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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): March 7, 2005

MICROVISION, INC.

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

0-21221
(Commission File Number)

91-1600822
(IRS Employer
Identification No.)

19910 North Creek Parkway
Bothell, Washington 98011
(Address of Principal Executive Office) (Zip Code)

Registrant's telephone number, including area code: (425) 415-6847

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01. Entry into a Material Definitive Agreement.

(a) Microvision, Inc. (the "Company") entered into a Securities Purchase Agreement dated as of March 11, 2005 (the "Purchase Agreement") with various investors (the "Purchasers") pursuant to which the Company has issued senior secured exchangeable convertible notes in the aggregate principal amount of \$10,000,000 (the "Notes") and warrants to purchase shares of the Company's common stock (the "Warrants") for an aggregate purchase price of \$10,000,000.

The Notes are convertible at the option of the holders into shares of the Company's common stock ("Company Shares") or exchangeable into shares of Lumera Corporation's common stock ("Lumera Shares") which are held by the Company, or a combination of the two. The conversion price for Common Shares is \$6.84 per share, and the exchange price for Lumera Shares is \$5.64 per share, subject to the aggregate maximum number of Lumera Shares available for exchange and/or repayment as noted below. The maturity date for the Notes is March 15, 2007. The Notes bear interest at a rate of the applicable LIBOR plus three percent (3.0%) per annum, subject to periodic adjustment, provided that the interest rate shall not be less than 6.0% per annum or greater than 8.0% per annum.

The Notes have a term of two years and scheduled repayments of one-sixth of the principal amount in each of the last six quarters of the term. Subject to conditions, the Company has the option to pay principal in cash or common stock or a combination thereof. If the Company exercises its option to pay principal in common stock, each Purchaser will choose its preference of Lumera Shares or Company Shares or a combination thereof. Payment in either stock will be issued at a 10% discount to the arithmetic average of the volume weighted average prices for the 15 trading days prior to the payment date. Subject to conditions, interest is payable in cash or Company Shares, at the Company's option. If the Company elects to pay interest in Company Shares, the price will be based on 92% of the arithmetic average of the volume weighted average prices for the 10 trading days prior to the payment date. The Company has the right to mandatorily convert the Notes into Company Shares at the conversion price of \$6.84 if, subject to conditions, the shares trade at or above \$11.97 for 20 out of 30 trading days after the effectiveness of the required resale registration statement.

The maximum number of Lumera Shares available for exchange is 1,750,000. The Company has pledged to the Purchasers the same 1,750,000 Lumera Shares as security.

The Warrants are exercisable for 462,330 Company Shares at \$6.84 per share through March 11, 2010. The conversion price of the Note and exercise price of the Warrants are subject to anti-dilution adjustments, subject to conditions.

The transaction documents include material restrictions on the Company's incurrence of debt and liens while the Note is outstanding, as well as other customary covenants. The documents also include a change of control put right by the holders of the Note at 125% of the principal amount then outstanding and specified financial penalties for performance failures.

The Company has entered into a Registration Rights Agreement with respect to Company Shares issuable upon conversion of the Notes, issuable as payment of principal and interest, and issuable upon exercise of the Warrants, pursuant to which the Company has agreed to file a registration statement with respect to the sale of such Company Shares by the investors.

The proceeds will be used for working capital purposes and for the repayment of the bridge loan described below.

The Company issued a press release with respect to the issuance on March 11, 2005 which is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

(b) On March 7, 2005, the Company entered into a bridge loan, pursuant to which the Company borrowed \$1,000,000 secured by 405,000 Lumera Shares, on a non-recourse basis, with a maturity date of April 6, 2005, to be prepaid when the Company completes another financing. Interest accrues at a rate of 6% per annum.

Item 3.02. Unregistered Sales of Equity Securities.

The Company issued the Notes and the Warrants (collectively, the "Securities") for an aggregate purchase price of \$10,000,000. The Securities were issued in a transaction not involving any public offering pursuant to Section 4(2) of the Securities Act of 1933, as amended. The terms of the issuance are described in Item 1.01 of this Report and are incorporated herein by reference.

Item 9.01. Financial Information, Pro Forma Financial Information and Exhibits.

- 10.1 Secured Promissory Note dated March 7, 2005 issued to Paulson Capital Corporation.
- 10.2 Stock Pledge Agreement dated as of March 7, 2005 by and among Microvision, Inc. and Paulson Capital Corporation.
- 99.1 Microvision, Inc. Press Release dated as of March 11, 2005.

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 hereunto duly authorized.

MICROVISION, INC.

By: /s/ Thomas M. Walker

Thomas M. Walker
Vice President, General Counsel

Date: March 11, 2005

SECURED PROMISSORY NOTE

\$1,000,000

Portland, Oregon
March 7, 2005

FOR VALUE RECEIVED, Microvision, Inc., a Delaware corporation ("**Maker**"), promises to pay to the order of Paulson Capital Corporation, an Oregon corporation ("**Holder**"), the principal sum of one million dollars (\$1,000,000), in lawful money of the United States, with interest thereon, payable in the manner and on the terms hereinafter set forth. Such amount includes \$995,000 transferred to Maker upon execution of this note and \$5,000 retained by Holder to pay legal fees related to the loan.

1. Maturity Date. The maturity date of this Note is April 6 (the "**Maturity Date**") at which time the entire outstanding balance shall be immediately due and payable, provided, however, that, if Maker completes the financing that it is currently negotiating before the Maturity Date, it will promptly prepay this Note.

2. Interest Rate. Interest shall accrue on the principal amount of this Note at the rate of six percent (6%) per annum, computed on the basis of a 360-day year and actual days elapsed, effective as of the date hereof and continuing until all sums due hereunder are paid in full.

3. Payment. On the Maturity Date, Maker will pay, in lawful money of the United States of America, the entire unpaid balance of principal and accrued interest immediately to Holder. All payments received shall be applied first against costs of collection (if any), then against accrued and unpaid interest, then against principal. The failure of Holder of this Note to promptly exercise Holder's rights hereunder, including upon the occurrence of an Event of any Default (as defined below), shall not constitute a waiver of such rights while such Event of Default continues nor a waiver of such rights in connection with the occurrence of any future Event of Default.

4. Non-Recourse Security Interest. Maker grants and pledges to Holder a continuing, non-recourse security interest in the Shares (as defined in the Stock Pledge Agreement, dated as of even date herewith, between Maker and Holder) and such other property as may, from time to time be pledged as security for the payment of this Note, whether in addition to or in substitution for the Shares, in order to secure the timely repayment of the obligations evidenced hereby and any and all other obligations of Maker to Holder in connection with this Note (the Shares and any such other property being herein referred to as the "Collateral"). Such security interest constitutes a valid security interest in the Shares. Maker agrees to execute such financing statements and to take whatever other actions are requested by Holder to perfect and continue Holder's security interest in the Shares. Maker authorizes Holder to file one or more financing statements describing the Collateral in any and all jurisdictions where, and with any and all governmental authorities with whom, the Lender deems such filing to be necessary or appropriate including, without limitation, the Secretary of State for the State of Washington. Upon an Event of Default (as defined below), Lender shall have all the rights of a secured party under the Oregon Uniform Commercial Code. Holder shall look solely to the Collateral to secure the repayment of the indebtedness evidenced

hereby or any portion thereof. Holder shall have and may exercise any and all other rights and remedies it may have available at law, in equity or otherwise, consistent with Holder's non-recourse security interest in the Collateral. No property or assets of Maker other than the Collateral shall be subject to levy, execution or other enforcement procedure for the satisfaction of the remedies of Holder, or for any payment required to be made under this Note; *provided, however*, the limitations set forth in this Section 4 shall not apply to any rights or remedies of Holder under the Stock Pledge Agreement.

5. Prepayment. Maker may prepay this Note at any time without a penalty. Any partial prepayment shall be applied first to pay interest accrued to the date of prepayment and second to reduce the principal and interest balance.

6. Default. The occurrence of any one of the following events shall constitute a default by Maker (an "**Event of Default**") under this Note:

(i) Maker's failure to pay the principal of and interest on this Note when due;

(ii) Maker's failure to comply with any other obligation under this Note within three business days following notice to Maker of such failure; or

(iii) a proceeding under any bankruptcy, reorganization, arrangement of debt, insolvency, readjustment of debt or receivership law or statute is filed against Maker which is not dismissed within sixty (60) days of its filing, or a proceeding under any bankruptcy, reorganization, arrangement of debt, insolvency, readjustment of debt or receivership law or statute is filed by Maker or Maker makes an assignment for the benefit of creditors.

7. Acceleration. Upon the occurrence of an Event of Default hereunder, without demand, notice or legal process of any kind, all outstanding principal and accrued and unpaid interest hereunder by Maker shall immediately become due and payable in full.

8. Costs. If suit or action is instituted to collect this Note, or any portion thereof, Maker promises to pay, in addition to costs and expenses provided by statute or otherwise, such sums as the court may adjudge reasonable as attorneys' fees in such suit or action, or on appeal therefrom, or upon any petition for review. Further, upon the occurrence of an Event of Default under Section 6(i) of this Note, whether or not suit or action is instituted, Maker promises to pay all reasonable costs of collecting such delinquent payment.

9. Governing Law. This Note shall be governed by and construed in accordance with the laws of the state of Oregon, exclusive of choice of law rules.

10. Amendment. This Note may not be amended, modified or changed, nor shall any provision be deemed waived, except only by an instrument in writing signed by the party against whom enforcement of any such waiver, amendment, modification or change is sought.

11. Notices: Waiver of Notice. Any notice, demand or request required or permitted to be given under this Note must be in writing and will be deemed given at the time it is (a) personally delivered to recipient; (b) deposited in the mail or delivered to a common carrier or courier with regularly scheduled deliveries with first-class postage or delivery charges prepaid, in either case addressed, if to Holder, to 811 SW Naito Parkway, Portland, OR 97204, or at such other address as Holder may designate by ten (10) days' advance written notice to the other party. Maker, except as otherwise specifically set forth herein, for itself and for its successors, transferees and assigns, hereby irrevocably waives diligence, presentment and demand for payment, protest, notice, notice of protest and nonpayment, dishonor and notice of dishonor and all other demands or notices of any and every kind whatsoever. Maker hereby agrees that this Note and any or all payments coming due hereunder may be extended from time to time in the sole discretion of Holder hereof without in any way affecting or diminishing Maker's liabilities hereunder.

13. Entire Agreement. This Note constitutes the full and entire understanding and agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements with respect to the subject matter hereof.

MICROVISION, INC.

By: _____ /s/ RICHARD F. RUTKOWSKI
Name: Richard F. Rutkowski
Title: Chief Executive Officer

STOCK PLEDGE AGREEMENT

This STOCK PLEDGE AGREEMENT dated as of March 7, 2005 (this "Pledge Agreement"), is made and entered into by Microvision, Inc., a Delaware corporation ("Pledgor"), in favor of Paulson Capital Corporation, an Oregon corporation ("Secured Party").

RECITALS

A. Secured Party has agreed to loan \$1,000,000 to Pledgor (the "Loan"). In consideration for the Loan, Pledgor has agreed to issue to Secured Party a Non-Recourse Secured Promissory Note, substantially in the form of Exhibit A, in the amount of \$1,000,000 (the "Note") evidencing Pledgor's obligation to repay the Loan.

B. To secure payment of the Note, Pledgor has agreed to pledge 405,000 shares of Common Stock of Lumera Corporation, a Delaware corporation, ("Lumera"), to Secured Party (the "Shares").

C. In connection Pledgor's pledge of the Shares, Pledgor has agreed to cause Lumera to file a registration statement with the Securities and Exchange Commission covering the Shares.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, Pledgor agree as follows:

1. Pledge. As security for the prompt and complete payment of the principal of and interest on the Note, Pledgor hereby delivers, pledges and assigns to Secured Party and creates in Secured Party a security interest in the Shares (the Shares sometimes referred to herein as the "Pledged Securities"). Pledgor agrees that in the event Pledgor shall become entitled to any redemption proceeds or distribution of stock or other securities in respect of the Pledged Securities, such redemption proceeds or distribution of stock or other securities will be additional security under this Pledge Agreement.

2. Delivery of Stock. To protect the security interests created under Section 1 above, Secured Party shall retain the certificates representing the Pledged Securities. Pledgor will deliver to Secured Party executed blank stock powers in the forms attached as Exhibit B for use in the event the Pledged Securities are sold or transferred in accordance with the provisions of this Pledge Agreement.

3. Release of Collateral. Secured Party shall release its security interest upon payment in full of the principal of and interest on the Note, this Pledge Agreement shall terminate, and Pledgor shall be entitled to the return of the Pledged Securities that have not been sold or otherwise applied pursuant to the provisions of this Pledge Agreement.

4. Administration of Security. The following provisions shall govern the administration of the Pledged Securities:

(a) So long as the Note is not in default, Pledgor shall be entitled to act with respect to the Pledged Securities in any manner not inconsistent with this Pledge Agreement or the Note, including, without limitation, to exercise all voting rights.

(b) At any time any amount is due and unpaid under the Note, if Pledgor shall have received or shall have become entitled to receive, any cash payments or other distributions in respect of the Pledged Securities, then, and in each case, Pledgor shall deliver to Secured Party such amount in partial payment of the principal of and interest due on the Note, with such amounts to be applied to accrued interest or principal payable under the Note, as applicable.

(c) Pledgor shall immediately upon request by Secured Party and in confirmation of the security interests hereby created, execute and deliver to Secured Party such further instruments, deeds, transfers, assurances and agreements, in form and substance as Secured Party shall request, including any financing statement and amendments thereto, or any other documents, as required under Oregon law and any other applicable law to protect the security interests created hereunder.

5. Remedies in Case of an Event of Default

(a) In case an Event of Default (as defined in the Note) shall have occurred and be continuing, Secured Party shall have all of the remedies of a secured party under the Oregon Uniform Commercial Code and, without limiting the foregoing, shall have the right to sell, assign and deliver the whole or, from time to time, any part of the Pledged Securities, or any interest in any part thereof, at any private sale or at public auction, with or without demand of performance or other demand, advertisement or notice of the time or place of sale or adjournment thereof or otherwise (except Secured Party shall give ten (10) days' notice to Pledgor of the time and place of any sale pursuant to this Section 5), for cash, on credit or for other property, for immediate or future delivery, and for such price or prices and on such terms as Secured Party shall, in their discretion, determine. Pledgor hereby waives and releases any and all right or equity of redemption whether before or after sale hereunder. At any such sale Secured Party may bid for and purchase the whole or any part of the Pledged Securities so sold free from any such right or equity of redemption. Secured Party shall apply the proceeds of any such sale first to the payment of all costs and expenses, including reasonable attorneys' fees, incurred by Secured Party in enforcing their rights under this Pledge Agreement and then to the payment of interest on and principal of the Note, with such payments to be applied to accrued interest or principal payable under the Note, in Secured Party' discretion, and the Shares shall be reissued in the name of the purchaser.

(b) Pledgor recognizes that Secured Party may be unable to effect a public sale of all or a part of the Pledged Securities by reason of certain prohibitions contained in the Securities Act of 1933, as amended (the "Act"), or in the rules and regulations promulgated thereunder. Pledgor represents to Secured Party that it has entered into a Registration Rights Agreement with Lumera substantially in the form set forth in Exhibit C (the "Registration Rights Agreement") and that the Registration Rights Agreement is a valid and binding agreement of Lumera, enforceable against Lumera in accordance with its terms. Unless and until all the

principal of and interest on the Note is paid, Pledgor agrees, to take such action as may be required to cause Lumera to file a registration statement under the Act with respect to the resale of the Shares (the "Registration Statement") and to take such other action as may be required to cause the Shares to be resellable pursuant to the Registration Statement at all times during the period (the "Registration Period") beginning June 5, 2005, or beginning on July 5, 2005 if the Securities and Exchange Commission reviews the Registration Statement, and ending on the first anniversary of the date hereof, including, but not limited to the prompt and diligent exercise all of its rights under the Registration Rights Agreement. Pledgor agrees to indemnify and hold harmless Secured Party from and against any loss resulting from the failure of Lumera to have caused the Shares to be resellable without restriction at all times during the Registration Period, other than periods in which Lumera suspends the use of the Registration Statement as provided in the Registration Rights Agreement. For the purpose of the foregoing sentence, any such loss shall be conclusively deemed to be the difference between the highest sale price of Lumera Common Stock during the Registration Period in which the Shares were required to be, and were not, resellable without restriction and the closing sale price on the first anniversary of the date hereof or such earlier date on which the Shares become resellable without restriction. Pledgor acknowledges and agrees that Secured Party's rights under this Section 5(b) are enforceable notwithstanding that the Note is non-recourse. The obligations of Pledgor under this 5(b) are expressly contingent upon the Secured Party's providing information with respect to such party and its intended method of distribution as is required under applicable law and to the Secured Party agreeing to customary indemnification of Lumera and Pledgor for claims based solely on such information (capped at the net proceeds received by the Secured Party on sales pursuant to the Registration Statement).

(c) If any other consent, approval or authorization of any state, municipal or other governmental department, agency or authority should be necessary to effectuate any sale or disposition by Secured Party pursuant to this Section 5 of the Pledged Securities, or any partial disposition of the Pledged Securities, Pledgor will execute all such applications and other instruments as may be required in connection with securing any such consent, approval or authorization, and will otherwise use their best efforts to secure the same.

(d) Neither failure nor delay on the part of Secured Party to exercise any right, remedy, power or privilege provided for herein or by statute or at law or in equity shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, remedy, power or privilege preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

6. Pledgors's Obligations Not Affected. The obligations of Pledgor under this Pledge Agreement shall remain in full force and effect without regard to, and shall not be impaired or affected by: (a) any subordination, amendment or modification of or addition or supplement to the Note, or any assignment or transfer of the Note; (b) any exercise or non-exercise by Secured Party of any right, remedy, power or privilege under or in respect of this Pledge Agreement or the Note, or any waiver of any such right, remedy, power or privilege; (c) any waiver, consent, extension, indulgence or other action or inaction in respect of this Pledge Agreement or the Note, or any assignment or transfer of any thereof; or (d) any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or the like, of Secured Party or their successors, whether or not Pledgor shall have notice or knowledge of any of the foregoing.

7. Transfer by Pledgor. Pledgor will not sell, assign, transfer or otherwise dispose of, grant any option with respect to, or mortgage, pledge or otherwise encumber the Pledged Securities or any interest therein.

8. Attorney-in-Fact. Secured Party or its successor is hereby appointed the attorney-in-fact of Pledgor for the purpose of carrying out the provisions of this Pledge Agreement and taking any action and executing any instrument which Secured Party reasonably may deem necessary or advisable to accomplish the purposes hereof.

9. Miscellaneous. Secured Party and its assigns shall have no obligation in respect of the Pledged Securities, except to hold and dispose of the same in accordance with the terms of this Pledge Agreement. Neither this Pledge Agreement nor any provisions hereof may be amended, modified, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against which enforcement of the amendment, modification, waiver, discharge or termination is sought. The provisions of this Pledge Agreement shall be binding upon the successors and assigns of Pledgor. The captions in this Pledge Agreement are for convenience of reference only and shall not define or limit the provisions hereof. This Pledge Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Oregon, without regard to the conflicts of laws rules thereof. This Pledge Agreement may be executed simultaneously in several counterparts, each of which is an original, but all of which together shall constitute one instrument.

IN WITNESS WHEREOF, the undersigned has caused this Pledge Agreement to be executed and delivered on the date first above written.

PLEDGOR

Microvision, Inc.

By: _____ /s/ RICHARD F. RUTKOWSKI
Name: Richard F. Rutkowski
Title: Chief Executive Officer

MICROVISION, INC.

Press Release

FOR IMMEDIATE RELEASE

Microvision closed private placement of \$10 million of exchangeable convertible notes

BOTHELL, WA – March 11, 2005 – Microvision, Inc. (NASDAQ: MVIS), a leader in light scanning technologies, today announced that it has completed the sale of \$10 million aggregate principal amount of senior secured exchangeable convertible notes and warrants for an aggregate purchase price of \$10 million to four institutional investors. The notes are convertible at the option of the holders into shares of Microvision common stock at a fixed conversion price of \$6.84 per share or exchangeable into shares of Lumera Corporation common stock owned by Microvision at a fixed exchange price of \$5.64 per share. The notes have a term of two years and scheduled repayments of principal over the last six quarters of the term. Interest on the notes will be at an annual rate of between 6% and 8%. Subject to conditions, interest is payable at Microvision's option in cash or Microvision common stock and principal is payable in cash, Microvision common stock or Lumera common stock. The notes are secured by 1,750,000 shares of Lumera common stock owned by Microvision, which is the maximum number of shares of Lumera common stock transferable upon exchange and/or repayment of the notes. The warrants are exercisable for 462,330 shares of Microvision's common stock at \$6.84 per share through March 11, 2010. The notes and the warrants are subject to anti-dilution adjustment under certain conditions. Further details will be available in a Current Report on Form 8-K to be filed with the Securities and Exchange Commission.

Microvision has agreed to register the shares of common stock issuable upon conversion of the notes and upon exercise of the warrants for resale under the Securities Act of 1933, as amended. The shares of Lumera common stock issuable upon exchange of the notes will be registered for resale under the Securities Act of 1933, as amended. The securities have not been registered under the Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration under such act and applicable state securities laws or an applicable exemption from those registration requirements.

About Microvision: www.microvision.com.

Headquartered in Bothell, Wash., Microvision, Inc. is the world leader in the development of high-resolution displays and imaging systems based on the company's proprietary silicon micro-mirror technology. The company's technology has applications in a broad range of military, medical, industrial, professional and consumer products.