share of those companies to trade at a significantly inflated rate that is disconnected from the underlying value of the company. Many investors who have purchased shares in those companies at an inflated rate face the risk of losing a significant portion of their original investment, as in many cases the price per share has declined steadily as interest in those stocks have abated. There can be no assurance that our shares will not be subject to a short squeeze in the future, and investors may lose a significant portion or all of their investment if they purchase our shares at a rate that is significantly disconnected from our underlying value.

If we are unable to maintain our listing on The Nasdaq Global Market, it could become more difficult to sell our stock in the public market.

Our common stock is listed on The Nasdaq Global Market. To maintain our listing on this market, we must meet Nasdaq's listing maintenance standards. From the initial receipt of notice in the fourth quarter of 2019 through our regaining compliance in the second quarter of 2020, our stock was at risk of being delisted due to noncompliance with the minimum required market value and closing price requirements of Nasdaq's continued listing standards. If we are unable to continue to meet Nasdaq's listing maintenance standards for any reason, our common stock could be delisted from The Nasdaq Global Market. If our common stock were delisted, we may seek to list our common stock on The Nasdaq Capital Market, the NYSE American or on a regional stock exchange or, if one or more broker-dealer market makers comply with applicable requirements, the over-the-counter (OTC) market. Listing on such other market or exchange could reduce the liquidity of our common stock. If our common stock were to trade in the OTC market, an investor would find it more difficult to dispose of, or to obtain accurate quotations for the price of, the common stock.

A delisting from The Nasdaq Global Market and failure to obtain listing on another market or exchange would subject our common stock to so-called penny stock rules that impose additional sales practice and market-making requirements on broker-dealers who sell or make a market in such securities. Consequently, removal from The Nasdaq Global Market and failure to obtain listing on another market or exchange could affect the ability or willingness of broker-dealers to sell or make a market in our common stock and the ability of purchasers of our common stock to sell their securities in the secondary market.

On November 3, 2021, the closing price of our common stock was \$8.93 per share.

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

Our products and potential products incorporating our LBS technology will compete with established manufacturers of existing products and companies developing new technologies. Many of our competitors have substantially greater financial, technical and other resources than we have. Because of their greater resources, our competitors may develop products or technologies that may be superior to our own. The introduction of superior competing products or technologies could result in reduced revenues, lower margins or loss of market share, any of which could reduce the value of our business. Additionally, for a variety of reasons, customers may choose to purchase from suppliers that have substantially greater financial, technical or other resources than we have.

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

The automotive lidar and consumer display industries have been characterized by rapidly changing technology, accelerated product obsolescence and continuously evolving industry standards. Our success will depend upon our ability to further develop our LBS technology system and to cost effectively introduce new products and features in a timely manner to meet evolving customer requirements and compete with competitors' product advances. We may not succeed in these efforts due to:

- Delays in product development;
- Lack of market acceptance for our technology or products incorporating our LBS technology; or
- Lack of funds to invest in product research, development and marketing.

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

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

We are aware of several patents held by third parties that relate to certain aspects of light scanning displays and 3D sensing products. These patents could be used as a basis to challenge the validity, limit the scope or limit our ability to obtain additional or broader patent rights of our patents. A successful challenge to the validity of our patents could limit our ability to commercialize our technology or products incorporating our LBS technology and, consequently, materially reduce our revenues. Moreover, we cannot be certain that patent holders or other third parties will not claim infringement by us with respect to current and future technology. Because U.S. patent applications are held and examined in secrecy, it is also possible that presently pending U.S. applications will eventually be issued with claims that will be infringed by our products or our technology.

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

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

Our ability to successfully offer products incorporating LBS technology and implement our business plan in a rapidly evolving market requires an effective planning and management process. The growth in business and relationships with customers and other third parties has placed, and will continue to place, a significant strain on our management systems and resources. We will need to continue to improve our financial and managerial controls, reporting systems and procedures, and will need to continue to train and manage our work force. Following our substantial reduction in headcount in February 2020, the risks associated with strained resources are heightened.

If we fail to adequately reduce and control our manufacturing, supply chain and operating costs, our business, financial condition, and operating results could be adversely affected.

We incur significant costs related to procuring components and increasing our production capabilities to manufacture our products. We may experience delays, cost overruns or other unexpected costs associated with an increase in production. If we are unsuccessful in our efforts to reduce and control our manufacturing, supply chain and operating costs and keep costs aligned with the levels of revenues we generate, our business and financial condition could suffer.

Our technology and products incorporating our LBS technology may be subject to future environmental, health and safety regulations that could increase our development and production costs.

Our technology and products incorporating our LBS technology could become subject to future environmental, health and safety regulations or amendments that could negatively impact our ability to commercialize our technology and products incorporating our LBS technology. Compliance with any such new regulations would likely increase the cost to develop and produce products incorporating our LBS technology, and violations may result in fines, penalties or suspension of production. If we become subject to any environmental, health, or safety laws or regulations that require us to cease or significantly change our operations to comply, our business, financial condition and operating results could be adversely affected.

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

In the recent past, general worldwide economic conditions have experienced a downturn due to slower economic activity, concerns about inflation, increased energy costs, decreased consumer confidence, reduced corporate profits and capital spending, and adverse business conditions. Any continuation or worsening of the current global economic and financial conditions could materially adversely affect: (i) our ability to raise, or the cost of, needed capital, (ii) demand for our current and future products, and (iii) our ability to commercialize products. Additionally, infectious diseases including COVID-19 may cause an unexpected downturn in economic conditions. We cannot predict the timing, strength, or duration of any economic slowdown or subsequent economic recovery, worldwide, regionally or in the display industry.

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

We currently use foreign suppliers and plan to continue to use foreign suppliers to manufacture current and future components and products, where appropriate. These international operations are subject to inherent risks, which may adversely affect us, including, but not limited to:

- Political and economic instability;
- High levels of inflation, historically the case in a number of countries in Asia;
- Burdens and costs of compliance with a variety of foreign laws, regulations and sanctions;
- Foreign taxes and duties;
- Changes in tariff rates or other trade, tax or monetary policies; and
- Changes or volatility in currency exchange rates and interest rates.
- Disruptions in global supply chains.

Our suppliers' facilities could be damaged or disrupted by a natural disaster or labor strike, either of which would materially affect our financial position, results of operations and cash flows.

A major catastrophe, such as an earthquake, monsoon, flood, infectious disease including the COVID-19 virus, or other natural disaster, labor strike, or work stoppage at our suppliers' facilities or our customers, could result in a prolonged interruption of our business. A disruption resulting from any one of these events could cause significant delays in product shipments and the loss of sales and customers, which could have a material adverse effect on our financial condition, results of operations, and cash flows.

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

Intellectual property protection for our products, processes and technology is important and uncertain. If we do not obtain effective intellectual property protection for our products, processes and technology, we may be subject to increased competition. Our commercial success will depend, in part, on our ability, to maintain the proprietary nature of our LBS technology and other key technologies by securing valid and enforceable patents and effectively maintaining unpatented technology as trade secrets.

We protect our proprietary LBS technology by seeking to obtain United States and foreign patents in our name, or licenses to third party patents, related to proprietary technology, inventions, and improvements that may be important to the development of our business. However, our patent position involves complex legal and factual questions. The standards that the United States Patent and Trademark Office and its foreign counterparts use to grant patents are not always applied predictably or uniformly and can change.

Additionally, the scope of patents is subject to interpretation by courts and their validity can be subject to challenges and defenses, including challenges and defenses based on the existence of prior art. Consequently, we cannot be certain as to the extent to which we will be able to obtain patents for our new products and technology or the extent to which the patents that we already own, protect our products and technology. Reduction in scope of protection or invalidation of our licensed or owned patents, or our inability to obtain new patents, may enable other companies to develop products that compete directly with ours on the basis of the same or similar technology.

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

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

We could be subject to product liability claims if any of the product applications are alleged to be defective or cause harmful effects. For example, because some of the scanning modules incorporating our LBS technology could scan a low power beam of colored light into the user's eye, the testing, manufacture, marketing and sale of these products involve an inherent risk that product liability claims will be asserted against us.

Additionally, any misuse of our technology or products incorporating our LBS technology by end users or third parties that obtain access to our technology, could result in negative publicity and could harm our brand and reputation. Product liability claims or other claims related to our products or our technology, regardless of their outcome, could require us to spend significant time and money in litigation, divert management time and attention, require us to pay significant damages, harm our reputation or hinder acceptance of our products. Any successful product liability claim may prevent us from obtaining adequate product liability insurance in the future on commercially desirable or reasonable terms. An inability to obtain sufficient insurance coverage at an acceptable cost or otherwise to protect against potential product liability claims could prevent or inhibit the commercialization of our products and our LBS technology.

Our contracts and collaborative research and development agreements have long sales cycles, which makes it difficult to plan our expenses and forecast our revenues.

Our contracts and collaborative research and development agreements have long sales cycles that involve numerous steps including determining the product application, exploring the technical feasibility of a proposed product, evaluating the costs of manufacturing a product or qualifying a contract manufacturer for production. Typically, these contracts and agreements involve several face-to-face meetings before they conclude. Infectious diseases including COVID-19 may delay face-to-face meetings and closing contracts and agreements. Our long sales cycle, which can last several years, makes it difficult to predict the quarter in which revenue recognition will occur. Delays in entering into contracts and collaborative research and development agreements could cause significant variability in our revenues and operating results for any particular period.

Our contracts and collaborative research and development agreements may not lead to any product or any products that will be profitable.

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

Our operations could be adversely impacted by information technology system failures, network disruptions, or cyber security breaches.

We rely on information technology systems to process, transmit, store, and protect electronic data between our employees, our customers and our suppliers. Our systems are vulnerable to damage or interruptions due to events beyond our control, including, but are not limited to, natural disasters, power loss, telecommunications failures, computer viruses, hacking, or other cyber security issues. Our system redundancy may be inadequate and our disaster recovery planning may be ineffective or insufficient to account for all eventualities. Additionally, we maintain insurance coverage to address certain aspects of cyber risks. Such insurance coverage may be insufficient to cover all losses or all claims that may arise, should such an event occur.

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

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

ITEM 6. EXHIBITS

<u>Exhibit Number</u>	<u>Description</u>
10.1	Lease Agreement between Redmond East Office Park LLC and MicroVision, Inc. dated September 24, 2021 (covering approximately 16,681 square feet).
10.2	Lease Agreement between Redmond East Office Park LLC and MicroVision, Inc. dated September 24, 2021 (covering approximately 36,062 square feet).
31.1	Principal Executive Officer Certification pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Principal Financial Officer Certification pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Principal Executive Officer Certification pursuant to Rule 13a-14(b) or Rule 15d-14(b) and Section 1350, Chapter 63 of Title 18, United States Code (18 U.S.C. 1350), as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Principal Financial Officer Certification pursuant to Rule 13a-14(b) or Rule 15d-14(b) and Section 1350, Chapter 63 of Title 18, United States Code (18 U.S.C. 1350), as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).
101.SCH	Inline XBRL Taxonomy Extension Schema.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

SIGNATURES

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

MicroVision, Inc.

Date: November 5, 2021

By: /s/ Sumit Sharma

Sumit Sharma

Chief Executive Officer and Director
(Principal Executive Officer)

Date: November 5, 2021

By: /s/ Stephen P. Holt

Stephen P. Holt

Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

OFFICE LEASE

THIS LEASE AGREEMENT made this 24th day of September 2021 (the "Effective Date"), by and between Redmond East Office Park LLC, a Washington Limited Liability Company (the "Lessor") and MicroVision, Inc., a Washington Corporation (the "Lessee").

1. **Premises.** Lessor does hereby lease to Lessee those certain premises consisting of approximately 16,681 rentable square feet of space and depicted in the floor plan attached hereto as Exhibit D (the "Premises") on the first floor of the "A-2" Building located at 6801 185th Avenue NE, suite 100, in Redmond, Washington and commonly referred to as the Northwest Tech Center-Building A-2 (the "Building") on the land legally described on Exhibit A, attached hereto. The Building hereafter sometimes may be referred to as the "Project". In addition, the Lessee has the right, in common with other lessees in the Project and subject to the Rules and Regulations, attached hereto as Exhibit B, to use of the common areas including the loading and parking areas.

2. **Term.** This Lease shall be for an initial term of one hundred twenty-eight (128) months (the "Initial Term" and together with the Renewal Term, if properly exercised, the "Lease Term") commencing on November 1, 2021 ("Commencement Date"). Lessor shall deliver the Premises to Lessee as of the Effective Date. The parties acknowledge and agree that from the period commencing on the Effective Date and ending on the Commencement Date, all terms and conditions of this Lease shall be in effect, except that Lessee shall not be required to pay Base Rent or Additional Rent hereunder. Lessee and Lessor shall execute a Commencement Memorandum to memorialize the Commencement Date.

3. **Base Rent.** Lessee covenants and agrees to pay Lessor at PO Box 140, Redmond, WA, 98073 or Property Management portal, or to such other party or at such other place as Lessor may hereafter designate, Base Rent in the amount schedule below and Additional Rent, as provided in Section 10, in advance without offset or deduction, on or before the first (1st) day of each month of the Initial Lease Term:

<u>Months:</u>	<u>Base Rent:</u>
	Months 01-12: \$30.00/RSF/year plus
	Additional Rent
Months 13-24:	\$30.90/RSF/year plus Additional Rent
Months 25-36:	\$31.83/RSF/year plus Additional Rent
Months 37-48:	\$32.78/RSF/year plus Additional Rent
Months 49-60:	\$33.76/RSF/year plus Additional Rent
Months 61-72:	\$34.78/RSF/year plus Additional Rent
Months 73-84:	\$35.82/RSF/year plus Additional Rent
Months 85-96:	\$36.90/RSF/year plus Additional Rent
Months 97-108:	\$38.00/RSF/year plus Additional Rent
Months 109-120:	\$39.14/RSF/year plus Additional Rent
Months 121-128:	\$40.32/RSF/year plus Additional Rent

4. **Option to Renew.**

- A. **Exercise of Option to Renew.** Lessee shall have one (1) Option to Renew the Lease for a period of One Hundred and Twenty (120) Months (the "Renewal Term"). Lessee must exercise its Option to Renew upon providing Lessor with written notice thereof no sooner than Fifteen (15) Months and no later than Twelve (12) Months prior to expiration of the Initial Lease Term. If exercised, the Lease terms during the Renewal Term shall be the same as the original Lease, however Base Rent shall be adjusted to then current fair market rents for leases or renewals in comparable buildings in Redmond, WA (the "Fair Market Rent"). The Option to Renew is personal to Lessee. The Option to Renew shall also pertain to the Expansion Premises (as defined below) if the Option to Expand is exercised.
- B. **Fair Market Rent Determination.** The Fair Market Rent shall be determined as follows:
- i. In the event Lessor and Lessee are unable to agree upon a mutually acceptable Fair Market Rent by the date that is six (6) months prior to the expiration of the Initial Lease Term (the "Fair Market Deadline"), Lessor shall, within fifteen (15) days following the Fair Market Deadline, appoint an appraiser to complete an appraisal of the Fair Market Rent within thirty (30) days after the appointment of Lessor's appraiser and Lessor shall deliver a copy thereof to Lessee promptly upon receipt by Lessor ("Lessor Appraisal").
 - ii. If Lessee delivers notice to Lessor of Lessee's disapproval of the Lessor Appraisal within fifteen (15) business days after Lessee's receipt of the Lessor Appraisal, then Lessee shall have fifteen (15) days to select an appraiser to deliver an additional appraisal of the Fair Market Rent (the "Lessee Appraisal"). The Lessee Appraisal shall be delivered within thirty (30) days after the appointment of Lessee's appraiser and Lessee shall deliver a copy thereof to Lessor promptly upon receipt by Lessee.
 - iii. If Lessor delivers notice to Lessee of Lessor's disapproval of the Lessee Appraisal within fifteen (15) business days after Lessor's receipt of the Lessee Appraisal, then Lessor and Lessee shall each cause their respective appraisers to jointly select a third appraiser, who shall be an independent appraiser of similar qualifications (the "Joint Appraiser"). If the two appraisers fail to select a Joint Appraiser within thirty (30) days following the date that Lessee received Lessor's notice of disapproval of the Lessee Appraisal, either Lessor or Lessee may petition a court of competent jurisdiction to appoint a third appraiser. The Joint Appraiser shall, within fifteen (15) days after appointment, select either the Lessor Appraisal or the Lessee Appraisal as the Final Appraisal.
 - iv. Notwithstanding anything to the contrary herein, the Fair Market Rent for the Renewal Term shall not be less than the Base Rent in place at the expiration of the Initial Term and shall be either (i) the Fair Market Rent as expressed in either the Lessor Appraisal or the Lessee Appraisal, or (ii) the Fair Market Rent reflected in the Final Appraisal, as selected by the Joint Appraiser.

v. All appraisers appointed hereunder shall be, at the time of their appointment, members of good standing of the American Institute of Real Estate Appraisers. The party whose appraisal the Joint Appraiser did not select shall be responsible for the cost of the Joint Appraiser's services, otherwise, the cost of the Lessor Appraisal shall be borne by Lessor and the cost of the Lessee Appraisal shall be borne by the Lessee.

5. **Security Deposit.**

- A. **Prepaid Rent Deposit.** Lessee has deposited with Lessor on the date hereof Fifty-Two Thousand Six Hundred Fourteen and 65/100 Dollars (\$52,614.65) which is to be applied to the Base Rent and Additional Rent for the month in which the Commencement Date occurs.
- B. **Security Deposit.** Lessee has deposited with Lessor on the date hereof Five Hundred and Eighty Thousand and No/100 Dollars (\$580,000.00) of which \$290,000.00 is cash and \$290,000.00 is a Letter of Credit in a form from a financial institution, acceptable to Lessor. Said sum shall be held by Lessor as security for the faithful performance by Lessee of all the terms, covenants and conditions of this Lease to be kept and performed by Lessee during the entire Term hereof. If Lessee materially defaults with respect to any provision of this Lease beyond any applicable notice and cure periods, including, but not limited to, the provisions relating to the payment of Rent or other charges or sums due under this Lease, Lessor may (but shall not be required to) use, apply or retain all or any part of the security deposit for the payment of any Rent or other charges or sums due under this Lease or any sum in default, or for the payment of any amount which Lessor may spend or become obligated to spend by reason of Lessee's default, or to compensate Lessor for any other loss, damage, cost or expense (including attorneys' fees) which Lessor may suffer or incur by reason of Lessee's default. If any portion of said security deposit is so used or applied, Lessee shall, within fifteen (15) days after written demand therefore, deposit a certified or cashier's check or wire transfer with Lessor in an amount sufficient to restore the security deposit to the amount of the security deposit immediately prior to such default by Lessee and Lessee's failure to do so shall be a default under this Lease. Lessor shall not be required to keep the security deposit separate from its general funds and Lessee shall not be entitled to interest on such deposit. If Lessee shall fully and faithfully perform every provision of this Lease to be performed by it, the security deposit or any balance thereof after deduction hereunder by Lessor shall be returned to Lessee (or, at Lessor's option, to the last assignee of Lessee's interest hereunder) within thirty (30) days following expiration of the Lease Term; provided, that in the event this Lease shall be terminated upon the default of the Lessee beyond any applicable notice and cure period(s), the security deposit shall be retained by Lessor and all of Lessee's interest therein shall terminate and the security deposit will be applied against the damages suffered by Lessor by reason of the Lessee's default. In the event of termination of Lessor's interest in this Lease, Lessor shall transfer said deposit to Lessor's successor in interest. Notwithstanding the foregoing, provided Lessee has not been in material default of the Lease beyond any applicable notice and cure periods, then, after Month 12 of the Lease, the Security Deposit shall be reduced to Four Hundred Thirty Five Thousand and No/100 Dollars (\$435,000.00) of which Two Hundred Seventeen Thousand Five Hundred and No/100 Dollars (\$217,500.00) shall be cash and the remaining Two Hundred Seventeen Thousand Five Hundred and No/100 Dollars (\$217,500.00) shall be Letter of Credit. Provided Lessee has not been in material default

of the Lease beyond any applicable notice and cure periods, then, after Month 26 of the Lease, the Security Deposit shall be reduced further to Two Hundred Ninety Thousand and No/100 Dollars (\$290,000.00) of which One Hundred Thousand and No/100 Dollars (\$100,00.00) shall be cash and One Hundred Ninety Thousand and No/100 Dollars (\$190,000.00) shall be Letter of Credit, which Security Deposit shall remain in place through the balance of the Lease Term.

6. **Use.** Lessee shall use and occupy the Premises for the purposes of general office, including but not limited to, research and development and prototype manufacturing of products related to Lessee's portfolio of intellectual property and other products and for no other purposes, without prior written consent of Lessor, and shall comply with all governmental laws, ordinances, regulations, orders and directives and insurance requirements applicable to Lessee's use of the Premises. Lessee shall not occupy or use or permit any portion of the Premises to be occupied or used in such a manner or for any purpose, which would increase the cost of insurance coverage upon the Premises, the building or the contents thereof.
7. **Rules and Regulations.** Lessee agrees to comply with any Rules and Regulations attached hereto as Exhibit B, any recorded Covenants, Conditions and Restrictions affecting the Project (provided that a copy thereof has been provided by Lessor to Lessee), as well as such other reasonable rules and regulations as may from time to time be adopted by Lessor for the management, good order and safety of common areas, the building and its Lessee(s) (provided that Lessor shall provide Lessee with written notice of any such other rules and regulations for the Project which are not attached to this Lease). Lessee shall be responsible for the compliance with such rules and regulations by its employees, agents and invitees. Lessor's failure to enforce any of such rules and regulations against Lessee or any other Lessee shall not be deemed to be a waiver of same.
8. **Maintenance.** Lessee agrees by taking possession that the Premises are in leasable and good condition. Lessee shall, at its expense, and at all times keep, maintain, and repair the interior Premises, including but not limited to storefronts, exterior doors and windows, and Lessee division walls in good condition, repair and order and in accordance with applicable laws, ordinances, rules, regulations and requirements of government authorities and insurance rating bureaus. Lessee shall further keep the Premises and adjoining common areas in a neat, clean, safe and sanitary condition replacing glass and panels in windows and doors of the Premises. Lessor shall keep, maintain, repair and replace the Building and areas surrounding the Premises in a manner consistent with other similar buildings within Redmond, Washington, including but not limited to the Building's mechanical, electrical, sprinkler and other utility systems (outside of the Premises) together with connections to utility distribution systems and protect water drains, gas and other pipes to prevent freezing or clogging and repair all leaks and damage caused thereby; remove ice and snow from Building entries and common areas immediately adjacent to the Premises. Lessor shall repair the roof, exterior walls (including doors and windows that are not a part of the Premises), foundations and common areas and facilities (unless specifically damaged by Lessee), if any, and the cost thereof shall be shared as provided in Section 9 hereof. Lessor will maintain a preventative maintenance contract providing for the regular inspection, maintenance and repair of the heating and air conditioning systems with a licensed mechanical contractor the cost of which will be paid by Lessee per Lessee's pro-rata share of the Building as Additional Rent.

9. **Utilities and Fees.** Lessee agrees to pay promptly when due all charges for light, heat, water, sewer, garbage, fire protection and other utilities and services to the Premises, and all license fees and other governmental charges levied on Lessee's property and the operation of Lessee's business on the Premises. Lessor shall not be liable for any injury or damages suffered as a result of the interruption of utilities or services by fire, or other casualty, strike, riot, vandalism, the making of necessary repairs or improvements, or other causes beyond Lessor's reasonable control, however Lessor shall use best efforts to assist with the restoration of such utilities in the event of any outage or cessation of such services so that Lessee's interruption of business is kept to a minimum; and provided that to the extent Lessee is unable to reasonably utilize or occupy the Premises as a result of any interruption, deprivation or reduction in utilities and services to the Premises, then Lessee shall be entitled to an abatement in Base Rent and Additional Rent for the period beginning with the date which is three (3) business days after Lessee delivers notice to Lessor of such interruption, deprivation or reduction (provided that, such interruption, deprivation or reduction is continuing as of such third business day) and ending on the date such interruption, deprivation or reduction is no longer causing Lessee to be deprived of all reasonable use of the Premises or any portion thereof. During such abatement period, Base Rent and Additional Rent shall abate in the same ratio as the portion of the Premises rendered unusable as a result of such interruption, deprivation or reduction. Notwithstanding the foregoing, such abatement of Base Rent and Additional Rent shall only be available to Tenant in the event the interruption, deprivation or reduction in utilities and services is (i) solely the result of a default by Landlord under the Lease, and (ii) is not related to an event outside of Landlord's reasonable control. In no event will Landlord be responsible for a loss or injury to business, however, occurring through or in connection with or incidental to any failure to furnish any such services.
10. **Monthly Operating Expense Adjustments.** Lessee shall pay as additional monthly rent ("Additional Rent") the Lessee's Share (as defined below) of the following:
- A. Real Estate taxes and assessments, if any.
 - B. Usual and necessary costs of operation, management, maintenance and repair as determined by standard accounting practice, including without limitation, all utilities and services not metered or charged directly to Lessee, insurance (including, but not limited to the insurance provided for under Paragraph 16 C below), painting, upkeep and repair of building exterior, parking, landscaping, and all common areas and facilities and Permitted Capital Improvements. The items under this clause (B) shall not include: any of the following: (i) ground rent; (ii) interest and amortization of funds borrowed by Lessor for items other than capital improvements; (iii) leasing commissions and advertising and space planning expenses incurred in procuring tenants; (iv) salaries, wages, or other compensation paid to officers or executives of Lessor in their capacities as officers and executives; (v) any cost or expense paid or incurred by Lessor to bring the Premises into compliance with laws; (vi) costs of renovating or otherwise improving, decorating, painting or redecorating space for tenants or other occupants of the Project; (vii) depreciation and amortization; (viii) interest and principal payments on loans; (ix) real estate brokerage, free rent, lease takeover obligations, and other inducements, costs, disbursements and expenses incurred in connection with leasing space in the Project and advertising and promotional expenses, legal fees, architectural and engineering (and similar consultant) fees, permits, licenses and inspection cost and fees in connection, the cost of tenant improvements, build out allowances, moving expenses and other concessions incurred in connection with leasing space in the Project; (x) costs of Lessor

reimbursed by warranties, service contracts, insurance proceeds or otherwise; (xi) the cost of alterations, repairs, replacements, additions or other items of a capital nature except for capital items which are not Permitted Capital Improvements; (xii) costs, fines and penalties incurred because Lessor intentionally, knowingly or negligently violated any governmental requirement or law; (xiii) costs incurred because the Lessor or another tenant violated the terms of any lease; (xiv) general reserves; (xv) bad debt loss, rent loss or reserve for bad debt loss or rent loss for the Project; (xvi) costs incurred to test, survey, cleanup, contain, abate, remove or otherwise remedy hazardous substances or asbestos containing materials; (xvii) Lessor's general corporate overhead; and (xviii) any other costs and expenses that under generally accepted accounting principles and practice consistently applied would not be considered normal management, operation, maintenance and repair costs. For purposes of this Lease, "Permitted Capital Improvements" are the cost of capital improvements or other costs incurred in connection with the Project (A) which are intended to effect economies in the operation or maintenance of the Project, or to reduce current or future operating costs, (B) to enhance the safety or security of the Project or its occupants provided such safety and security measures are generally being implemented by other landlords of office buildings in Redmond, (C) which are incurred for replacements, modifications or additions of nonstructural items located in the common areas required to keep the common areas in good order or condition; provided, however, that any capital expenditure shall be amortized in accordance with sound real estate management and accounting practices consistently applied by other landlords of office buildings in Redmond.

C. A Management fee equal to three percent (3%) of Lessee's monthly rent, including Base Rent and any Additional Rent.

Lessor shall from time to time estimate and provide written notice to Lessee of its monthly expense based upon existing or expected costs. Lessee shall pay such monthly estimated amount on or before the first day of each month. Lessor, annually and no later than six (6) months after the end of any calendar year shall compute Lessee's actual expenses. Any overpayment shall be applied as a credit to Lessee against future payments of Additional Rent. Lessee shall pay any deficiency to Lessor within thirty (30) days after the date of Lessor's statement. Lessor's records showing expenditures made for such expenses shall be available for Lessee's inspection at any reasonable time. For purposes of this Lease, "Lessee's Share" means 49.85%.

Lessor shall make the determination of actual costs and estimated costs allocable to the Premises. Lessor or its agent shall keep records showing all expenditures made for the items enumerated above, which records shall be available for inspection and review by Lessee. The Lessee shall have the right, at reasonable times and upon reasonable prior notice to the Lessor to review the Lessor's records relating to the actual costs and estimated costs allocable to the Premises for a particular Lease Year, which review must be conducted within six (6) months after Lessee's receipt of the statement of actual costs allocable to the Premises for that particular Lease Year. If such review is not conducted within such six (6) month period, then the matters set forth in the statement of actual costs allocable to the Premises for that particular Lease Year shall be deemed conclusive. The Lessee shall pay the costs and expenses of such review unless such review reveals that the Lessor has overstated the Operating Expenses for the Lease Year in question by an amount equal to five percent (5%) or more for that particular Lease Year in which event the Lessor shall pay the actual costs incurred by Lessee in the performance of such review. For purposes of this Lease, "Lease Year" means a period of twelve (12) full and consecutive calendar

months; provided, however, the initial Lease Year shall begin on the Commencement Date and end on the last day of the month preceding the first anniversary of the Commencement Date and if the Commencement Date does not occur on the first day of a calendar month, then the initial Lease Year shall end on the last day of the month which contains the first anniversary thereof. Each succeeding Lease Year shall begin upon the termination of the preceding Lease Year and shall be for a period of twelve (12) full and consecutive calendar months thereafter.

11. **Lessor's Reservations.** Lessor reserves the right without liability to Lessee upon no less than two (2) business days' prior written notice to Lessee: (a) to inspect the Premises, and to show them to prospective Lessees (during the last eighteen (18) months of the Lease), partners or lenders and if they are vacated, to prepare them for re-occupancy; (b) to retain at all times and to use in appropriate instances keys to doors within and into the Premises; (c) to make repairs, alterations, additions or improvements, whether structural or otherwise, in or about the building, and for such purposes to enter upon the Premises and during the continuance of any work, to close common areas, all without affecting any of Lessee's obligations hereunder, so long as the Premises are reasonably accessible and Lessor shall not unreasonably interfere with Lessee's use or enjoyment of the Premises; and (d) generally to perform any act relating to the safety, protection and preservation of the Premises or Building.
12. **Tenant Improvements.** As of the Commencement Date, Lessor shall deliver the Premises in as-is condition. Lessor shall provide Lessee with a tenant improvement allowance in the maximum aggregate amount of Fifteen and No/100 Dollars per rentable square foot (\$15.00/RSF) (the "TI Allowance") to be used to pay for all actual, out-of-pockets costs and expenses incurred by Lessor in connection with the design, permitting and construction of the Improvements (as defined in Exhibit D). The disbursement of the TI Allowance and construction of the Improvements are outlined in Exhibit D, "Work Letter". Lessee shall carry the contract with a general contractor, which general contractor shall be mutually selected by Lessor and Lessee. Lessor shall receive a supervisory/construction management fee equal to three percent (3.0%) of the total actual, out-of-pocket hard costs for the construction of the Improvements, which fee shall be funded from the TI Allowance. In the event the actual costs of the Improvements exceed the TI Allowance, Lessee shall be responsible for such excess amounts. In the event the actual costs of the Improvements are less than the TI Allowance, Lessee shall have up to twelve (12) months from Commencement Date to use the remaining unused balance of the TI Allowance on other "Eligible Expenses" (as defined below). "Eligible Expenses" mean all hard construction costs which may be incurred by Lessee for alterations or improvements to the Premises performed by or on behalf of Lessee.
13. **Assignment and Subletting.** Lessee shall not either voluntarily or by operation of law assign, transfer, convey or encumber this Lease or any interest under it, or sublet its right to occupy or use all or any portion of the Premises without Lessor's prior written consent which consent shall not be unreasonably withheld, conditioned or delayed. Among the criteria to be used by Lessor in evaluating a request for assignment or subletting will be (i) the proposed use of the Premises; (ii) the anticipated impact, if any, on parking; or (iii) the financial capacity of the assignee/sublessee to perform the obligations under this Lease. Lessor reserves the right to recapture the Premises or applicable portion thereof in lieu of giving its consent by notice given to Lessee within twenty (20) days after receipt of Lessee's written request for assignment or subletting. Such recapture shall terminate this Lease as to the applicable space effective on the prospective date of assignment or subletting, which shall be the last day of a calendar month and not earlier than sixty (60) days after receipt of Lessee's request hereunder. In the event that Lessor shall not elect to

recapture and shall thereafter give its consent, Lessee shall pay Lessor a reasonable fee, not to exceed One Thousand and No/100 Dollars (\$1,000.00) to reimburse Lessor for processing costs incurred in connection with such consent. Lessor's consent shall not release or discharge Lessee from future liability under this Lease and shall not waive Lessor's right to consent to any future assignment or sublease. Any assignment or subletting without Lessor's consent shall be void and shall, at Lessor's option, constitute a default under this Lease. A transfer by the present majority shareholders of ownership or control of a majority of the voting stock of a corporate Lessee, or the change in form of entity of the Lessee, shall be deemed an assignment. Notwithstanding anything herein to the contrary, Lessee may, without Lessor's prior consent assign its rights and obligations under this Lease or sublet all or a portion of the Premises to: (i) a subsidiary, parent, affiliate, division or entity controlled by or under common control with Lessee, (ii) a successor entity to Lessee by merger, consolidation, non-bankruptcy reorganization or governmental action, or (iii) a purchaser of substantially all of the assets or equity interests in Lessee, in which case the provisions of this Section 13 shall not apply to such transfer, assignment or sublease; provided that any such transfer is for a legitimate business purpose and is not undergone as a subterfuge to avoid the obligations of this Section 13.

The Lessee shall not assign its interest in or under this Lease for security purposes, nor shall the Lessee grant any security interest, lien or encumbrance against its interest in this Lease or in or to any property in or affixed to the Premises without the prior written consent of the Lessor, which consent shall be granted, withheld or conditioned in Lessor's sole discretion. In no event shall the Lessee grant, or allow to exist, any security interest in, or lien or encumbrance against the fee title to the Premises, the Building in which the Premises is located or the real property on which the building is located.

14. **Alterations.** After obtaining the prior written consent of Lessor, which consent shall not be unreasonably withheld, conditioned or delayed, Lessee may make alterations, additions and improvements in said Premises (so long as such alterations, additions or improvements are not structural in nature and not visible from the exterior of the Premises) at its sole cost and expense. Lessee agrees to save Lessor harmless from any damage, loss, or expense arising there from and to comply with all laws, ordinances, rules and regulations. Upon termination of this Lease and unless otherwise agreed to by the parties, all alterations, additions and improvements made in, to or on the Premises (including without limitation all electrical, lighting, plumbing, heating, air conditioning, and communications equipment and systems, doors, windows, partitions, drapery, carpeting, shelving, counters, and physically attached fixtures unless excluded by written agreement annexed hereto), shall remain upon and be surrendered as a part of the Premises; provided however, upon Lessor's written request (which written request shall be made at the time Lessor consented to such alterations or improvements), Lessee shall remove its communications cabling and those additions, alterations, or improvements as may be specified by Lessor upon the expiration of the Lease Term, and repair and restore the Premises to its original condition (with all of Landlord's Build and other Lessor improvements completed) at Lessee's sole cost and expense prior to expiration of the Lease Term.
15. **Liens.** Lessee shall keep the Premises free from any liens arising out of any work performed, materials furnished, equipment supplied, or obligations incurred by or on behalf of Lessee. No work performed, material furnished, equipment supplied or obligations incurred by or on behalf of Lessee shall be deemed to be for the immediate use and benefit of Lessor so that no mechanic's lien or other lien shall be allowed against Lessor's estate in the premises. Lessee shall provide, at Lessee's own cost, waivers of lien signed by any party (including the Lessee) who performs work,

furnishes materials, or supplies equipment to the Premises. Lessor may require, at Lessee's sole cost and expense, a lien release and completion bond in an amount equal to either the actual contract price or one and one-half times the estimated cost of any improvements, additions or alterations in the Premises which Lessee desires to make, to insure Lessor against any liability for lien and to insure completion of the work.

16. **Signs.** Lessor, at Lessor's sole expense, shall provide directory and suite signage. All signs or symbols placed by Lessee in the windows and doors of the Premises, or upon any exterior part of the building, shall be subject to city of Redmond and Lessor's prior written approval. Prior to termination of this Lease, Lessee will remove all signs placed by it upon the Premises, and will repair any damages caused by installation and removal. Obtaining approvals will be Lessee's responsibility. Notwithstanding the foregoing and subject to Lessor's prior written approval, which shall not be unreasonably withheld, conditioned or delayed and subject to compliance with all applicable City of Redmond codes, Lessee shall have the right, at Lessee's expense, to install an exterior sign on the Building's façade in a mutually agreeable location which shall remain on the Premises which shall be removed by Lessee, at Lessee's expense, prior to the expiration of the Lease Term.

17. **Insurance**

A. Lessee shall pay for and maintain, during the entire Lease Term, the following policies of insurance:

- (i) Commercial general liability insurance, including products, completed operations coverage and auto liability insurance covering Lessee's operations and the Premises with limits of not less than \$2,000,000 per occurrence.
- (ii) Special cause of loss "all risk" perils and sprinkler leakage property insurance upon all building improvements and alterations on the Premises for which Lessee is responsible and upon Lessee's property in the amount of one hundred percent (100%) full replacement cost. The policy shall include Lessor and Lessor's mortgagee, if any, as additional insureds, as their interests may appear, with a loss payable clause in favor of Lessor and Lessor's mortgagee to the extent of their interest in the property.

B. Each policy provided by Lessee shall provide that it shall not be subject to cancellation or material change without at least thirty (30) days prior written notice to the Lessor. Lessee shall furnish Lessor, prior to commencement of the Term, with insurance certificates, including Lessor as additional insured.

C. Lessor shall maintain property insurance during the entire Lease Term in the amount of one hundred percent (100%) full replacement value of the Building and Lessor's improvements. Lessor's coverage may include the perils of Special cause of loss ("all risk") and earthquake.

18. **Indemnity Against Liability for Loss or Damage**

A. Lessee assumes all liability for and shall indemnify, hold harmless and defend Lessor from and against all loss, damage or expense which the Lessor may sustain or incur, and

against any and all claims, demands, suits and actions whatsoever, including expense of investigation and litigation (“Claims”), on account of injury to or death of persons, including without limitation employees of Lessor, employees of Lessee or its affiliated companies or on account of damage to or destruction of property, including without limitation property owned by and property in the care, custody or control of Lessor during the Lease Term, due to or arising in any manner from:

- (i) The acts or negligence of Lessee or any contractor, subcontractor, or agent of Lessee or their respective employees;
- (ii) The condition, use or operation of the Premises and/or materials or substances used by Lessee or any of its contractors, subcontractors or agents of Lessee or by their respective employees, regardless of whether or not furnished by Lessor under this Lease or otherwise;
- (iii) Any damage or injury to persons or property arising out of Lessee's breach or this Lease, including, but not limited to, obligations of Lessee under Section 8, Maintenance.

- B. Lessor shall have no liability to Lessee as a result of loss or damage to Lessee’s property or for death or bodily injury caused by the acts or omissions of other Lessees in the project or by third parties (including criminal acts).
- C. Lessee shall not be obligated to indemnify Lessor for the portion of any claim or liability caused by or arising from the act, or negligence of Lessor. Lessor shall indemnify, defend and hold harmless Lessee from and against any and all Claims, arising in whole or in part out of (a) any act, omission or negligence of Lessor, or (b) any breach or default under this Lease by Lessor.
- D. It is mutually understood and agreed that the assumption of liabilities and indemnification provided for in this Section 18 shall survive any termination of this Lease.

19. **Damage or Destruction.** If any of the Premises, or a substantial part of the building in which the Premises are located, shall be damaged or destroyed by fire or other insured casualty, and repair of the damage cannot be completed within one hundred twenty (120) days, following receipt by Lessor of actual notice of such damage or destruction, Lessor shall have the option either (a) to repair or rebuild within a reasonable time utilizing the insurance proceeds to effect such repair, or (b) not to repair or rebuild, and to cancel this Lease on sixty (60) days’ prior written notice. If Lessor fails to give Lessee written notice of its election within sixty (60) days from the date of damage, or if the restoration of the Premises cannot be completed within one hundred twenty (120) days from date of notice, Lessee may cancel this Lease at its option on fifteen (15) days’ prior written notice. During the period of untenability, all rent shall abate in the same ratio as the portion of the Premises rendered untenable bears to the whole of the Premises; provided that if the damage is due to the fault or neglect of Lessee, there shall be no abatement of rent.

If the Premises or the building in which the Premises are located shall be damaged or destroyed by fire or other insured casualty, and repair of the damage can be completed within one hundred twenty (120) days, Lessor shall repair or rebuild within a reasonable time utilizing the insurance proceeds to effect such repair. During the period of untenability, all rent shall abate in the

same ratio as the portion of the Premises rendered untenable bears to the whole of the Premises; provided that if the damage is due to the fault or neglect of Lessee, there shall be no abatement of rent.

If any part of the Premises or the Building in which the Premises are located shall be damaged or destroyed by an uninsured casualty, Lessor shall have the option either (a) to repair or rebuild within a reasonable time, or (b) not to repair or rebuild, and to cancel this Lease on thirty (30) days' prior written notice. In the event of cancellation by Lessor as a result of an uninsured casualty, Lessee shall have the right, in its sole and absolute discretion, within five (5) days following Lessor's notice of cancellation, to override such cancellation by agreeing to repair the damage at Lessee's sole cost and expense. In such event, the Lessee shall repair or rebuild within a reasonable time following the damage or destruction.

20. **Eminent Domain.** If the whole of the Premises shall be taken by any public authority under the power of eminent domain, or purchased by the condemnor in lieu thereof, then the term of this Lease shall cease as of the date possession is taken by such public authority. If only part of the Premises shall be so taken, the Lease shall terminate only as to the portion taken, and shall continue in full force and effect as to the remainder of said Premises, and the monthly rent shall be reduced proportionately; provided, however, if the remainder of the Premises cannot be made tenantable for the purposes for which Lessee has been using the Premises or if more than twenty-five percent (25%) of the rentable square footage of the Premises shall be so taken, then either party, by written notice to the other, given at least thirty (30) days prior to the date that possession must be surrendered to the public authority, may terminate this Lease effective as of such surrender of possession. If any part of the building other than the Premises shall be so taken so as to render in Lessor's opinion the termination of this Lease beneficial to the remaining portion of the building, Lessor shall have the right within sixty (60) days of said taking to terminate this Lease upon thirty (30) days written notice to Lessee. In the event of any taking, whether whole or partial, Lessor shall be entitled to all awards, settlements, or compensation which may be given for the land and buildings. Lessee shall have no claim against Lessor for the value of any unexpired term of this Lease. Lessee shall have the right to seek an independent and separate award from the condemning authority so long as such award does not diminish the amount of the award payable to Lessor.
21. **Insolvency.** If Lessee shall be declared insolvent or bankrupt, or if Lessee's leasehold interest herein shall be levied upon or seized under writ of any court of law, or if a trustee, receiver or assignee be appointed for the property of Lessee, whether under operation of State or Federal statutes, then, to the extent permitted by law, Lessor may, at its option, immediately, without notice (notice being expressly waived), terminate this Lease and take possession of said Premises.
22. **Default and Re-Entry.** If Lessee fails to pay rent or other charges provided for herein within three (3) days after receipt of written notice thereof or if Lessee fails to observe or perform any covenant or condition of this Lease, other than the making of payments, where such failure shall continue for a period of thirty (30) days after written notice from Lessor or such additional time as is reasonably needed to cure the default, provided that, Lessee shall diligently and continuously pursue the cure, then Lessor may, at its option, without further notice or demand:

- A. Cure such breach for the account and at the expense of Lessee (including entry upon the Premises to make repairs on behalf of the Lessee where Lessee has failed to make such repairs as required under this Lease) and such expense shall be deemed additional rent due on the first of the following month; or
- B. Re-enter the Premises, remove all persons therefrom, take possession of the Premises and remove all personal property therein at Lessee's risk and expense and (1) terminate this Lease, or (2) without terminating the Lease or in any way affecting the rights and remedies of Lessor or the obligations of Lessee, make an honest and reasonable effort to re-let the whole or any part of the Premises for Lessee's account upon such terms and conditions as Lessor may deem advisable. In either event, any moneys received from Lessee and any deposit or other amounts held by Lessor may first be applied by Lessor to any damages suffered by Lessor as a result of such default, including without limitation, costs and expenses incurred on re-entry and re-letting, any unamortized Lessee improvements and commissions, cleaning, necessary repairs, restoration and alteration, and any commissions incurred on re-letting, and the balance of such amounts may be applied toward payment of other sums due to Lessor hereunder. In the event the Premises are re-let for Lessee's account, Lessee shall pay to Lessor monthly any deficiency; however, Lessor shall not be required to pay any excess to Lessee. Upon termination of this Lease or of Lessee's right to possession, Lessor reserves and has the right to recover damages arising from the breach of the Lease from Lessee including, but not limited to: (1) The worth of the unpaid rent and other charges provided for herein that had been earned at the time of such termination; (2) The worth of the amount of the unpaid rent and other charges provided for herein that would have been earned for the balance of the term of this Lease after the date of such termination; and (3) Any other amount, including court, attorney and collection costs, necessary to compensate Lessor. "The Worth," as used in Section (1) is to be calculated allowing interest at 18% per year (or, if applicable, at such lower rate as may represent the highest legal limit allowed in the State of Washington). "The worth" as used for Section (2) is to be computed by discounting the amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of termination. The above remedies of Lessor are cumulative and in addition to any other remedies now or hereafter allowed by law or elsewhere provided for in this Lease.
- C. Lessor shall not be liable for damages by reason of the re-entry described in paragraph B, above.
23. **Removal of Property.** Any property of Lessee removed by Lessor in accordance with Section 22 above may be stored, sold, or disposed of by Lessor without any additional notice to Lessee at the sole risk and expense of Lessee and without any further responsibility of Lessor. Proceeds therefrom may be applied by Lessor upon any indebtedness due from Lessee to Lessor. Lessee waives all claims for damages that may be caused by Lessor re-entering the Premises and removing or disposing of said property as herein provided.
24. **Costs and Attorneys' Fees.** In the event either party shall commence legal action to enforce any provision of this Lease, the court shall award to the prevailing party all reasonable attorneys' fees and all costs incurred in connection therewith, including fees and costs on appeal. Any action relating to this Lease shall be brought in the County in which the Premises are located or, at Lessor's election, in King County, Washington.

25. **Subrogation Waiver.** Lessor and Lessee each herewith and hereby release and relieve the other and waive its entire right of recovery against the other for loss or damage arising out of or incident to the perils of fire, explosion or any other perils described in the "all risk" insurance and the events covered under the property insurance coverages required under this Lease, whether due to the negligence of either party, their agents, employees or otherwise. Each party shall obtain from its respective insurer under each insurance policy that it maintains a waiver of all rights of subrogation, which the insurer may have against the other party for claims that are released under this Section 25.
26. **Holding Over.** Unless otherwise agreed to by Lessor, if Lessee, with the express consent of Lessor, shall hold over after the expiration of the Lease Term, Lessee shall remain bound by all the covenants and agreements herein, except that (a) the tenancy shall be from month-to-month and (b) the monthly Base Rent to be paid by Lessee shall be determined by multiplying the monthly Base Rent in effect immediately preceding such expiration times 150%. If Lessee holds possession of the Premises after the expiration of the Lease Term without the express written consent of Lessor, Lessee shall remain bound by all the covenants and agreements herein, except that (a) the tenancy shall be from month-to-month and (b) the monthly Base Rent to be paid by Lessee shall be twice the monthly rent in effect immediately preceding such expiration. Any such tenancy may be terminated with twenty (20) days prior notice as provided by Washington State law.

In the event of any unauthorized holding over, Lessee shall also indemnify and hold Lessor harmless from and against all liability, losses, claims, causes of action, damages, costs and expenses (including without limitation attorney fees) resulting from Lessee's failure to surrender the Premises, including without limitation claims made by succeeding lessees resulting from Lessee's failure to surrender the Premises.

Lessee's obligations under this Section 26 shall survive the expiration or termination of this Lease.

27. **Subordination and Attornment; Mortgage Protection.**

- A. **Subordination-Notice to Mortgagee.** At the request of Lessor, Lessee shall promptly execute, acknowledge and deliver, all instruments which may be required to subordinate this Lease to any existing or future mortgages, deeds of trust and/or other security documents on or encumbering the Premises or on the leasehold interest held by Lessor, and to any extensions, renewals, or replacements thereof, provided that Lessee shall have the right to request that any holder or beneficiary of any mortgage, deed of trust, ground lease, vendor's lien or similar instrument execute a non-disturbance agreement in favor of Lessee on the commercially reasonable standard form utilized by such lender or ground lessor (subject to Lessee's reasonable comments), and Lessor shall obtain such executed non-disturbance agreement if so requested by Lessee as a condition to Lessee's subordination to any such party.
- B. **Lessee's Certificate.** Either party shall, at any time and from time to time, within five (5) business days after written notice from the other party execute, acknowledge and deliver to Lessor a statement in writing (a) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and

certifying that this Lease as so modified is in full force and effect), and the date to which the rental and other charges are paid in advance, if any; and (b) acknowledging that there are not, to such party's knowledge, any uncured defaults on the part of the Lessor or Lessee hereunder, or specifying such defaults if any are claimed; and (c) setting forth the date of commencement of rents and expiration of the Lease Term hereof; and, (d) such other information as such party shall reasonably require. Any prospective purchaser, lender, assignee, sublease, or encumbrancer of all or any portion of the Premises of which the Premises are a part or any affiliate of either party may rely upon any such statement.

- C. **Mortgage Protection Clause.** Lessee agrees to use reasonable efforts to notify any mortgagee and/or trust deed holders, by registered mail, with a copy of any notice of default served upon the Lessor, provided that prior to such notice Lessee has been notified in writing (by way of Notice of Assignment of Rents and Lease, or otherwise) of the addresses of such mortgagees and/or trust deed holders. Lessee further agrees that if Lessor shall have failed to cure such default, then the mortgagees and/or trust deed holders have thirty (30) days within which to cure such default or if such default cannot be cured within that time, then such additional times as may be necessary if within such thirty (30) days any mortgagee and/or trust deed holder has commenced and is diligently pursuing the remedies necessary to cure such default (including but not limited to commencement of foreclosure proceedings if necessary to affect such cure), in which event this Lease shall not be terminated if such remedies are being so diligently pursued.
28. **Surrender of Possession.** Lessee shall, prior to the termination of this Lease or of Lessee's right to possession, remove from the Premises all personal property which Lessee is entitled to remove and those alterations, additions, improvements (excepting the Landlord Build or any subsequent alterations or improvements that Lessor consented to without explicitly requiring removal thereof) or signs which may be required by Lessor to be removed, including, at Lessor's request, cabling, pursuant to Sections 12 and 14 above, and shall repair or pay for all damage to the Premises caused by such removal. All such property remaining and every interest of Lessee in the same shall be conclusively presumed to have been conveyed by Lessee to Lessor under this Lease as a bill of sale, without compensation, allowance, or credit to Lessee. Lessee shall upon termination of this Lease or of Lessee's right of possession, deliver all keys to Lessor and peacefully quit and surrender the Premises without notice, neat and clean, and in as good condition as when Lessee took possession, except for reasonable wear and tear as determined by Lessor and with all components and systems in good working order and repair.
29. **Late Payment and Interest.** If any amount due from Lessee is not received in the office of Lessor on or before the third (3rd) business day after the date upon which such amount is due and payable, a late charge of five percent (5%) of said amount shall become immediately due and payable, which late charge Lessor and Lessee agree represents a fair and reasonable estimate of the processing and accounting costs that Lessor will incur by reason of such late payment. All past due amounts owing to Lessor under this Lease, including rent, shall be assessed interest at an annual percentage rate of twelve percent (12%) from the third (3rd) business day after the date due until paid. Notwithstanding the foregoing, Lessor shall waive such late charge once per calendar year provided that Lessee timely pays such amount owed within three (3) business days after receiving Lessor's written notice.

30. **Notice.** Any notice, communication or remittance required or permitted by this Lease by either party to the other shall be deemed given, served or delivered, in writing, delivered personally or by courier or by telephonic facsimile transmission with automatic confirmation, addressed to the Lessor at the address specified for the payment of rent under Paragraph 3 of this Lease or to Lessee at the Premises or to such other address as either party may designate to the other in writing from time to time.
31. **No Waiver of Covenants.** Time is of the essence of this Lease. Any waiver by either party of any breach hereof by the other shall not be considered a waiver of any future similar or other breach.
32. **Entire Agreement.** It is expressly understood and agreed by Lessor and Lessee that there are no promises, agreements, conditions, understandings, inducements, warranties, or representations, oral or written, express or implied, between them, other than as herein set forth and that this Lease shall not be modified in any manner except by an instrument in writing executed by the parties.
33. **Binding on Heirs, Successors and Assigns.** The covenants and agreements of this Lease shall be binding upon the heirs, executors, administrators, successors and assigns of both parties hereto, except as hereinabove provided.
34. **Lessor's Assignment.** It is fully understood that Lessor shall have the full right to assign this Lease, without any notice to Lessee, thereby relieving Lessor from all and any liabilities; provided however, that the assignee assumes all Lessor's responsibilities as set forth in this Lease.
35. **Environmental.** See Rider One attached and incorporated into this Lease by this reference.
36. **Brokers; Agency Disclosure; Brokerage Relationships.**
- A. **Payment of Brokers.** Lessor shall pay the commissions due those real estate brokers or agents named below. Lessee agrees to indemnify and hold Lessor harmless from all liabilities and claims for brokerage commissions or finder's fees growing out of agreements which Lessee has made with brokers or finders, other than the market standard commission which Lessor has agreed to pay to Lessor's broker, Broderick Group, Inc. per separate agreement.
- B. **Agency Disclosure.** At the signing of this Lease, the Lessor's agents, Paul Jerue, Tyler Slone and Eric Meussner, of Broderick Group Inc., represented Lessor (the "Lessor's Agents"). Lessee's Leasing Agents are Eric Lonergan and Brian Kelly of Savills Inc. (the "Lessee's Agents"). Each party signing this document confirms that the prior oral and/or written disclosure of agency was provided to him/her in this transaction. (As required by WAC 308-124D-040).

37. **Force Majeure.** Lessor nor Lessee shall have liability to the other party on account of the following acts of “force majeure,” which shall include (a) the inability to fulfill, or delay in fulfilling, any obligations (excepting Lessee’s monetary obligations) under this Lease by reason of strike, lockout, other labor trouble, dispute or disturbance; (b) governmental regulation, moratorium, action, inaction, preemption or priorities or other controls, including delays in receipt of permits; (c) shortages of fuel, supplies or labor; (d) any failure or defect in the supply, quantity or character of electricity or water furnished to the Premises by reason of any requirement, act or omission of the public utility or others furnishing the Building with electricity or water; or (e) for any other reason, whether similar or dissimilar to the above, or for act of God, beyond Lessor’s or Lessee’s reasonable control. If this Lease specifies a time period for performance of an obligation, that time period shall be extended by the period of any delay in Lessor’s performance caused by any of the events of force majeure described herein.
38. **Limitation of Liability.** The recourse of Lessee to recover any claim against Lessor arising under this Lease shall be limited to Lessor’s interest in the Building and to the rents, issues and profits from the Building. Lessee waives any and all recourse for any such liability against Lessor’s members, partners, shareholders, trustees or beneficiaries, or any property or assets of Lessor other than the Building.
39. **Expansion Premises.** Lessee shall have the right to lease the balance of the Building (“Option to Expand”), which would comprise an additional 16,781 rentable square feet on the second floor (the “Expansion Premises”) upon providing Lessor with written notice by September 30, 2023. If the Option to Expand is exercised, the terms for the Expansion Premises shall be the same as the original Premises, with the Base Rent for Expansion Premises matching the then current Base Rent schedule of original Premises with three percent (3.0%) annual Base Rent escalations. There shall be no free rent for the Expansion Premises and Lessor shall provide Lessee with a tenant improvement allowance for the Expansion Premises equal to Fifteen Dollars per rentable square foot (\$15.00/RSF) (the “EP Allowance”). If Lessee timely exercises the Option to Expand, Lessee shall commence leasing the Expansion Premises on the date which is Ninety (90) days after the Expansion Premises are tendered to the Lessee (the “Expansion Premises Commencement Date”), unless another timeline is mutually agreed by Lessor and Lessee and documented in a valid amendment to this Lease.
40. **Governing Law.** This Lease shall be interpreted under the laws of the State of Washington without regard to principles of conflicts of law.
41. **Counterparts.** This Lease may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become a binding agreement when one or more counterparts have been signed and delivered to each of the parties.
42. **Exhibits.** The following exhibits or riders are made a part of this Lease and are incorporated herein by reference:
- Rider One - Environmental
 - Exhibit A – Legal Description of Land and Building Site Plan
 - Exhibit B - Rules and Regulations
 - Exhibit C – Floor Plan of Premises
 - Exhibit D – Work Letter

IN WITNESS WHEREOF, this Lease has been executed by the parties as of the Effective Date.

LESSOR:

LESSEE:

REDMOND EAST OFFICE PARK, LLC

MICROVISION, INC.

/s/ PAT WILEY

(SIGNATURE)

/s/ SUMIT SHARMA

(SIGNATURE)

By: Pat Wiley

(PLEASE PRINT)

By: Sumit Sharma

(PLEASE PRINT)

Its: Manager

Its: CEO

Date: September 24, 2021

Date: September 23, 2021

OFFICE LEASE

THIS LEASE AGREEMENT made this 24th day of September 2021 (the “Effective Date”), by and between Redmond East Office Park LLC, a Washington Limited Liability Company (the "Lessor") and MicroVision, Inc., a Washington Corporation (the “Lessee”).

1. **Premises.** Lessor does hereby lease to Lessee those certain premises consisting of approximately 36,062 rentable square foot and depicted in the floor plan attached hereto as Exhibit D (the “Premises”) in the building located at 18390 NE 68th Street in Redmond, Washington and commonly referred to as the Northwest Technical Center – Building A-1 (the “Building”) located on the land as legally described on Exhibit A, attached hereto. The Building hereafter sometimes may be referred to as the “Project”. In addition, the Lessee has the right, in common with other lessees in the Project and subject to the Rules and Regulations, attached hereto, as Exhibit B, to use of the common areas including the loading and parking areas.

2. **Term.** This Lease shall be for an initial term of one hundred twenty (120) months (the “Initial Term” and together with the Renewal Term, if properly exercised, the “Lease Term”) commencing on the Commencement Date (as defined below). Lessor shall deliver the Premises to Lessee on the date which is ninety (90) days following the Effective Date (the “Delivery Date”) for the purpose of tenant improvement construction, installing telecommunications equipment, wiring, cabling, and furniture installation/configuration. The “Commencement Date” shall be the date which is ninety (90) days after the Delivery Date. The parties acknowledge and agree that from the period commencing on the Delivery Date and ending on the Commencement Date, all terms and conditions of this Lease shall be in effect, except that Lessee shall not be required to pay Base Rent or Additional Rent hereunder. Lessor and Lessee acknowledge that the target Delivery Date is April 1, 2022 and the target Commencement Date is July 1, 2022. Lessee and Lessor shall execute a Commencement Memorandum to memorialize the Delivery Date and the Commencement Date. Lessee is entering into a lease termination (the “Lease Termination”) with its current landlord for separate premises it is leasing in Redmond, Washington (“Prior Landlord”). Notwithstanding anything to the contrary herein, the parties hereby acknowledge and agree that the execution by Lessee and the Prior Landlord of the Lease Termination is a condition subsequent to the effectiveness of this Lease, and accordingly, in the event that Lessee has not reached an agreement with its Prior Landlord regarding the Lease Termination by October 31, 2021, this Lease shall be deemed void ab initio.

3. **Base Rent.** Lessee covenants and agrees to pay Lessor at PO Box 140, Redmond, WA, 98073 or Property Management portal, or to such other party or at such other place as Lessor may hereafter designate, Base Rent in the amount schedule below and Additional Rent, as provided in Section 10, in advance without offset or deduction, on or before the first (1st) day of each month of the Initial Lease Term:

<u>Months:</u>	<u>Base Rent:</u>
Months 01 - 4:	\$30.90/RSF/year plus Additional Rent
Months 05 - 16:	\$30.90/RSF/year plus Additional Rent
Months 17 - 28:	\$31.83/RSF/year plus Additional Rent
Months 29 - 40:	\$32.78/RSF/year plus Additional Rent

Months 41 - 52:	\$33.76/RSF/year plus Additional Rent
Months 53 - 64:	\$34.78/RSF/year plus Additional Rent
Months 65 - 76:	\$35.82/RSF/year plus Additional Rent
Months 77 - 88:	\$36.90/RSF/year plus Additional Rent
Months 89 -100:	\$38.00/RSF/year plus Additional Rent
Months 101 - 112:	\$39.14/RSF/year plus Additional Rent
Months 113 - 120:	\$40.32/RSF/year plus Additional Rent

4. **Option to Renew.**

- A. **Exercise of Option to Renew.** Lessee shall have one (1) Option to Renew the Lease for a period of One Hundred and Twenty (120) Months (the “Renewal Term”). Lessee must exercise its Option to Renew upon providing Lessor with written notice thereof no sooner than Fifteen (15) Months and no later than Twelve (12) Months prior to expiration of the Initial Lease Term. If exercised, the Lease terms during the Renewal Term shall be the same as the original Lease, however Base Rent shall be adjusted to then current fair market rents for leases or renewals in comparable buildings in Redmond, WA (the “Fair Market Rent”). The Option to Renew is personal to Lessee. The Option to Renew shall also pertain to the Expansion Premises (as defined below) if the Option to Expand is exercised.
- B. **Fair Market Rent Determination.** The Fair Market Rent shall be determined as follows:
- i. In the event Lessor and Lessee are unable to agree upon a mutually acceptable Fair Market Rent by the date that is six (6) months prior to the expiration of the Initial Lease Term (the “Fair Market Deadline”), Lessor shall, within fifteen (15) days following the Fair Market Deadline, appoint an appraiser to complete an appraisal of the Fair Market Rent within thirty (30) days after the appointment of Lessor’s appraiser and Lessor shall deliver a copy thereof to Lessee promptly upon receipt by Lessor (“Lessor Appraisal”).
 - ii. If Lessee delivers notice to Lessor of Lessee’s disapproval of the Lessor Appraisal within fifteen (15) business days after Lessee’s receipt of the Lessor Appraisal, then Lessee shall have fifteen (15) days to select an appraiser to deliver an additional appraisal of the Fair Market Rent (the “Lessee Appraisal”). The Lessee Appraisal shall be delivered within thirty (30) days after the appointment of Lessee’s appraiser and Lessee shall deliver a copy thereof to Lessor promptly upon receipt by Lessee.
 - iii. If Lessor delivers notice to Lessee of Lessor’s disapproval of the Lessee Appraisal within fifteen (15) business days after Lessor’s receipt of the Lessee Appraisal, then Lessor and Lessee shall each cause their respective appraisers to jointly select a third appraiser, who shall be an independent appraiser of similar qualifications (the “Joint Appraiser”). If the two appraisers fail to select a Joint Appraiser within thirty (30) days following the date that Lessee received Lessor’s notice of disapproval of the Lessee Appraisal, either Lessor or Lessee may petition a court of competent jurisdiction to appoint a third appraiser. The Joint Appraiser shall, within fifteen (15) days after appointment, select either the Lessor Appraisal or the Lessee Appraisal as the Final Appraisal.

iv. Notwithstanding anything to the contrary herein, the Fair Market Rent for the Renewal Term shall not be less than the Base Rent in place at the expiration of the Initial Term and shall be either (i) the Fair Market Rent as expressed in either the Lessor Appraisal or the Lessee Appraisal, or (ii) the Fair Market Rent reflected in the Final Appraisal, as selected by the Joint Appraiser.

v. All appraisers appointed hereunder shall be, at the time of their appointment, members of good standing of the American Institute of Real Estate Appraisers. The party whose appraisal the Joint Appraiser did not select shall be responsible for the cost of the Joint Appraiser's services, otherwise, the cost of the Lessor Appraisal shall be borne by Lessor and the cost of the Lessee Appraisal shall be borne by the Lessee.

5. **Security Deposit.**

A. **Prepaid Rent Deposit.** Lessee has deposited with Lessor on the date hereof One Hundred Five Thousand Three Hundred Ninety-One and 20/100 Dollars (\$105,391.20) which is to be applied to the Base Rent and Additional Rent for the month in which the Commencement Date occurs

B. **Security Deposit.** Lessee has deposited with Lessor on the date hereof One Million Two Hundred Fifty One Thousand Three Hundred Fifty One Dollars (\$1,251,351.00) of which \$625,675.50 is cash and \$625,675.50 is a Letter of Credit in a form from a financial institution, acceptable to Lessor. Said sum shall be held by Lessor as security for the faithful performance by Lessee of all the terms, covenants and conditions of this Lease to be kept and performed by Lessee during the entire Term hereof. If Lessee materially defaults with respect to any provision of this Lease beyond any applicable notice and cure periods, including, but not limited to, the provisions relating to the payment of Rent or other charges or sums due under this Lease, Lessor may (but shall not be required to) use, apply or retain all or any part of the security deposit for the payment of any Rent or other charges or sums due under this Lease or any sum in default, or for the payment of any amount which Lessor may spend or become obligated to spend by reason of Lessee's default, or to compensate Lessor for any other loss, damage, cost or expense (including attorneys' fees) which Lessor may suffer or incur by reason of Lessee's default. If any portion of said security deposit is so used or applied, Lessee shall, within fifteen (15) days after written demand therefore, deposit a certified or cashier's check or wire transfer with Lessor in an amount sufficient to restore the security deposit to the amount of the security deposit immediately prior to such default by Lessee and Lessee's failure to do so shall be a default under this Lease. Lessor shall not be required to keep the security deposit separate from its general funds and Lessee shall not be entitled to interest on such deposit. If Lessee shall fully and faithfully perform every provision of this Lease to be performed by it, the security deposit or any balance thereof after deduction hereunder by Lessor shall be returned to Lessee (or, at Lessor's option, to the last assignee of Lessee's interest hereunder) within thirty (30) days following expiration of the Lease Term; provided, that in the event this Lease shall be terminated upon the default of the Lessee beyond any applicable notice and cure period(s), the security deposit shall be retained by Lessor and all of Lessee's interest therein shall terminate and the security deposit will be

applied against the damages suffered by Lessor by reason of the Lessee's default. In the event of termination of Lessor's interest in this Lease, Lessor shall transfer said deposit to Lessor's successor in interest. Notwithstanding the foregoing, provided Lessee has not been in material default of the Lease beyond any applicable notice and cure periods, then, after Month 12 of the Lease, the Security Deposit shall be reduced to Nine Hundred Thirty-Eight Thousand Five Hundred Thirteen and No/100 Dollars (\$938,513.00) of which Four Hundred Sixty-Nine Thousand Two Hundred Fifty-Six and 50/100 Dollars (\$469,256.50) shall be cash and the remaining Four Hundred Sixty-Nine Thousand Two Hundred Fifty-Six and 50/100 Dollars (\$469,256.50) shall be Letter of Credit. Provided Lessee has not been in material default of the Lease beyond any applicable notice and cure periods, then, after Month 26 of the Lease, the Security Deposit shall be reduced further to Six Hundred Twenty-Five Thousand Six Hundred Seventy-Five and No/100 Dollars (\$625,675.00) of which Three Hundred Twelve Thousand Eight Hundred Thirty-Seven and 50/100 Dollars (\$312,837.50) shall be cash and Three Hundred Twelve Thousand Eight Hundred Thirty-Seven and 50/100 Dollars (\$312,837.50) shall be Letter of Credit, which Security Deposit shall remain in place through the balance of the Lease Term.

6. **Use.** Lessee shall use and occupy the Premises for the purposes of general office, including but not limited to, research and development and prototype manufacturing of products related to Lessee's portfolio of intellectual property and other products and for no other purposes, without prior written consent of Lessor, and shall comply with all governmental laws, ordinances, regulations, orders and directives and insurance requirements applicable to Lessee's use of the Premises. Lessee shall not occupy or use or permit any portion of the Premises to be occupied or used in such a manner or for any purpose, which would increase the cost of insurance coverage upon the Premises, the building or the contents thereof.
7. **Rules and Regulations.** Lessee agrees to comply with any Rules and Regulations attached hereto as Exhibit B, any recorded Covenants, Conditions and Restrictions affecting the Project (provided that a copy thereof has been provided by Lessor to Lessee), as well as such other reasonable rules and regulations as may from time to time be adopted by Lessor for the management, good order and safety of common areas, the building and its Lessee(s) (provided that Lessor shall provide Lessee with written notice of any such other rules and regulations for the Project which are not attached to this Lease). Lessee shall be responsible for the compliance with such rules and regulations by its employees, agents and invitees. Lessor's failure to enforce any of such rules and regulations against Lessee or any other Lessee shall not be deemed to be a waiver of same.
8. **Maintenance.** Lessee agrees by taking possession that the Premises are in leasable and good condition. Lessee shall, at its expense, and at all times keep, maintain, and repair the interior Premises, including but not limited to storefronts, exterior doors and windows, and Lessee division walls in good condition, repair and order and in accordance with applicable laws, ordinances, rules, regulations and requirements of government authorities and insurance rating bureaus. Lessee shall further keep the Premises and adjoining common areas in a neat, clean, safe and sanitary condition replacing glass and panels in windows and doors of the Premises. Lessor shall keep, maintain, repair and replace the Building and areas surrounding the Premises in a manner consistent with other similar buildings within Redmond, Washington, including but not limited to the Building's mechanical, electrical, sprinkler and other utility systems (outside of the Premises) together with connections to utility distribution systems and protect water drains, gas

and other pipes to prevent freezing or clogging and repair all leaks and damage caused thereby; remove ice and snow from Building entries and common areas immediately adjacent to the Premises. Lessor shall repair the roof, exterior walls (including doors and windows that are not a part of the Premises), foundations and common areas and facilities (unless specifically damaged by Lessee), if any, and the cost thereof shall be shared as provided in Section 9 hereof. Lessor will maintain a preventative maintenance contract providing for the regular inspection, maintenance and repair of the heating and air conditioning systems with a licensed mechanical contractor the cost of which will be paid by Lessee per Lessee's pro-rata share of the Building as Additional Rent.

9. **Utilities and Fees.** Lessee agrees to pay promptly when due all charges for light, heat, water, sewer, garbage, fire protection and other utilities and services to the Premises, and all license fees and other governmental charges levied on Lessee's property and the operation of Lessee's business on the Premises. Lessor shall not be liable for any injury or damages suffered as a result of the interruption of utilities or services by fire, or other casualty, strike, riot, vandalism, the making of necessary repairs or improvements, or other causes beyond Lessor's reasonable control, however Lessor shall use best efforts to assist with the restoration of such utilities in the event of any outage or cessation of such services so that Lessee's interruption of business is kept to a minimum; and provided that to the extent Lessee is unable to reasonably utilize or occupy the Premises as a result of any interruption, deprivation or reduction in utilities and services to the Premises, then Lessee shall be entitled to an abatement in Base Rent and Additional Rent for the period beginning with the date which is three (3) business days after Lessee delivers notice to Lessor of such interruption, deprivation or reduction (provided that, such interruption, deprivation or reduction is continuing as of such third business day) and ending on the date such interruption, deprivation or reduction is no longer causing Lessee to be deprived of all reasonable use of the Premises or any portion thereof. During such abatement period, Base Rent and Additional Rent shall abate in the same ratio as the portion of the Premises rendered unusable as a result of such interruption, deprivation or reduction. Notwithstanding the foregoing, such abatement of Base Rent and Additional Rent shall only be available to Tenant in the event the interruption, deprivation or reduction in utilities and services is (i) solely the result of a default by Landlord under the Lease, and (ii) is not related to an event outside of Landlord's reasonable control. In no event will Landlord be responsible for a loss or injury to business, however, occurring through or in connection with or incidental to any failure to furnish any such services.
10. **Monthly Operating Expense Adjustments.** Lessee shall pay as additional monthly rent ("Additional Rent") the Lessee's Share (as defined below) of the following:
- A. Real Estate taxes and assessments, if any.
 - B. Usual and necessary costs of operation, management, maintenance and repair as determined by standard accounting practice, including without limitation, all utilities and services not metered or charged directly to Lessee, insurance (including, but not limited to the insurance provided for under Paragraph 16 C below), painting, upkeep and repair of building exterior, parking, landscaping, and all common areas and facilities and Permitted Capital Improvements. The items under this clause (B) shall not include: any of the following: (i) ground rent; (ii) interest and amortization of funds borrowed by Lessor for items other than capital improvements; (iii) leasing commissions and advertising and space planning expenses incurred in procuring tenants; (iv) salaries, wages, or other compensation paid to officers or executives of Lessor in their capacities

as officers and executives; (v) any cost or expense paid or incurred by Lessor to bring the Premises into compliance with laws; (vi) costs of renovating or otherwise improving, decorating, painting or redecorating space for tenants or other occupants of the Project; (vii) depreciation and amortization; (viii) interest and principal payments on loans; (ix) real estate brokerage, free rent, lease takeover obligations, and other inducements, costs, disbursements and expenses incurred in connection with leasing space in the Project and advertising and promotional expenses, legal fees, architectural and engineering (and similar consultant) fees, permits, licenses and inspection cost and fees in connection, the cost of tenant improvements, build out allowances, moving expenses and other concessions incurred in connection with leasing space in the Project; (x) costs of Lessor reimbursed by warranties, service contracts, insurance proceeds or otherwise; (xi) the cost of alterations, repairs, replacements, additions or other items of a capital nature except for capital items which are not Permitted Capital Improvements; (xii) costs, fines and penalties incurred because Lessor intentionally, knowingly or negligently violated any governmental requirement or law; (xiii) costs incurred because the Lessor or another tenant violated the terms of any lease; (xiv) general reserves; (xv) bad debt loss, rent loss or reserve for bad debt loss or rent loss for the Project; (xvi) costs incurred to test, survey, cleanup, contain, abate, remove or otherwise remedy hazardous substances or asbestos containing materials; (xvii) Lessor's general corporate overhead; and (xviii) any other costs and expenses that under generally accepted accounting principles and practice consistently applied would not be considered normal management, operation, maintenance and repair costs. For purposes of this Lease, "Permitted Capital Improvements" are the cost of capital improvements or other costs incurred in connection with the Project (A) which are intended to effect economies in the operation or maintenance of the Project, or to reduce current or future operating costs, (B) to enhance the safety or security of the Project or its occupants provided such safety and security measures are generally being implemented by other landlords of office buildings in Redmond, (C) which are incurred for replacements, modifications or additions of nonstructural items located in the common areas required to keep the common areas in good order or condition; provided, however, that any capital expenditure shall be amortized in accordance with sound real estate management and accounting practices consistently applied by other landlords of office buildings in Redmond.

C. A Management fee equal to three percent (3%) of Lessee's monthly rent, including Base Rent and any Additional Rent.

Lessor shall from time to time estimate and provide written notice to Lessee of its monthly expense based upon existing or expected costs. Lessee shall pay such monthly estimated amount on or before the first day of each month. Lessor, annually and no later than six (6) months after the end of any calendar year shall compute Lessee's actual expenses. Any overpayment shall be applied as a credit to Lessee against future payments of Additional Rent. Lessee shall pay any deficiency to Lessor within thirty (30) days after the date of Lessor's statement. Lessor's records showing expenditures made for such expenses shall be available for Lessee's inspection at any reasonable time. For purposes of this Lease, "Lessee's Share" means 100%.

Lessor shall make the determination of actual costs and estimated costs allocable to the Premises. Lessor or its agent shall keep records showing all expenditures made for the items enumerated above, which records shall be available for inspection and review by Lessee. The Lessee shall have the right, at reasonable times and upon reasonable prior notice to the Lessor to review the

Lessor's records relating to the actual costs and estimated costs allocable to the Premises for a particular Lease Year, which review must be conducted within six (6) months after Lessee's receipt of the statement of actual costs allocable to the Premises for that particular Lease Year. If such review is not conducted within such six (6) month period, then the matters set forth in the statement of actual costs allocable to the Premises for that particular Lease Year shall be deemed conclusive. The Lessee shall pay the costs and expenses of such review unless such review reveals that the Lessor has overstated the Operating Expenses for the Lease Year in question by an amount equal to five percent (5%) or more for that particular Lease Year in which event the Lessor shall pay the actual costs incurred by Lessee in the performance of such review. For purposes of this Lease, "Lease Year" means a period of twelve (12) full and consecutive calendar months; provided, however, the initial Lease Year shall begin on the Commencement Date and end on the last day of the month preceding the first anniversary of the Commencement Date and if the Commencement Date does not occur on the first day of a calendar month, then the initial Lease Year shall end on the last day of the month which contains the first anniversary thereof. Each succeeding Lease Year shall begin upon the termination of the preceding Lease Year and shall be for a period of twelve (12) full and consecutive calendar months thereafter.

11. **Lessor's Reservations.** Lessor reserves the right without liability to Lessee upon no less than two (2) business days' prior written notice to Lessee: (a) to inspect the Premises, and to show them to prospective Lessees (during the last eighteen (18) months of the Lease), partners or lenders and if they are vacated, to prepare them for re-occupancy; (b) to retain at all times and to use in appropriate instances keys to doors within and into the Premises; (c) to make repairs, alterations, additions or improvements, whether structural or otherwise, in or about the building, and for such purposes to enter upon the Premises and during the continuance of any work, to close common areas, all without affecting any of Lessee's obligations hereunder, so long as the Premises are reasonably accessible and Lessor shall not unreasonably interfere with Lessee's use or enjoyment of the Premises; and (d) generally to perform any act relating to the safety, protection and preservation of the Premises or Building.
12. **Tenant Improvements.** As of the Commencement Date, Lessor shall deliver the Premises in as-is condition. Lessor shall provide Lessee with a tenant improvement allowance in the maximum aggregate amount of Fifteen and No/100 Dollars per rentable square foot (\$15.00/RSF) (the "TI Allowance") to be used to pay for all actual, out-of-pockets costs and expenses incurred by Lessor in connection with the design, permitting and construction of the Improvements (as defined in Exhibit D). The disbursement of the TI Allowance and construction of the Improvements are outlined in Exhibit D, "Work Letter". Lessee shall carry the contract with a general contractor, which general contractor shall be mutually selected by Lessor and Lessee. Lessor shall receive a supervisory/construction management fee equal to three percent (3.0%) of the total actual, out-of-pocket hard costs for the construction of the Improvements, which fee shall be funded from the TI Allowance. In the event the actual costs of the Improvements exceed the TI Allowance, Lessee shall be responsible for such excess amounts. In the event the actual costs of the Improvements are less than the TI Allowance, Lessee shall have up to twelve (12) months from Commencement Date to use the remaining unused balance of the TI Allowance on other "Eligible Expenses" (as defined below). "Eligible Expenses" mean all hard construction costs which may be incurred by Lessee for alterations or improvements to the Premises performed by or on behalf of Lessee.

13. **Assignment and Subletting.** Lessee shall not either voluntarily or by operation of law assign, transfer, convey or encumber this Lease or any interest under it, or sublet its right to occupy or use all or any portion of the Premises without Lessor's prior written consent which consent shall not be unreasonably withheld, conditioned or delayed. Among the criteria to be used by Lessor in evaluating a request for assignment or subletting will be (i) the proposed use of the Premises; (ii) the anticipated impact, if any, on parking; or (iii) the financial capacity of the assignee/sublessee to perform the obligations under this Lease. Lessor reserves the right to recapture the Premises or applicable portion thereof in lieu of giving its consent by notice given to Lessee within twenty (20) days after receipt of Lessee's written request for assignment or subletting. Such recapture shall terminate this Lease as to the applicable space effective on the prospective date of assignment or subletting, which shall be the last day of a calendar month and not earlier than sixty (60) days after receipt of Lessee's request hereunder. In the event that Lessor shall not elect to recapture and shall thereafter give its consent, Lessee shall pay Lessor a reasonable fee, not to exceed One Thousand and No/100 Dollars (\$1,000.00) to reimburse Lessor for processing costs incurred in connection with such consent. Lessor's consent shall not release or discharge Lessee from future liability under this Lease and shall not waive Lessor's right to consent to any future assignment or sublease. Any assignment or subletting without Lessor's consent shall be void and shall, at Lessor's option, constitute a default under this Lease. A transfer by the present majority shareholders of ownership or control of a majority of the voting stock of a corporate Lessee, or the change in form of entity of the Lessee, shall be deemed an assignment. Notwithstanding anything herein to the contrary, Lessee may, without Lessor's prior consent assign its rights and obligations under this Lease or sublet all or a portion of the Premises to: (i) a subsidiary, parent, affiliate, division or entity controlled by or under common control with Lessee, (ii) a successor entity to Lessee by merger, consolidation, non-bankruptcy reorganization or governmental action, or (iii) a purchaser of substantially all of the assets or equity interests in Lessee, in which case the provisions of this Section 13 shall not apply to such transfer, assignment or sublease; provided that any such transfer is for a legitimate business purpose and is not undergone as a subterfuge to avoid the obligations of this Section 13.

The Lessee shall not assign its interest in or under this Lease for security purposes, nor shall the Lessee grant any security interest, lien or encumbrance against its interest in this Lease or in or to any property in or affixed to the Premises without the prior written consent of the Lessor, which consent shall be granted, withheld or conditioned in Lessor's sole discretion. In no event shall the Lessee grant, or allow to exist, any security interest in, or lien or encumbrance against the fee title to the Premises, the Building in which the Premises is located or the real property on which the building is located.

14. **Alterations.** After obtaining the prior written consent of Lessor, which consent shall not be unreasonably withheld, conditioned or delayed, Lessee may make alterations, additions and improvements in said Premises (so long as such alterations, additions or improvements are not structural in nature and not visible from the exterior of the Premises) at its sole cost and expense. Lessee agrees to save Lessor harmless from any damage, loss, or expense arising there from and to comply with all laws, ordinances, rules and regulations. Upon termination of this Lease and unless otherwise agreed to by the parties, all alterations, additions and improvements made in, to or on the Premises (including without limitation all electrical, lighting, plumbing, heating, air conditioning, and communications equipment and systems, doors, windows, partitions, drapery, carpeting, shelving, counters, and physically attached fixtures unless excluded by written agreement annexed hereto), shall remain upon and be surrendered as a part of the Premises; provided however, upon Lessor's written request (which written request shall be made at the time Lessor consented to such alterations or improvements), Lessee shall remove its communications cabling and those additions, alterations, or improvements as may be specified by Lessor upon the

expiration of the Lease Term, and repair and restore the Premises to its original condition (with all of Landlord's Build and other Lessor improvements completed) at Lessee's sole cost and expense prior to expiration of the Lease Term.

15. **Liens.** Lessee shall keep the Premises free from any liens arising out of any work performed, materials furnished, equipment supplied, or obligations incurred by or on behalf of Lessee. No work performed, material furnished, equipment supplied or obligations incurred by or on behalf of Lessee shall be deemed to be for the immediate use and benefit of Lessor so that no mechanic's lien or other lien shall be allowed against Lessor's estate in the premises. Lessee shall provide, at Lessee's own cost, waivers of lien signed by any party (including the Lessee) who performs work, furnishes materials, or supplies equipment to the Premises. Lessor may require, at Lessee's sole cost and expense, a lien release and completion bond in an amount equal to either the actual contract price or one and one-half times the estimated cost of any improvements, additions or alterations in the Premises which Lessee desires to make, to insure Lessor against any liability for lien and to insure completion of the work.

16. **Signs.** Lessor, at Lessor's sole expense, shall provide directory and suite signage. All signs or symbols placed by Lessee in the windows and doors of the Premises, or upon any exterior part of the building, shall be subject to city of Redmond and Lessor's prior written approval. Prior to termination of this Lease, Lessee will remove all signs placed by it upon the Premises, and will repair any damages caused by installation and removal. Obtaining approvals will be Lessee's responsibility. Notwithstanding the foregoing and subject to Lessor's prior written approval, which shall not be unreasonably withheld, conditioned or delayed and subject to compliance with all applicable City of Redmond codes, Lessee shall have the right, at Lessee's expense, to install an exterior sign on the Building's façade in a mutually agreeable location which shall remain on the Premises which shall be removed by Lessee, at Lessee's expense, prior to the expiration of the Lease Term.

17. **Insurance.**
 - A. Lessee shall pay for and maintain, during the entire Lease Term, the following policies of insurance:
 - (i) Commercial general liability insurance, including products, completed operations coverage and auto liability insurance covering Lessee's operations and the Premises with limits of not less than \$2,000,000 per occurrence.
 - (ii) Special cause of loss "all risk" perils and sprinkler leakage property insurance upon all building improvements and alterations on the Premises for which Lessee is responsible and upon Lessee's property in the amount of one hundred percent (100%) full replacement cost. The policy shall include Lessor and Lessor's mortgagee, if any, as additional insureds, as their interests may appear, with a loss payable clause in favor of Lessor and Lessor's mortgagee to the extent of their interest in the property.

 - B. Each policy provided by Lessee shall provide that it shall not be subject to cancellation or material change without at least thirty (30) days prior written notice to the Lessor. Lessee shall furnish Lessor, prior to commencement of the Term, with insurance certificates, including Lessor as additional insured.

- C. Lessor shall maintain property insurance during the entire Lease Term in the amount of one hundred percent (100%) full replacement value of the Building and Lessor's improvements. Lessor's coverage may include the perils of Special cause of loss ("all risk") and earthquake.

18. **Indemnity Against Liability for Loss or Damage.**

- A. Lessee assumes all liability for and shall indemnify, hold harmless and defend Lessor from and against all loss, damage or expense which the Lessor may sustain or incur, and against any and all claims, demands, suits and actions whatsoever, including expense of investigation and litigation ("Claims"), on account of injury to or death of persons, including without limitation employees of Lessor, employees of Lessee or its affiliated companies or on account of damage to or destruction of property, including without limitation property owned by and property in the care, custody or control of Lessor during the Lease Term, due to or arising in any manner from:
 - (i) The acts or negligence of Lessee or any contractor, subcontractor, or agent of Lessee or their respective employees;
 - (ii) The condition, use or operation of the Premises and/or materials or substances used by Lessee or any of its contractors, subcontractors or agents of Lessee or by their respective employees, regardless of whether or not furnished by Lessor under this Lease or otherwise;
 - (iii) Any damage or injury to persons or property arising out of Lessee's breach or this Lease, including, but not limited to, obligations of Lessee under Section 8, Maintenance.
- B. Lessor shall have no liability to Lessee as a result of loss or damage to Lessee's property or for death or bodily injury caused by the acts or omissions of other Lessees in the project or by third parties (including criminal acts).
- C. Lessee shall not be obligated to indemnify Lessor for the portion of any claim or liability caused by or arising from the act, or negligence of Lessor. Lessor shall indemnify, defend and hold harmless Lessee from and against any and all Claims, arising in whole or in part out of (a) any act, omission or negligence of Lessor, or (b) any breach or default under this Lease by Lessor.
- D. It is mutually understood and agreed that the assumption of liabilities and indemnification provided for in this Section 18 shall survive any termination of this Lease.

19. **Damage or Destruction.** If any of the Premises, or a substantial part of the building in which the Premises are located, shall be damaged or destroyed by fire or other insured casualty, and repair of the damage cannot be completed within one hundred twenty (120) days, following receipt by Lessor of actual notice of such damage or destruction, Lessor shall have the option either (a) to repair or rebuild within a reasonable time utilizing the insurance proceeds to effect such repair, or (b) not to repair or rebuild, and to cancel this Lease on sixty (60) days' prior written notice. If Lessor fails to give Lessee written notice of its election within sixty (60) days from the date of

damage, or if the restoration of the Premises cannot be completed within one hundred twenty (120) days from date of notice, Lessee may cancel this Lease at its option on fifteen (15) days' prior written notice. During the period of untenability, all rent shall abate in the same ratio as the portion of the Premises rendered untenable bears to the whole of the Premises; provided that if the damage is due to the fault or neglect of Lessee, there shall be no abatement of rent.

If the Premises or the building in which the Premises are located shall be damaged or destroyed by fire or other insured casualty, and repair of the damage can be completed within one hundred twenty (120) days, Lessor shall repair or rebuild within a reasonable time utilizing the insurance proceeds to effect such repair. During the period of untenability, all rent shall abate in the same ratio as the portion of the Premises rendered untenable bears to the whole of the Premises; provided that if the damage is due to the fault or neglect of Lessee, there shall be no abatement of rent.

If any part of the Premises or the Building in which the Premises are located shall be damaged or destroyed by an uninsured casualty, Lessor shall have the option either (a) to repair or rebuild within a reasonable time, or (b) not to repair or rebuild, and to cancel this Lease on thirty (30) days' prior written notice. In the event of cancellation by Lessor as a result of an uninsured casualty, Lessee shall have the right, in its sole and absolute discretion, within five (5) days following Lessor's notice of cancellation, to override such cancellation by agreeing to repair the damage at Lessee's sole cost and expense. In such event, the Lessee shall repair or rebuild within a reasonable time following the damage or destruction.

20. **Eminent Domain.** If the whole of the Premises shall be taken by any public authority under the power of eminent domain, or purchased by the condemnor in lieu thereof, then the term of this Lease shall cease as of the date possession is taken by such public authority. If only part of the Premises shall be so taken, the Lease shall terminate only as to the portion taken, and shall continue in full force and effect as to the remainder of said Premises, and the monthly rent shall be reduced proportionately; provided, however, if the remainder of the Premises cannot be made tenantable for the purposes for which Lessee has been using the Premises or if more than twenty-five percent (25%) of the rentable square footage of the Premises shall be so taken, then either party, by written notice to the other, given at least thirty (30) days prior to the date that possession must be surrendered to the public authority, may terminate this Lease effective as of such surrender of possession. If any part of the building other than the Premises shall be so taken so as to render in Lessor's opinion the termination of this Lease beneficial to the remaining portion of the building, Lessor shall have the right within sixty (60) days of said taking to terminate this Lease upon thirty (30) days written notice to Lessee. In the event of any taking, whether whole or partial, Lessor shall be entitled to all awards, settlements, or compensation which may be given for the land and buildings. Lessee shall have no claim against Lessor for the value of any unexpired term of this Lease. Lessee shall have the right to seek an independent and separate award from the condemning authority so long as such award does not diminish the amount of the award payable to Lessor.
21. **Insolvency.** If Lessee shall be declared insolvent or bankrupt, or if Lessee's leasehold interest herein shall be levied upon or seized under writ of any court of law, or if a trustee, receiver or assignee be appointed for the property of Lessee, whether under operation of State or Federal statutes, then, to the extent permitted by law, Lessor may, at its option, immediately, without notice (notice being expressly waived), terminate this Lease and take possession of said Premises.

22. **Default and Re-Entry.** If Lessee fails to pay rent or other charges provided for herein within three (3) days after receipt of written notice thereof or if Lessee fails to observe or perform any covenant or condition of this Lease, other than the making of payments, where such failure shall continue for a period of thirty (30) days after written notice from Lessor or such additional time as is reasonably needed to cure the default, provided that, Lessee shall diligently and continuously pursue the cure, then Lessor may, at its option, without further notice or demand:
- A. Cure such breach for the account and at the expense of Lessee (including entry upon the Premises to make repairs on behalf of the Lessee where Lessee has failed to make such repairs as required under this Lease) and such expense shall be deemed additional rent due on the first of the following month; or
 - B. Re-enter the Premises, remove all persons therefrom, take possession of the Premises and remove all personal property therein at Lessee's risk and expense and (1) terminate this Lease, or (2) without terminating the Lease or in any way affecting the rights and remedies of Lessor or the obligations of Lessee, make an honest and reasonable effort to re-let the whole or any part of the Premises for Lessee's account upon such terms and conditions as Lessor may deem advisable. In either event, any moneys received from Lessee and any deposit or other amounts held by Lessor may first be applied by Lessor to any damages suffered by Lessor as a result of such default, including without limitation, costs and expenses incurred on re-entry and re-letting, any unamortized Lessee improvements and commissions, cleaning, necessary repairs, restoration and alteration, and any commissions incurred on re-letting, and the balance of such amounts may be applied toward payment of other sums due to Lessor hereunder. In the event the Premises are re-let for Lessee's account, Lessee shall pay to Lessor monthly any deficiency; however, Lessor shall not be required to pay any excess to Lessee. Upon termination of this Lease or of Lessee's right to possession, Lessor reserves and has the right to recover damages arising from the breach of the Lease from Lessee including, but not limited to: (1) The worth of the unpaid rent and other charges provided for herein that had been earned at the time of such termination; (2) The worth of the amount of the unpaid rent and other charges provided for herein that would have been earned for the balance of the term of this Lease after the date of such termination; and (3) Any other amount, including court, attorney and collection costs, necessary to compensate Lessor. "The Worth," as used in Section (1) is to be calculated allowing interest at 18% per year (or, if applicable, at such lower rate as may represent the highest legal limit allowed in the State of Washington). "The worth" as used for Section (2) is to be computed by discounting the amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of termination. The above remedies of Lessor are cumulative and in addition to any other remedies now or hereafter allowed by law or elsewhere provided for in this Lease.
 - C. Lessor shall not be liable for damages by reason of the re-entry described in paragraph B, above.
23. **Removal of Property.** Any property of Lessee removed by Lessor in accordance with Section 22 above may be stored, sold, or disposed of by Lessor without any additional notice to Lessee at the sole risk and expense of Lessee and without any further responsibility of Lessor. Proceeds therefrom may be applied by Lessor upon any indebtedness due from Lessee to Lessor. Lessee waives all claims for damages that may be caused by Lessor re-entering the Premises and removing or disposing of said property as herein provided.

24. **Costs and Attorneys' Fees.** In the event either party shall commence legal action to enforce any provision of this Lease, the court shall award to the prevailing party all reasonable attorneys' fees and all costs incurred in connection therewith, including fees and costs on appeal. Any action relating to this Lease shall be brought in the County in which the Premises are located or, at Lessor's election, in King County, Washington.
25. **Subrogation Waiver.** Lessor and Lessee each herewith and hereby release and relieve the other and waive its entire right of recovery against the other for loss or damage arising out of or incident to the perils of fire, explosion or any other perils described in the "all risk" insurance and the events covered under the property insurance coverages required under this Lease, whether due to the negligence of either party, their agents, employees or otherwise. Each party shall obtain from its respective insurer under each insurance policy that it maintains a waiver of all rights of subrogation, which the insurer may have against the other party for claims that are released under this Section 25.
26. **Holding Over.** Unless otherwise agreed to by Lessor, if Lessee, with the express consent of Lessor, shall hold over after the expiration of the Lease Term, Lessee shall remain bound by all the covenants and agreements herein, except that (a) the tenancy shall be from month-to-month and (b) the monthly Base Rent to be paid by Lessee shall be determined by multiplying the monthly Base Rent in effect immediately preceding such expiration times 150%. If Lessee holds possession of the Premises after the expiration of the Lease Term without the express written consent of Lessor, Lessee shall remain bound by all the covenants and agreements herein, except that (a) the tenancy shall be from month-to-month and (b) the monthly Base Rent to be paid by Lessee shall be twice the monthly rent in effect immediately preceding such expiration. Any such tenancy may be terminated with twenty (20) days prior notice as provided by Washington State law.

In the event of any unauthorized holding over, Lessee shall also indemnify and hold Lessor harmless from and against all liability, losses, claims, causes of action, damages, costs and expenses (including without limitation attorney fees) resulting from Lessee's failure to surrender the Premises, including without limitation claims made by succeeding lessees resulting from Lessee's failure to surrender the Premises.

Lessee's obligations under this Section 26 shall survive the expiration or termination of this Lease.

27. **Subordination and Attornment; Mortgage Protection.**
- A. **Subordination-Notice to Mortgagee.** At the request of Lessor, Lessee shall promptly execute, acknowledge and deliver, all instruments which may be required to subordinate this Lease to any existing or future mortgages, deeds of trust and/or other security documents on or encumbering the Premises or on the leasehold interest held by Lessor, and to any extensions, renewals, or replacements thereof, provided that Lessee shall have the right to request that any holder or beneficiary of any mortgage, deed of trust, ground lease, vendor's lien or similar instrument execute a non-disturbance agreement in favor of Lessee on the commercially reasonable standard form utilized by such lender or ground

lessor (subject to Lessee's reasonable comments), and Lessor shall obtain such executed non-disturbance agreement if so requested by Lessee as a condition to Lessee's subordination to any such party.

- B. **Lessee's Certificate.** Either party shall, at any time and from time to time, within five (5) business days after written notice from the other party execute, acknowledge and deliver to Lessor a statement in writing (a) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease as so modified is in full force and effect), and the date to which the rental and other charges are paid in advance, if any; and (b) acknowledging that there are not, to such party's knowledge, any uncured defaults on the part of the Lessor or Lessee hereunder, or specifying such defaults if any are claimed; and (c) setting forth the date of commencement of rents and expiration of the Lease Term hereof; and, (d) such other information as such party shall reasonably require. Any prospective purchaser, lender, assignee, sublease, or encumbrancer of all or any portion of the Premises of which the Premises are a part or any affiliate of either party may rely upon any such statement.
- C. **Mortgagee Protection Clause.** Lessee agrees to use reasonable efforts to notify any mortgagee and/or trust deed holders, by registered mail, with a copy of any notice of default served upon the Lessor, provided that prior to such notice Lessee has been notified in writing (by way of Notice of Assignment of Rents and Lease, or otherwise) of the addresses of such mortgagees and/or trust deed holders. Lessee further agrees that if Lessor shall have failed to cure such default, then the mortgagees and/or trust deed holders have thirty (30) days within which to cure such default or if such default cannot be cured within that time, then such additional times as may be necessary if within such thirty (30) days any mortgagee and/or trust deed holder has commenced and is diligently pursuing the remedies necessary to cure such default (including but not limited to commencement of foreclosure proceedings if necessary to affect such cure), in which event this Lease shall not be terminated if such remedies are being so diligently pursued.
28. **Surrender of Possession.** Lessee shall, prior to the termination of this Lease or of Lessee's right to possession, remove from the Premises all personal property which Lessee is entitled to remove and those alterations, additions, improvements (excepting the Landlord Build or any subsequent alterations or improvements that Lessor consented to without explicitly requiring removal thereof) or signs which may be required by Lessor to be removed, including, at Lessor's request, cabling, pursuant to Sections 12 and 14 above, and shall repair or pay for all damage to the Premises caused by such removal. All such property remaining and every interest of Lessee in the same shall be conclusively presumed to have been conveyed by Lessee to Lessor under this Lease as a bill of sale, without compensation, allowance, or credit to Lessee. Lessee shall upon termination of this Lease or of Lessee's right of possession, deliver all keys to Lessor and peacefully quit and surrender the Premises without notice, neat and clean, and in as good condition as when Lessee took possession, except for reasonable wear and tear as determined by Lessor and with all components and systems in good working order and repair.
29. **Late Payment and Interest.** If any amount due from Lessee is not received in the office of Lessor on or before the third (3rd) business day after the date upon which such amount is due and payable, a late charge of five percent (5%) of said amount shall become immediately due and payable, which late charge Lessor and Lessee agree represents a fair and reasonable estimate of the processing and accounting costs that Lessor will incur by reason of such late payment. All

past due amounts owing to Lessor under this Lease, including rent, shall be assessed interest at an annual percentage rate of twelve percent (12%) from the third (3rd) business day after the date due until paid. Notwithstanding the foregoing, Lessor shall waive such late charge once per calendar year provided that Lessee timely pays such amount owed within three (3) business days after receiving Lessor's written notice.

30. **Notice**. Any notice, communication or remittance required or permitted by this Lease by either party to the other shall be deemed given, served or delivered, in writing, delivered personally or by courier or by telephonic facsimile transmission with automatic confirmation, addressed to the Lessor at the address specified for the payment of rent under Paragraph 3 of this Lease or to Lessee at the Premises or to such other address as either party may designate to the other in writing from time to time.
31. **No Waiver of Covenants**. Time is of the essence of this Lease. Any waiver by either party of any breach hereof by the other shall not be considered a waiver of any future similar or other breach.
32. **Entire Agreement**. It is expressly understood and agreed by Lessor and Lessee that there are no promises, agreements, conditions, understandings, inducements, warranties, or representations, oral or written, express or implied, between them, other than as herein set forth and that this Lease shall not be modified in any manner except by an instrument in writing executed by the parties.
33. **Binding on Heirs, Successors and Assigns**. The covenants and agreements of this Lease shall be binding upon the heirs, executors, administrators, successors and assigns of both parties hereto, except as hereinabove provided.
34. **Lessor's Assignment**. It is fully understood that Lessor shall have the full right to assign this Lease, without any notice to Lessee, thereby relieving Lessor from all and any liabilities; provided however, that the assignee assumes all Lessor's responsibilities as set forth in this Lease.
35. **Environmental**. See Rider One attached and incorporated into this Lease by this reference.
36. **Brokers; Agency Disclosure; Brokerage Relationships**.
 - A. **Payment of Brokers**. Lessor shall pay the commissions due those real estate brokers or agents named below. Lessee agrees to indemnify and hold Lessor harmless from all liabilities and claims for brokerage commissions or finder's fees growing out of agreements which Lessee has made with brokers or finders, other than the market standard commission which Lessor has agreed to pay to Lessor's broker, Broderick Group, Inc. per separate agreement.
 - B. **Agency Disclosure**. At the signing of this Lease, the Lessor's agents, Paul Jerue, Tyler Slone and Eric Meussner, of Broderick Group Inc., represented Lessor (the "Lessor's Agents"). Lessee's Leasing Agents are Eric Lonergan and Brian Kelly of Savills Inc. (the "Lessee's Agents"). Each party signing this document confirms that the prior oral and/or written disclosure of agency was provided to him/her in this transaction. (As required by WAC 308-124D-040).

37. **Force Majeure.** Lessor nor Lessee shall have liability to the other party on account of the following acts of “force majeure,” which shall include (a) the inability to fulfill, or delay in fulfilling, any obligations (excepting Lessee’s monetary obligations) under this Lease by reason of strike, lockout, other labor trouble, dispute or disturbance; (b) governmental regulation, moratorium, action, inaction, preemption or priorities or other controls, including delays in receipt of permits; (c) shortages of fuel, supplies or labor; (d) any failure or defect in the supply, quantity or character of electricity or water furnished to the Premises by reason of any requirement, act or omission of the public utility or others furnishing the Building with electricity or water; or (e) for any other reason, whether similar or dissimilar to the above, or for act of God, beyond Lessor’s or Lessee’s reasonable control. If this Lease specifies a time period for performance of an obligation, that time period shall be extended by the period of any delay in Lessor’s performance caused by any of the events of force majeure described herein.
38. **Limitation of Liability.** The recourse of Lessee to recover any claim against Lessor arising under this Lease shall be limited to Lessor’s interest in the Building and to the rents, issues and profits from the Building. Lessee waives any and all recourse for any such liability against Lessor’s members, partners, shareholders, trustees or beneficiaries, or any property or assets of Lessor other than the Building.
40. **Governing Law.** This Lease shall be interpreted under the laws of the State of Washington without regard to principles of conflicts of law.
41. **Counterparts.** This Lease may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become a binding agreement when one or more counterparts have been signed and delivered to each of the parties.
42. **Exhibits.** The following exhibits or riders are made a part of this Lease and are incorporated herein by reference:
- Rider One - Environmental
 - Exhibit A – Legal Description of the Land and Building Site Plan
 - Exhibit B - Rules and Regulations
 - Exhibit C – Floor Plan of Premises
 - Exhibit D – Work Letter

IN WITNESS WHEREOF, this Lease has been executed by the parties as of the Effective Date.

LESSOR:

LESSEE:

REDMOND EAST OFFICE PARK, LLC

MICROVISION, INC.

/s/ PAT WILEY

(SIGNATURE)

/s/ SUMIT SHARMA

(SIGNATURE)

By: Pat Wiley

(PLEASE PRINT)

By: Sumit Sharma

(PLEASE PRINT)

Its: Manager

Its: CEO

Date: September 24, 2021

Date: September 23, 2021

Exhibit 31.1

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

I, Sumit Sharma, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2021 of MicroVision, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the period presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2021

/s/ Sumit Sharma

Sumit Sharma
Chief Executive Officer

Exhibit 31.2

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

I, Stephen P. Holt, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2021 of MicroVision, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the period presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2021

/s/ Stephen P. Holt

Stephen P. Holt
Chief Financial Officer

Exhibit 32.1

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

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

- 1) the Company's Form 10-Q for the quarter ended September 30, 2021 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) the information contained in the Company's Form 10-Q for the quarter ended September 30, 2021 fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2021

/s/ Sumit Sharma

Sumit Sharma
Chief Executive Officer

Exhibit 32.2

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

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

- 1) the Company's Form 10-Q for the quarter ended September 30, 2021 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) the information contained in the Company's Form 10-Q for the quarter ended September 30, 2021 fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2021

/s/ Stephen P. Holt

Stephen P. Holt
Chief Financial Officer
