

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

FORM 10-K

(Mark one)

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

For the fiscal year ended December 31, 2020

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:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, \$0.001 par value per share	MVIS	The Nasdaq Stock Market LLC

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 such 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 the 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate market value of common stock held by non-affiliates of the registrant as of June 30, 2020 was approximately \$208.0 million (based upon the closing price of

\$1.36 per share for the registrant's common stock as reported by the Nasdaq Global Market on that date).

The number of shares of the registrant's common stock outstanding as of March 9, 2021 was 157,327,415.

## DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A in connection with the registrant's 2021 Annual Meeting of Shareholders (the "2021 Proxy Statement") are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein.

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### MICROVISION, INC. ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2020

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## PART I.

### Preliminary Note Regarding Forward-Looking Statements

*This Annual Report contains 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.*

### ITEM 1. BUSINESS

#### 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 priority now, we have developed solutions for Augmented Reality, Interactive Displays, and Consumer Lidars.

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

In addition to our automotive lidar sensor, we have developed micro-display concepts and designs that could be utilized in head-mounted Augmented Reality (AR) headsets and have developed a 1440i MEMS module that can support augmented reality headsets. We have 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 have 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 original equipment manufacturers (OEMs) and original design manufacturers (ODMs) for incorporation into their products. However, while we do have a well-known 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, since February 2020, we have focused our attention on strategic alternatives, including a potential sale or merger of the Company, sale of part of the Company, strategic minority investment, as well as licensing and other transactions. We currently have no agreements or commitments to engage in any specific strategic transactions, and our exploration of various strategic alternatives may not result in any specific action or transaction. We may be unable to identify, successfully negotiate with and consummate a suitable transaction with a buyer or other strategic partner on favorable terms, on the timeline we expect, or at all. If we determine to engage in a strategic transaction, we cannot predict the impact that such a transaction might have on our operations or stock price, and we cannot predict the impact on our stock price or operations if we fail to enter into such a transaction.

While we continue to pursue strategic alternatives, we plan to focus on increasing the value of the Company by completing development of our 1st Generation 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 our solutions will have features and performance that exceed market needs and competitive products and will provide us several sustainable strategic advantages in the market. In November 2020, we announced the results of initial product tests of our 1st Generation LRL module that demonstrated key features, including an ability to be immune to interference signals from other lidars, rogue malicious signals and interference caused by sunlight.

We believe we are on track to complete our A-Sample hardware along with selected benchmarked data in the April 2021 timeframe. These could be used for demonstration to interested parties. Following completion of the A-Sample hardware we will work to internally verify all features perform as expected. In addition to verification we will conduct reliability and compliance testing. It is possible the 1st Generation LRL could be available for sale, in small quantities, in the third or fourth quarter of 2021.

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

MicroVision, Inc. was founded in 1993 as a Washington corporation and reincorporated in 2003 under the laws of the State of Delaware. Our headquarters is located at 6244 185th Avenue NE, Suite 100, Redmond, Washington 98052, and our telephone number is (425) 936-6847.

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports are available free-of-charge from the investor page of our website, accessible at [www.microvision.com](http://www.microvision.com), as soon as reasonably practicable after such material is electronically filed with the Securities and Exchange Commission (SEC). Copies of these filings may also be obtained by visiting the SEC's website, [www.sec.gov](http://www.sec.gov), which contains current, quarterly and annual reports, proxy and information statements and other information regarding issuers that file electronically.

#### 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 than planned product shipments. 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, we are still requiring most office-based employees to work remotely. We may experience reductions in productivity and disruptions to our business routines while our remote 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, our ability to raise additional capital, our ability to enter into licensing agreements, or our ability to complete a potential sale or merger of the Company.

In April 2020, we received funds in the amount of \$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. No payments are due for the first 10 months following the 24-week covered period, although interest accrues during that period. Thereafter, the loan is repayable in monthly installments over the next 18 months to retire the loan plus accrued interest. Funds from the loan may only be used for certain purposes, including payroll, benefits, rent and utilities, and a portion of the loan used to pay certain costs may be forgivable, all as provided by the terms of the PPP. The CARES Act reduces the amount of the PPP loan that may be forgiven if the borrower reduces 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 intend to apply for partial forgiveness of the loan under PPP guidelines. Based on the terms of the PPP, we estimate the amount of the loan that will be forgiven will be approximately \$690,000, subject to approval by our lender in accordance with PPP guidelines. 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.

#### **Technology**

Our patented LBS technology combines a MEMS scanning mirror, laser diode light sources, electronics, and optics that are controlled using our proprietary system control algorithms along with edge computing and machine learning in some systems. The MEMS scanning mirror is a key component of our technology system and is one of our core competencies. Our MEMS scanning mirror is a silicon device that oscillates in a precisely controlled closed loop pattern so that we can place a pixel of light at a precise point. This allows us to generate a projected image pixel-by-pixel for use in lidar sensing and display. Scanning modules with our technology can be designed to operate in one of three different modes: lidar sensing only, display and lidar sensing combined, and display only. For applications that

include a projected display, our PicoP® scanning technology creates a brilliant, full color, high-contrast, uniform image over the entire field-of-view from a small and thin module with low power consumption. Our Consumer Lidar scanning module is small with high resolution, low power and low latency which are features that are important for its applications. We believe that our proprietary technology offers significant advantages over other lidar sensing systems and traditional displays.

For automotive lidar, we believe that our sensor will meet the specifications set by OEM's, have high resolution within all range targets, collect large number of points per degree, have dynamic field of view that covers near, mid and far field of view in a single sensor, and provide clustered velocity data for objects in the fields of view at low latency. We also believe our solution will operate in full sunlight and in the presence of lidars in other nearby vehicles. In Augmented Reality (AR) applications, our technology enables high resolution of 1440i for large fields of view with low weight and low latency and persistence. Our Interactive Display gives an instant on and off, full color, focus-free, 720p projected image that is capable of responding as if it were a capacitance touch screen from any surface the projection can be seen on while maintaining Class 1 laser safety requirements. Our Consumer Lidar has a small size and is intended for use indoors with smart home systems. It is designed to enable a smart home system to understand what is happening in the home and respond in an appropriate way.

### **Markets for Our Technology**

All of the uses of the technology that we have developed require that they become a component inside the products of other companies.

For automotive lidar, our LRL sensor would be sold to automotive Tier-1 manufacturers, automotive OEMs, and MaaS technology companies. The sensor is targeted for Level 3 (L3) autonomous safety and Level 4 (L4) autonomous driving applications.

For displays or components for the AR market, we would sell our displays or components to an OEM or ODM for them to incorporate into their product. Our AR technology provides for large fields of view in up to 1440i resolutions with light weight and low latency and persistence.

The Interactive Display modules we would produce using our technology would be assembled inside a smart speaker or other device. The customer for Interactive Display would be an electronics OEM or ODM.

Lastly, our Consumer Lidar would be sold to OEMs or ODMs to incorporate in their overall smart home or smart home security product.

### **Products and Services**

In 2019, our revenue was derived from the sale of components, from development contracts, and from royalty fees for LBS technology. Beginning in the third quarter of 2019 and through the end of February 2020, we were selling components to a high-definition display system that we developed for a well-known customer under a development agreement. The volume and resulting revenue and gross profit from this business was fairly low. Therefore, in March 2020, we transferred production of the components to the customer. Starting in March 2020, we earned a royalty from the customer for each unit shipped, with amounts applied against the prepayment that we had previously received from the customer until the prepayment is exhausted. The value of the royalty is approximately equal to the amount of gross profit we would have earned if we continued to produce and ship the components. We believe this arrangement will help us conserve cash, and still preserves our ability to experience financial benefits should the volume of components increase in the future.

### **Research and Development**

We believe our research and development efforts have earned us a leadership position in the field of LBS technology and applications as applied to consumer electronics, automotive and other markets. Our ability to attract customers and grow revenue will depend on our ability to maintain our LBS technology leadership, to continually improve performance, reduce costs, reduce the size of component parts and scanning modules, and to increase the number of applications and products enabled by our LBS technology.

Our research and development team is located in Redmond, Washington and as of December 31, 2020, was comprised of 37 engineering and technical staff in optics, software engineering, electrical engineering, product engineering, and MEMS design.

#### **Sales and Marketing**

Our sales and marketing approach is account based, business-to-business targeting of OEMs and ODMs. Our business development efforts are headed by executive management and are supported by engineers that assist customers during the design cycles of products. The engineers are located in Redmond, Washington. We engage potential customers directly, participate in trade shows, and maintain a website.

#### **Manufacturing**

We are not manufacturing any products at this time. When we have produced products or components in the past, our products were manufactured by a contract manufacturer based on our proprietary design, process, test, quality and reliability standards and incorporated our LBS technology and included MEMS and ASICs that were produced to order by semiconductor foundries.

Our past manufacturing has not been subject to seasonal variations as our shipments have been relatively small and were in the early stages of product introduction. In the future, depending on our customers' product mix, we may be affected by seasonal fluctuations which could affect working capital demands.

While we are not currently having products produced, below describes how we had products produced in the past and is likely how it will be done again if we were to begin production. We provided forecasts that allow our contract manufacturers to stock component parts and other materials and plan capacity. Our contract manufacturers procured raw materials in volumes consistent with our forecasts, manufactured and/or assembled the products and performed tests according to our specifications. Products were shipped to our customers or shipped to our Redmond, Washington headquarters to be inventoried. We procured some specific components and either sold them or consigned them to our contract manufacturers. We held some inventories of these components. Our contract manufacturers procured additional raw materials we did not own until the finished goods were completed by our contract manufacturer. Title to the products transferred from our contract manufacturers to us and then to our customers when we completed our performance obligations. If raw materials were unused, or the products were not sold within specified periods of time, we may have incurred carrying charges or obsolete material charges for component parts that our contract manufacturers purchased to build products to meet our forecasts or customer orders.

Many of the raw materials used in our components are standard to the consumer electronics industry. Our MEMS, MEMS die, and ASICs have historically been manufactured to our specifications by separate single-source suppliers.

#### **Human Factors, Ergonomics and Safety**

We work with third party independent experts in the field of laser safety to assist in meeting safety specifications. In addition, we monitor developments in the area of permissible laser exposure limits as established by International Electrotechnical Commission (IEC) and others. Independent experts have concluded that laser exposure to the eye resulting from use of LBS devices under normal operating conditions would be below the calculated maximum permissible exposure level set by the IEC.

#### **Competitive Conditions**

The automotive lidar and consumer display industries are highly competitive. Potential products incorporating our LBS technology will compete with the products of other manufacturers or, in the case of our display technology, compete with established technologies, such as flat panel display devices, as well as companies developing new display and sensing technologies. Our competitors include companies such as Velodyne, Innoviz, Luminar Technologies, Aeva, Ouster, Quanergy, Texas Instruments, Intel, Bosch, Opus, Mirrorcle, Maradin, Himax, Pioneer, Sony (LCOS) and others, some of which have much greater financial, technical and other resources than us. Many of our competitors may be currently developing alternative lidar sensing or miniature display technologies. Our competitors may succeed in developing innovative technologies and products that could render our technology or our proposed products commercially infeasible or technologically obsolete.

The lidar sensing and consumer display industries have been characterized by rapid and significant technological advances. Our LBS technology system and potential products may not be competitive with such advances, and we may not have sufficient funds to invest in new technologies, products or processes. Although we believe our technology system and proposed products could deliver higher performance and have other advantages, manufacturers of competing technologies may develop improvements to their technology that could reduce or eliminate the anticipated advantages of our proposed products.

Lidar sensing is a new market, and we believe we are developing products that will have cost and performance benefits over what competitors may offer. However, manufacturers of competing technologies or products may develop improvements to the size, performance, and cost of their products, that could reduce or eliminate the anticipated advantages of our proposed products.

### **Intellectual Property and Proprietary Rights**

We create intellectual property from three sources: internal research and development activities, technology acquisitions, and performance on development contracts. The inventions covered by our patent applications generally relate to systems controls in our LBS technology, component miniaturization, power reduction, feature enhancements, specific implementation of various system components, and design elements to facilitate mass production. Protecting these key-enabling technologies and components is a fundamental aspect of our strategy to penetrate diverse markets with unique products. As such, we intend to continue to develop our portfolio of proprietary and patented LBS technologies at the system, component, and process levels.

We believe our extensive patent portfolio is the largest, broadest, and earliest filed LBS technology portfolio. We have been granted over 450 issued patents and pending patents worldwide. As our technology develops, we periodically review our patent portfolio and eliminate patents that are deemed of low value. Due to this ongoing portfolio management practice, the number of patents in our portfolio will vary at any given time.

Since our inception in 1993, we have acquired through portfolio purchases, patents that grant us exclusive rights to various LBS technologies. From time to time some of these patents may expire or be abandoned to better utilize resources expended to maintain and generate new intellectual property.

Our ability to compete effectively in automotive lidar, AR, or any other market we may enter may depend, in part, on our ability and the ability of our licensors to maintain the proprietary nature of these technologies.

We also rely on unpatented proprietary technology. To protect our rights in these areas, we require all employees, and where appropriate, contractors, consultants, advisors and collaborators, to enter into confidentiality and non-compete agreements. There can be no assurance, however, that these agreements will provide meaningful protection for our trade secrets, know-how or other proprietary information in the event of any unauthorized use, misappropriation or disclosure of such trade secrets, know-how or other proprietary information.

We have registered the name "PicoP®" and "MicroVision®" with the United States Patent and Trademark Office.

### **Employees**

As of March 9, 2021, we had 52 full-time employees. None of our employees are represented by a labor union.

Our principal human capital objectives are to attract, retain, motivate, and reward our employees to achieve results for our customers and us. To achieve these objectives, our human capital programs seek to (i) support skill building and prepare our employees for advancement through continuous learning, (ii) reward our employees through compensation awards and resources intended to motivate our employees and promote well-being and (iii) continuously identify opportunities for development through regular employee input and engagement.

We also strive for continuous improvement in the diversity and inclusivity among our employees, management, and board of directors, and seek to promote job opportunities to a diverse pool of qualified candidates. We are also committed to providing an inclusive work environment free of discrimination or harassment of any kind and is supported by policies, communications, and reporting and resolution resources.

Protecting the safety, health, and well-being of our employees is also a key priority. Throughout the COVID-19 pandemic, we have remained focused on the health and safety of our employees by implementing new safety protocols. We have implemented work-from-home procedures where possible, required the wearing of masks and physical distancing on the job, and increased cleaning procedures and provided cleaning supplies.

### **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 December 31, 2020, we had an accumulated deficit of \$586.2 million.
- We had an accumulated deficit of \$546.1 million from inception through December 31, 2018, a net loss of \$26.5 million in 2019, and a net loss of \$13.6 million in 2020.

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 plan to focus our attention in the near term on strategic alternatives, including a potential sale or merger of the Company, sale of part of the Company, strategic minority investment, as well as licensing and other transactions. There is substantial risk that these efforts will be unsuccessful. Such efforts may also be impeded by the impact of COVID-19 on parties who might have otherwise been interested in pursuing a transaction or on economic and market conditions generally. We currently have no agreements or commitments to engage in any specific strategic transactions, and our exploration of various strategic alternatives may not result in any specific action or transaction. We may be unable to identify, successfully negotiate with and consummate a suitable transaction with a buyer or other strategic partner on favorable terms, on the timeline we expect, or at all. If we determine to engage in a strategic transaction, we cannot predict the impact that such a transaction might have on our operations or stock price, and we cannot predict the impact on our stock price or operations if we fail to enter into such a transaction.

**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 licensing agreements,
- our technology development plans and timelines,
- significant declines in revenue due to supply chain disruptions,
- our operating effectiveness resulting from employees working remotely or being ill and unable to work,
- and our ability to complete a sale or merger of the Company.

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

Based on our current operating plan and including \$61.4 million raised under At-the-Market equity offering agreements with Craig-Hallum Capital Group since December 31, 2020, 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.



While we continue to pursue strategic alternatives, we plan to focus on developing our automotive lidar module. This would involve 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. In February 2020, we reduced headcount by approximately 60% following an OEM's decision not to incorporate our technology into its products. As a result, further cost reduction efforts may be particularly difficult to implement.

**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.

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

In 2020, one customer accounted for \$3.0 million in revenue, representing 97% of our total revenue. In 2019, one customer accounted for \$7.7 million in revenue, representing 86% of our total revenue and a second customer accounted for \$1.2 million in revenue, representing 13% of our total revenue. Our customers take time to obtain, and the loss of a significant 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.

**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 \$0.15 and a high of \$24.18. From the beginning of 2021 through March 9, 2021, our common stock has traded at a low of \$4.86 and a high of \$24.18. 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, including a potential sale or merger of the Company, sale of part of the Company, strategic minority investment, or licensing and other transactions;
- 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. While we have no reason to believe our shares would be the target of a short squeeze, there can be no assurance that we will not be in the future, and you may lose a significant portion or all of your investment if you purchase our shares at a rate that is significantly disconnected from our underlying value.

**We may not be able to maintain our listing on The Nasdaq Global Market and it may 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. 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 March 9, 2021, the closing price of our common stock was \$14.08 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.

**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 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

In July 2017, we entered into a 65 month facility lease amendment on 31,142 square feet of combined use office, laboratory and manufacturing space at our headquarters facility in Redmond, Washington. The lease agreement includes extension and rent escalation provisions over the term of the lease.

### ITEM 3. LEGAL PROCEEDINGS

In March 2019, we filed a Notice of Arbitration in Hong Kong against Ragentek as a result of its failure to perform its obligations under a purchase order with us. During 2019, we reached an agreement with the distributor in our Ragentek contract on the final transaction price of the units shipped to them. As part of the agreement reached in 2019, we agreed to return \$432,000 of the original transaction price to our distributor. During 2020, payments totaling \$332,000 were made to the distributor and we settled all claims with Ragentek and our distributor. Per the terms of the agreement in 2020, the final \$100,000 payment to our distributor was no longer required. Upon settlement we dismissed the arbitration.

We are also 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 4. MINE SAFETY DISCLOSURES

Not applicable.

### ITEM 4A. EXECUTIVE OFFICERS OF THE REGISTRANT

Executive officers are appointed by our Board of Directors and hold office until their successors are elected and duly qualified. The following persons serve as executive officers of MicroVision, Inc.:

Sumit Sharma, age 47, was appointed Chief Executive Officer in February 2020 and served as Chief Operating Officer from June 2018 to February 2020, after serving as Vice President of Product Engineering and Operations since February 2017 and Vice President and Senior Director of Operations since September 2015. Prior to MicroVision, from April 2015 to September 2015, he was a Product Development and Operations consultant at BlueMadison Consulting. From November 2013 to March 2015, he was the Senior Director, Advanced Manufacturing Operations and Technology Development at Jawbone. From March 2011 to October 2013, he was the Head of Manufacturing Operations for project GLASS at Google. Mr. Sharma has extensive experience in optics, wearable technology, product development and qualification for automotive industry. Mr. Sharma also has deep experience in global operations and developing strategic partnerships. A patent holder, Mr. Sharma received his baccalaureate degree in engineering from New Jersey Institute of Technology.

Stephen P. Holt, age 58, joined MicroVision in April 2013 as Chief Financial Officer. Prior to MicroVision, from May 2007 to May 2012, he served as Chief Financial Officer of PixelOptics, where he played a lead role in bringing the company's first electronic focusing eyewear product to market. At this venture capital-backed start-up, Mr. Holt raised capital and negotiated strategic partner agreements to license technology in addition to implementing policies and procedures to create an infrastructure capable of supporting rapid growth while maintaining a strong internal control environment. From March 2006 to April 2007, he was the Chief Financial Officer of Interstate Distributors, a trucking and transportation services company. From December 2003 to March 2006, he was the Chief Financial Officer of a group of companies consisting of Activelight, Boxlight, Cinelight and Projector Wholesale Supply. These companies were value-added resellers and distributors of audio-visual and projection equipment. Mr. Holt, a Certified Management Accountant, holds a B.S. from California State University, Chico and an M.B.A. from Santa Clara University.



## PART II.

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock began trading publicly on August 27, 1996. Our common stock trades on The Nasdaq Global Market under the ticker symbol "MVIS." We have never declared or paid cash dividends on our common stock. We currently anticipate that we will retain all future earnings to fund the operations of our business and do not anticipate paying dividends on the common stock in the foreseeable future.

As of March 9, 2021, there were approximately 115 holders of record of 157,327,415 shares of common stock outstanding. As many of our shares of common stock are held by brokerages and institutions on behalf of shareholders, we are unable to estimate the total number of beneficial holders of our common stock represented by these record holders.

### ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

#### Overview

We are developing our 1st generation lidar sensor, which we call Long Range Lidar, for OEM and Tier-1 automotive suppliers to be incorporated into automotive active collision avoidance systems and autonomous driving vehicles. This product will also be targeted for sales to technology companies focused on Mobility as a Service (MaaS). MaaS customers are currently major users of automotive lidar sensors. Though automotive lidar is our priority now, we have developed solutions for Augmented Reality, Interactive Displays, and Consumer Lidars.

For the past few years, our strategy has been to sell 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 well-known 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 discussed above, we plan to focus our attention on strategic alternatives, including a potential sale or merger of the Company, sale of part of the Company, strategic minority investment, as well as licensing and other transactions.

We have incurred substantial losses since inception and expect to incur a significant loss during the fiscal year ending December 31, 2021. 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. There can be no assurance that additional capital will be available or that, if available, it will be available on terms acceptable to us on a timely basis. We cannot be certain that we will succeed in commercializing our technology or products.

#### 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 than planned product shipments. 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, we are still requiring most office-based employees to work remotely. We may experience reductions in productivity and disruptions to our

business routines while our remote 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, our ability to raise additional capital, our ability to enter into licensing agreements, or our ability to complete a potential sale or merger of the Company.

In April 2020, we received funds in the amount of \$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. No payments are due for the first 10 months following the 24-week covered period, although interest accrues during that period. Thereafter, the loan is repayable in monthly installments over the next 18 months to retire the loan plus accrued interest. Funds from the loan may only be used for certain purposes, including payroll, benefits, rent and utilities, and a portion of the loan used to pay certain costs may be forgivable, all as provided by the terms of the PPP. The CARES Act reduces the amount of the PPP loan that may be forgiven if the borrower reduces 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 intend to apply for partial forgiveness of the loan under PPP guidelines. Based on the terms of the PPP, we estimate the amount of the loan that will be forgiven will be approximately \$690,000, subject to approval by our lender in accordance with PPP guidelines. 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.

We believe the following key accounting policies require significant judgments and estimates used in the preparation of our financial statements.

#### **Revenue recognition**

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.

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).

We identify each performance obligation in our development contracts at contract inception. The contracts generally include product development and customization specified by the customer. In contracts with multiple performance obligations, we identify each performance obligation and evaluate whether the performance obligations are distinct within the context of the contract. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. Performance obligations that are not distinct at contract inception are combined.

If we identify multiple distinct performance obligations, we evaluate each performance obligation to determine if there is a stand-alone selling price. In instances where stand-alone selling price is not directly observable, such as when we do not sell the product or service separately, we determine the stand-alone selling price using information that may

include market conditions and other observable inputs. Judgment is required to determine the stand-alone selling price for each distinct performance obligation.

Our development contracts are primarily fixed-fee contracts. If control of deliverables occurs over time, we recognize revenue on fixed fee contracts on the proportion of total cost expended (under Topic 606, the "input method") to the total cost expected to complete the contract performance obligation. For contracts that require the input method for revenue recognition, the determination of the total cost expected to complete the performance obligations on fixed fee contracts involves significant judgment. We incorporate revisions to hour and cost estimates when the causal facts become known.

#### Share-based compensation

We issue share-based compensation to employees in the form of stock options and 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 is determined by the closing price of our common stock on the grant date. The 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.

#### Leases

Significant judgment may be required when determining whether a contract contains a lease, the length of the lease term, the allocation of the consideration in a contract between lease and non-lease components, and the determination of the discount rate included in our office lease. We review the underlying objective of each contract, the terms of the contract, and consider our current and future business conditions when making these judgments.

#### Income taxes

Significant judgment is required in evaluating our tax position and in determining our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets. We record a valuation allowance when necessary to reduce deferred tax assets to the amount expected to be realized. Based on our history of losses since inception, the available objective evidence creates sufficient uncertainty regarding the realizability of the deferred tax assets. Our actual tax exposure may differ from our estimates and any such differences may impact income our tax expense in the period in which such determination is made.

The key accounting policies described above are not intended to be a comprehensive list of all of our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by generally accepted accounting principles, with no need for us to apply judgment or make estimates. There are also areas in which our judgment in selecting any available alternative would not produce a materially different result to our financial statements. Additional information about our accounting policies, and other disclosures required by generally accepted accounting principles, are set forth in the notes to our financial statements.

Inflation has not had a material impact on our revenues or income from continuing operations over the three most recent fiscal years.

#### Results of Operations

##### YEAR ENDED DECEMBER 31, 2020 COMPARED TO YEAR ENDED DECEMBER 31, 2019.

##### Product revenue

	<u>2020</u>	<u>% of total revenue</u>	<u>2019</u>	<u>% of total revenue</u>	<u>\$ change</u>	<u>% change</u>
<i>(In thousands)</i>						
Product revenue	\$ 1,347	43.6	\$ 5,345	60.2	\$ (3,998)	(74.8)

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.

The decrease in product revenue for the year ended December 31, 2020 compared to the same period in 2019 was primarily due to reduced product shipments to a major technology company. Beginning in the third quarter of 2019 and through the end of February 2020, we were selling components to a high definition display system that we developed for a customer under a development agreement. The volume and resulting revenue and gross profit from this business was fairly low. Therefore, in March 2020 we transferred production of the components to the customer. Starting in March 2020, we earn a royalty from the customer for each unit shipped.

Product revenue in 2019 included \$1.2 million related to the sale of display modules that had been produced for Ragentek and delivered to our distributor in 2017. Our distributor made payments in excess of revenue recognized and Ragentek failed to meet their obligations under the March 2017 order. During 2019, the remaining units held by our distributor were sold to other customers and we reached an agreement with our distributor on the final transaction price of the units shipped to them.

Product revenue backlog at December 31, 2020 and 2019 was zero and \$6.7 million, respectively. The December 31, 2019 backlog was primarily due to the production orders received from a major technology company under the product supply agreement signed in April 2017. The reduction in product backlog was due to the transferring of production to our customer.

*License and royalty revenue*

	<u>2020</u>	<u>% of total revenue</u>	<u>2019</u>	<u>% of total revenue</u>	<u>\$ change</u>	<u>% change</u>
<i>(In thousands)</i>						
License and royalty revenue	\$ 1,718	55.6	\$ 99	1.1	\$ 1,619	1,635.4

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.

In March 2020, we entered into an agreement for our customer to take over production of the components we had been producing for them. The agreement provides that, beginning in March 2020, we will earn a royalty on each component shipped that is approximately equal to the gross profit we would have earned if we continued to produce and ship the components. The increase in license and royalty revenue for the twelve months ended December 31, 2020 compared to the same period in 2019 was primarily due to this change, moving to a royalty arrangement from recognizing product revenue.

*Contract revenue*

	<u>2020</u>	<u>% of total revenue</u>	<u>2019</u>	<u>% of total revenue</u>	<u>\$ change</u>	<u>% change</u>
<i>(In thousands)</i>						
Contract revenue	\$ 25	0.8	\$ 3,442	38.7	\$ (3,417)	(99.3)

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 year ended December 31, 2020 compared to the same period in 2019 was attributed to decreased contract activity because the contract with our April 2017 customer was completed in 2019. Our contract backlog, including orders for prototype units and evaluation kits, at December 31, 2020 and 2019 was zero.

*Cost of product revenue*

	<u>2020</u>	<u>% of product revenue</u>	<u>2019</u>	<u>% of product revenue</u>	<u>\$ change</u>	<u>% change</u>
<i>(In thousands)</i>						
Cost of product revenue	\$ 1,394	103.5	\$ 6,692	125.2	\$ (5,298)	(79.2)

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. Cost of product revenue was lower during the twelve months ended December 31, 2020 compared to the same period in 2019 due to lower product shipments to a major technology company and lower inventory write-downs. Inventory write-downs of \$168,000 and \$2.2 million were recorded in the twelve months ended December 31, 2020 and 2019, respectively.

*Cost of contract revenue*

	<u>2020</u>	<u>% of contract revenue</u>	<u>2019</u>	<u>% of contract revenue</u>	<u>\$ change</u>	<u>% change</u>
<i>(In thousands)</i>						
Cost of contract revenue	\$ 4	16.0	\$ 1,872	54.4	\$ (1,868)	(99.8)

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 year ended December 31, 2020 compared to the same period in 2019 was attributed to reduced activity on the April 2017 development contract because the contract was completed in 2019.

*Research and development expense*

	<u>2020</u>	<u>2019</u>	<u>\$ change</u>	<u>% change</u>
<i>(In thousands)</i>				
Research and development expense	\$ 9,840	\$ 18,661	\$ (8,821)	(47.3)

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 decrease in research and development expense during the year ended December 31, 2020 compared to the same period in 2019 was attributable to reduced personnel-related compensation and benefits expenses and lower direct materials and subcontractor costs.

*Sales, marketing, general and administrative expense*

	<u>2020</u>		<u>2019</u>		<u>\$ change</u>	<u>% change</u>
<i>(In thousands)</i>						
Sales, marketing, general and administrative expense	\$	5,917	\$	8,133	\$ (2,216)	(27.2)

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

The decrease in sales, marketing, general and administrative expense during the year ended December 31, 2020 compared to the same period in 2019 was attributed to lower personnel-related compensation and benefits expenses and lower professional and outside services costs. At the end of 2020 there were no sales or marketing personnel with the Company.

Income taxes

No provision for income taxes has been recorded because we have experienced net losses from inception through December 31, 2020. At December 31, 2020, we had net operating loss carryforwards of approximately \$396.6 million for federal income tax reporting purposes. In addition, we have research and development tax credits of \$8.8 million. During 2020, \$28.4 million federal net operating losses expired unused. A majority of the net operating loss carryforwards and research and development credits available to offset future taxable income, if any, will expire in varying amounts from 2021 to 2040, if not previously used.

In certain circumstances, as specified in the Internal Revenue Code, a 50% or more ownership change by certain combinations of our shareholders during any three-year period would result in a limitation on our ability to use a portion of our net operating loss carryforwards.

We recognize interest accrued and penalties related to unrecognized tax benefits in tax expense. We did not have any unrecognized tax benefits at December 31, 2020 or at December 31, 2019.

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 December 31, 2020, we had \$16.9 million in cash and cash equivalents.

Based on our current operating plan and including \$61.4 million received in 2021 under At-the-Market equity offering agreements with Craig-Hallum Capital Group, 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 obtain additional capital through the issuance of equity or debt securities, and/or licensing activities. There can be no assurance that additional capital will be available to us or, if available, will be available on terms acceptable to us or on a timely basis. If adequate capital resources are not available on a timely basis, we intend to consider limiting our operations substantially. This limitation of operations could include further reductions in our research and development projects, staff, operating costs, and capital expenditures.

*Operating activities*

Cash used in operating activities totaled \$16.1 million during 2020, compared to \$24.0 million in 2019. Cash used in operating activities resulted primarily from cash used to fund our net loss, after adjusting for non-cash charges such as share-based compensation, depreciation and amortization charges and changes in operating assets and liabilities. The changes in cash used in operating activities were primarily attributed to reduced operating expenses and the timing of

payments received from customers during the year ended December 31, 2020 compared to the year ended December 31, 2019.

#### *Investing activities*

Cash provided by investing activities totaled \$123,000 in 2020, compared to cash used in investing activities of \$745,000 in 2019. During the year ended December 31, 2020, we sold fixed assets to our customer for \$525,000 as part of our agreement with them to take over production of the components we had been producing. Purchases of property and equipment during the twelve months ended December 31, 2020 and 2019 were \$402,000 and \$745,000, respectively.

#### *Financing activities*

Cash provided by financing activities totaled \$27.0 million in 2020, compared to \$16.9 million in 2019. Principal payments under finance leases were \$29,000 in 2020 and \$20,000 in 2019.

The following is a list of our financing activities during 2020 and 2019.

- In December 2020, we entered into a \$13.0 million At-the-Market (ATM) equity offering agreement with Craig-Hallum Capital Group (Craig-Hallum). Under the agreement we may, 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 is not included in the cash balance as of December 31, 2020.
- In November 2020, we entered into a \$10.0 million ATM equity offering agreement with Craig-Hallum Capital Group. 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 April 2020, we received funds in the amount of \$1.6 million pursuant to a loan under the PPP administered by the Small Business Administration. The loan has an interest rate of 0.98% and a term of 24 months. As of September 30, 2020, all of the funds received under the PPP had been used for qualified purposes. We intend to apply for partial forgiveness of the loan under PPP guidelines. Based on the terms of the PPP, we estimate the amount of the loan that will be forgiven will be approximately \$690,000, subject to approval by our lender pursuant to PPP guidelines.
- 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.
- In July 2019, we raised \$2.0 million before issuance costs of approximately \$24,000 through a registered direct offering of 3.0 million shares of our common stock to a private investor.
- In April 2019, we raised \$2.0 million before issuance costs of approximately \$34,000 through a registered direct offering of 2.3 million shares of our common stock to a private investor.
- In April 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 \$11.0 million. As of December 31, 2019, we had issued 15.7 million shares and raised a total of \$11.0 million under this agreement. No further shares are available for sale under this agreement.
- In January 2019, we raised \$1.2 million before issuance costs of approximately \$26,000 through a registered direct offering of 2.0 million shares of our common stock to a private investor.

In addition to the \$6.1 million received in January 2021 for the 1.0 million shares of common stock that were issued in December 2020 under the ATM equity offering agreement with Craig-Hallum, we have raised an additional \$55.3 million in 2021. Please see Note 17 Subsequent Events for additional details.

Our capital requirements will depend on many factors, including, but not limited to, the rate at which OEMs and ODMs introduce products incorporating our LBS technology and the market acceptance and competitive position of such products. Our ability to raise capital will depend on numerous factors, including the following:

- Perceptions of our ability to continue as a going concern;
- 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;
- The cost of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights;
- Our ability to establish cooperative development, joint venture and licensing arrangements; or
- Other factors unrelated to our company or industry.

If we are successful in establishing OEM or ODM co-development and joint venture arrangements, we expect our partners to fund certain non-recurring engineering costs for technology development and/or for product development. Nevertheless, we expect our capital requirements to remain high as we expand our activities and operations with the objective of commercializing our LBS technology.

#### *Contractual obligations*

The following table lists our contractual obligations as of December 31, 2020 (in thousands):

	<b>Payments Due By Period</b>				
	<u>&lt; 1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>&gt; 5 years</u>	<u>Total</u>
<b>Contractual Obligations</b>					
Open purchase obligations *	\$ 701	\$ 138	\$ -	\$ -	\$ 839
Minimum payments under finance leases	35	46	-	-	81
Minimum payments under operating leases	676	871	-	-	1,547
Minimum payments under long-term liabilities	445	1,158	-	-	1,603
	<u>\$ 1,857</u>	<u>\$ 2,213</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,070</u>

\* Open purchase obligations represent commitments to purchase materials, capital equipment, maintenance agreements and other goods used in the normal operation of our business.

+ License and royalty obligations continue through the lives of the underlying patents, which is currently through at least 2024.

#### Recent accounting pronouncements

See Note 2, "Summary of significant accounting policies," in the Notes to the financial statements found in Part II, Item 8 of this Form 10-K.

#### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

##### Interest Rate and Market Liquidity Risks

As of December 31, 2020, all of our cash and cash equivalents have variable interest rates. Therefore, we believe our exposure to market and interest rate risks is not material.



Our investment policy generally directs that the investment managers should select investments to achieve the following goals: principal preservation, adequate liquidity, and return. As of December 31, 2020, our cash and cash equivalents are comprised of short-term highly rated money market savings accounts. The values of cash and cash equivalents as of December 31, 2020, are as follows (in thousands):

	<u>Amount</u>	<u>Percent</u>
Cash and cash equivalents	\$ 16,862	100%
Less than one year	-	-
	<u>\$ 16,862</u>	<u>100%</u>

#### 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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## Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of  
MicroVision, Inc.

### *Opinion on the Financial Statements*

We have audited the accompanying balance sheets of MicroVision, Inc. (the "Company") as of December 31, 2020 and 2019, the related statements of operations, shareholders' equity (deficit), and cash flows for the years then ended, and the related notes and schedule (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### *Critical Audit Matters*

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/ Moss Adams LLP

Seattle, Washington  
March 15, 2021

We have served as the Company's auditor since 2012.

**MicroVision, Inc.**  
**Balance Sheets**  
(In thousands)

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 16,862	\$ 5,837
Accounts receivable	-	1,079
Inventory	-	192
Other current assets	698	729
Total current assets	17,560	7,837
Property and equipment, net	1,883	1,849
Operating lease right-of-use asset	946	1,308
Restricted cash	435	435
Intangible assets, net	164	221
Other assets	18	186
Total assets	\$ 21,006	\$ 11,836
<b>Liabilities and shareholders' equity (deficit)</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 630	\$ 1,871
Accrued liabilities	495	2,045
Deferred revenue	-	21
Contract liabilities	7,765	9,755
Other current liabilities	-	83
Current portion of long-term debt	431	-
Current portion of operating lease liability	676	656
Current portion of finance lease obligations	31	25
Total current liabilities	10,028	14,456
Long-term debt, net of current portion	1,151	-
Operating lease liability, net of current portion	774	1,348
Finance lease obligations, net of current portion	44	9
Total liabilities	11,997	15,813
Commitments and contingencies (Note 13)		
<b>Shareholders' equity (deficit)</b>		
Preferred stock, par value \$0.001; 25,000 shares authorized; zero and zero shares issued and outstanding, respectively	-	-
Common stock, par value \$0.001; 210,000 shares authorized; 152,926 and 125,803 shares issued and outstanding at December 31, 2020 and 2019, respectively	153	126
Additional paid-in capital	601,224	568,496
Subscriptions receivable	(6,135)	-
Accumulated deficit	(586,233)	(572,599)
Total shareholders' equity (deficit)	9,009	(3,977)
Total liabilities and shareholders' equity (deficit)	\$ 21,006	\$ 11,836

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

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

	<b>Year Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Product revenue	\$ 1,347	\$ 5,345
License and royalty revenue	1,718	99
Contract revenue	25	3,442
Total revenue	<u>3,090</u>	<u>8,886</u>
Cost of product revenue	1,394	6,692
Cost of contract revenue	4	1,872
Total cost of revenue	<u>1,398</u>	<u>8,564</u>
Gross profit	<u>1,692</u>	<u>322</u>
Research and development expense	9,840	18,661
Sales, marketing, general and administrative expense	5,917	8,133
Gain on disposal of fixed assets	(450)	-
Total operating expenses	<u>15,307</u>	<u>26,794</u>
Loss from operations	(13,615)	(26,472)
Other expense, net	(19)	(11)
Net loss	<u>\$ (13,634)</u>	<u>\$ (26,483)</u>
Net loss per share - basic and diluted	<u>\$ (0.10)</u>	<u>\$ (0.24)</u>
Weighted-average shares outstanding - basic and diluted	<u>139,829</u>	<u>111,297</u>

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

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

	<b>Common Stock</b>		<b>Additional paid-in capital</b>	<b>Subscriptions receivable</b>	<b>Accumulated deficit</b>	<b>Total shareholders' equity (deficit)</b>
	<b>Shares</b>	<b>Par value</b>				
<b>Balance at December 31, 2018</b>	100,105	\$ 100	\$ 550,133	\$ -	\$ (546,116)	\$ 4,117
Share-based compensation expense	822	1	1,613	-	-	1,614
Sales of common stock	24,876	25	16,750	-	-	16,775
Net loss	-	-	-	-	(26,483)	(26,483)
<b>Balance at December 31, 2019</b>	125,803	126	568,496	-	(572,599)	(3,977)
Share-based compensation expense	201	-	1,252	-	-	1,252
Exercise of options	693	1	999	-	-	1,000
Sales of common stock	26,229	26	30,477	(6,135)	-	24,368
Net loss	-	-	-	-	(13,634)	(13,634)
<b>Balance at December 31, 2020</b>	152,926	\$ 153	\$ 601,224	\$ (6,135)	\$ (586,233)	\$ 9,009

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

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

	<b>Year Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities</b>		
Net loss	\$ (13,634)	\$ (26,483)
Adjustments to reconcile net loss to net cash used in operations:		
Depreciation and amortization	963	1,649
Impairment of intangible assets	-	160
Impairment of property and equipment	-	434
Gain on disposal of property and equipment	(450)	-
Share-based compensation expense	1,297	1,569
Non-cash interest expense	11	-
Inventory write-downs	168	2,203
Change in:		
Accounts receivable	1,079	(603)
Costs and estimated earnings in excess of billings on uncompleted contracts	-	987
Inventory	24	(1,286)
Other current and non-current assets	154	1,911
Accounts payable	(1,387)	(268)
Accrued liabilities	(1,550)	(3,379)
Deferred revenue	(21)	21
Contract liabilities and other current liabilities	(2,073)	(316)
Operating lease liabilities	(656)	(642)
Net cash used in operating activities	(16,075)	(24,043)
<b>Cash flows from investing activities</b>		
Proceeds on sale of property and equipment	525	-
Purchases of property and equipment	(402)	(745)
Net cash provided by (used in) investing activities	123	(745)
<b>Cash flows from financing activities</b>		
Principal payments under finance leases	(29)	(20)
Proceeds from long-term debt	1,571	-
Net proceeds from issuance of common stock	25,435	16,879
Net cash provided by financing activities	26,977	16,859
Change in cash, cash equivalents, and restricted cash	11,025	(7,929)
Cash, cash equivalents, and restricted cash at beginning of period	6,272	14,201
Cash, cash equivalents, and restricted cash at end of period	\$ 17,297	\$ 6,272
<b>Supplemental schedule of non-cash investing and financing activities</b>		
Issuance of common stock for subscriptions receivable	\$ 6,135	\$ -
Property and equipment acquired under finance leases	\$ 70	\$ -
Non-cash additions to property and equipment	\$ 116	\$ 37
Issuance of common stock for commitment fee	\$ -	\$ 535

The following table provides a reconciliation of the cash, cash equivalents, and restricted cash balances as of December 31, 2020 and December 31, 2019:

	<b>Year Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Cash and cash equivalents	\$ 16,862	\$ 5,837
Restricted cash	435	435
Cash, cash equivalents and restricted cash	\$ 17,297	\$ 6,272

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

**MicroVision, Inc.**  
**Notes to Financial Statements**  
**For the year ended December 31, 2020**

**1. THE COMPANY AND LIQUIDITY**

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 solutions. Though automotive lidar is our priority now, we have developed solutions for Augmented Reality, Interactive Displays, and Consumer Lidars.

For the past few years, our strategy been to sell 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 well-known 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, since February 2020, we have focused our attention on strategic alternatives, including a potential sale or merger of the Company, sale of part of the Company, strategic minority investment, as well as licensing and other transactions.

While we continue to pursue strategic alternatives, we plan to focus on increasing the value of the Company by completing development of our 1st Generation LRL module to a level that would be ready to scale in the market. We believe our technology and designs for automotive lidar can be successful in the market, and our solutions will have features and performance that exceed those of competitors and will provide a sustainable strategic advantage in the market.

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. Since 2010, there has been substantial doubt about our ability to continue as a going concern.

On October 8, 2020, we filed a Certificate of Amendment (the "Certificate of Amendment") to our Amended and Restated Certificate of Incorporation with the Secretary of State of the State of Delaware to increase the authorized number of shares of our capital stock to 235,000,000 shares, consisting of (i) 210,000,000 shares of common stock, \$.001 par value and (ii) 25,000,000 shares of preferred stock, \$.001 par value. The Certificate of Amendment was effective upon the filing thereof with the Secretary of State of the State of Delaware.

In late 2020 and early 2021, the share price of our common stock on The Nasdaq Global Market has increased dramatically. With the availability of authorized shares of common stock, we have been able to raise net proceeds of \$12.7 million through the issuance 2.1 million shares of our common stock and \$48.7 million through the issuance of 2.5 million shares of our common stock, in January 2021 and February 2021, respectively, under the terms of At-the-Market (ATM) offering agreements with Craig-Hallum Capital Group (Craig-Hallum).

As a result of our recent financing activities, there is no longer substantial doubt about our ability to continue as a going concern.

At December 31, 2020, we had \$16.9 million in cash and cash equivalents. Based on our current operating plan and including \$61.4 million received in 2021 under ATM equity offering agreements with Craig-Hallum, we anticipate that we have sufficient cash and cash equivalents to fund our operations for at least the next 12 months. While we continue to pursue strategic alternatives, we may require additional capital to fund our operating plan past that time. We may seek additional capital through the issuance of equity or debt securities, and/or licensing activities. There can be no assurance that additional capital will be available to us or, if available, will be available on terms acceptable to us or on a timely basis. If adequate capital resources are not available on a timely basis, we intend to consider limiting our operations substantially. This limitation of operations could include further reductions in our research and development projects, staff, operating costs, and capital expenditures.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles of the United States requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from our estimates. We have identified the following areas where estimates and assumptions have been made in preparing the financial statements: revenue recognition, inventory valuation, valuation of share-based payments, income taxes, depreciable lives assessment and related disclosure of contingent assets and liabilities.

### Cash and cash equivalents and fair value of financial instruments

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the authoritative guidance establishes a three level fair value inputs hierarchy, and requires an entity to maximize the use of observable valuation inputs and minimize the use of unobservable inputs. We use market data, assumptions and risks we believe market participants would use in measuring the fair value of the asset or liability, including the risks inherent in the inputs and the valuation techniques.

Our financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. The carrying value of our financial instruments approximates fair value due to their short maturities. Our cash equivalents are comprised of short-term highly rated money market savings accounts.

### Intangible assets

Our intangible assets consist exclusively of purchased patents. The patents are amortized using the straight-line method over their estimated period of benefit, ranging from one to seventeen years. Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Recoverability of these assets is measured by comparison of their carrying values to the projected undiscounted net cash flows associated with the related intangible assets or group of assets over their remaining lives. Measurement of an impairment loss for our intangible assets is based on the difference between the fair value of the asset and its carrying value.

### Property and equipment

Property and equipment is stated at cost and depreciated over the estimated useful lives of the assets (two to five years) using the straight-line method. Our property and equipment may include assets related to future product lines. As our production needs change, we periodically assess the remaining estimated useful life of our production equipment. If necessary, we adjust the depreciation on our production equipment to reflect the remaining estimated useful life. Leasehold improvements are depreciated over the shorter of estimated useful lives or the lease term. Costs for repairs and maintenance are charged to expense as incurred and expenditures for major improvements are capitalized at cost. Gains or losses on the disposition of assets are reflected in the income statements at the time of disposal.

### Restricted cash

As of December 31, 2020 and 2019, restricted cash was in money market savings accounts and serve as collateral for \$435,000 in irrevocable letters of credit. The restricted cash balance includes a letter of credit which is outstanding in connection with a lease agreement for our corporate headquarters building in Redmond, Washington. The balance is required over the term of the lease, which expires in March 2023.

### Leases

We determine if an arrangement is a lease at inception. On our balance sheet, our office lease is included in Operating lease right-of-use (ROU) asset, Current portion of operating lease liability and Operating lease liability, net of current portion. On our balance sheet, finance leases are included in Property and equipment, Current portion of finance lease obligations and Finance lease obligations, net of current portion.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. For leases that do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. We use the implicit rate when readily determinable. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Significant judgment may be required when determining whether a contract contains a lease, the length of the lease term, the allocation of the consideration in a contract between lease and non-lease components, and the determination of the discount rate included in our office lease. We review the underlying objective of each contract, the terms of the contract, and consider our current and future business conditions when making these judgments.

#### 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.

#### *Product revenue*

We sell our products to customers under a contract or by purchase order. We consider the sale of each individual item to be one performance obligation. The transaction price is generally either at stated product price per quantity or at a fixed amount at contract inception. Revenue is recognized under Topic 606 when the product is shipped to the customer because control passes to the customer at the point of shipment. Our product sales generally include acceptance provisions, however, because we generally can objectively determine that we have met agreed-upon customer specifications prior to shipment, control of the item passes at the time of shipment.

#### *License and royalty revenue*

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.

#### *Contract revenue*

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).

We identify each performance obligation in our development contracts at contract inception. The contracts generally include product development and customization specified by the customer. In contracts with multiple performance obligations, we identify each performance obligation and evaluate whether the performance obligations are distinct within the context of the contract. Performance obligations that are not distinct at contract inception are combined.

Our development contracts are primarily fixed-fee contracts. If control of deliverables occurs over time, we recognize revenue on fixed fee contracts on the proportion of total cost expended (under Topic 606, the 'input method') to the total cost expected to complete the contract performance obligation. For contracts that require the input method for revenue recognition, the determination of the total cost expected to complete the performance obligations on fixed fee contracts involves significant judgment. We incorporate revisions to hour and cost estimates when the causal facts become known.

#### *Cost of product revenue*

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. The 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.

#### *Cost of contract revenue*

Cost of contract revenue includes both the direct and allocated indirect costs of performing on contracts and producing prototype units and evaluation kits based on our PicoP® scanning module. 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.

Our overhead, which includes the costs of procuring, inspecting and storing material, and facility and depreciation costs, is allocated to inventory, cost of product revenue, cost of contract revenue, and research and development expense based on the level of effort supporting production or research and development activity.

#### 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 December 31, 2020, our cash and cash equivalents are comprised of short-term highly rated money market savings accounts.

### Concentration of major customers and suppliers

In 2020, one customer accounted for \$3.0 million in revenue, representing 97% of our total revenue. In 2019, one customer accounted for \$7.7 million in revenue, representing 86% of our total revenue and a second customer accounted for \$1.2 million in revenue, representing 13% of our total revenue.

A significant concentration of our components and the products we sell are currently manufactured and obtained from single or limited-source suppliers, which are primarily located in foreign countries. 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 regarding, but not limited to, increased cost of sales, possible loss of revenues, or significant delays in product deliveries, any of which could adversely affect our financial condition and operating results.

### Income taxes

Deferred tax assets and liabilities are recorded for differences between the financial statement and tax bases of the assets and liabilities that will result in taxable or deductible amounts in the future, based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is recorded for the amount of income tax payable for the period increased or decreased by the change in deferred tax assets and liabilities during the period.

### Net loss per share

Basic net loss per share is calculated using the weighted-average number of common shares outstanding during the periods. 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 periods, 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):

	Year Ended December 31,	
	2020	2019
Numerator:		
Net loss available for common shareholders	\$ (13,634)	\$ (26,483)
Denominator:		
Weighted-average common shares outstanding	139,829	111,297
Net loss per share - basic and diluted	\$ (0.10)	\$ (0.24)

During each of the years ended December 31, 2020 and 2019, we excluded the following securities from net loss per share as the effect of including them would have been anti-dilutive. The shares shown represent the number of shares of common stock which would be issued upon conversion in the respective years shown below (in thousands):

	Year Ended December 31,	
	2020	2019
Options outstanding	3,281	5,104
Nonvested restricted stock units	1,982	1,215
	5,263	6,319

### Research and development

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. Research and development costs are

expensed as incurred. We believe that a substantial level of continuing research and development expense will be required to further develop our technology.

#### Share-based compensation

We issue share-based compensation to employees in the form of stock options and 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 is determined by the closing price of our common stock on the grant date. The 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 Statement of Operations (in thousands):

	<b>Year Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Cost of product revenue	\$ -	\$ 26
Research and development expense	699	379
Sales, marketing, general and administrative expense	598	1,209
	<u>\$ 1,297</u>	<u>\$ 1,614</u>

#### Reclassifications

Certain reclassifications have been made to prior year financial statements to conform to classifications used in the current year. These reclassifications had no impact on net loss, shareholders' equity or cash flows, as previously reported.

#### Recent accounting pronouncements

In December 2019, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2019-12 (ASU 2019-12) Simplifying the Accounting for Income Taxes. The amendments in this update simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740, Income Taxes. The amendments also improve consistent application of and simplify generally accepted accounting principles for other areas of Topic 740 by clarifying and amending existing guidance. The new guidance will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early adoption is permitted. We do not expect that the adoption of this standard will have a material impact on our financial statements.

### **3. 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):

	<b>Year Ended December 31, 2020</b>			
	<b>Product revenue</b>	<b>License and royalty revenue</b>	<b>Contract revenue</b>	<b>Total</b>
Timing of revenue recognition:				
Products transferred at a point in time	\$ 1,347	\$ 1,718	\$ 4	\$ 3,069
Product and services transferred over time	-	-	21	21
Total	<u>\$ 1,347</u>	<u>\$ 1,718</u>	<u>\$ 25</u>	<u>\$ 3,090</u>

	<b>Year Ended December 31, 2019</b>			
	<b>Product revenue</b>	<b>License and royalty revenue</b>	<b>Contract revenue</b>	<b>Total</b>
Timing of revenue recognition:				
Products transferred at a point in time	\$ 5,345	\$ 99	\$ 178	\$ 5,622
Product and services transferred over time	-	-	3,264	3,264
Total	<u>\$ 5,345</u>	<u>\$ 99</u>	<u>\$ 3,442</u>	<u>\$ 8,886</u>

#### Contract balances

The following table provides information about receivables, contract assets, and contract liabilities from contracts with customers (in thousands):

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Accounts receivable, net	\$ -	\$ 1,079
Accrued liabilities	-	432
Deferred revenue	-	21
Contract liabilities	7,765	9,755

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.

Contract assets represent rights to consideration that are subject to a condition other than the passage of time and will be comprised primarily of costs and estimated profits in excess of billings on uncompleted contracts and estimated accrued sales-based royalty revenue.

Contract liabilities in the table below are presented as contract liabilities, deferred revenue, and a portion of accrued liabilities on the balance sheet. Significant changes in the contract assets and the contract liabilities balances during the period are as follows (in thousands, except percentages):

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>\$ Change</u>	<u>% Change</u>
Contract assets	\$ -	\$ -	\$ -	-
Contract liabilities	<u>(7,765)</u>	<u>(10,208)</u>	<u>2,443</u>	23.9
Net contract assets (liabilities)	<u>\$ (7,765)</u>	<u>\$ (10,208)</u>	<u>\$ 2,443</u>	23.9

During the year ended December 31, 2020, we applied \$2.0 million against the contract liability with our April 2017 customer.

During 2019, we reached an agreement with the distributor in our Ragentek contract on the final transaction price of the units shipped to them. As part of the agreement reached in 2019, we agreed to return \$432,000 of the original transaction price to our distributor and the amount was included in accrued liabilities at December 31, 2019. During the year ended December 31, 2020, payments totaling \$332,000 were made to the distributor. In 2020, we settled all claims with Ragentek and our distributor. Per the terms of the agreement, the final \$100,000 payment to our distributor was no longer required. As a result, we recognized \$100,000 of product revenue during the year ended December 31, 2020 as an adjustment to the transaction price of products previously transferred to our 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 December 31, 2020.

#### 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 a major technology company is being recognized as revenue as component sales are transferred to the customer. During the years ended December 31, 2020 and 2019, we recognized \$2.0 million and \$245,000, respectively, of the \$10.0 million contract liability. We expect to apply an additional \$3.2 million in 2021, 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 \$7.8 million contract liability is classified as a current liability on our balance sheet. Due to the uncertainty of the timing, it is possible 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>2021</u>	<u>2022</u>
License and royalty revenue	\$ 3,222	\$ -

Adoption of the standards related to revenue recognition had no impact to cash from or used in operating, investing, or financing activities on our statements of cash flows.

#### **4. LONG-TERM CONTRACTS**

In April 2017, we signed a contract with a major technology company to develop an LBS display system. Under the agreement, we received an upfront payment of \$10.0 million in 2017 and, as of December 31, 2019, had also received \$15.0 million, net of early payment discounts, representing all payment due for development work. The

original contract was for \$14.0 million in fees for development work, but we and our customer agreed to add \$1.1 million in additional work to total \$15.1 million. After applying early payment discounts, we recognized revenue of \$15.0 million in development fees over time based on the proportion of total cost expended (under Topic 606, the "input method") to the total cost expected to complete the contract performance obligation. For the year ended December 31, 2019, we recognized \$2.9 million of contract revenue from development fees on this agreement.

Beginning in the fourth quarter of 2019, the \$10.0 million upfront payment was being recognized as revenue at the point in time that component sales were sold to the major technology customer. In March 2020, we entered into an agreement for our customer to take over production of the components we had been producing for them. The agreement provides that, beginning in March 2020, we will earn a royalty on each component shipped that is approximately equal to the gross profit we would have earned if we continued to produce and ship the components. Under the new arrangement, the royalties earned will be applied against the remaining \$7.8 million prepayment that we had previously received from the customer until the prepayment is exhausted.

## 5. LONG-TERM DEBT

In April 2020, we received funds in the amount of \$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. No payments are due for the first 10 months following the 24-week covered period, although interest accrues during that period. Thereafter, the loan is repayable in monthly installments over the next 18 months to retire the loan plus accrued interest. Funds from the loan may only be used for certain purposes, including payroll, benefits, rent and utilities, and a portion of the loan used to pay certain costs may be forgivable, all as provided by the terms of the PPP. 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.

As of December 31, 2020, all of the funds received under the PPP had been used for qualified purposes. We intend to apply for partial forgiveness of the loan under PPP guidelines. Based on the terms of the PPP, we plan to apply for forgiveness of approximately \$690,000, subject to approval by our lender in accordance with PPP guidelines.

## 6. INVENTORY

Inventory consists of the following (in thousands):

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Raw materials	\$ -	\$ -
Finished goods	-	192
	<u>\$ -</u>	<u>\$ 192</u>

We recorded inventory write-downs of \$168,000 in 2020 and \$2.2 million in 2019.

## 7. ACCRUED LIABILITIES

Accrued liabilities consists of the following (in thousands):

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Bonuses	\$ -	\$ 201
Payroll and payroll taxes	361	425
Compensated absences	-	448
Warranty	49	38
Prepayments from customers	-	432
Other	85	501
	<u>\$ 495</u>	<u>\$ 2,045</u>



## 8. PROPERTY AND EQUIPMENT

Property and equipment consists of the following (in thousands):

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Production equipment	\$ 7,210	\$ 6,969
Leasehold improvements	913	913
Computer hardware and software/lab equipment	6,226	6,165
Office furniture and equipment	1,345	1,345
	<u>15,694</u>	<u>15,392</u>
Less: Accumulated depreciation	<u>(13,811)</u>	<u>(13,543)</u>
	<u>\$ 1,883</u>	<u>\$ 1,849</u>

Depreciation expense was \$442,000 in 2020 and \$1.1 million in 2019.

## 9. INTANGIBLE ASSETS

Our intangible assets consist exclusively of technology-based purchased patents. The gross book value of our intangible assets was \$951,000 in the years ended December 31, 2020 and 2019, respectively. Amortization expense was \$57,000 in 2020 and \$105,000 in 2019. In 2019, we recorded an impairment amounting to \$160,000 on 52 patents that we elected not to renew, and one patent abandoned in prosecution. The following table outlines our estimated future amortization expense related to intangible assets held at December 31, 2020 (in thousands):

<u>Years Ended December 31,</u>	<u>Amount</u>
2021	\$ 49
2022	40
2023	32
2024	22
2025	14
Thereafter	7
	<u>\$ 164</u>

## 10. COMMON STOCK

In December 2020, we entered into a \$13.0 million ATM equity offering agreement with Craig-Hallum. Under the agreement we may, 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 is 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 November 2020, we entered into a \$10.0 million ATM equity offering agreement with Craig-Hallum Capital Group. 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 \$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.

In July 2019, we raised \$2.0 million before issuance costs of approximately \$24,000 through a registered direct offering of 3.0 million shares of our common stock to a private investor.

In April 2019, we raised \$2.0 million before issuance costs of approximately \$34,000 through a registered direct offering of 2.3 million shares of our common stock to a private investor.

In April 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 \$11.0 million. Under the terms of the agreement, Lincoln Park made an initial purchase of \$1.0 million in shares of common stock at a purchase price of \$0.98 per share. Subject to various limitations and conditions set forth in the agreement, we were able to sell up to an additional \$10.0 million in shares of common stock, from time to time, at our sole discretion to Lincoln Park over a 24-month period beginning April 2019. In consideration for entering into the agreement, we issued 250,000 shares of our common stock, having a value of \$258,000, based on the closing stock price at the date of grant, to Lincoln Park as a commitment fee. We incurred an additional \$92,000 in issuance costs. As of December 31, 2019, we had issued 15.7 million shares and raised a total of \$11.0 million under this agreement. No further shares are available for sales under this agreement.

In January 2019, we raised \$1.2 million before issuance costs of approximately \$26,000 through a registered direct offering of 2.0 million shares of our common stock to a private investor.

## 11. SHARE-BASED COMPENSATION

We use the straight-line attribution method to allocate the fair value of share-based compensation awards over the requisite service period for each award. The valuation of and accounting for share-based awards includes a number of complex and subjective estimates. These estimates include, but are not limited to, the future volatility of our stock price, future stock option exercise behaviors, estimated employee turnover, and award forfeiture rates.

### Description of Incentive Plan

Our 2020 Incentive Plan has 17.3 million shares authorized, of which 8.1 million shares were available for awards as of December 31, 2020.

### Options Valuation Methodology and Assumptions

We use the Black-Scholes option valuation model to determine the fair value of options granted and use the closing price of our common stock as the fair market value of our stock on that date.

We consider historical stock price volatilities, volatilities of similar companies and other factors in determining estimates of future volatilities.

We use historical lives, including post-termination exercise behavior, as the basis for estimating expected lives.

Risk-free rates are based on the U.S. Treasury Yield Curve, as published by the U.S. Treasury.

The following table summarizes the weighted-average valuation assumptions and weighted-average grant date fair value of options granted during the periods shown below:

	Year Ended December 31,	
	2020	2019
<b>Assumptions (weighted-average)</b>		
Volatility	111%	78%
Expected term (in years)	4.0	4.0
Risk-free rate	0.3%	1.9%
Expected dividends	0.0%	0.0%
Pre-vest forfeiture rate	8.5%	8.5%
Grant date fair value of options granted	\$ 1.20	\$ 0.37

## Options Activity and Positions

The following table summarizes activity and positions with respect to options for the periods shown below (in thousands):

Options	Shares	Weighted-average exercise price	Weighted-average remaining contractual term (in years)	Aggregate intrinsic value
Outstanding as of December 31, 2018	4,646	\$ 2.27	7.0	\$ -
Granted	1,636	0.65	-	-
Exercised	-	-	-	-
Forfeited or expired	(1,178)	2.66	-	-
Outstanding as of December 31, 2019	5,104	1.66	7.4	122
Granted	68	1.60	-	-
Exercised	(693)	1.44	-	-
Forfeited or expired	(1,198)	2.20	-	-
Outstanding as of December 31, 2020	3,281	\$ 1.51	6.6	\$ 12,784
Vested and expected to vest as of December 31, 2020	3,193	\$ 1.53	6.5	\$ 12,379
Exercisable as of December 31, 2020	2,086	\$ 1.86	5.6	\$ 7,413

No options were exercised during the year ended December 31, 2019.

The total grant date fair value of options vested during the years ended December 31, 2020 and 2019 was \$604,000 and \$801,000, respectively. As of December 31, 2020, our unrecognized share-based compensation was \$376,000 related to options, which we plan to amortize over the next 1.2 years.

In 2020, we issued 111,000 RSUs as new hire grants to non-executive employees. These shares were valued based on the closing price of our common stock on the dates of grant. These shares vest on the earlier of a change of control of the Company or the one-year anniversary of the grant date.

In June 2020, we issued 1.2 million RSUs to non-executive employees for retention purposes. These shares were valued based on the closing price of our common stock on the date of grant. These shares vest on the earlier of a change of control of the Company or the one-year anniversary of the grant date.

In the fourth quarter of 2019, we issued 384,751 vested RSUs to our executives in lieu of cash for payment of short-term incentive bonuses earned in 2018.

On May 22, 2019, we issued 195,000 PSUs to our executive officers. The performance criteria for PSUs issued in May 2019 is the achievement of the Company's share price of \$2.50 sustained for 60 of trailing 90 days before the PSUs are earned ("Earned PSUs"). To the extent the PSUs become Earned PSUs, the PSUs shall be eligible to vest as to one-third (1/3) of the PSUs subject to the Award on the each of the first three (3) anniversaries of May 22, 2019. If there are outstanding but unearned PSUs as of a vesting date and the PSUs become Earned PSUs prior to the next vesting date the Earned PSUs that would have vested on any earlier vesting date shall become immediately vested and deliverable. The PSUs are valued using a binomial option pricing model using the following inputs: stock price, volatility, and risk-free interest rates.

We also issued 475,000 stock options to our executives on May 22, 2019, that vest one-third on each of the first three anniversaries of May 22, 2019.

On May 19, 2020 and May 22, 2019, we issued 120,000 and 180,000 RSUs, respectively, to members of the board, vesting ownership in the RSUs on the earlier of the day prior to the date of the Company's annual meeting of shareholders following the date of grant, or one year from the grant date, provided the member of the board continues to serve as a director on the vesting date. On November 11, 2019 we issued 163,734 RSUs to the members of the board in lieu of the annual cash fee. The members of the board vest ownership in the RSUs immediately.

As of December 31, 2020, our unrecognized share-based compensation related to the RSUs was \$751,000 which we plan to amortize over the next 0.5 years. As of December 31, 2020, our unrecognized share-based compensation related to the PSUs was \$5,000, which we plan to amortize over the next 1.0 years.

## 12. LEASES

In February 2016, the FASB issued Accounting Standards Update 2016-02 (ASU 2016-02), Leases (Topic 842). ASU 2016-02 requires lessees to recognize a ROU asset and lease liability in the balance sheet for all leases, including operating leases, with terms of more than twelve months. Recognition, measurement and presentation of expenses and cash flows from a lease by a lessee have not significantly changed from previous guidance. The amendments also require qualitative disclosures along with specific quantitative disclosures. We adopted this guidance using the cumulative-effect adjustment method on January 1, 2019, meaning we did not restate prior periods. Current year financial information is presented under the guidance in Topic 842, while prior year information will continue to be presented under Topic 840. Adoption of the standard resulted in the recognition of an operating ROU asset of approximately \$1.6 million, a lease liability of approximately \$2.5 million, and a reduction in other short-term and long-term liabilities of \$873,000. Adoption of the standard did not have a material impact on our Statement of Operations or Statement of Cash flows. Accounting for our finance leases remains substantially unchanged.

We lease our office space and certain equipment under finance and operating leases. Our leases have remaining lease terms of one to three years. Our office space lease contains an option to extend the lease for one period of five years. This extension period is not included in our ROU asset or lease liability amounts. 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.

The components of lease expense were as follows:

(in thousands)	Year Ended December 31,	
	2020	2019
Operating lease expense	\$ 464	\$ 464
Finance lease expense:		
Amortization of leased assets	26	15
Interest on lease liabilities	3	6
Total finance lease expense	29	21
Total lease expense	\$ 493	\$ 485

Supplemental cash flow information related to leases was as follows:

(in thousands)	Year Ended December 31,	
	2020	2019
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 656	\$ 642
Operating cash flows from finance leases	3	6
Financing cash flows from finance leases	29	20
Right-of-use assets obtained in exchange for new lease obligations:		
Operating leases	\$ -	\$ 1,638

Supplemental balance sheet information related to leases was as follows:

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
<i>(in thousands)</i>		
<b>Operating leases</b>		
Operating lease right-of-use assets	\$ 946	\$ 1,308
Current portion of operating lease liability	676	656
Operating lease liability, net of current portion	774	1,348
Total operating lease liabilities	\$ 1,450	\$ 2,004
<b>Finance leases</b>		
Property and equipment, at cost	\$ 112	\$ 66
Accumulated depreciation	(28)	(25)
Property and equipment, net	\$ 84	\$ 41
Current portion of finance lease obligations	\$ 31	\$ 25
Finance lease obligations, net of current portion	44	9
Total finance lease liabilities	\$ 75	\$ 34
<b>Weighted Average Remaining Lease Term</b>		
Operating leases	2.3 years	3.3 years
Finance leases	2.0 years	1.4 years
<b>Weighted Average Discount Rate</b>		
Operating leases	6.0%	6.0%
Finance leases	6.3%	13.8%

As of December 31, 2020, maturities of lease liabilities were as follows:

<i>(in thousands)</i>	<b>Operating leases</b>	<b>Finance leases</b>
<b>Years Ended December 31,</b>		
2021	\$ 676	\$ 35
2022	696	25
2023	175	21
2024	-	-
Thereafter	-	-
Total minimum lease payments	1,547	81
Less: amount representing interest	(97)	(6)
Present value of lease liabilities	\$ 1,450	\$ 75

### 13. COMMITMENTS AND CONTINGENCIES

#### Litigation

In March 2019, we filed a Notice of Arbitration in Hong Kong against Ragentek as a result of its failure to perform its obligations under a purchase order with us. During 2019, we reached an agreement with the distributor in our Ragentek contract on the final transaction price of the units shipped to them. As part of the agreement reached in 2019, we agreed to return \$432,000 of the original transaction price to our distributor. During 2020, payments totaling \$332,000 were made to the distributor and we settled all claims with Ragentek and our distributor. Per the terms of the agreement in

2020, the final \$100,000 payment to our distributor was no longer required. Upon settlement we dismissed the arbitration.

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.

#### 14. INCOME TAXES

A provision for income taxes has not been recorded for 2020 and 2019 due to the valuation allowances placed against the net operating losses and deferred tax assets arising during such periods. A valuation allowance has been recorded for all deferred tax assets. Based on our history of losses since inception, the available objective evidence creates sufficient uncertainty regarding the realizability of the deferred tax assets.

The effective tax rate of our provision (benefit) for income taxes differs from the Federal statutory rate as follows:

	<b>Year Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Statutory rate	21.0%	21.0%
Net operating loss expiration	(47.5)%	(14.7)%
Tax credits	2.2%	2.8%
Change in valuation allowance	24.3%	(9.1)%
Total	<u>0.0%</u>	<u>0.0%</u>

Deferred tax assets are summarized as follows (in thousands):

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Deferred tax assets		
Reserves	\$ 647	\$ 610
Net operating loss carryforwards	83,289	85,282
R&D credit carryforwards	8,836	9,047
Depreciation/amortization deferred	15,862	16,978
Other	5,773	5,808
Net deferred taxes before valuation allowance	114,407	117,725
Less: Valuation allowance	(114,407)	(117,725)
Deferred tax assets	<u>\$ -</u>	<u>\$ -</u>

At December 31, 2020, we have net operating loss carryforwards of approximately \$396.6 million for federal income tax reporting purposes. In addition, we have research and development tax credits of \$8.8 million. During 2020, \$28.4 million federal net operating losses and \$512,000 general business credits expired unused. A majority of the net operating loss carryforwards and research and development credits available to offset future taxable income, if any, will expire in varying amounts from 2021 to 2040, if not previously used.

Certain net operating losses arise from the deductibility for tax purposes of compensation under nonqualified stock options equal to the difference between the fair value of the stock on the date of exercise and the exercise price of the options. For financial reporting purposes, the tax effect of this deduction, when recognized, is accounted for as an income tax benefit.

In certain circumstances, as specified in the Internal Revenue Code, a 50% or more ownership change by certain combinations of our shareholders during any three year period would result in limitations on our ability to use a portion of our net operating loss carryforwards.

We did not have any unrecognized tax benefits at December 31, 2020 or 2019.

We recognize interest accrued and penalties related to unrecognized tax benefits in tax expense. During the years ended December 31, 2020 and 2019 we did not recognize any interest or penalties.

We file income tax returns in the U.S. federal jurisdiction and Oregon. Due to our operating loss and credit carryforwards, the U.S. federal statute of limitations remains open for 1998 and onward.

#### 15. RETIREMENT SAVINGS PLAN

We have a retirement savings plan that qualifies under Internal Revenue Code Section 401(k). The plan covers all qualified employees. Contributions to the plan are made at the discretion of our Board of Directors. During the years ended December 31, 2020 and 2019 we contributed \$213,000 and \$393,000 to the plan, respectively.

#### 16. QUARTERLY FINANCIAL INFORMATION (Unaudited)

The following table summarizes our unaudited quarterly financial information for the periods shown below (in thousands, except per share data):

	Fiscal Year 2020			
	December 31,	September 30,	June 30,	March 31,
Revenue	\$ 395	\$ 639	\$ 587	\$ 1,469
Gross profit	395	639	588	70
Net loss	(3,570)	(2,826)	(2,304)	(4,934)
Net loss per share, basic and diluted	(0.02)	(0.02)	(0.02)	(0.04)

  

	Fiscal Year 2019			
	December 31,	September 30,	June 30,	March 31,
Revenue	\$ 4,605	\$ 1,190	\$ 1,240	\$ 1,851
Gross profit	1,179	(882)	(583)	608
Net loss	(3,284)	(6,141)	(8,990)	(8,068)
Net loss per share, basic and diluted	(0.03)	(0.05)	(0.08)	(0.08)

For the quarter ended December 31, 2019, net loss included a reversal of previously accrued bonuses in the amount of \$770,000.

#### 17. SUBSEQUENT EVENT

In January 2021, we issued 1.1 million shares of our common stock for net proceeds of \$6.6 million under the December 2020 ATM equity offering agreement with Craig-Hallum. In January 2021, we also received \$6.1 million for the 1.0 million shares of common stock that were issued in December 2020. In total, we have 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 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 have issued 2.5 million shares of our common stock for net proceeds of \$48.7 million under this ATM agreement. No further shares are available for sales under this agreement.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have been no changes in or disagreements with accountants on accounting or financial disclosure matters during our fiscal years ended December 31, 2020 and 2019.

### ITEM 9A. CONTROLS AND PROCEDURES

(a) *Evaluation of Disclosure Controls and Procedures.* Our Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) evaluated our disclosure controls and procedures (as defined in Rules 13a-15(e)) under the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), prior to the filing of this Form 10-K. Based upon that evaluation, our CEO and CFO concluded that, as of December 31, 2020, our disclosure controls and procedures were effective.

(b) *Management's Report on Internal Control Over Financial Reporting.* Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its evaluation under the framework in *Internal Control - Integrated Framework (2013)*, our management concluded that our internal control over financial reporting was effective as of December 31, 2020.

(c) *Limitations on the Effectiveness of Controls.* Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

(d) *Changes in Internal Control Over Financial Reporting.* There was no change in our internal control over financial reporting during the quarter ended December 31, 2020 which has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

### ITEM 9B. OTHER INFORMATION

None.

## PART III.

### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information regarding executive officers is included in Part I of this Annual Report on Form 10-K in Item 4A. The information required by this Item 10 of Form 10-K and not provided in Item 4A will be included under the caption "Discussion of Proposals Recommended by the Board" in our 2021 Proxy Statement and is incorporated herein by reference. Our 2021 Proxy Statement will be filed with the SEC prior to our 2021 Annual Meeting of Shareholders.

### ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item 11 of Form 10-K will be included under the captions "Executive Compensation," "Compensation Committee Interlocks and Insider Participation," and "Director Compensation for 2020" in our 2021 Proxy Statement and are incorporated herein by reference.



**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

Information as of December 31, 2020, regarding equity compensation plans approved and not approved by shareholders is summarized in the following table (in thousands, except per share data):

<b>Plan Category</b>	<b>Equity Compensation Plan Information</b>		
	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights (b)</b>	<b>Number of securities remaining available for further issuance under equity compensation plans (excluding securities reflected in column (a)) (c)</b>
Equity compensation plans approved by shareholders	3,281	\$ 1.51	8,133
Equity compensation plans not approved by shareholders	-	-	-
<b>Total</b>	<b>3,281</b>		<b>8,133</b>

The other information required by this Item 12 of Form 10-K will be included under the caption "Information about MicroVision Common Stock Ownership" in our 2021 Proxy Statement and is incorporated herein by reference.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE**

The information required by this Item 13 of Form 10-K will be included under the captions "Certain Relationships and Related Transactions" and "Board Meetings and Committees" in our 2021 Proxy Statement and are incorporated herein by reference.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The information required by this Item 14 of Form 10-K will be included under the caption "Independent Registered Public Accounting Firm" in our 2021 Proxy Statement and is incorporated herein by reference.

**PART IV.****ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

(A) Documents filed as part of this Annual Report on Form 10-K:

**1. Financial Statements**

- Report of Independent Registered Public Accounting Firm
- Balance Sheets as of December 31, 2020 and 2019
- Statements of Operations for the years ended December 31, 2020 and 2019
- Statements of Shareholders' Equity (Deficit) for the years ended December 31, 2020 and 2019
- Statements of Cash Flows for the years ended December 31, 2020 and 2019
- Notes to Financial Statements

2. Financial Statement Schedules

Schedule II

MicroVision, Inc.  
Valuation and Qualifying Accounts and Reserves Schedule  
(In thousands)

Year Ended December 31,	Balance at beginning of fiscal period	Additions		Deductions	Balance at end of fiscal period
		Charges to costs and expenses	Charges to other accounts		
<b>2019</b>					
Tax valuation allowance	\$ 115,313	\$ 2,412	\$ -	\$ -	\$ 117,725
<b>2020</b>					
Tax valuation allowance	\$ 117,725	\$ -	\$ -	\$ (3,318)	\$ 114,407

All other schedules are omitted because they are not applicable, or because the information required is included in the financial statements and notes thereto.

### 3. Exhibits

The following exhibits are referenced or included in this Annual Report on Form 10-K.

<u>Exhibit Number</u>	<u>Description</u>
3.1	<a href="#">Amended and Restated Certificate of Incorporation of MicroVision, Inc., as amended.</a> <sup>(2)</sup>
3.2	<a href="#">Certificate of Amendment to the Amended and Restated Certificate of Incorporation of MicroVision, Inc.</a> <sup>(4)</sup>
3.3	<a href="#">Certificate of Amendment to the Amended and Restated Certificate of Incorporation of MicroVision, Inc. dated June 7, 2018.</a> <sup>(6)</sup>
3.4	<a href="#">Certificate of Amendment to the Amended and Restated Certificate of Incorporation of MicroVision, Inc. dated October 8, 2020.</a> <sup>(8)</sup>
3.5	<a href="#">Bylaws of MicroVision, Inc.</a> <sup>(5)</sup>
4.1	<a href="#">Form of Specimen Stock Certificate for Common Stock.</a> <sup>(1)</sup>
4.2	<a href="#">Description of Common Stock (filed herewith).</a>
10.1	<a href="#">2020 MicroVision, Inc. Incentive Plan, as amended.</a> <sup>(9)*</sup>
10.2	<a href="#">Third Amendment to Lease Agreement between BRE WA Office Owner, LLC and MicroVision, Inc., dated July 25, 2017.</a> <sup>(7)</sup>
10.3	<a href="#">Change of Control Severance Plan.</a> <sup>(3)*</sup>
10.4	<a href="#">Employment Agreement between MicroVision, Inc. and Perry Mulligan dated November 21, 2017.</a> <sup>(7)*</sup>
10.5	<a href="#">At-the-Market Issuance Sales Agreement, dated February 16, 2021, by and between MicroVision, Inc. and Craig-Hallum Capital Group LLC, (filed herewith).</a>
23.1	<a href="#">Consent of Independent Registered Public Accounting Firm - Moss Adams LLP.</a>
31.1	<a href="#">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.</a>
31.2	<a href="#">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.</a>
32.1	<a href="#">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 Sarbanes-Oxley Act of 2002.</a>
32.2	<a href="#">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 Sarbanes-Oxley Act of 2002.</a>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

- (1) Incorporated by reference to the Company's Post-Effective Amendment to Form S-3 Registration Statement, Registration No. 333-102244.
- (2) Incorporated by reference to the Company's Form 10-Q for the quarterly period ended September 30, 2009.
- (3) Incorporated by reference to the Company's Form 10-K for the year ended December 31, 2011.
- (4) Incorporated by reference to the Company's Current Report on Form 8-K filed on February 17, 2012.
- (5) Incorporated by reference to the Company's Current Report on Form 8-K filed on November 27, 2013.
- (6) Incorporated by reference to the Company's Amendment No. 2 to Form S-1 Registration Statement, Registration No. 333-222857.
- (7) Incorporated by reference to the Company's Form 10-K for the year ended December 31, 2017.
- (8) Incorporated by reference to the Company's Form 10-Q for the quarterly period ended September 30, 2020.
- (9) Incorporated by reference to the Company's Form S-8 filed on October 9, 2020.

\* Management contracts and compensatory plans and arrangements required to be filed as exhibits pursuant to Item 15(b) of this Annual Report on Form 10-K.

### ITEM 16. FORM 10-K SUMMARY

None.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Date: March 15, 2021

MICROVISION, INC.  
By /s/ Sumit Sharma  
Sumit Sharma  
Chief Executive Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the following capacities on March 15, 2021.

Signature	Title
<u>/s/ Sumit Sharma</u> Sumit Sharma	Chief Executive Officer and Director (Principal Executive Officer)
<u>/s/ Stephen P. Holt</u> Stephen P. Holt	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
<u>/s/ Simon Biddiscombe</u> Simon Biddiscombe	Director
<u>/s/ Robert P. Carlile</u> Robert P. Carlile	Director
<u>/s/ Judy Curran</u> Judy Curran	Director
<u>/s/ Yalon Farhi</u> Yalon Farhi	Director
<u>/s/ Seval Oz</u> Seval Oz	Director
<u>/s/ Mark Spitzer</u> Mark Spitzer	Director
<u>/s/ Brian V. Turner</u> Brian V. Turner	Director

**DESCRIPTION OF COMMON STOCK**

MicroVision, Inc. ("MicroVision," "we," "us," and "our") has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: our common stock. Our Certificate of Incorporation authorizes us to issue 210,000,000 shares of common stock, \$0.001 par value per share, and 25,000,000 shares of preferred stock, \$0.001 par value per share.

Subject to the rights of the holders of our outstanding preferred stock, holders of common stock:

- are entitled to any dividends validly declared;
- will share ratably in our net assets in the event of a liquidation; and
- are entitled to one vote per share.

The common stock has no conversion rights. Holders of common stock have no preemption, subscription, redemption, or call rights related to those shares.

American Stock Transfer & Trust Company is the transfer agent and registrar for our common stock. Our common stock is listed on the Nasdaq Stock Market under the trading symbol "MVIS."

The Board of Directors has the authority, without further action by the shareholders, to issue shares of preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof, including dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms and the number of shares constituting any series or the designation of such series. The issuance of preferred stock could adversely affect the voting power of holders of our common stock and the likelihood that such holders will receive dividend payments and payments upon liquidation may have the effect of delaying, deferring or preventing a change in control of MicroVision.

Certain additional provisions in our Certificate of Incorporation and Bylaws may have the effect of delaying, deferring or preventing a change in control of MicroVision, including:

- *Action by Written Consent; Special Meetings of Shareholders.* Our Certificate of Incorporation provides that shareholder action can be taken only at an annual or special meeting of shareholders and cannot be taken by written consent in lieu of a meeting. Our Certificate of Incorporation and Bylaws vest the power to call special meetings of shareholders in the Chairman of the Board of Directors, the Chief Executive Officer (or if there is no Chief Executive Officer, the President) or a majority of the Board of Directors. Further, a special meeting of shareholder shall be held if holders of not less than 25% of all votes entitled to be cast on the issue proposed to be considered as such special meeting have dated, signed and delivered to the Secretary one or more written demands for such meeting. Any business transacted at any special meeting of stockholders shall be limited to matters relating to the purpose or purposes stated in the notice of meeting.
  - *Removal of Directors and Vacancies.* Our Certificate of Incorporation and Bylaws provide that our directors may be removed with or without cause by the affirmative vote of at least two-thirds of the voting power of our outstanding shares of capital stock, entitled to vote generally in the election of directors cast at a meeting of the shareholders called for that purpose. Our Certificate of Incorporation vests the power to fill any vacancy in the Board of Directors, however occurring, including a vacancy resulting from an enlargement of the Board of Directors, only by vote of a majority of the directors then in office, although less than a quorum, or by a sole remaining director.
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- *Advance Notice Procedures.* Our Bylaws establish an advance notice procedure for shareholder proposals to be brought before an annual meeting of our shareholders, including proposed nominations of persons for election to the board of directors. Shareholders at an annual meeting may only consider proposals or nominations specified in the notice of meeting or brought before the meeting by or at the direction of the Board of Directors or by a shareholder who was a shareholder of record on the record date for the meeting, who is entitled to vote at the meeting and who has given our Secretary timely written notice, in proper form, of the shareholder's intention to bring that business before the meeting.
- *Super Majority Approval Requirements.* The General Corporation Law of the state of Delaware generally provides that the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation's certificate of incorporation or bylaws, unless either a corporation's certificate of incorporation or bylaws requires a greater percentage. Our Bylaws provide that the affirmative vote of holders of at least two-thirds of the voting power of the stock issued and outstanding entitled to vote thereat will be required to amend, alter, change or repeal any provisions of our Bylaws.



**MicroVision, Inc.**

Common Stock  
(par value \$0.001 per share)

**At-The-Market Issuance Sales Agreement**

February 16, 2021

Craig-Hallum Capital Group LLC  
222 South 9th Street, Suite 350  
Minneapolis, MN 55402

Ladies and Gentlemen:

MicroVision, Inc., a Delaware corporation (the "Company"), confirms its agreement (this "Agreement") with Craig-Hallum Capital Group LLC ("Craig-Hallum"), as follows:

1. Issuance and Sale of Shares. The Company agrees that, from time to time during the term of this Agreement, on the terms and subject to the conditions set forth herein, it may issue and sell through Craig-Hallum, shares (the "Placement Shares") of the Company's common stock, par value \$0.001 per share (the "Common Stock"), up to an aggregate offering price of \$50,000,000, *provided however*, that in no event shall the Company issue or sell through Craig-Hallum such number of Placement Shares that (a) would cause the Company to not satisfy the eligibility requirements for use of Form S-3 (including Instruction I.B.6. thereof, if applicable), (b) exceeds the number of shares of Common Stock registered on the effective Registration Statement (as defined below) pursuant to which the offering is being made or (c) exceeds the number of authorized but unissued shares of the Company's Common Stock (the lesser of (a), (b) and (c), the "Maximum Amount"). Notwithstanding anything to the contrary contained herein, the parties hereto agree that compliance with the limitations set forth in this Section 1 on the amount of Placement Shares issued and sold under this Agreement shall be the sole responsibility of the Company and that Craig-Hallum shall have no obligation in connection with such compliance if acting in accordance with any Placement Notice that has not been suspended or terminated by the Company. The issuance and sale of Placement Shares through Craig-Hallum will be effected pursuant to the Registration Statement (as defined below) filed by the Company and declared effective by the Securities and Exchange Commission (the "Commission"), although nothing in this Agreement shall be construed as requiring the Company to use the Registration Statement to issue any Placement Shares.

The Company has prepared and filed on the date hereof, in accordance with the provisions of the Securities Act of 1933, as amended (the "Securities Act"), and the rules and regulations thereunder (the "Securities Act Regulations"), with the Commission a registration statement on Form S-3, including a base prospectus, relating to certain securities, including the Placement Shares to be issued from time to time by the Company, and which incorporates by reference documents that the Company has filed or will file in accordance with the provisions of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations thereunder. The Company has also prepared a prospectus specifically relating to the

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Placement Shares (the "Sales Agreement Prospectus"), which is included as part of such registration statement. The Company will furnish to Craig-Hallum, for use by Craig-Hallum, copies of the base prospectus and the Sales Agreement Prospectus. Except where the context otherwise requires, such registration statement, including all documents filed as part thereof or incorporated by reference therein, and including any information contained in a Prospectus (as defined below) subsequently filed with the Commission pursuant to Rule 424(b) under the Securities Act Regulations or deemed to be a part of such registration statement pursuant to Rule 430B of the Securities Act Regulations, is herein called the "Registration Statement." The Sales Agreement Prospectus, including all documents incorporated therein by reference, included in the Registration Statement, as it may be supplemented by any prospectus supplement prepared and used that relates to the Placement Shares (each a "Prospectus Supplement"), or any Permitted Free Writing Prospectus (as defined below), as applicable, in the form in which such prospectus, Prospectus Supplement, and/or Permitted Free Writing Prospectus have most recently been filed by the Company with the Commission pursuant to Rule 424(b) under the Securities Act Regulations, is herein called the "Prospectus." Any reference herein to the Registration Statement, the Prospectus or any amendment or supplement thereto shall be deemed to refer to and include the documents incorporated by reference therein, and any reference herein to the terms "amend," "amendment" or "supplement" with respect to the Registration Statement or the Prospectus shall be deemed to refer to and include the filing after the execution hereof of any document with the Commission deemed to be incorporated by reference therein (the "Incorporated Documents").

For purposes of this Agreement, all references to the Registration Statement, the Prospectus or to any amendment or supplement thereto shall be deemed to include the most recent copy filed with the Commission pursuant to its Electronic Data Gathering Analysis and Retrieval System, or if applicable, the Interactive Data Electronic Application system when used by the Commission (collectively, "EDGAR").

2. Placements. Each time that the Company wishes to issue and sell Placement Shares hereunder (each, a "Placement"), it will notify Craig-Hallum by email notice (or other method mutually agreed to in writing by the parties) of the proposed terms of such Placement, which shall include at a minimum the number of Placement Shares to be issued, the time period during which sales are requested to be made (which time period, for the avoidance of doubt, shall consist solely of Trading Day(s) (as defined below)), any limitation on the number of Placement Shares that may be sold in any one day and any minimum price below which sales may not be made (a "Placement Notice"), the form of which is attached hereto as Schedule 1. The Placement Notice shall originate from any of the individuals from the Company set forth on Schedule 3 (with a copy to each of the other individuals from the Company listed on such schedule), and shall be addressed to each of the individuals from Craig-Hallum set forth on Schedule 3, as such Schedule 3 may be amended from time to time. The Placement Notice shall be effective unless and until (i) Craig-Hallum declines to accept the terms contained therein for any reason, in its sole discretion by email notice to the Company within one Business Day (as defined below) from the time the Placement Notice is received, (ii) the entire amount of the Placement Shares thereunder have been sold, (iii) the Company suspends or terminates the Placement Notice or (iv) this Agreement has been terminated under the provisions of Section 13. The amount of any discount, commission or other compensation to be paid by the Company

to Craig-Hallum in connection with the sale of the Placement Shares shall be calculated in accordance with the terms set forth in Schedule 2. It is expressly acknowledged and agreed that neither the Company nor Craig-Hallum will have any obligation whatsoever with respect to a Placement or any Placement Shares unless and until the Company delivers a Placement Notice to Craig-Hallum and Craig-Hallum does not decline such Placement Notice pursuant to the terms set forth above, and then only upon the terms specified therein and herein. In the event of a conflict between the terms of this Agreement and the terms of a Placement Notice, the terms of the Placement Notice will control.

3. Sale of Placement Shares by Craig-Hallum.

- a. Subject to the terms and conditions of this Agreement, for the period specified in the Placement Notice, Craig-Hallum will use its commercially reasonable efforts consistent with its normal trading and sales practices and applicable state and federal laws, rules and regulations and the rules of the NASDAQ Global Market (the "Exchange"), to sell the Placement Shares up to the amount specified, and otherwise in accordance with the terms of such Placement Notice. Craig-Hallum will provide prompt written confirmation to the Company and in no event later than the opening of the Trading Day (as defined below) immediately following the Trading Day on which it has made sales of Placement Shares hereunder setting forth the number of Placement Shares sold on such day, the compensation payable by the Company to Craig-Hallum pursuant to Section 2 with respect to such sales, and the Net Proceeds (as defined below) payable to the Company, with an itemization of the deductions made by Craig-Hallum (as set forth in Section 5(b)) from the gross proceeds that it receives from such sales. Subject to the terms of the Placement Notice, Craig-Hallum shall sell Placement Shares only by methods deemed to be an "at the market" offering as defined in Rule 415 of the Securities Act Regulations, including without limitation sales made directly on the Exchange, on any other existing trading market for the Common Stock or to or through a market maker. Subject to the terms of the Placement Notice and only with the Company's prior written consent, Craig-Hallum may also sell Placement Shares by any other method permitted by law, including but not limited to in negotiated transactions. "Trading Day" means any day on which shares of Common Stock are purchased and sold on the Exchange, other than a day on which the Exchange is scheduled to close prior to its regular weekday closing time.
- b. During the term of this Agreement, neither Craig-Hallum nor any of its affiliates or subsidiaries shall engage in (i) any short sale of any security of the Company, (ii) any sale of any security of the Company that Craig-Hallum does not own or any sale which is consummated by the delivery of a security of the Company borrowed by, or for the account of, Craig-Hallum or (iii) any market making bidding, stabilization or other trading activity with respect to the Common Stock or related derivative securities, or attempt to induce another person to engage in any of the foregoing, if such activity would be prohibited under Regulation M or other anti-manipulation rules under the Securities Act. Neither Craig-Hallum nor any of its affiliates or subsidiaries shall engage in any proprietary trading or trading for Craig-Hallum's (or its affiliates' or subsidiaries') own account.

4. Suspension of Sales. The Company or Craig-Hallum may, upon notice to the other party in writing (including by email correspondence to each of the individuals of the other

party set forth on Schedule 3, if receipt of such correspondence is actually acknowledged by any of the individuals to whom the notice is sent, other than via auto-reply) or by telephone (confirmed immediately by email correspondence to each of the individuals of the other party set forth on Schedule 3), suspend any sale of Placement Shares; provided, however, that such suspension shall not affect or impair any party's obligations with respect to any Placement Shares sold hereunder prior to the receipt of such notice. Each of the parties agrees that no such notice under this Section 4 shall be effective against any other party unless it is made to one of the individuals named on Schedule 3 hereto, as such Schedule may be amended from time to time.

5. Sale and Delivery to Craig-Hallum; Settlement

- a. Sale of Placement Shares. On the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, unless Craig-Hallum declines to accept the terms of a Placement Notice, and unless the sale of the Placement Shares described therein has been declined, suspended, or otherwise terminated in accordance with the terms of this Agreement, Craig-Hallum, for the period specified in the Placement Notice, will use its commercially reasonable efforts consistent with its normal trading and sales practices to sell such Placement Shares up to the amount specified in, and otherwise in accordance with, the terms of such Placement Notice. The Company acknowledges and agrees that (i) there can be no assurance that Craig-Hallum will be successful in selling Placement Shares, (ii) Craig-Hallum will incur no liability or obligation to the Company or any other person or entity if it does not sell Placement Shares for any reason other than a failure by Craig-Hallum to use its commercially reasonable efforts consistent with its normal trading and sales practices and applicable law and regulations to sell such Placement Shares as required under this Agreement and (iii) Craig-Hallum shall be under no obligation to purchase Placement Shares on a principal basis pursuant to this Agreement, except as otherwise agreed by Craig-Hallum and the Company.
- b. Settlement of Placement Shares. Unless otherwise specified in the applicable Placement Notice, settlement for sales of Placement Shares will occur on the second (2nd) Trading Day (or such earlier day as is industry practice for regular-way trading) following the date on which such sales are made (each, a "Settlement Date"). The amount of proceeds to be delivered to the Company on a Settlement Date against receipt of the Placement Shares sold (the "Net Proceeds") will be equal to the aggregate sales price received by Craig-Hallum, after deduction for (i) Craig-Hallum's commission, discount or other compensation for such sales payable by the Company pursuant to Section 2 hereof, and (ii) any transaction fees imposed by any governmental or self-regulatory organization in respect of such sales.
- c. Delivery of Placement Shares. On or before each Settlement Date, the Company will, or will cause its transfer agent to, electronically transfer the Placement Shares being sold by crediting Craig-Hallum's or its designee's account (provided Craig-Hallum shall have given the Company written notice of such designee a reasonable period of time prior to the Settlement Date) at The Depository Trust Company through its Deposit and Withdrawal at Custodian System or by such other means of delivery as may be mutually agreed upon by the parties hereto which in all cases shall be freely tradable, transferable, registered shares in good

deliverable form. On each Settlement Date, Craig-Hallum will deliver the related Net Proceeds in same day funds to an account designated by the Company on, or prior to, the Settlement Date. If the Company, or its transfer agent (if applicable), defaults in its obligation to deliver Placement Shares on a Settlement Date, the Company agrees that in addition to and in no way limiting the rights and obligations set forth in Section 11(a) hereto, it will (i) hold Craig-Hallum harmless against any loss, claim, damage, or expense (including reasonable legal fees and expenses), as incurred, arising out of or in connection with such default by the Company or its transfer agent (if applicable) and (ii) pay to Craig-Hallum (without duplication) any commission, discount, or other compensation to which it would otherwise have been entitled absent such default.

- d. Limitations on Offering Size. Under no circumstances shall the Company cause or request the offer or sale of any Placement Shares if, after giving effect to the sale of such Placement Shares, the aggregate gross sales proceeds of Placement Shares sold pursuant to this Agreement would exceed the lesser of (A) together with all sales of Placement Shares under this Agreement, the Maximum Amount and (B) the amount authorized from time to time to be issued and sold under this Agreement by the Company's board of directors, a duly authorized committee thereof or a duly authorized executive committee, and notified to Craig-Hallum in writing. Under no circumstances shall the Company cause or request the offer or sale of any Placement Shares pursuant to this Agreement at a price lower than any minimum price authorized from time to time by the Company's board of directors, a duly authorized committee thereof or a duly authorized executive committee, and notified to Craig-Hallum in writing.
- e. Affirmation of Representations. At each Applicable Time and Settlement Date, the Company shall be deemed to have affirmed each representation and warranty contained in this Agreement. Any obligation of Craig-Hallum to use its commercially reasonable efforts to sell the Placement Shares on behalf of the Company as sales agent shall be subject to the continuing accuracy of the representations and warranties of the Company herein, to the performance by the Company of its obligations hereunder and to the continuing satisfaction of the additional conditions specified in Section 10 of this Agreement.
6. Representations and Warranties of the Company. Except as disclosed in the Registration Statement or the Prospectus (including Incorporated Documents), the Company represents and warrants to, and agrees with Craig-Hallum that as of the date of this Agreement and as of each Applicable Time (as defined below), unless such representation, warranty or agreement specifies a different time:
- a. Registration Statement and Prospectus. The Company and, assuming no act or omission on the part of Craig-Hallum that would make such statement untrue, the transactions contemplated by this Agreement meet the requirements for and comply with the conditions for the use of Form S-3 under the Securities Act. The Registration Statement has been filed with the Commission and became effective automatically upon filing under the Securities Act. The Prospectus names Craig-Hallum as an agent in the section entitled "Plan of Distribution." The Company has not received, and has no notice of, any order of the Commission preventing or suspending the use of the Registration Statement, or threatening or instituting proceedings for that purpose. The Registration Statement and the offer and sale of Placement

Shares as contemplated hereby meet the requirements of Rule 415 under the Securities Act and comply in all material respects with said Rule. Any statutes, regulations, contracts or other documents that are required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement have been so described or filed. Copies of the Registration Statement, the Prospectus, and any such amendments or supplements and all documents incorporated by reference therein that were filed with the Commission on or prior to the date of this Agreement have been delivered, or are available through EDGAR, to Craig-Hallum and its counsel. The Company has not distributed and, prior to the later to occur of each Settlement Date and completion of the distribution of the Placement Shares, will not distribute any offering material in connection with the offering or sale of the Placement Shares other than the Registration Statement and the Prospectus and any Issuer Free Writing Prospectus (as defined below). The Common Stock is currently quoted on the Exchange under the trading symbol "MVIS".

- b. No Misstatement or Omission. (i) As of the date hereof, at the respective times that the Registration Statement and each amendment thereto became effective and at each Deemed Effective Time (as defined below), the Registration Statement did not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; (ii) as of each Applicable Time, the Prospectus (as amended and supplemented at such Applicable Time) did not contain and will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; (iii) as of its date, the Prospectus did not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (iv) at any Settlement Date, the Prospectus (as amended and supplemented at such Settlement Date) did not and will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the representations and warranties set forth in clauses (i)-(iv) above shall not apply to any statement or omission made in reliance upon and in conformity with information furnished in writing to the Company by Craig-Hallum expressly for use in the Prospectus.
- c. Conformity with Securities Act and Exchange Act. (i) (A) At the respective times the Registration Statement and each amendment thereto became effective, (B) at each deemed effective date with respect to Craig-Hallum pursuant to Rule 430B(f)(2) under the Securities Act (each, a "Deemed Effective Time"), (C) as of each Applicable Time, (D) at each Settlement Date, and (E) at all times during the Prospectus Delivery Period (as defined below), the Registration Statement complied and will comply in all material respects with the requirements of the Securities Act and the Exchange Act, as applicable; (ii) the base prospectus complied at the time it was filed with the Commission, complies as of the date hereof and, as of each Applicable Time and at all times during the Prospectus Delivery Period, will comply in all material respects with the rules and regulations under the Securities Act and the Exchange Act, as applicable; and (iii) each of the Prospectus, or any amendment or supplement thereto will comply, as of the date that such document is filed with the Commission, as of each Applicable Time, as of each Settlement Date and at all times during the Prospectus Delivery Period, in all

material respects with the rules and regulations under the Securities Act and the Exchange Act, as applicable.

- d. Incorporated Documents. The Incorporated Documents, when they were filed with the Commission, conformed in all material respects to the requirements of the Exchange Act, and none of such documents contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and any further documents so filed and incorporated by reference in the Registration Statement or the Prospectus, when such documents are filed with the Commission, will conform in all material respects to the requirements of the Exchange Act and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.
- e. Financial Information. The consolidated financial statements of the Company included or incorporated by reference in the Registration Statement and the Prospectus, together with the related notes and schedules, present fairly, in all material respects, the consolidated financial position of the Company and the Subsidiaries (as defined below) as of the dates indicated and the consolidated results of operations, cash flows and changes in stockholders' equity of the Company for the periods specified (subject, in the case of unaudited statements, to normal year-end audit adjustments) and have been prepared in compliance with the requirements of the Securities Act and Exchange Act, as applicable, and in conformity with GAAP (as defined below) applied on a consistent basis (except for such adjustments to accounting standards and practices as are noted therein and except in the case of unaudited financial statements to the extent they may exclude footnotes or may be condensed or summary statements) during the periods involved; the other financial and statistical data with respect to the Company and the Subsidiaries contained or incorporated by reference in the Registration Statement and the Prospectus are accurately and fairly presented in all material respects and prepared on a basis materially consistent with the financial statements and books and records of the Company; there are no financial statements (historical or pro forma) that are required to be included or incorporated by reference in the Registration Statement or the Prospectus that are not included or incorporated by reference as required; the Company and the Subsidiaries do not have any material liabilities or obligations, direct or contingent (including any off-balance sheet obligations), not described in the Registration Statement (including the exhibits thereto and Incorporated Documents) and the Prospectus which are required to be described in the Registration Statement or the Prospectus (including exhibits thereto and Incorporated Documents); all disclosures contained or incorporated by reference in the Registration Statement and the Prospectus regarding "non-GAAP financial measures" (as such term is defined by the rules and regulations of the Commission) comply in all material respects with Regulation G of the Exchange Act and Item 10 of Regulation S-K under the Securities Act, to the extent applicable; and the interactive data in eXtensible Business Reporting Language included or incorporated by reference in the Registration Statement or the Prospectus fairly presents the information called for in all material respects and has been prepared in all material respects in accordance with the Commission's rules and guidelines applicable thereto.
- f. Conformity with EDGAR Filing. The Prospectus delivered to Craig-Hallum

for use in connection with the sale of the Placement Shares pursuant to this Agreement will be identical to the versions of the Prospectus created to be transmitted to the Commission for filing via EDGAR, except to the extent permitted by Regulation S-T.

- g. Organization. The Company and each of its Subsidiaries are, and will be, duly organized, validly existing as a corporation and in good standing under the laws of their respective jurisdictions of organization. The Company and each of its Subsidiaries are, and will be, duly licensed or qualified as a foreign corporation for transaction of business and in good standing under the laws of each other jurisdiction in which their respective ownership or lease of property or the conduct of their respective businesses requires such license or qualification, and have all corporate power and authority necessary to own or hold their respective properties and to conduct their respective businesses as described in the Registration Statement and the Prospectus, except where the failure to be so qualified or in good standing or have such power or authority would not, individually or in the aggregate, have a material adverse effect on the assets, business, operations, earnings, properties, condition (financial or otherwise), prospects, stockholders' equity (as set forth on the Company's most recent balance sheet included in the Incorporated Documents) or results of operations of the Company and the Subsidiaries (as defined below) taken as a whole, or the ability of the Company to perform its obligations under this Agreement (a "Material Adverse Effect").
- h. Subsidiaries. Schedule 4 hereto sets forth each of the Company's significant subsidiaries (as such term is defined in Rule 1-02 of Regulation S-X promulgated by the Commission), if any (each such significant subsidiary, a "Subsidiary" and collectively, the "Subsidiaries"). Except as set forth in the Registration Statement and in the Prospectus, the Company owns, directly or indirectly, all of the equity interests of the Subsidiaries free and clear of any lien, charge, security interest, encumbrance, right of first refusal or other restriction, and all the equity interests of the Subsidiaries are validly issued and are fully paid, non-assessable and free of preemptive and similar rights.
- i. Dividend Restrictions. Except as disclosed in the Registration Statement or Prospectus, and subject to the existence of legally available funds, no Subsidiary of the Company is currently prohibited or restricted, directly or indirectly, from paying dividends to the Company, or from making any other distribution with respect to such Subsidiary's equity securities or from repaying to the Company or any other Subsidiary of the Company any amounts that may from time to time become due under any loans or advances to such Subsidiary from the Company or from transferring any property or assets to the Company or to any other Subsidiary.
- j. No Violation or Default. Neither the Company nor any of its Subsidiaries is (i) in violation of its charter or by-laws or similar organizational documents; (ii) in default, and no event has occurred that, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any term, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound or to which any of the property or assets of the Company or any of its Subsidiaries are subject; or (iii) in violation of any law or statute or any judgment, order, rule or regulation of any

court or arbitrator or governmental or regulatory authority applicable to the Company, except, in the case of each of clauses (ii) and (iii) above, for any such violation or default that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. To the Company's knowledge, no other party under any material contract or other agreement to which it or any of its Subsidiaries is a party is in default in any respect thereunder where such default would reasonably be expected to have a Material Adverse Effect.

- k. No Material Adverse Change. Subsequent to the respective dates as of which information is given in the Registration Statement and in the Prospectus (including Incorporated Documents), and other than the Company's execution of this Agreement and the sale of any Placement Shares hereunder, there has not been (i) any Material Adverse Effect, (ii) any transaction which is material to the Company and the Subsidiaries taken as a whole, (iii) any obligation or liability, direct or contingent (including any off-balance sheet obligations), incurred by the Company or any Subsidiary, which is material to the Company and the Subsidiaries taken as a whole, (iv) any material change in the capital stock or outstanding long-term indebtedness of the Company or any of its Subsidiaries, (v) any dividend or distribution of any kind declared, paid or made on the capital stock of the Company or any Subsidiary or (vi) material change in the outstanding indebtedness of the Company, other than in each case above (A) as otherwise disclosed in the Registration Statement or Prospectus (including any document deemed incorporated by reference therein) to the extent required or (B) where such matter, item, change or development would not make the statements in the Registration Statement or the Prospectus contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.
- l. Capitalization. The issued and outstanding shares of capital stock of the Company have been validly issued, are fully paid and non-assessable and, other than as disclosed in or contemplated by the Registration Statement or the Prospectus, are not subject to any preemptive rights, rights of first refusal or similar rights. The Company has an authorized, issued and outstanding capitalization as set forth in the Registration Statement and the Prospectus as of the dates referred to therein (other than the grant of additional options or other equity awards under the Company's existing stock option plans, or changes in the number of outstanding shares of Common Stock of the Company due to the issuance of shares upon the exercise or conversion of securities exercisable for, or convertible into, shares of Common Stock outstanding on the date hereof or described in the Registration Statement and the Prospectus (including any document deemed incorporated by reference therein) or as a result of the issuance of Placement Shares) and such authorized capital stock conforms in all material respects to the description thereof set forth in the Registration Statement and the Prospectus. The description of the Common Stock in the Registration Statement and the Prospectus (including any document deemed incorporated by reference therein) is complete and accurate in all material respects. Other than as set forth or described in the Registration Statement and the Prospectus, as of the dates referred to therein, the Company did not have outstanding any options to purchase, or any rights or warrants to subscribe for, or any securities or obligations convertible into, or exchangeable for, or any contracts or commitments to issue or sell, any shares of capital stock or other securities.
- m. Authorization; Enforceability. The Company has full legal right, power



and authority to enter into this Agreement and perform the transactions contemplated hereby. This Agreement has been duly authorized, executed and delivered by the Company and is a legal, valid and binding agreement of the Company enforceable against the Company in accordance with its terms, except to the extent that (i) enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general equitable principles and (ii) the indemnification and contribution provisions of Section 11 hereof may be limited by federal or state securities laws and public policy considerations in respect thereof.

- n. Authorization of Placement Shares. The Placement Shares, when issued and delivered pursuant to the terms approved by the board of directors of the Company or a duly authorized committee thereof, or a duly authorized executive committee, against payment therefor as provided herein, will be duly and validly authorized and issued and fully paid and non-assessable, free and clear of any pledge, lien, encumbrance, security interest or other claim (other than any pledge, lien, encumbrance, security interest or other claim arising from an act or omission of Craig-Hallum or a purchaser), including any statutory or contractual preemptive rights, resale rights, rights of first refusal or other similar rights, and will be registered pursuant to Section 12 of the Exchange Act. The Placement Shares, when issued, will conform in all material respects to the description thereof set forth in or incorporated into the Prospectus.
- o. Stock Exchange Listing. The Common Stock is registered pursuant to Section 12(b) or 12(g) of the Exchange Act and is listed on the Exchange, and the Company has taken no action designed to, or likely to have the effect of, terminating the registration of the Common Stock under the Exchange Act or delisting the Common Stock from the Exchange nor has the Company received any notification that the Commission or the Exchange is contemplating terminating such registration or listing. To the Company's knowledge, it has complied in all material respects with the applicable requirements of the Exchange for maintenance of inclusion of the Common Stock on the Exchange. Notwithstanding the foregoing, the Company will not be deemed to be in breach of this representation and warranty if it has received a notification from the Exchange that the Common Stock may be delisted due to (i) the bid price of the Common Stock falling below \$1.00 per share or (ii) the market value of the Company's listed Common Stock falling below \$50 million.
- p. Descriptions and Exhibits. There are no statutes, regulations, documents or contracts of a character required to be described in the Registration Statement or the Prospectus or to be filed as an exhibit to the Registration Statement which are not described or filed as required.
- q. No Consents Required. No consent, approval, authorization, order, registration or qualification of or with any court or arbitrator or any governmental or regulatory authority is required for the execution, delivery and performance by the Company of this Agreement, and the issuance and sale by the Company of the Placement Shares as contemplated hereby, except for the registration of the Placement Shares under the Securities Act and such consents, approvals, authorizations, orders and registrations or qualifications as may be required under applicable state securities laws or by the by-laws and rules of the Financial Industry Regulatory Authority ("FINRA") or the Exchange in connection with the sale of the Placement Shares by Craig-Hallum.

- r. No Preferential Rights. Except as set forth in the Registration Statement and the Prospectus, (i) no person, as such term is defined in Rule 1-02 of Regulation S-X promulgated under the Securities Act (each, a "Person"), has the right, contractual or otherwise, to cause the Company to issue or sell to such Person any shares of Common Stock or shares of any other capital stock or other securities of the Company (other than upon the exercise of options or warrants to purchase Common Stock or upon the exercise of options or stock awards that may be granted from time to time under the Company's stock option plans), (ii) no Person has any preemptive rights, rights of first refusal, or any other rights (whether pursuant to a "poison pill" provision or otherwise) to purchase any shares of Common Stock or shares of any other capital stock or other securities of the Company from the Company which have not been duly waived with respect to the offering contemplated hereby, (iii) except as may be disclosed to Craig-Hallum in writing, no Person has the right to act as an underwriter or as a financial advisor to the Company in connection with the offer and sale of the Common Stock, and (iv) no Person has the right, contractual or otherwise, to require the Company to register under the Securities Act any shares of Common Stock or shares of any other capital stock or other securities of the Company, or to include any such shares or other securities in the Registration Statement or the offering contemplated thereby, whether as a result of the filing or effectiveness of the Registration Statement or the sale of the Placement Shares as contemplated thereby or otherwise.
- s. Independent Public Accountant. Moss Adams LLP ("Company Auditor"), whose report on the consolidated financial statements of the Company is filed with the Commission as part of the Company's most recent Annual Report on Form 10-K filed with the Commission and incorporated into the Registration Statement, is and, during the periods covered by its reports, was, to the Company's knowledge, an independent public accounting firm within the meaning of the Securities Act and the Public Company Accounting Oversight Board (United States). To the Company's knowledge, Company Auditor is not in violation of the auditor independence requirements of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") with respect to the Company.
- t. Enforceability of Agreements. To the Company's knowledge, all agreements between the Company and third parties expressly referenced in the Prospectus, other than such agreements that have expired by their terms or whose termination is disclosed in documents filed by the Company on EDGAR, are legal, valid and binding obligations of the Company enforceable in accordance with their respective terms, except to the extent that (i) enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general equitable principles and (ii) the indemnification provisions of certain agreements may be limited by federal or state securities laws or public policy considerations in respect thereof, except for any unenforceability that, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.
- u. No Litigation. Except as set forth in the Registration Statement and the Prospectus, there are no legal, governmental or regulatory actions, suits or proceedings pending, nor, to the Company's knowledge, any legal, governmental or regulatory investigations, to which

the Company or a Subsidiary is a party or to which any property of the Company or any of its Subsidiaries is the subject, nor, to the Company's knowledge, are any such actions, suits or proceedings threatened or contemplated by any governmental or regulatory authority or threatened by others, that, individually or in the aggregate, if determined adversely to the Company or any of its Subsidiaries, would reasonably be expected to have a Material Adverse Effect or materially and adversely affect the ability of the Company to perform its obligations under this Agreement; and there are no current or pending legal, governmental or regulatory actions, suits or proceedings or, to the Company's knowledge, investigations that are required under the Securities Act to be described in the Prospectus that are not described in the Prospectus including any Incorporated Document.

- v. Licenses and Permits. The Company and each of its Subsidiaries possess or have obtained, and is in compliance with the terms and conditions of, all licenses, certificates, consents, orders, approvals, permits and other authorizations issued by, and, to the Company's knowledge, have made all declarations and filings with, the appropriate federal, state, local or foreign governmental or regulatory authorities that are necessary for the ownership or lease of their respective properties or the conduct of their respective businesses as described in the Registration Statement and the Prospectus (the "Permits"), and all of the Permits are valid and in full force and effect, except where the failure to possess, obtain or make the same, or where the failure to comply or where the invalidity of such Permits or the failure of such Permits to be in full force and effect, would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Neither the Company nor any of its Subsidiaries have received written notice of any proceeding relating to revocation or modification of any such Permit or has any reason to believe that such Permit will not be renewed in the ordinary course, except where such revocation or modification or the failure to obtain any such renewal would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.
- w. Market Capitalization. As of the close of trading on the Exchange on the Trading Day immediately prior to the date of this Agreement, the aggregate market value of the outstanding voting and non-voting common equity (as defined in Securities Act Rule 405) of the Company held by persons other than affiliates (as defined in Securities Act Rule 405) was \$75 million or more (calculated in accordance with Instruction I.B.1 of Form S-3). The Company is not a shell company (as defined in Rule 405 under the Securities Act) and has not been a shell company for at least 12 calendar months previously and if it has been a shell company at any time previously, has filed current Form 10 information (as defined in Instruction I.B.6 of Form S-3) with the Commission at least 12 calendar months previously reflecting its status as an entity that is not a shell company.
- x. No Material Defaults. Neither the Company nor any of the Subsidiaries has defaulted on any installment on indebtedness for borrowed money or on any rental on one or more long-term leases, which defaults, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect. The Company has not filed a report pursuant to Section 13(a) or 15(d) of the Exchange Act since the filing of its last Annual Report on Form 10-K, indicating that it (i) has failed to pay any dividend or sinking fund installment on preferred stock or (ii) has defaulted on any installment on indebtedness for borrowed money or on any rental on one or more long-term leases, which defaults, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

- y. Certain Market Activities. Neither the Company, nor any of the Subsidiaries, nor, to the Company's knowledge, any of their respective directors, officers or controlling persons has taken, directly or indirectly, any action designed, or that has constituted or might reasonably be expected to cause or result in, under the Exchange Act or otherwise, the stabilization or manipulation of the Common Stock or any other "reference security" (as defined in Rule 100 of Regulation M under the Exchange Act ("Regulation M")) of the Company whether to facilitate the sale or resale of the Placement Shares or otherwise, and has taken no action which would directly or indirectly violate Regulation M. The Company acknowledges that Craig-Hallum may engage in passive market making transactions in the Placement Shares on the Exchange in accordance with Regulation M.
- z. Broker/Dealer Relationships. Neither the Company nor any of the Subsidiaries or any related entities (i) is required to register as a "broker" or "dealer" in accordance with the provisions of the Exchange Act or (ii) directly or indirectly through one or more intermediaries, controls or is a "person associated with a member" or "associated person of a member" (within the meaning set forth in the FINRA Manual).
- aa. No Reliance. The Company has not relied upon Craig-Hallum or legal counsel for Craig-Hallum for any legal, tax or accounting advice in connection with the offering and sale of the Placement Shares.
- bb. Taxes. The Company and each of its Subsidiaries have filed all federal, state, local and foreign tax returns which have been required to be filed and paid all taxes shown thereon through the date hereof, to the extent that such taxes have become due and are not being contested in good faith and as to which adequate reserves have been provided, except where the failure to do so would not reasonably be expected to have a Material Adverse Effect. Except as otherwise disclosed in or contemplated by the Registration Statement or the Prospectus, no tax deficiency has been determined adversely to the Company or any of its Subsidiaries which has had, or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. The Company has no knowledge of any federal, state or other governmental tax deficiency, penalty or assessment which has been asserted or threatened against it which would have a Material Adverse Effect.
- cc. Title to Real and Personal Property. The Company and its Subsidiaries have good and marketable title in fee simple to all items of real property and good and valid title to all personal property (excluding Intellectual Property) reflected as owned in the financial statements referred to in Section 6(e) or described in the Registration Statement or Prospectus as being owned by them that are material to the businesses of the Company or such Subsidiary, in each case free and clear of all liens, encumbrances and claims, except those that (i) do not materially interfere with the use made of such property by the Company and any of its Subsidiaries or (ii) would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect. No real property owned, leased, licensed, or used by the Company lies in an area which is, or to the Company's knowledge will be, subject to restrictions which would prohibit, and, to the Company's knowledge, no statements of facts relating to the actions or

inaction of another person or entity or his or its ownership, leasing, licensing, or use of any real or personal property exists or will exist which would prevent, the continued effective ownership, leasing, licensing, exploration, development or production or use of such real property in the business of the Company as presently conducted or as the Registration Statement or the Prospectus indicates the Company contemplates conducting, except as may be properly described in the Registration Statement or the Prospectus or such as would not, individually or in the aggregate, be reasonably expected to cause a Material Adverse Effect. Any real property described in the Registration Statement or Prospectus as being leased by the Company and any of its Subsidiaries is held by them under valid, existing and enforceable leases, except those that (A) do not materially interfere with the use made or proposed to be made of such property by the Company or any of its Subsidiaries or (B) would not be reasonably expected, individually or in the aggregate, to have a Material Adverse Effect.

- dd. Intellectual Property. To its knowledge, the Company and its Subsidiaries own or possess adequate rights to use all patents, patent applications, trademarks (both registered and unregistered), service marks, trade names, trademark registrations, service mark registrations, copyrights, licenses and know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures) (collectively, the "Intellectual Property"), necessary for the conduct of their respective businesses as conducted and as described in the Registration Statement, including the Incorporated Documents, and the Prospectus as of the date hereof, except to the extent that the failure to own or possess adequate rights to use such Intellectual Property would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; except as disclosed in writing to Craig-Hallum, the Company and any of its Subsidiaries have not received any written notice of any claim of infringement or conflict which asserted Intellectual Property rights of others, which infringement or conflict, if the subject of an unfavorable decision, would result in a Material Adverse Effect; there are no pending, or to the Company's knowledge, threatened judicial proceedings or interference proceedings against the Company or its Subsidiaries challenging the Company's or its Subsidiaries' rights in or to the validity of the scope of any of the Company's or its Subsidiaries' owned material patents, patent applications or proprietary information; no other entity or individual has any right or claim in any of the Company's or its Subsidiaries' owned material patents, patent applications or any patent to be issued therefrom by virtue of any contract, license or other agreement entered into between such entity or individual and the Company or a Subsidiary or, to the Company's knowledge, by any non-contractual obligation of the Company or a Subsidiary, other than by written licenses granted by the Company or a Subsidiary, and other than such rights or claims that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; the Company and its Subsidiaries have not received any written notice of any claim challenging the rights of the Company or a Subsidiary in or to any Intellectual Property owned, licensed or optioned by the Company or such Subsidiary, which claim, if the subject of an unfavorable decision, would result in a Material Adverse Effect. The Company and its Subsidiaries have complied in all material respects with the terms of each agreement pursuant to which Intellectual Property has been licensed to the Company or any Subsidiary, and all such agreements are in full force and effect. To the Company's knowledge, there are no material defects in any of the patents or patent applications included in the Intellectual Property. The Company and its Subsidiaries have taken commercially reasonable steps to protect, maintain and safeguard their Intellectual Property,

including the execution of nondisclosure and confidentiality agreements with respect to any material Intellectual Property.

- ee. Environmental Laws. The Company and its Subsidiaries (i) are in compliance with any and all applicable federal, state, local and foreign laws, rules, regulations, decisions and orders relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants (collectively, "Environmental Laws"); (ii) have received and are in compliance with all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses as described in the Registration Statement and the Prospectus; and (iii) have not received notice of any actual or potential liability for the investigation or remediation of any disposal or release of hazardous or toxic substances or wastes, pollutants or contaminants, except, in the case of any of clauses (i), (ii) or (iii) above, for any such failure to comply or failure to receive required permits, licenses, other approvals or liability as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Except for abandonment and similar costs incurred or to be incurred in the ordinary course of business of the Company, there has been no material spill, discharge, leak, emission, injection, escape, dumping or release of any kind onto any property now or previously owned, leased or operated by the Company or into the environment surrounding such property of any hazardous substances or hazardous wastes due to or caused by the Company (or, to the knowledge of the Company, any of its predecessors in interest), except for any such spill, discharge, leak, emission, injection, escape, dumping or release that would not, singularly or in the aggregate with all such spills, discharges, leaks, emissions, injections, escapes, dumpings and releases, result in a Material Adverse Effect; and the terms "hazardous substances," and "hazardous wastes" shall be construed broadly to include such terms and similar terms, all of which shall have the meanings specified in any applicable local, state and federal laws or regulations with respect to environmental protection. Except as set forth in the Registration Statement or the Prospectus, the Company has not been named as a "potentially responsible party" under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended.
- ff. Disclosure Controls. The Company and each of its Subsidiaries maintain systems of internal accounting controls designed to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences; and (v) interactive data in eXtensible Business Reporting Language included or incorporated by reference in the Registration Statement or the Prospectus fairly presents the information called for in all material respects and has been prepared in all material respects in accordance with the Commission's rules and guidelines applicable thereto. The Company's system of "internal control over financial reporting" (as defined in Rule 13a-15(f) of the Exchange Act) complies with the requirements of the Exchange Act and has been designed by, or under the supervision of, its principal executive and principal financial officers, or persons performing similar functions, 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. Except as described in the Registration Statement or the Prospectus, since the date of the latest audited financial statements included in or incorporated by reference into the Registration Statement or the Prospectus, (a) the Company has not been advised of (1) any material weaknesses in internal controls over financial reporting and (2) any fraud, whether or not material, that involves management or other employees who have a significant role in the internal controls over financial reporting of the Company, and (b) since that date, there has been no change in the Company's internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting. The Company has established disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 and 15d-15) for the Company and designed such disclosure controls and procedures to ensure that material information relating to the Company and each of its Subsidiaries is made known to the certifying officers by others within those entities, particularly during the period in which the Company's Annual Report on Form 10-K or Quarterly Report on Form 10-Q, as the case may be, is being prepared. The Company's certifying officers have evaluated the effectiveness of the Company's controls and procedures as of a date within 90 days prior to the filing date of the Form 10-K for the fiscal year most recently ended (such date, the "Evaluation Date"). The Company presented in its Form 10-K for the fiscal year most recently ended the conclusions of the certifying officers about the effectiveness of the disclosure controls and procedures based on their evaluations as of the Evaluation Date. Since the Evaluation Date, there have been no significant changes in the Company's internal controls (as such term is defined in Item 307(b) of Regulation S-K under the Securities Act) or, to the Company's knowledge, in other factors that could significantly adversely affect the Company's internal controls. To the knowledge of the Company, the Company's "internal controls over financial reporting" and "disclosure controls and procedures" are effective.

- gg. Open Source Software. (i) The Company uses and has used any and all software and other materials distributed under a "free," "open source," or similar licensing model (including but not limited to the MIT License, Apache License, GNU General Public License, GNU Lesser General Public License and GNU Affero General Public License) ("Open Source Software") in material compliance with all license terms applicable to such Open Source Software; and (ii) except as would not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect, the Company has not used or distributed and does not use or distribute any Open Source Software in any manner that requires or has required (A) the Company to permit reverse engineering of any software code or other technology owned by the Company or (B) any software code or other technology owned by the Company to be (1) disclosed or distributed in source code form, (2) licensed for the purpose of making derivative works or (3) redistributed at no charge.
- hh. Data Security. (i) The Company has complied in all material respects and is presently in compliance in all material respects with all contractual obligations, industry standards, applicable laws, statutes, judgments, orders, rules and regulations of any court or arbitrator or other governmental or regulatory authority and any other legal obligations, in each case, relating to the collection, use, transfer, import, export, storage, protection, disposal and disclosure by the Company of personal, personally identifiable, household, sensitive, confidential or regulated data ("Data Security Obligations", and such data, "Data"); (ii) the Company has not

received any notification of or complaint regarding and is unaware of any other facts that, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect; and (iii) except as would not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect, there is no action, suit or proceeding by or before any court or governmental agency, authority or body pending or, to the Company's knowledge, threatened alleging non-compliance with any Data Security Obligation nor are there any incidents under internal review or investigations relating to the same.

- ii. Data Protection: No Breaches. The Company's information technology assets and equipment, computers, systems, networks, hardware, software, websites, applications, and databases are adequate for, and operate and perform in all material respects as required in connection with, the operation of the business of the Company as currently conducted, and, to the Company's knowledge, are free and clear of all material bugs, errors, defects, Trojan horses, time bombs, malware and other corruptants. The Company has taken commercially reasonable steps to protect the information technology systems and Data used in connection with the operation of the Company's business. Without limiting the foregoing, the Company has used reasonable efforts to establish and maintain, and has established, maintained, implemented and complied with, reasonable information technology, information security, cyber security and data protection controls, policies and procedures, including oversight, access controls, encryption, technological and physical safeguards and business continuity/disaster recovery and security plans that are designed to protect against and prevent breach, destruction, loss, unauthorized distribution, use, access, disablement, misappropriation or modification, or other compromise or misuse of or relating to any information technology system or Data used in connection with the operation of the Company's business ("Breach"). There has been no such Breach, and the Company has not been notified of and has no knowledge of any event or condition that would reasonably be expected to result in, any such Breach, except in each case as would not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect.
- jj. Sarbanes-Oxley. There is and has been no failure on the part of the Company or, to the knowledge of the Company, any of the Company's directors or officers, in their capacities as such, to comply with any applicable provisions of the Sarbanes-Oxley Act and the rules and regulations promulgated thereunder. Each of the principal executive officer and the principal financial officer of the Company (or each former principal executive officer of the Company and each former principal financial officer of the Company as applicable) has made all certifications required by Sections 302 and 906 of the Sarbanes-Oxley Act with respect to all reports, schedules, forms, statements and other documents required to be filed by it or furnished by it to the Commission. For purposes of the preceding sentence, "principal executive officer" and "principal financial officer" shall have the meanings given to such terms in the Sarbanes-Oxley Act.
- kk. Finder's Fees. Neither the Company nor any of the Subsidiaries has incurred any liability for any finder's fees, brokerage commissions or similar payments in connection with the transactions herein contemplated, except as may otherwise exist with respect to Craig-Hallum pursuant to this Agreement.



- ll. No Registration Rights. Except as disclosed in the Registration Statement or the Prospectus and as have been validly complied with or waived, there are no persons with registration rights or other similar rights to have any securities of the Company registered pursuant to the Registration Statement or sold in the offering contemplated by this Agreement.
- mm. Actively-Traded Security. The Common Stock is an "actively-traded security" excepted from the requirements of Rule 101 of Regulation M by subsection (c)(1) of such rule.
- nn. Labor Disputes. No labor disturbance by or dispute with employees of the Company or any of its Subsidiaries exists or, to the knowledge of the Company, is threatened which would reasonably be expected to result in a Material Adverse Effect.
- oo. Investment Company Act. Neither the Company nor any of the Subsidiaries is or, after giving effect to the offering and sale of the Placement Shares, will be an "investment company" or an entity "controlled" by an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended (the "Investment Company Act").
- pp. Operations. The operations of the Company and its Subsidiaries are and have been conducted at all times in compliance with applicable financial record keeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the money laundering statutes of all jurisdictions to which the Company or its Subsidiaries are subject, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency having jurisdiction over the Company or its Subsidiaries (collectively, the "Money Laundering Laws"), except as would not reasonably be expected to result in a Material Adverse Effect; and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its Subsidiaries with respect to the Money Laundering Laws is pending or, to the knowledge of the Company, threatened.
- qq. Off-Balance Sheet Arrangements. There are no transactions, arrangements and other relationships between and/or among the Company, and/or, to the knowledge of the Company, any of its affiliates and any unconsolidated entity, including, but not limited to, any structured finance, special purpose or limited purpose entity (each, an "Off Balance Sheet Transaction") that would reasonably be expected to affect materially the Company's liquidity or the availability of or requirements for its capital resources, including those Off Balance Sheet Transactions described in the Commission's Statement about Management's Discussion and Analysis of Financial Conditions and Results of Operations (Release Nos. 33-8056; 34-45321; FR-61), in each case that are required to be described in the Prospectus which have not been described as required.
- rr. ERISA. (i) Each material employee benefit plan, within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), that is maintained, administered or contributed to by the Company or any of its affiliates for employees or former employees of the Company and any of its Subsidiaries has been maintained in material compliance with its terms and the requirements of any applicable statutes, orders, rules and regulations, including but not limited to ERISA and the Internal Revenue Code of

1986, as amended (the "Code"); (ii) no prohibited transaction, within the meaning of Section 406 of ERISA or Section 4975 of the Code, has occurred with respect to any such plan excluding transactions effected pursuant to a statutory or administrative exemption; and (iii) for each such plan that is subject to the funding rules of Section 412 of the Code or Section 302 of ERISA, no "accumulated funding deficiency" as defined in Section 412 of the Code has been incurred, whether or not waived; and (iv) the Company could not reasonably be expected to have any liability (whether actual, contingent or otherwise) with respect to any plan or other contract, agreement, arrangement or policy that provides for retiree or post-employment welfare benefits other than as required by Section 4980B of the Code or similar state laws, other than, in the case of (i), (ii), (iii), and (iv) above, as would not reasonably be expected to have a Material Adverse Effect. No other event set forth in Section 4043(b) of ERISA (excluding events with respect to which the 30-day notice requirement under Section 4043 of ERISA has been waived) has occurred with respect to any plan and the fair market value of the assets of each such plan (excluding for these purposes accrued but unpaid contributions) equals or exceeds the present value of all benefits accrued under such plan determined using reasonable actuarial assumptions.

- ss. Forward Looking Statements. No forward-looking statement (within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act) (a "Forward Looking Statement") contained in the Registration Statement and the Prospectus has been made or reaffirmed without a reasonable basis or has been disclosed other than in good faith.
- tt. Statistical and Market Data. The statistical and market and industry-related data included in the Registration Statement and the Prospectus are based on or derived from sources which the Company believes to be reliable and accurate or represent the Company's good faith estimates that are made on the basis of data derived from such sources, and the Company has obtained the written consent to the use of such data from sources to the extent required.
- uu. Margin Rules. Neither the issuance, sale and delivery of the Placement Shares nor the application of the proceeds thereof by the Company as described in the Registration Statement and the Prospectus will violate Regulation T, U or X of the Board of Governors of the Federal Reserve System or any other regulation of such Board of Governors.
- vv. Insurance. The Company and each of its Subsidiaries carry, or are covered by, insurance in such amounts and covering such risks as the Company and its Subsidiaries reasonably believe are adequate for the use of their properties and as is customary for companies of similar size engaged in similar businesses in similar industries. The Company has no reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a Material Adverse Effect on the Company.
- ww. No Improper Practices. (i) Neither the Company nor, to the Company's knowledge, the Subsidiaries, nor to the Company's knowledge, any of their respective executive officers has, in the past five years, made any unlawful contributions to any candidate for any political office (or failed fully to disclose any contribution in violation of law) or made any offer,

payment, promise to pay or authorization or approval of any unlawful payment or benefit, contribution or other payment, directly or indirectly, to any official of, or candidate for, any federal, state, municipal, or foreign office or other person charged with similar public or quasi-public duty in violation of any law or of the character required to be disclosed in the Prospectus; (ii) no relationship, direct or indirect, exists between or among the Company or, to the Company's knowledge, any Subsidiary or any affiliate of any of them, on the one hand, and the directors, officers and stockholders of the Company or, to the Company's knowledge, any Subsidiary, on the other hand, that is required by the Securities Act to be described in the Registration Statement and the Prospectus that is not so described; (iii) no relationship, direct or indirect, exists between or among the Company or any Subsidiary or any affiliate of them, on the one hand, and the directors, officers, stockholders or directors of the Company or, to the Company's knowledge, any Subsidiary, on the other hand, that is required by the rules of FINRA to be described in the Registration Statement and the Prospectus that is not so described; (iv) except as described in the Prospectus, there are no material outstanding loans or advances or material guarantees of indebtedness by the Company or, to the Company's knowledge, any Subsidiary to or for the benefit of any of their respective officers or directors or any of the members of the families of any of them; (v) the Company has not offered, or caused any placement agent to offer, Common Stock to any person with the intent to influence unlawfully (A) a customer or supplier of the Company or any Subsidiary to alter the customer's or supplier's level or type of business with the Company or any Subsidiary or (B) a trade journalist or publication to write or publish favorable information about the Company or any Subsidiary or any of their respective products or services; (vi) neither the Company nor any Subsidiary nor, to the Company's knowledge, any employee or agent of the Company or any Subsidiary has made any payment of funds of the Company or any Subsidiary or received or retained any funds in violation of any law, rule or regulation including, without limitation, the Foreign Corrupt Practices Act of 1977, as amended, or any applicable law or regulation implementing the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, or committed an offence under the Bribery Act 2010 of the United Kingdom or any other applicable anti-bribery or anti-corruption law; and (iv) neither the Company nor any Subsidiary nor, to the Company's knowledge, any employee or agent of the Company or any Subsidiary has made, offered, agreed, requested or taken an act in furtherance of any unlawful bribe or other unlawful benefit, including, without limitation, any rebate, payoff, influence payment, kickback or other unlawful or improper payment or benefit. The Company has instituted, maintained and enforced, and will continue to maintain and enforce policies and procedures designed to promote and ensure compliance with all applicable anti-bribery and anti-corruption laws. The Company will not use, directly or indirectly, the proceeds from the offering the of Placement Shares hereunder in furtherance of any offer, payment, promise to pay or authorization or approval of any payment or benefit, giving or receipt of money, property, gifts or anything else of value, to any person in violation of any anti-corruption laws.

xx. Other Underwriting Agreements. Except for this Agreement or as disclosed in the Prospectus, as of the date of this Agreement, the Company is not a party to any agreement with an agent or underwriter for any other "at the market" or continuous equity transaction.

yy. Status Under the Securities Act. (i) At the earliest time after the filing of

the Registration Statement that the Company or another offering participant made a bona fide offer (within the meaning of Rule 164(h)(2)) of the Placement Shares and (ii) as of the Applicable Time and on each such time this representation is repeated or deemed to be made (with such date being used as the determination date for purposes of this clause (ii)), the Company was not and is not an Ineligible Issuer (as defined in Rule 405 under the Securities Act).

- zz. No Misstatement or Omission in an Issuer Free Writing Prospectus Any free writing prospectus that the Company was or is required to file pursuant to Rule 433(d) under the Securities Act has been, or will be, filed with the Commission in accordance with the requirements of the Securities Act and the applicable rules and regulations thereunder. Each free writing prospectus that the Company has filed, or is required to file, pursuant to Rule 433(d) under the Securities Act or that was prepared by or on behalf of or used or referred to by the Company complies or will comply in all material respects with the requirements of the Securities Act and the applicable rules and regulations thereunder. Each Issuer Free Writing Prospectus, as of its issue date and as of each Applicable Time (as defined in Section 27 below), did not, does not and will not include any information that conflicted, conflicts or will conflict with the information contained in the Registration Statement or the Prospectus, including any incorporated document deemed to be a part thereof that has not been superseded or modified. The foregoing sentence does not apply to statements in or omissions from any Issuer Free Writing Prospectus based upon and in conformity with written information furnished to the Company by Craig-Hallum specifically for use therein. Each broadly available road show, if any, when considered together with the Prospectus, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that this representation and warranty shall not apply to any statement or omission made in reliance upon and in conformity with information furnished in writing to the Company by Craig-Hallum expressly for use in a broadly available road show and the Prospectus. Except for electronic road shows, if any, furnished to and approved by Craig-Hallum, the Company has not prepared, used or referred to, and will not, prepare, use or refer to, any free writing prospectus.
- aaa. No Conflicts. Neither the execution of this Agreement by the Company, nor the issuance, offering or sale of the Placement Shares, nor the consummation by the Company of any of the transactions contemplated herein and therein, nor the compliance by the Company with the terms and provisions hereof and thereof will conflict with, or will result in a breach of, any of the terms and provisions of, or has constituted or will constitute a default under, or has resulted in or will result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company pursuant to the terms of any contract or other agreement to which the Company may be bound or to which any of the property or assets of the Company is subject, except (i) such conflicts, breaches or defaults as may have been waived and (ii) such conflicts, breaches, defaults, liens, charges or encumbrances that would not reasonably be expected to have a Material Adverse Effect; nor will such action result (x) in any violation of the provisions of the certificate of incorporation or bylaws of the Company, or (y) in any material violation of the provisions of any statute or any order, rule or regulation applicable to the Company or of any court or of any federal, state or other regulatory authority or other government body having jurisdiction over the Company, except, in the case of clause (y), where such violation would not reasonably be expected to have a Material Adverse Effect.

bbb. OFAC. (i) Neither the Company nor any of its Subsidiaries (collectively, the "Entity") or, to the Company's knowledge, any director, officer, employee, agent, affiliate or representative of the Entity, is a government, individual, or entity (in this paragraph (bbb), "Person") that is, or is owned or controlled by a Person that is:

(A) the subject of any sanctions administered or enforced by the U.S. Department of Treasury's Office of Foreign Assets Control ("OFAC"), the United Nations Security Council ("UNSC"), the European Union ("EU"), Her Majesty's Treasury ("HMT"), or other relevant sanctions authority (collectively, "Sanctions"), nor

(B) located, organized or resident in a country or territory that is the subject of Sanctions (each, a "Sanctioned Country").

(ii) The Company represents and covenants that the Entity will not, directly or indirectly, knowingly use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other Person:

(A) to fund or facilitate any activities or business of or with any Person that is the subject of Sanctions or in a Sanctioned Country; or

(B) in any other manner that will result in a violation of Sanctions by any Person (including any Person participating in the offering, whether as underwriter, advisor, investor or otherwise).

(iii) The Company represents and covenants that, except as detailed in the Prospectus, for the past five years, the Entity has not knowingly engaged in, is not now knowingly engaged in, and will not knowingly engage in, any dealings or transactions with any Person, or in any country or territory, that at the time of the dealing or transaction is or was the subject of Sanctions.

ccc. Stock Transfer Taxes. On each Settlement Date, all stock transfer or other taxes (other than income taxes) which are required to be paid in connection with the sale and transfer of the Placement Shares to be sold hereunder will be, or will have been, fully paid or provided for by the Company and all laws imposing such taxes will be or will have been fully complied with in all material respects.

ddd. FINRA Exemption. To enable Craig-Hallum to rely upon Rule 5110(h)(1)(C) of the Financial Industry Regulatory Authority ("FINRA"), the Company represents that it is an "experienced issuer" as defined in FINRA Rule 5110(j)(6).

Any certificate signed by an officer of the Company and delivered to Craig-Hallum or to counsel for Craig-Hallum pursuant to or in connection with this Agreement shall be deemed to be a representation and warranty by the Company, as applicable, to Craig-Hallum as to the matters set forth therein.

The Company acknowledges that Craig-Hallum and, for purposes of the opinions to be delivered pursuant to Section 7 hereof, counsel to the Company and counsel to Craig-Hallum, will rely upon the accuracy and truthfulness of the foregoing representations and hereby consents to such reliance.

7. Covenants of the Company. The Company covenants and agrees with Craig-Hallum that:

- a. Registration Statement Amendments. After the date of this Agreement and during any period in which a Prospectus relating to any Placement Shares is required to be delivered by Craig-Hallum under the Securities Act (including in circumstances where such requirement may be satisfied pursuant to Rule 172 under the Securities Act) (the "Prospectus Delivery Period"), (i) the Company will notify Craig-Hallum promptly of the time when any subsequent amendment to the Registration Statement, other than documents incorporated by reference, has been filed with the Commission and/or has become effective or any subsequent supplement to the Prospectus (other than documents incorporated by reference therein) has been filed and of any request by the Commission for any amendment or supplement to the Registration Statement or Prospectus or for additional information, (ii) the Company will not file any amendment or supplement to the Registration Statement or Prospectus (except for documents incorporated by reference therein) unless a copy thereof has been submitted to Craig-Hallum before the filing and Craig-Hallum has not reasonably and in good faith objected thereto within two Business Days of receiving such copy (provided, however, that (A) the failure of Craig-Hallum to make such objection shall not relieve the Company of any obligation or liability hereunder, or affect Craig-Hallum's right to rely on the representations and warranties made by the Company in this Agreement, (B) the Company has no obligation to provide Craig-Hallum any advance copy of such filing or to provide Craig-Hallum an opportunity to object to such filing if such filing does not name Craig-Hallum or does not relate to the transactions contemplated by this Agreement, and (C) the only remedy Craig-Hallum shall have with respect to the failure by the Company to provide Craig-Hallum with such copy or the filing of such amendment or supplement despite Craig-Hallum's objection shall be to cease making sales under this Agreement) and the Company will furnish to Craig-Hallum at the time of filing thereof a copy of any document that upon filing is deemed to be incorporated by reference into the Registration Statement or Prospectus, except for those documents available via EDGAR; (iii) the Company will cause each amendment or supplement to the Prospectus to be filed with the Commission as required pursuant to the applicable paragraph of Rule 424(b) of the Securities Act or, in the case of any document to be incorporated therein by reference, to be filed with the Commission as required pursuant to the Exchange Act, within the time period prescribed (the determination to file or not file any amendment or supplement with the Commission under this Section 7(a), based on the Company's reasonable opinion or reasonable objections, shall be made exclusively by the Company); (iv) the Company will furnish to Craig-Hallum a copy of each proposed free writing prospectus to be prepared by or on behalf of, used by, or referred to by the Company and not to use or refer to any proposed free writing prospectus to which Craig-Hallum reasonably objects; and (v) not to take any action that would result in Craig-Hallum or the Company being required to file with the Commission pursuant to Rule 433(d) under the

Securities Act a free writing prospectus prepared by or on behalf of Craig-Hallum that Craig-Hallum otherwise would not have been required to file thereunder.

- b. Notice of Commission Stop Orders. The Company will advise Craig-Hallum, promptly after it receives notice or obtains knowledge thereof, of the issuance or threatened issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement, of the suspension of the qualification of the Placement Shares for offering or sale in any jurisdiction, or of the initiation or threatening of any proceeding for any such purpose; and it will promptly use its commercially reasonable efforts to prevent the issuance of any stop order or to obtain its withdrawal if such a stop order should be issued. The Company will advise Craig-Hallum promptly after it receives any request by the Commission for any amendments to the Registration Statement or any amendment or supplements to the Prospectus or any Issuer Free Writing Prospectus or for additional information related to the offering of the Placement Shares or for additional information related to the Registration Statement, the Prospectus or any Issuer Free Writing Prospectus.
- c. Delivery of Prospectus; Subsequent Changes. During the Prospectus Delivery Period, the Company will use commercially reasonable efforts to comply in all material respects with all requirements imposed upon it by the Securities Act, as from time to time in force, and to file on or before their respective due dates all reports and any definitive proxy or information statements required to be filed by the Company with the Commission pursuant to Sections 13(a), 13(c), 14, 15(d) or any other provision of or under the Exchange Act. If the Company has omitted any information from the Registration Statement pursuant to Rule 430A under the Securities Act, it will use its best efforts to comply with the provisions of and make all requisite filings with the Commission pursuant to said Rule 430A and to notify Craig-Hallum promptly of all such filings. If during the Prospectus Delivery Period any event occurs as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances then existing, not misleading, or if during such period it is necessary to amend or supplement the Registration Statement or Prospectus to comply with the Securities Act, the Company will promptly notify Craig-Hallum to suspend the offering of Placement Shares during such period and the Company will promptly amend or supplement the Registration Statement or Prospectus (at the expense of the Company) so as to correct such statement or omission or effect such compliance; provided, however, that the Company may delay any such amendment or supplement if, in the judgment of the Company, it is in the best interests of the Company to do so. For the duration of the Delivery Period, the Company will include in its quarterly reports on Form 10-Q, and in its annual reports on Form 10-K, a summary detailing, for the relevant reporting period, (i) the number of Placement Shares sold through Craig-Hallum pursuant to this Agreement and (ii) the Net Proceeds received by the Company from such sales, to the extent required.
- d. Permitted Free Writing Prospectus. To file any Permitted Free Writing Prospectus (as defined below) to the extent required by Rule 433 under the Securities Act and to provide copies of the Prospectus, any Prospectus Supplement, and each Permitted Free Writing Prospectus (to the extent not previously delivered or filed on EDGAR or any successor system thereto) to Craig-Hallum via electronic mail in ".pdf" format on such filing date to an electronic

mail account designated by Craig-Hallum and, at Craig-Hallum's request, to also furnish copies of the Prospectus and any Prospectus Supplement to the Exchange and each other exchange or market on which sales of the Placement Shares were effected, in each case, as may be required by the rules or regulations of the Exchange or such other exchange or market.

- e. Listing of Placement Shares. During the Prospectus Delivery Period, the Company will use its commercially reasonable efforts to cause the Placement Shares to be listed on the Exchange and to qualify the Placement Shares for sale under the securities laws of such jurisdictions as Craig-Hallum reasonably designates and to continue such qualifications in effect so long as required for the distribution of the Placement Shares; provided, however, that the Company shall not be required in connection therewith to qualify as a foreign corporation or dealer in securities or file a general consent to service of process in any jurisdiction.
- f. Delivery of Registration Statement and Prospectus. The Company will furnish to Craig-Hallum and its counsel (at the expense of the Company) copies of the Registration Statement, the Prospectus (including all documents incorporated by reference therein) and all amendments and supplements to the Registration Statement or Prospectus that are filed with the Commission during the Prospectus Delivery Period (including all documents filed with the Commission during such period that are deemed to be incorporated by reference therein), in each case as soon as reasonably practicable and in such quantities as Craig-Hallum may from time to time reasonably request and, at Craig-Hallum's request, will also furnish copies of the Prospectus to each exchange or market on which sales of the Placement Shares may be made; provided, however, that the Company shall not be required to furnish any document (other than the Prospectus, which it may provide electronically) to Craig-Hallum to the extent such document is available on EDGAR. In case Craig-Hallum is required to deliver, under the Securities Act (whether physically or through compliance with Rule 172 under the Securities Act or any similar rule), a prospectus relating to the Placement Shares after the nine-month period referred to in Section 10(a)(3) of the Securities Act, or after the time a post-effective amendment to the Registration Statement is required pursuant to Item 512(a) of Regulation S-K under the Securities Act, upon the request of Craig-Hallum, and at its own expense, the Company shall prepare and deliver to Craig-Hallum as many copies as Craig-Hallum may reasonably request of an amended Registration Statement or amended or supplemented prospectus complying with Item 512(a) of Regulation S-K or Section 10(a)(3) of the Securities Act, as the case may be.
- g. Earnings Statement. The Company will make generally available to its security holders as soon as practicable, but in any event not later than 15 months after the end of the Company's current fiscal quarter, an earnings statement covering a 12-month period that satisfies the provisions of Section 11(a) and Rule 158 of the Securities Act.
- h. Use of Proceeds. The Company will use the Net Proceeds as described in the Prospectus in the section entitled "Use of Proceeds."
- i. Notice of Other Sales. Without the prior written consent of Craig-Hallum, the Company will not, directly or indirectly, offer to sell, sell, contract to sell, grant any option to sell or otherwise dispose of any Common Stock (other than the Placement Shares offered pursuant to this Agreement) or securities convertible into or exchangeable for Common Stock,



warrants or any rights to purchase or acquire, Common Stock during the period beginning on the date on which any Placement Notice is delivered to Craig-Hallum hereunder and ending on the second (2nd) Trading Day immediately following the final Settlement Date with respect to Placement Shares sold pursuant to such Placement Notice (or, if the Placement Notice has been terminated or suspended prior to the sale of all Placement Shares covered by a Placement Notice, the date of such suspension or termination); and, at any time during which a Placement Notice is pending and for two (2) Trading Days after the last sale of Placement Shares under such Placement Notice, will not directly or indirectly in any other "at the market" or continuous equity transaction offer to sell, sell, contract to sell, grant any option to sell or otherwise dispose of any shares of Common Stock (other than the Placement Shares offered pursuant to this Agreement) or securities convertible into or exchangeable for Common Stock, warrants or any rights to purchase or acquire, Common Stock prior to the termination of this Agreement with respect to Placement Shares sold pursuant to such Placement Notice; provided, however, that such restrictions will not be required in connection with the Company's issuance or sale of (i) Common Stock, options to purchase Common Stock or stock awards or Common Stock issuable upon the exercise of options or vesting of stock awards, pursuant to any employee or director stock option or benefits plan, stock ownership plan or dividend reinvestment plan (but not Common Stock subject to a waiver to exceed plan limits in its dividend reinvestment plan) of the Company whether now in effect or hereafter implemented; (ii) Common Stock issuable upon conversion of securities or the exercise of warrants, options or other rights in effect or outstanding, and disclosed in filings by the Company available on EDGAR or otherwise in writing to Craig-Hallum and (iii) Common Stock, or securities convertible into or exercisable for Common Stock, offered and sold in a privately negotiated transaction to vendors, customers, investors, strategic partners or potential strategic partners and conducted in a manner so as not to be integrated with the offering of Common Stock hereby.

- j. Change of Circumstances. The Company will, at any time during the pendency of a Placement Notice, advise Craig-Hallum promptly after it shall have received notice or obtained knowledge thereof, of any information or fact that would alter or affect in any material respect any opinion, certificate, letter or other document required to be provided to Craig-Hallum pursuant to this Agreement.
- k. Due Diligence Cooperation. The Company will cooperate with any reasonable due diligence review conducted by Craig-Hallum or its representatives in connection with the transactions contemplated hereby, including, without limitation, providing information and making available documents and senior corporate officers, during regular business hours and at the Company's principal offices or such other location mutually agreeable by the parties, as Craig-Hallum may reasonably request.
- l. Required Filings Relating to Placement of Placement Shares. The Company agrees that on such dates as the Securities Act shall require, to the extent so required, the Company will (i) file a Prospectus Supplement with the Commission under the applicable paragraph of Rule 424(b) under the Securities Act, which Prospectus Supplement will set forth, within the relevant period, the amount of Placement Shares sold through Craig-Hallum, the Net Proceeds to the Company and the maximum compensation payable by the Company to Craig-Hallum with respect to such Placement Shares, and (ii) deliver such number of copies of each

such Prospectus Supplement to each exchange or market on which such sales were effected as may be required by the rules or regulations of such exchange or market.

- m. Representation Dates: Certificate. On the date of this Agreement and each time during the term of this Agreement the Company:
- (i) files the Prospectus relating to the Placement Shares or amends or supplements (other than a prospectus supplement relating solely to an offering of securities other than the Placement Shares) the Registration Statement or the Prospectus relating to the Placement Shares by means of a post-effective amendment, sticker, or supplement but not by means of incorporation of documents by reference into the Registration Statement or the Prospectus relating to the Placement Shares;
  - (ii) files an annual report on Form 10-K under the Exchange Act (including any Form 10-K/A containing restated financial statements or a material amendment to the previously filed Form 10-K);
  - (iii) files its quarterly reports on Form 10-Q under the Exchange Act; or
  - (iv) files a current report on Form 8-K containing amended audited financial information (other than information "furnished" pursuant to Items 2.02 or 7.01 of Form 8-K or to provide disclosure pursuant to Item 8.01 of Form 8-K relating to the reclassification of certain properties as discontinued operations in accordance with Statement of Financial Accounting Standards No. 144) under the Exchange Act;

(Each date of filing of one or more of the documents referred to in clauses (i) through (iii) shall be a Representation Date)

the Company shall furnish Craig-Hallum with a certificate, in the form attached hereto as Exhibit 7(m). The requirement to provide a certificate under this Section 7(m) shall be automatically waived for any Representation Date occurring at a time at which no Placement Notice is pending, which waiver shall continue until the date the Company delivers a Placement Notice hereunder (which for such calendar quarter shall be considered a Representation Date); provided, however, that such waiver shall not apply for any Representation Date on which the Company files its annual report on Form 10-K. Notwithstanding the foregoing, if the Company subsequently decides to sell Placement Shares following a Representation Date when the Company relied on such waiver and did not provide Craig-Hallum with a certificate under this Section 7(m), then before the Company delivers the Placement Notice or Craig-Hallum sells any Placement Shares, the Company shall provide Craig-Hallum with a certificate, in the form attached hereto as Exhibit 7(m), dated the date of the Placement Notice.

- n. Legal Opinion. On each Representation Date, the Company shall cause to be furnished to Craig-Hallum, dated as of such date, in form and substance satisfactory to Craig-Hallum, the written opinion and negative assurance letter of Ropes & Gray LLP, or such other counsel to the Company reasonably satisfactory to Craig-Hallum ("Company Counsel"), modified as necessary to relate to the Registration Statement and the Prospectus, as amended and

supplemented to the time of delivery of such opinion and negative assurance letter. In lieu of delivering such an opinion for dates subsequent to the commencement of the offering of the Placement Shares under this Agreement such counsel may furnish Craig-Hallum with a letter (a "Reliance Letter") to the effect that Craig-Hallum may rely on a prior opinion delivered under this Section, to the same extent as if it were dated the date of such letter (except that statements in such prior opinion shall be deemed to relate to the Registration Statement and the Prospectus as amended or supplemented as of such subsequent date).

- o. Comfort Letter. Upon commencement of the offering of the Placement Shares under this Agreement and each time that (i) the Registration Statement or the Prospectus is amended or supplemented to include additional financial information, (ii) the Company files an annual report on Form 10-K or quarterly report on Form 10-Q, (iii) there is furnished to the Commission by the Company any document which contains additional or amended financial information, including any earnings release or, (iv) there is filed with the Commission any document (other than an annual report on Form 10-K or quarterly report on Form 10-Q) incorporated by reference into the Prospectus which contains additional or amended financial information, Company Auditor shall deliver to Craig-Hallum the comfort letter described in Section 10(g) (except that, in the case of clauses (iii) and (iv), the Company Auditor has up to two business days after the filing to deliver the comfort letter).
- p. Reserves. The Company will reserve and keep available at all times, free of preemptive rights, Shares for the purpose of enabling the Company to satisfy its obligations hereunder.
- q. Consent to Trade. The Company consents to Craig-Hallum trading in the Common Stock for Craig-Hallum's own account and for the account of its clients at the same time as sales of the Placement Shares occur pursuant to this Agreement.
- r. Affirmation of Representations. That each acceptance by the Company of an offer to purchase the Placement Shares hereunder shall be deemed to be an affirmation to Craig-Hallum that the representations and warranties of the Company contained in or made pursuant to this Agreement are true and correct as of the date of such acceptance as though made at and as of such date, and an undertaking that such representations and warranties will be true and correct as of the Applicable Time and the Settlement Date for the Placement Shares relating to such acceptance as though made at and as of each of such dates (except that such representations and warranties shall be deemed to relate to the Registration Statement and the Prospectus, as amended and supplemented, relating to such Placement Shares).
- s. Convertible Securities The Company will not, and will not publicly disclose an intention to, sell, offer to sell, contract or agree to sell, hypothecate, pledge, grant any option to sell or otherwise dispose of or agree to dispose of, directly or indirectly, any shares of the Common Stock or securities convertible into or exchangeable or exercisable for the Common Stock or warrants or other rights to purchase the Common Stock or any other securities of the Company that are substantially similar to the Common Stock or permit the registration under the Securities Act of any shares of the Common Stock, except for (i) the registration of the Placement Shares and the sales through Craig-Hallum pursuant to this Agreement, (ii) any shares of Common Stock issued by the Company upon the exercise of an option or warrant or the

conversion of a security outstanding on the date hereof and referred to in the Prospectus, (iii) any shares of Common Stock issued or options to purchase Common Stock granted pursuant to existing employee benefit plans or long term incentive plan of the Company or (iv) any shares of Common Stock issued pursuant to any stock repurchase plan of the Company, during the Prospectus Delivery Period, without (A) giving Craig-Hallum at least one business day's prior written notice specifying the nature of the proposed sale and the date of such proposed sale and (B) Craig-Hallum suspending activity under this program for such period of time as requested by the Company.

- t. Market Activities. The Company will not, directly or indirectly, (i) take any action designed to cause or result in, or that constitutes or might reasonably be expected to constitute, the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of Common Stock or (ii) sell, bid for, or purchase Common Stock in violation of Regulation M, or pay anyone any compensation for soliciting purchases of the Placement Shares other than Craig-Hallum, or (iii) take any action which would directly or indirectly violate Regulation M.
- u. Investment Company Act. The Company will conduct its affairs in such a manner so as to reasonably ensure that neither it nor any of its Subsidiaries will be or become, at any time prior to the termination of this Agreement, an "investment company," as such term is defined in the Investment Company Act.
- v. Sarbanes-Oxley Act. The Company and the Subsidiaries will maintain and keep accurate books and records reflecting their assets and maintain internal accounting controls in a manner designed 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 and including those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company, (ii) provide reasonable assurance that transactions are recorded as necessary to permit the preparation of the Company's consolidated financial statements in accordance with generally accepted accounting principles, (iii) that receipts and expenditures of the Company are being made only in accordance with management's and the Company's directors' authorization, and (iv) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on its financial statements. The Company and the Subsidiaries will maintain such controls and other procedures, including, without limitation, those required by Sections 302 and 906 of the Sarbanes-Oxley Act, and the applicable regulations thereunder that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms, including, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure and to ensure that material information relating to the Company or the Subsidiaries is

made known to them by others within those entities, particularly during the period in which such periodic reports are being prepared.

8. Representations and Covenants of Craig-Hallum. Craig-Hallum represents and warrants that it is duly registered as a broker-dealer under FINRA, the Exchange Act and the applicable statutes and regulations of each state in which the Placement Shares will be offered and sold, except such states in which Craig-Hallum is exempt from registration or such registration is not otherwise required. Craig-Hallum shall continue, for the term of this Agreement, to be duly registered as a broker-dealer under FINRA, the Exchange Act and the applicable statutes and regulations of each state in which the Placement Shares will be offered and sold, except such states in which Craig-Hallum is exempt from registration or such registration is not otherwise required, during the term of this Agreement. Craig-Hallum will comply with all applicable laws and regulations (including, without limitation, Regulation M) in connection with performing its obligations under this Agreement.
9. Payment of Expenses. Whether or not the transactions contemplated in this Agreement are consummated or this Agreement is terminated, the Company covenants with Craig-Hallum to pay or cause to be paid all expenses incident to the performance of its obligations under this Agreement, including: (i) the fees, disbursements and expenses of the Company's counsel and the Company's accountants in connection with the registration and delivery of the Placement Shares under the Securities Act and all other fees or expenses in connection with the preparation and filing of the Registration Statement, any Prospectus Supplement, the Prospectus, any free writing prospectus prepared by or on behalf of, used by, or referred to by the Company and amendments and supplements to any of the foregoing, including the filing fees payable to the Commission relating to the Placement Shares (within the time required by Rule 456(b)(1), if applicable), all printing costs associated therewith, and the mailing and delivering of copies thereof to Craig-Hallum, (ii) all costs and expenses related to the transfer and delivery of the Placement Shares, including any transfer or other taxes payable thereon, (iii) the cost of printing or producing any Blue Sky or Legal Investment memorandum in connection with the offer and sale of the Placement Shares under state securities laws and all expenses in connection with the qualification of the Placement Shares for offer and sale under state securities laws as provided herein, including filing fees and the reasonable fees and disbursements of counsel for Craig-Hallum in connection with such qualification and in connection with the Blue Sky or Legal Investment memorandum, (iv) all filing fees and the reasonable fees and disbursements of counsel to Craig-Hallum incurred in connection with the offering contemplated by this Agreement relating to any review and qualification by FINRA, (v) all costs and expenses incident to listing the Placement Shares on the Exchange, (vi) the costs and charges of any transfer agent, registrar or depository, (vii) all fees, expenses and disbursements relating to background checks of the Company's officers and directors in an amount not to exceed \$1,000 per individual, and (viii) all other costs and expenses incident to the performance of the obligations of the Company hereunder for which provision is not otherwise made in this Section.
10. Conditions to Craig-Hallum's Obligations. The obligations of Craig-Hallum hereunder with respect to a Placement will be subject to the continuing accuracy and completeness of the representations and warranties made by the Company herein, to the due

performance by the Company of its obligations hereunder, to the completion by Craig-Hallum of a due diligence review satisfactory to it in its reasonable judgment, and to the continuing satisfaction (or waiver by Craig-Hallum in its sole discretion) of the following additional conditions:

- a. Registration Statement Effective. The Registration Statement shall have become effective and shall be available for the sale of all Placement Shares contemplated to be issued by any Placement Notice.
- b. No Downgrades or Changes. Since the later of (A) the date of this Agreement and (B) the immediately preceding Representation Date: (i) there shall not have occurred any downgrading, nor shall any notice have been given of any intended or potential downgrading or of any review for a possible change that does not indicate the direction of the possible change, in the rating accorded any of the securities of the Company by any "nationally recognized statistical rating organization", as such term is defined in Section 3(a)(62) of the Exchange Act; and (ii) there shall not have occurred any change, or any development involving a prospective change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company, taken as a whole, from the respective dates of the Registration Statement and the Prospectus that, in Craig-Hallum's sole judgment, is material and adverse and that makes it, in Craig-Hallum's sole judgment, impracticable to market the Replacement Shares on the terms and in the manner contemplated in the Prospectus.
- c. No Material Notices. None of the following events shall have occurred and be continuing: (i) receipt by the Company of any request for additional information from the Commission or any other federal or state governmental authority during the period of effectiveness of the Registration Statement, the response to which would require any post-effective amendments or supplements to the Registration Statement or the Prospectus; (ii) the issuance by the Commission or any other federal or state governmental authority of any stop order suspending the effectiveness of the Registration Statement or the initiation of any proceedings for that purpose; (iii) receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Placement Shares for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose; or (iv) any event that makes any material statement made in the Registration Statement or the Prospectus or any material document incorporated or deemed to be incorporated therein by reference untrue in any material respect or that requires the making of any changes in the Registration Statement, the Prospectus or documents so that, in the case of the Registration Statement, it will not contain any materially untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading and, that in the case of the Prospectus, it will not contain any materially untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.
- d. No Misstatement or Material Omission. Craig-Hallum shall not have advised the Company that the Registration Statement or Prospectus, or any amendment or supplement thereto, contains an untrue statement of fact that in Craig-Hallum's reasonable

opinion is material, or omits to state a fact that in Craig-Hallum's opinion is material and is required to be stated therein or is necessary to make the statements therein not misleading.

- e. Material Changes. Except as contemplated in the Prospectus, or disclosed in the Company's reports filed with the Commission, there shall not have been any material adverse change, on a consolidated basis, in the authorized capital stock of the Company or any Material Adverse Effect, or any development in the business or affairs of the Company that could reasonably be expected to cause a Material Adverse Effect.
- f. Legal Opinion. Craig-Hallum shall have received the opinion and negative assurance letter of Company Counsel required to be delivered pursuant Section 7(l) on or before the date on which such delivery of such opinion is required pursuant to Section 7(l).
- g. Comfort Letter. Craig-Hallum shall have received at each Applicable Time, including at such time there is furnished to the Commission by the Company any document which contains additional or amended financial information, including any earnings release, letters dated such date in form and substance satisfactory to Craig-Hallum, from Company Auditor, current independent registered public accountant for the Company, (A) confirming that as of the date of its respective audit report(s), it was an independent registered public accounting firm within the meaning of the Securities Act, the Exchange Act and the Public Company Accounting Oversight Board, (B) stating, as of such date, the conclusions and findings of such firm with respect to the financial information and other matters ordinarily covered by accountants' "comfort letters" to underwriters in connection with registered public offerings (the first such letters from Company Auditor, the "Initial Comfort Letter") and (C) updating the Initial Comfort Letter with any information that would have been included in the Initial Comfort Letter had it been given on such date and modified as necessary to relate to the Registration Statement, the Prospectus or any issuer free writing prospectus, as amended and supplemented to the date of such letter.
- h. Representation Certificate. Craig-Hallum shall have received the certificate required to be delivered pursuant to Section 7(m) on or before the date on which delivery of such certificate is required pursuant to Section 7(m).
- i. No Suspension. Trading in the Common Stock shall not have been suspended on the Exchange and the Common Stock shall not have been delisted from the Exchange.
- j. Other Materials. On each date on which the Company is required to deliver a certificate pursuant to Section 7(m), the Company shall have furnished to Craig-Hallum such appropriate further information, certificates and documents of the Company as Craig-Hallum may have reasonably requested in writing prior to such date and which are usually and customarily furnished by an issuer of securities in connection with the underwritten public offering thereof. All such certificates and documents will be in compliance with the provisions hereof. The Company will furnish Craig-Hallum with such conformed copies of such certificates and documents as Craig-Hallum shall reasonably request.

- k. Board Approval. Prior to instructing Craig-Hallum pursuant to this Agreement to make sales on any given day (or as otherwise agreed between the Company and Craig-Hallum), the Company's board of directors or a committee thereof authorized by either such board of directors or any authorized committee thereof (the "**Board**") (i) shall have approved the minimum price and maximum number of Placement Shares to be sold on such day and (ii) shall have provided to the Company an authorizing resolution approving such price and number. The instructions provided to Craig-Hallum by the Company, pursuant to this Agreement, on such day shall reflect the terms of such authorizing resolution.
- l. Securities Act Filings Made. All filings with the Commission required by Rule 424 under the Securities Act to have been filed prior to the issuance of any Placement Notice hereunder shall have been made within the applicable time period prescribed for such filing by Rule 424.
- m. Approval for Listing. The Placement Shares shall either have been approved for listing on the Exchange, subject only to notice of issuance, or the Company shall have filed an application for listing of the Placement Shares on the Exchange at, or prior to, the issuance of any Placement Notice.
- n. No Termination Event. There shall not have occurred any event that would permit Craig-Hallum to terminate this Agreement pursuant to Section 13(a).

11. Indemnification and Contribution.

- a. Company Indemnification. The Company agrees to indemnify and hold harmless Craig-Hallum, its partners, members, directors, officers, employees and selling agents and each person, if any, who controls Craig-Hallum within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act and each affiliate of Craig-Hallum within the meaning of Rule 405 under the Securities Act, as follows:
  - (i) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, joint or several, arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment thereto), or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading, or arising out of any untrue statement or alleged untrue statement of a material fact included in the any related Issuer Free Writing Prospectus or the Prospectus (or any amendment or supplement thereto), or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;
  - (ii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, joint or several, to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission; and



(iii) against any and all expense whatsoever, as incurred (including the reasonable fees and disbursements of counsel), reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under (i) or (ii) above, provided, however, that this indemnity agreement shall not apply to any loss, liability, claim, damage or expense to the extent arising out of any untrue statement or omission or alleged untrue statement or omission made solely in reliance upon and in conformity with written information furnished to the Company by Craig-Hallum expressly for use in the Registration Statement (or any amendment thereto) or in any related Issuer Free Writing Prospectus or the Prospectus (or any amendment or supplement thereto).

- b. Craig-Hallum Indemnification. Craig-Hallum agrees to indemnify and hold harmless the Company and its directors and each officer of the Company who signed the Registration Statement, and each person, if any, who (i) controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act or (ii) is controlled by or is under common control with the Company against any and all loss, liability, claim, damage and expense described in the indemnity contained in Section 11(a), as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in the Registration Statement (or any amendments thereto) or any Issuer Free Writing Prospectus or the Prospectus (or any amendment or supplement thereto) in reliance upon and in conformity with information furnished to the Company in writing by Craig-Hallum expressly for use therein.
- c. Procedure. Any party that proposes to assert the right to be indemnified under this Section 11 will, promptly after receipt of notice of commencement of any action against such party in respect of which a claim is to be made against an indemnifying party or parties under this Section 11, notify each such indemnifying party of the commencement of such action, enclosing a copy of all papers served, but the omission so to notify such indemnifying party will not relieve the indemnifying party from (i) any liability that it might have to any indemnified party otherwise than under this Section 11 and (ii) any liability that it may have to any indemnified party under the foregoing provision of this Section 11 unless, and only to the extent that, such omission results in the forfeiture or material impairment of rights or defenses by the indemnifying party. If any such action is brought against any indemnified party and it notifies the indemnifying party of its commencement, the indemnifying party will be entitled to participate in and, to the extent that it elects by delivering written notice to the indemnified party promptly after receiving notice of the commencement of the action from the indemnified party, jointly with any other indemnifying party similarly notified, to assume the defense of the action, with counsel reasonably satisfactory to the indemnified party (Ropes & Gray LLP shall be deemed reasonably satisfactory to the indemnified party if the indemnifying party is the Company), and shall pay the fees and disbursements of such counsel related to such proceedings, and after notice from the indemnifying party to the indemnified party of its election to assume the defense, the indemnifying party will not be liable to the indemnified party for any legal or

other expenses except as provided below and except for the reasonable costs of investigation subsequently incurred by the indemnified party in connection with the defense. The indemnified party will have the right to employ its own counsel in any such action, but the fees, expenses and other charges of such counsel will be at the expense of such indemnified party unless (1) the employment of counsel by the indemnified party has been authorized in writing by the indemnifying party, (2) the indemnified party has reasonably concluded (based on advice of counsel) that there may be legal defenses available to it or other indemnified parties that are materially different from or in addition to those available to the indemnifying party, (3) a conflict or potential conflict exists (based on advice of counsel to the indemnified party) between the indemnified party and the indemnifying party (in which case the indemnifying party will not have the right to direct the defense of such action on behalf of the indemnified party) or (4) the indemnifying party has not in fact employed counsel to assume the defense of such action within a reasonable time after receiving notice of the commencement of the action, in each of which cases the reasonable fees, disbursements and other charges of counsel will be at the expense of the indemnifying party or parties. It is understood that the indemnifying party or parties shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees, disbursements and other charges of more than one separate firm admitted to practice in such jurisdiction at any one time for all such indemnified party or parties. Such firm shall be designated in writing by Craig-Hallum, in the case of parties indemnified pursuant to Section 11(a), and by the Company, in the case of parties indemnified pursuant to Section 11(b). All such fees, disbursements and other charges will be reimbursed by the indemnifying party promptly after the indemnifying party receives a written invoice relating to fees, disbursements and other charges in reasonable detail. An indemnifying party will not, in any event, be liable for any settlement of any action or claim effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by the third and fourth sentences of this paragraph, the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by such indemnifying party of the aforesaid request and (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement. No indemnifying party shall, without the prior written consent of each indemnified party, settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding relating to the matters contemplated by this Section 11 (whether or not any indemnified party is a party thereto), unless such settlement, compromise or consent (1) includes an unconditional release of each indemnified party from all liability arising out of such litigation, investigation, proceeding or claim and (2) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

- d. Contribution. In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in the foregoing paragraphs of this Section 11 is applicable in accordance with its terms but for any reason is held to be unavailable from the Company or Craig-Hallum, the Company and Craig-Hallum will contribute to the total

losses, claims, liabilities, expenses and damages (including any investigative, legal and other expenses reasonably incurred in connection with, and any amount paid in settlement of, any action, suit or proceeding or any claim asserted, but after deducting any contribution received by the Company from persons other than Craig-Hallum, such as persons who control the Company within the meaning of the Securities Act, officers of the Company who signed the Registration Statement and directors of the Company, who also may be liable for contribution) to which the Company and Craig-Hallum may be subject in such proportion as shall be appropriate to reflect the relative benefits received by the Company on the one hand and Craig-Hallum on the other hand. The relative benefits received by the Company on the one hand and Craig-Hallum on the other hand shall be deemed to be in the same proportion as the total net proceeds from the sale of the Placement Shares (before deducting expenses) received by the Company bear to the total compensation received by Craig-Hallum (before deducting expenses) from the sale of Placement Shares on behalf of the Company. If, but only if, the allocation provided by the foregoing sentence is not permitted by applicable law, the allocation of contribution shall be made in such proportion as is appropriate to reflect not only the relative benefits referred to in the foregoing sentence but also the relative fault of the Company, on the one hand, and Craig-Hallum, on the other hand, with respect to the statements or omission that resulted in such loss, claim, liability, expense or damage, or action in respect thereof, as well as any other relevant equitable considerations with respect to such offering. Such relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or Craig-Hallum, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and Craig-Hallum agree that it would not be just and equitable if contributions pursuant to this Section 11(d) were to be determined by pro rata allocation or by any other method of allocation that does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of the loss, claim, liability, expense, or damage, or action in respect thereof, referred to above in this Section 11(d) shall be deemed to include, for the purpose of this Section 11(d), any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim to the extent consistent with Section 11(c) hereof. Notwithstanding the foregoing provisions of this Section 11(d), Craig-Hallum shall not be required to contribute any amount in excess of the commissions received by it under this Agreement and no person found guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 11(d), any person who controls a party to this Agreement within the meaning of the Securities Act or the Exchange Act, and any officers, directors, partners, employees or agents of Craig-Hallum, will have the same rights to contribution as that party, and each officer and director of the Company who signed the Registration Statement will have the same rights to contribution as the Company, subject in each case to the provisions hereof. Any party entitled to contribution, promptly after receipt of notice of commencement of any action against such party in respect of which a claim for contribution may be made under this Section 11(d), will notify any such party or parties from whom contribution may be sought, but the omission to so notify will not relieve that party or parties from whom contribution may be sought from any other obligation it or they may have under this Section 11(d) except to the extent that the failure to so notify such other party materially prejudiced the rights or defenses of

the party from whom contribution is sought. Except for a settlement entered into pursuant to the last sentence of Section 11(c) hereof, no party will be liable for contribution with respect to any action or claim settled without its written consent if such consent is required pursuant to Section 11(c) hereof.

- e. Non-Exclusive Remedies. The obligations of the parties to this Agreement contained in this Section 11 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.
- f. Information Provided by Craig-Hallum. It is understood and agreed that the only information furnished by Craig-Hallum to the Company pursuant to Section 11(a) or 11(b) that is included in the Registration Statement, the Prospectus or any road show other material consists of the information set forth in the eleventh paragraph under the caption "Plan of Distribution" in the Sales Agreement Prospectus, and the information provided by Craig-Hallum in trading reports related to the sale of Placement Shares hereunder.

12. Representations and Agreements to Survive Delivery. The indemnity and contribution agreements contained in Section 11 of this Agreement and all representations and warranties of the Company and Craig-Hallum herein or in certificates delivered pursuant hereto shall survive, as of their respective dates, regardless of (i) any investigation made by or on behalf of Craig-Hallum, any controlling persons, or the Company (or any of their respective officers, directors or controlling persons), (ii) delivery and acceptance of the Placement Shares and payment therefor or (iii) any termination of this Agreement.

13. Termination.

- a. Craig-Hallum may terminate this Agreement, by notice to the Company, as hereinafter specified at any time (1) if there has been, since the time of execution of this Agreement or since the date as of which information is given in the Prospectus, any Material Adverse Effect, or any development that has occurred that is reasonably likely to have a Material Adverse Effect has occurred or in the sole judgment of Craig-Hallum makes it impractical or inadvisable to market the Placement Shares or to enforce contracts for the sale of the Placement Shares, (2) if there has occurred any material adverse change in the financial markets in the United States or the international financial markets, any outbreak of hostilities or escalation thereof or other calamity or crisis or any change or development involving a prospective change in national or international political, financial or economic conditions, in each case the effect of which is such as to make it, in the sole judgment of Craig-Hallum, impracticable or inadvisable to market the Placement Shares or to enforce contracts for the sale of the Placement Shares, (3) if trading in the Common Stock has been suspended or limited by the Commission or the Exchange, or if trading generally on the Exchange has been suspended or limited, or minimum prices for trading have been fixed on the Exchange, (4) if any suspension of trading of any securities of the Company on any exchange or in the over-the-counter market shall have occurred and be continuing for at least ten (10) Trading Days, (5) if a major disruption of securities settlements or clearance services in the United States shall have occurred and be continuing, or (6) if a banking moratorium has been declared by either U.S. Federal or New York authorities. Any such termination shall be without liability of any party to any other party except

that the provisions of Section 5(b) (Settlement of Placement Shares), Section 5(c) (Delivery of Placement Shares), Section 9 (Payment of Expenses), Section 11 (Indemnification and Contribution), Section 12 (Representations and Agreements to Survive Delivery), Section 18 (Governing Law and Time; Waiver of Jury Trial), and Section 19 (Consent to Jurisdiction) hereof shall remain in full force and effect notwithstanding such termination. If Craig-Hallum elects to terminate this Agreement as provided in this Section 13(a), Craig-Hallum shall provide the required notice as specified in Section 14 (Notices).

- b. The Company shall have the right, by giving five (5) days' notice as hereinafter specified to terminate this Agreement in its sole discretion at any time after the date of this Agreement. Any such termination shall be without liability of any party to any other party except that the provisions of Section 5(b), Section 5(c), Section 9, Section 11, Section 12, Section 18, and Section 19 hereof shall remain in full force and effect notwithstanding such termination.
  - c. Craig-Hallum shall have the right, by giving ten (10) days' notice as hereinafter specified to terminate this Agreement in its sole discretion at any time after the date of this Agreement. Any such termination shall be without liability of any party to any other party except that the provisions of Section 5(b), Section 5(c), Section 9, Section 11, Section 12, Section 18, and Section 19 hereof shall remain in full force and effect notwithstanding such termination.
  - d. Unless earlier terminated pursuant to this Section 13, this Agreement shall automatically terminate upon the issuance and sale of all of the Placement Shares through Craig-Hallum on the terms and subject to the conditions set forth herein except that the provisions of Section 9, Section 11, Section 12, Section 18, and Section 19 hereof shall remain in full force and effect notwithstanding such termination.
  - e. This Agreement shall remain in full force and effect unless terminated pursuant to Sections 13(a), (b), (c), or (d) above or otherwise by mutual agreement of the parties; provided, however, that any such termination by mutual agreement shall in all cases be deemed to provide that Section 9, Section 11, Section 12, Section 18, and Section 19 shall remain in full force and effect. Upon termination of this Agreement and subject to the sections of this Agreement that will remain in full force and effect pursuant to this Section 13(e), the Company shall not have any liability to Craig-Hallum for any discount, commission or other compensation with respect to any Placement Shares not otherwise sold by Craig-Hallum under this Agreement.
  - f. Any termination of this Agreement shall be effective on the date specified in such notice of termination; provided, however, that such termination shall not be effective until the close of business on the date of receipt of such notice by Craig-Hallum or the Company, as the case may be. If such termination shall occur prior to the Settlement Date for any sale of Placement Shares, such Placement Shares shall settle in accordance with the provisions of this Agreement.
14. Notices. All notices or other communications required or permitted to be given by any party to any other party pursuant to the terms of this Agreement shall be in writing, unless

otherwise specified, and if sent to Craig-Hallum, shall be delivered to:

Craig-Hallum Capital Group LLC  
222 South 9th Street, Suite 350  
Minneapolis, MN 55402  
Attention: Chris Jensen  
Telephone: (612) 334-6305  
Facsimile: (612) 334-6399

with a copy to:

Faegre Drinker Biddle & Reath LLP  
2200 Wells Fargo Center  
90 South Seventh Street  
Minneapolis, MN 55402-3901  
Attn: Jonathan R. Zimmerman  
Email: Jon.Zimmerman@FaegreDrinker.com

and if to the Company, shall be delivered to:

MicroVision, Inc.  
  
6244 185th Avenue, Suite 100  
  
Redmond, WA, 98052  
  
Attention: General Counsel  
  
Telephone: (425) 936-6821  
  
Email: legal@microvision.com

with a copy to:

Ropes & Gray LLP  
Prudential Tower, 800 Boylston St.  
Boston, MA, 02199  
Attention: Thomas Fraser  
Telephone: (617) 951-7063  
Email: Thomas.Fraser@ropesgray.com

Each party to this Agreement may change such address for notices by sending to the parties to this Agreement written notice of a new address for such purpose. Each such notice or other communication shall be deemed given (i) when delivered personally or by verifiable facsimile transmission (with an original to follow) on or before 4:30 p.m., New York City time, on a Business Day or, if such day is not a Business Day, on the next succeeding Business Day, (ii) on the next Business Day after timely delivery to a nationally-recognized overnight courier and (iii) on the Business Day actually received if deposited in the U.S. mail (certified or registered mail, return receipt requested, postage prepaid). For purposes of this Agreement, "Business Day" shall mean any day on which the Exchange and commercial banks in the City of New York are open for business.

An electronic communication ("Electronic Notice") shall be deemed written notice for purposes of this Section 14 if sent to the electronic mail address specified by the receiving party under separate cover. Electronic Notice shall be deemed received at the time the party sending Electronic Notice receives confirmation of receipt by the receiving party. Any party receiving Electronic Notice may request and shall be entitled to receive the notice on paper, in a non-electronic form ("Non-electronic Notice") which shall be sent to the requesting party within ten (10) days of receipt of the written request for Non-electronic Notice.

15. Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the Company and Craig-Hallum and their respective successors and the affiliates, controlling persons, officers and directors referred to in Section 11 hereof. References to any of the parties contained in this Agreement shall be deemed to include the successors and permitted assigns of such party. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and permitted assigns any rights, remedies, obligations or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement. Neither party may assign its rights or obligations under this Agreement without the prior written consent of the other party.
16. Adjustments for Stock Splits. The parties acknowledge and agree that all share-related numbers contained in this Agreement shall be adjusted to take into account any share consolidation, stock split, stock dividend, corporate domestication or similar event effected with respect to the Placement Shares.
17. Entire Agreement; Amendment; Severability. This Agreement (including all schedules and exhibits attached hereto and Placement Notices issued pursuant hereto) constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all other prior and contemporaneous agreements and undertakings, both written and oral, among the parties hereto with regard to the subject matter hereof. Neither this Agreement nor any term hereof may be amended except pursuant to a written instrument executed by the Company and Craig-Hallum, and no condition herein (express or implied) may be waived unless waived in writing by each party whom the condition is meant to benefit. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable as written by a court of competent jurisdiction, then such provision shall be given full force and effect to the fullest possible extent that it is valid, legal and enforceable, and the remainder of the terms and provisions herein shall be construed as if such invalid, illegal or unenforceable term or provision was not contained herein, but only to the extent that giving effect to such provision and the remainder of the terms and provisions hereof shall be in accordance with the intent of the parties as reflected in this Agreement.
18. **GOVERNING LAW AND TIME; WAIVER OF JURY TRIAL. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAWS. SPECIFIED TIMES OF DAY REFER TO NEW YORK CITY TIME. THE COMPANY HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.**

19. **CONSENT TO JURISDICTION.** EACH PARTY HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS SITTING IN THE CITY OF NEW YORK, BOROUGH OF MANHATTAN, FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH ANY TRANSACTION CONTEMPLATED HEREBY, AND HEREBY IRREVOCABLY WAIVES, AND AGREES NOT TO ASSERT IN ANY SUIT, ACTION OR PROCEEDING, ANY CLAIM THAT IT IS NOT PERSONALLY SUBJECT TO THE JURISDICTION OF ANY SUCH COURT, THAT SUCH SUIT, ACTION OR PROCEEDING IS BROUGHT IN AN INCONVENIENT FORUM OR THAT THE VENUE OF SUCH SUIT, ACTION OR PROCEEDING IS IMPROPER. EACH PARTY HEREBY IRREVOCABLY WAIVES PERSONAL SERVICE OF PROCESS AND CONSENTS TO PROCESS BEING SERVED IN ANY SUCH SUIT, ACTION OR PROCEEDING BY MAILING A COPY THEREOF (CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED) TO SUCH PARTY AT THE ADDRESS IN EFFECT FOR NOTICES TO IT UNDER THIS AGREEMENT AND AGREES THAT SUCH SERVICE SHALL CONSTITUTE GOOD AND SUFFICIENT SERVICE OF PROCESS AND NOTICE THEREOF. NOTHING CONTAINED HEREIN SHALL BE DEEMED TO LIMIT IN ANY WAY ANY RIGHT TO SERVE PROCESS IN ANY MANNER PERMITTED BY LAW.
20. Use of Information. Craig-Hallum may not use any information gained in connection with this Agreement and the transactions contemplated by this Agreement, including due diligence, to advise any party with respect to transactions not expressly approved by the Company.
21. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery of an executed Agreement by one party to the other may be made by facsimile transmission.
22. Effect of Headings. The section and Exhibit headings herein are for convenience only and shall not affect the construction hereof.
23. Permitted Free Writing Prospectuses. The Company represents, warrants and agrees that, unless it obtains the prior consent of Craig-Hallum (such consent not to be unreasonably withheld, conditioned or delayed), and Craig-Hallum represents, warrants and agrees that, unless it obtains the prior consent of the Company (such consent not to be unreasonably withheld, conditioned or delayed), it has not made and will not make any offer relating to the Placement Shares that would constitute an Issuer Free Writing Prospectus, or that would otherwise constitute a "free writing prospectus," as defined in Rule 405, required to be filed with the Commission. Any such free writing prospectus consented to by Craig-Hallum or by the Company, as the case may be, is hereinafter referred to as a



"Permitted Free Writing Prospectus." The Company represents and warrants that it has treated and agrees that it will treat any Permitted Free Writing Prospectus as an "issuer free writing prospectus," as defined in Rule 433, and has complied and will comply with the requirements of Rule 433 applicable to any Permitted Free Writing Prospectus, including timely filing with the Commission where required, legending and record keeping. For the purposes of clarity, the parties hereto agree that all free writing prospectuses, if any, listed in Exhibit 23 hereto are Permitted Free Writing Prospectuses.

24. Absence of Fiduciary Relationship. The Company acknowledges and agrees that:
- a. Craig-Hallum is acting solely as agent in connection with the public offering of the Placement Shares and in connection with each transaction contemplated by this Agreement and the process leading to such transactions, and no fiduciary or advisory relationship between the Company or any of its respective affiliates, stockholders (or other equity holders), creditors or employees or any other party, on the one hand, and Craig-Hallum, on the other hand, has been or will be created in respect of any of the transactions contemplated by this Agreement, irrespective of whether or not Craig-Hallum has advised or is advising the Company on other matters, and Craig-Hallum has no obligation to the Company with respect to the transactions contemplated by this Agreement except the obligations expressly set forth in this Agreement;
  - b. it is capable of evaluating and understanding, and understands and accepts, the terms, risks and conditions of the transactions contemplated by this Agreement;
  - c. Craig-Hallum has not provided any legal, accounting, regulatory or tax advice with respect to the transactions contemplated by this Agreement and it has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate;
  - d. it is aware that Craig-Hallum and its affiliates are engaged in a broad range of transactions which may involve interests that differ from those of the Company and Craig-Hallum has no obligation to disclose such interests and transactions to the Company by virtue of any fiduciary, advisory or agency relationship or otherwise; and
  - e. it waives, to the fullest extent permitted by law, any claims it may have against Craig-Hallum for breach of fiduciary duty or alleged breach of fiduciary duty in connection with the sale of Placement Shares under this Agreement and agrees that Craig-Hallum shall not have any liability (whether direct or indirect, in contract, tort or otherwise) to it in respect of such a fiduciary duty claim or to any person asserting a fiduciary duty claim on its behalf or in right of it or the Company, employees or creditors of Company, other than in respect of Craig-Hallum's obligations under this Agreement and to keep information provided by the Company to Craig-Hallum and Craig-Hallum's counsel confidential to the extent not otherwise publicly-available.
25. Press Releases and Disclosure. The Company may issue a press release describing the material terms of the transactions contemplated hereby as soon as practicable following the date of this Agreement, and may file with the Commission a Current Report on Form 8-K, with this Agreement attached as an exhibit thereto, describing the material terms of the transactions contemplated hereby, and the Company shall consult with Craig-Hallum prior to making such

disclosures, and the parties hereto shall use all commercially reasonable efforts, acting in good faith, to agree upon a text for such disclosures that is reasonably satisfactory to all parties hereto. No party hereto shall issue thereafter any press release or like public statement (including, without limitation, any disclosure required in reports filed with the Commission pursuant to the Exchange Act) related to this Agreement or any of the transactions contemplated hereby without the prior written approval of the other party hereto, except as may be necessary or appropriate in the reasonable opinion of the party seeking to make disclosure to comply with the requirements of applicable law or stock exchange rules and except for the disclosure required pursuant to Section 7(c) of this Agreement in the Company's quarterly reports on Form 10-Q or annual reports on Form 10-K. If any such press release or like public statement is so required, the party making such disclosure shall consult with the other party prior to making such disclosure, and the parties shall use all commercially reasonable efforts, acting in good faith, to agree upon a text for such disclosure that is reasonably satisfactory to all parties hereto.

26. Recognition of the U.S. Special Resolution Regimes

- a. In the event that Craig-Hallum is a Covered Entity (as defined in this Section) and becomes subject to a proceeding under a U.S. Special Resolution Regime (as defined in this Section), the transfer from Craig-Hallum of this Agreement, and any interest and obligation in or under this Agreement, will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if this Agreement, and any such interest and obligation, were governed by the laws of the United States or a state of the United States.
- b. In the event that Craig-Hallum is a Covered Entity or a BHC Act Affiliate (as defined in this Section) of Craig-Hallum becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights (as defined in this Section) under this Agreement that may be exercised against Craig-Hallum are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if this Agreement were governed by the laws of the United States or a state of the United States.
- c. For purposes of this Section 26: (i) a "BHC Act Affiliate" has the meaning assigned to the term "affiliate" in, and shall be interpreted in accordance with, 12 U.S.C. § 1841(k); (ii) a "Covered Entity" means any of the following: (A) a "covered entity" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b); (B) "covered bank" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or (C) a "covered FSI" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b); (iii) "Default Right" has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. § 252.81, 47.2 or 382.1, as applicable; and (iv) "U.S. Special Resolution Regime" means each of (A) the Federal Deposit Insurance Act and the regulations promulgated thereunder and (B) Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the regulations promulgated thereunder.

27. Definitions. As used in this Agreement, the following terms have the respective meanings set forth below:

"Applicable Time" means (i) each Representation Date and (ii) the time of each sale of any Placement Shares pursuant to this Agreement.

"Issuer Free Writing Prospectus" means any "issuer free writing prospectus," as defined in Rule 433, relating to the Placement Shares that (1) is required to be filed with the Commission by the Company, (2) is a "road show" that is a "written communication" within the meaning of Rule 433(d)(8)(i) whether or not required to be filed with the Commission, or (3) is exempt from filing pursuant to Rule 433(d)(5)(i) because it contains a description of the Placement Shares or of the offering that does not reflect the final terms, in each case in the form filed or required to be filed with the Commission or, if not required to be filed, in the form retained in the Company's records pursuant to Rule 433(g) under the Securities Act Regulations.

"Rule 164." "Rule 172." "Rule 405." "Rule 415." "Rule 424." "Rule 424(b)." "Rule 430B." and "Rule 433" refer to such rules under the Securities Act Regulations.

All references in this Agreement to financial statements and schedules and other information that is "contained," "included" or "stated" in the Registration Statement or the Prospectus (and all other references of like import) shall be deemed to mean and include all such financial statements and schedules and other information that is incorporated by reference in the Registration Statement or the Prospectus, as the case may be.

All references in this Agreement to the Registration Statement, the Prospectus or any amendment or supplement to any of the foregoing shall be deemed to include the copy filed with the Commission pursuant to EDGAR; all references in this Agreement to any Issuer Free Writing Prospectus (other than any Issuer Free Writing Prospectuses that, pursuant to Rule 433, are not required to be filed with the Commission) shall be deemed to include the copy thereof filed with the Commission pursuant to EDGAR; and all references in this Agreement to "supplements" to the Prospectus shall include, without limitation, any supplements, "wrappers" or similar materials prepared in connection with any offering, sale or private placement of any Placement Shares by Craig-Hallum outside of the United States.

[Remainder of page intentionally left blank]

If the foregoing correctly sets forth the understanding between the Company and Craig-Hallum, please so indicate in the space provided below for that purpose, whereupon this letter shall constitute a binding agreement between the Company and Craig-Hallum.

Very truly yours,

**MICROVISION, INC.**

By: /s/ Stephen P. Holt  
Name: Stephen P. Holt  
Title: Chief Financial Officer

**ACCEPTED as of the date first-above written:**

**CRAIG-HALLUM CAPITAL GROUP LLC**

By: /s/ Rick Hartfiel  
Name: Rick Hartfiel  
Title: Head of Investment Banking

[Signature Page to At-The-Market Issuance Sales Agreement]

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SCHEDULE 1

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FORM OF PLACEMENT NOTICE

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From: MicroVision, Inc.  
To: Craig-Hallum Capital Group LLC  
Attention: Chris Jensen  
Joe Geelan  
Subject: At-The-Market Issuance--Placement Notice

Gentlemen:

Pursuant to the terms and subject to the conditions contained in the At-The-Market Issuance Sales Agreement between MicroVision, Inc., a Delaware corporation (the "Company"), and Craig-Hallum Capital Group LLC ("Craig-Hallum"), dated February 16, 2021, the Company hereby requests that Craig-Hallum sell up to \_\_\_\_\_ of the Company's Common Stock, par value \$0.001 per share, at a minimum market price of \$[●] per share, during the time period beginning [month, day, time] and ending [month, day, time]. [The Company may include such other sales parameters as it deems appropriate.]

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## SCHEDULE 2

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### Compensation

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The compensation to Craig-Hallum for sales of the Placement Shares with respect to which Craig-Hallum acts as sales agent hereunder shall be 2.35% of the gross offering proceeds of the Placement Shares sold pursuant to this Agreement (the "Selling Commission"). For each sale of Placement Shares, the amount of sale proceeds remaining after payment of the Selling Commission shall constitute the net proceeds to the Company for such sale of Placement Shares (the "Net Proceeds"). The Company shall pay to Craig-Hallum, on the applicable Settlement Date, the Selling Commission for the applicable Placement Shares sold by Craig-Hallum (which amount may be withheld by Craig-Hallum from the gross proceeds from the sale of such Placement Shares). For the avoidance of doubt, any expense payment and reimbursement obligations of the Company set forth in Section 9 of the Agreement shall be separate and independent obligations of the Company and shall not be deemed a credit or otherwise act to offset the compensation to Craig-Hallum pursuant to the Agreement.

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**SCHEDULE 3**

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**Notice Parties**

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The Company:

David Westgor  
Stephen P. Holt

The above-mentioned individuals from the Company can be reached at (425) 936-6821 and by email at [legal@microvision.com](mailto:legal@microvision.com).

Craig-Hallum:

Chris Jensen  
[chris.jensen@craig-hallum.com](mailto:chris.jensen@craig-hallum.com)  
(612) 334-6305

Joe Geelan  
[jgeelan@craig-hallum.com](mailto:jgeelan@craig-hallum.com)  
612-334-6392

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**SCHEDULE 4**

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**Subsidiaries**

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None.

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**EXHIBIT 7(m)**

**Form of Representation Date Certificate**

[DATE]

This Officer's Certificate (this "Certificate") is executed and delivered pursuant to Section 7(m) of the At-The-Market Issuance Sales Agreement (the "Agreement"), dated February 16, 2021, between MicroVision, Inc. (the "Company") and Craig-Hallum Capital Group LLC ("Craig-Hallum"). All capitalized terms used but not defined herein shall have the meanings given to such terms in the Agreement.

The undersigned, a duly appointed and authorized officer of the Company, having made reasonable inquiries to establish the accuracy of the statements below and having been authorized by the Company to execute this certificate on behalf of the Company, hereby certifies, on behalf of the Company and not in the undersigned's individual capacity, as follows:

1. As of the date of this Certificate and as of each Applicable Time, if any, subsequent to the immediately preceding Representation Date, (i) the Registration Statement does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading, (ii) neither the Registration Statement nor the Prospectus contains any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading and (iii) no event has occurred as a result of which it is necessary to amend or supplement the Prospectus, as amended or supplemented as of the date hereof, in order to make the statements therein not untrue or misleading, or for (i) and (ii) to be true; *provided*, however, that the foregoing shall not apply to statements in, or omissions from, any such document made in reliance upon, and in conformity with, information furnished to the Company by Craig-Hallum specifically for use in the preparation thereof.

2. Each of the representations and warranties of the Company contained in the Agreement was true and correct in all material respects when originally made, and, except for those representations and warranties that speak solely as of a specific date, is true and correct as of the date of this Certificate.

3. Except as waived by Craig-Hallum in writing, (i) each of the covenants required to be performed by the Company in the Agreement on or prior to the date of the Agreement, this Representation Date, and each such other date prior to the date hereof as set forth in the Agreement, has been duly, timely and fully performed in all material respects and (ii) each condition required to be complied with by the Company on or prior to the date of the Agreement, this Representation Date, and each such other date prior to the date hereof as set forth in the Agreement has been duly, timely and fully complied with in all material respects.

4. No stop order suspending the effectiveness of the Registration Statement or of any part thereof has been issued, and, to the Company's knowledge, no proceedings for that purpose have been instituted or are pending under the Securities Act.

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5. The Prospectus and any Permitted Free Writing Prospectus have been timely filed with the Commission under the Securities Act, and all requests for additional information on the part of the Commission have been complied with or otherwise satisfied.

The undersigned has executed this Certificate on behalf of the Company as of the date first written above.

MICROVISION, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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**Exhibit 23**  
**Permitted Free Writing Prospectus**

None.

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## **Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-184701, No. 333-173114, No. 333-163929, No. 333-19011, No. 333-71373, No. 333-42276, No. 333-45534, No. 333-73652, No. 333-89176, No. 333-141458 and No. 333-249418) and on Form S-3 (No. 333-184703, No. 333-184702, No. 333-182462, No. 333-175419, No. 333-160577, No. 333-228113 and No. 333-253145) of MicroVision, Inc. of our report dated March 15, 2021, relating to the financial statements of MicroVision, Inc. appearing in this Annual Report on Form 10-K.

/s/ Moss Adams LLP

Seattle, Washington  
March 15, 2021

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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 annual report on Form 10-K for the period ended December 31, 2020 of MicroVision, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant 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: March 15, 2021

/s/ SUMIT SHARMA

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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 annual report on Form 10-K for the period ended December 31, 2020 of MicroVision, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant 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: March 15, 2021

/s/ STEPHEN P. HOLT

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Stephen P. Holt  
*Chief Financial Officer*

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**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-K for the period ended December 31, 2020 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-K for the period ended December 31, 2020 fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ SUMIT SHARMA

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Sumit Sharma  
*Chief Executive Officer*

Date: March 15, 2021

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**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-K for the period ended December 31, 2020 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-K for the period ended December 31, 2020 fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ STEPHEN P. HOLT

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Stephen P. Holt  
*Chief Financial Officer*

Date: March 15, 2021

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