

MICROVISION INC
Form 10-K/A
April 30, 2010

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

FORM 10-K/A

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the fiscal year ended December 31, 2009

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

For the transition period from _____ to _____

Commission file number 0-21221

[Microvision, Inc.](#)

(Exact name of Registrant as Specified in its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

91-1600822

(I.R.S. Employer Identification Number)

6222 185th Ave NE
Redmond, Washington 98052

(Address of Principal Executive Offices including Zip Code)

(425) 936-6847

(Registrant's Telephone Number, Including Area Code)

Edgar Filing: MICROVISION INC - Form 10-K/A

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

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$.001 par value	NASDAQ Global Market
Securities registered pursuant to Section 12(g) of the Exchange Act:	
None	

Indicate by check mark if the registrant is a well-known seasoned issuer as defined in Rule 405 of the Act. Yes

No x

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 x

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

x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files. Yes

o No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

o

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

Large accelerated filer Accelerated filer x Non-accelerated filer .. Smaller reporting company ..
(Do not check if a smaller reporting company)

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

o No x

The aggregate market value of the common stock held by non-affiliates of the registrant as of June 30, 2009 was approximately \$233.8 million (based on the closing price for the registrant's Common Stock on the NASDAQ Global Market of \$3.07 per share).

Edgar Filing: MICROVISION INC - Form 10-K/A

The number of shares of the registrant's Common Stock outstanding as of April 27, 2010 was 88,723,000.

Documents Incorporated by Reference

None

EXPLANATORY NOTE

Microvision, Inc. is filing this Amendment No. 1 on Form 10K/A (this "Amendment") to amend its Annual Report on Form 10-K for the year ended December 31, 2009, filed with the Securities and Exchange Commission (the "SEC") on March 10, 2010 (the "Original 10-K").

This Amendment is being filed to amend the Original 10-K to include the information required by Items 10 through 14 of Part III of Form 10-K. Except for the addition of the Part III information, the updates to the cover page and the filing of related certifications, no other changes have been made to the Original 10-K. This Amendment does not reflect events occurring after the filing of the Original 10-K or modify or update those disclosures affected by subsequent events.

TABLE OF CONTENTS

	Page
PART III	
Item 10.	
Directors, Executive Officers and Corporate Governance	<u>2</u>
Item 11.	
Executive Compensation	<u>8</u>
Item 12.	
Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	<u>18</u>
Item 13.	

Certain Relationships and Related Transactions

19

Item 14.

Principal Auditor Fees and Services

20

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

We seek individuals to serve as directors with established strong professional reputations, sophistication and experience in strategic planning, leadership, business management, innovation and in substantive areas that affect our business such as: technology development; sourcing, manufacturing and operations; financing; finance and accounting; business operations; government contracts; legal and regulatory; and sales and marketing. We believe that each of our current directors possesses the professional and personal qualifications necessary for board service and have highlighted particularly noteworthy attributes for each director in the individual biographies below.

Set forth below are the name, position held and age of each of our directors and executive officers. The principal occupation and recent employment history of each director and executive officer is described below.

Name

Age

Position

Richard A. Cowell (2)(3)*

62

Director

Slade Gorton (1)(3)*

Chairman of the Board and Lead Independent Director

Jeanette Horan (1)(2)*

54

Director

Perry Mulligan (2)(3)*

52

Director

Brian Turner (1)(2)*

50

Director

Alexander Tokman

48

Director, President and Chief Executive Officer

Michael L. Fritts

46

Vice President, Global Sales, Marketing and Business Development

Sridhar Madhavan

43

Vice President, Engineering

Thomas M. Walker

45

Vice President, General Counsel and Secretary

Jeff T. Wilson

49

Chief Financial Officer

* Independent Director

- (1) Member of the Compensation Committee
- (2) Member of the Audit Committee
- (3) Member of the Nominating Committee

Alexander Tokman, age 48, has served as President, Chief Executive Officer and a director of Microvision since January 2006. Mr. Tokman served as Microvision's President and Chief Operating Officer from July 2005 to January 2006. Mr. Tokman, a former GE executive, joined Microvision after a 10-year tenure at GE Healthcare, a subsidiary of General Electric, where he led several global businesses, most recently as General Manager of its Global Molecular Imaging and Radiopharmacy multi-technology business unit from 2003 to 2005. Prior to that, between 1995 and 2003, Mr. Tokman served in various cross- functional and cross-business leadership roles at GE where he led the definition and commercialization of several medical modalities product segments including PET/CT, which added over \$500 million of revenue growth to the company within the first three years of its commercial introduction. Mr. Tokman is a certified Six Sigma and Design for Six Sigma (DFSS) Black Belt and Master Black Belt and as one of GE's Six Sigma pioneers, he drove the quality culture change across GE Healthcare in the late 1990s. From November 1989 to March 1995 Mr. Tokman served as new technologies programs lead and a head of I&RD office at Tracor Applied Sciences a

subsidiary of then Tracor, Inc. Mr. Tokman has both an M.S. and B.S. in Electrical Engineering from the University of Massachusetts, Dartmouth. As President and Chief Executive Officer of the Company, Mr. Tokman has a deep understanding of the Company and broad executive experience.

Michael L. Fritts, age 46, joined Microvision in February 2010 as Vice President, Global Sales, Marketing and Business Development. Mr. Fritts previously worked for GE Healthcare from 1987 to 2010 where he held various management and other positions. For the past two years, Mr. Fritts served as General Manager of a newly created business segment within the \$1.7B Magnetic Resonance Imaging (MRI) Division, leading GE Healthcare's growth in the emerging Interventional MRI market. Mr. Fritts had responsibility for a global team developing new products, establishing partnerships and collaborations, building market awareness, and working extensively with sales and marketing teams around the world to commercialize products. In previous management roles, Mr. Fritts led international and domestic teams that focused on new product development. Mr. Fritts has also led the integration of various acquired companies into GE Healthcare. Mr. Fritts is a certified Six Sigma and Design for Six Sigma (DFSS) Quality Leader, has completed the Executive M.B.A. program at the Kellogg Graduate School of Management at Northwestern University, and received a B.S. in Electrical Engineering from South Dakota School of Mines and Technology.

Sid Madhavan, age 43, joined Microvision in April 2006 and serves as Vice President of Engineering. Madhavan, who worked for GE Healthcare from 1998 to 2006 where he held various management positions and most recently served as an Engineering Subsystem Manager for a \$2.1 billion Molecular Imaging and Computer Tomography business, is a certified Six Sigma Black Belt and brings over fifteen years of engineering product development and global management experience. Mr. Madhavan received his B.S. degree in Electronics and Communications from Madurai Kamaraj University in India and his M.S. in Electrical Engineering from Texas A&M.

Thomas M. Walker, age 45, joined Microvision in May 2002 and serves as Vice President, General Counsel and Secretary. Prior to joining Microvision, Mr. Walker served as Senior Vice President, General Counsel and Secretary of Advanced Radio Telecom Corp., a publicly held technology and services company where he managed domestic and international legal affairs from April 1996 to April 2002. Prior to that, Mr. Walker advised publicly and privately held businesses while practicing in the Los Angeles offices of the law firms of Pillsbury Winthrop and Buchalter, Nemer Fields and Younger. Mr. Walker holds a B.A. from Claremont McKenna College and a J.D. from the University of Oregon.

Jeff T. Wilson, age 49, has served as Chief Financial Officer since April 2006, Principal Financial Officer since January 2006 and Principal Accounting Officer of Microvision since August 1999. Mr. Wilson served as Vice President, Accounting of Microvision from April 2002 to April 2006 and as Director of Accounting of Microvision from August 1999 to March 2002. Prior to joining Microvision, from 1991 to 1999, Mr. Wilson served in various accounting positions for Siemens Medical Systems, Inc., a developer and manufacturer of medical imaging equipment. Prior to 1991, Mr. Wilson served as a manager with the accounting firm PricewaterhouseCoopers LLP. Mr. Wilson is a Certified Public Accountant. Mr. Wilson holds a B.S. in Accounting from Oklahoma State University.

Colonel Richard A. Cowell, USA, (Ret.) has served as a director of the Company since August 1996. Colonel Cowell is a Principal at Booz Allen Hamilton, Inc. ("BAH") where he is involved in advanced concepts development and technology transition, joint and service experimentation, and the interoperability and integration of command and control systems for Department of Defense and other agencies. Prior to joining BAH in March of 1996, Colonel Cowell served in the United States Army for 25 years. Immediately prior to his retirement from the Army, Colonel Cowell served as Director of the Louisiana Maneuvers Task Force reporting directly to the Chief of Staff, Army. Colonel Cowell has authored a number of articles relating to the potential future capabilities of various services and agencies. Colonel Cowell's senior position at BAH with involvement in advanced concepts development and technology transition, leadership in the Army and prior history as a director of the Company have given him extensive experience and expertise in government contracts, financial matters and the Company's business and technology involvement.

Slade Gorton has served as a director of the Company since September 2003 and currently serves as Chairman of the Board and Lead Independent Director. Mr. Gorton is currently Of Counsel at the law firm of K&L Gates, LLP. Prior to joining the firm, he represented Washington State in the United States Senate for 18 years. Mr. Gorton began his political career in 1958 as a Washington State Representative and went on to serve as State House Majority Leader. Mr. Gorton served as Attorney General of Washington from 1969-1981, and during that time, he argued 14 cases before the United States Supreme Court. After leaving the Senate, Mr. Gorton served as a Commissioner on the National Commission on Terrorist Attacks Upon the United States ("9-11 Commission"); as a member of the National War Powers Commission and is Co-Chairman of the National Transportation Policy Project. Mr. Gorton also served in the U.S. Army, U.S. Air Force, and the U.S. Air Force Reserves. From his positions as an attorney, in business and government, and prior history as a director of the Company, Mr. Gorton brings expertise in legal matters, corporate governance, general leadership and the Company's business and technology evolution.

Jeanette Horan has served as a director of the Company since June 2006. Ms Horan is currently Vice President, Enterprise Business Transformation for IBM where she leads IBM's transformation to a globally integrated enterprise. Prior to her current position, she was Vice President, Business Process and Architecture Integration from July 2006 to April 2007 where she led IBM's internal business process transformation and information technology portfolio. Prior to this, Ms. Horan was Vice President, Information Management from January 2004 to July 2006 and Vice President Strategy, IBM Software Group from January 2003 to January 2004, where she was responsible for strategic alliances with key platform partners and led strategic and operational planning processes. From May 1998 to December 2002, Ms. Horan was also Vice President, Development for the Lotus brand and led worldwide product management, development and technical support. Ms. Horan has substantial breadth and depth of technology leadership experience and a demonstrated ability to translate novel technologies into products spanning various markets and segments.

Perry Mulligan has served as a director of the Company since January 2010. Mr. Mulligan has over 25 years of experience in operations and supply chain management. Since October 2007, Mr. Mulligan has served as Senior Vice President, Operations for QLogic, where he is responsible for all aspects of the manufacturing and delivery of products to the customer in addition to overall supply chain design and manufacturing strategy. Prior to his current position, Mr. Mulligan was at Solectron from May 2004 to September 2007, where he held the position of Senior Vice President Supply Chain Management and Chief Procurement Officer and was responsible for establishing the overall materials and supply chain strategy. Mr. Mulligan brings extensive experience and knowledge in developing and setting up worldwide manufacturing and sourcing operations and overall supply chain strategy.

Brian Turner has served as a director of the Company since July 2006. Mr. Turner was the Chief Financial Officer of Coinstar Inc. from 2003 until June 2009. Prior to Coinstar, from 2001 to 2003, he served as Senior Vice President of Operations, Chief Financial Officer and Treasurer of Real Networks, Inc., a digital media and technology company. Prior to Real Networks, from 1999 to 2001, Mr. Turner was employed by BSquare Corp., a software company, where he initially served as Senior Vice President of Operations, Chief Financial Officer and Secretary, before being promoted to President and Chief Operating Officer. From 1995 to 1999, Mr. Turner was Chief Financial Officer and Vice President of Administration of Radisys Corp., an embedded software company. Mr. Turner's experience also includes 13 years at PricewaterhouseCoopers LLP where he held several positions including Director, Corporate Finance. Mr. Turner is a director at Motricity, Inc. Mr. Turner brings financing expertise and knowledge of operational finance and accounting to the Board.

Board Meetings and Committees

Our Board of Directors (the "Board of Directors" or the "Board") met nine times during 2009. All directors attended at least 75% of the aggregate meetings of the Board and meetings of the Board committees on which they served. The Board also approved certain actions by unanimous written consent. We have adopted a policy that each of our directors be requested to attend our Annual Meeting each year. All directors attended our Annual Meeting in 2009.

Independence Determination

No director will be deemed to be independent unless the Board affirmatively determines that the director has no material relationship with the Company, directly or as an officer, share owner, or partner of an organization that has a relationship with the Company. The Board observes all criteria for independence set forth in the NASDAQ listing standards and other governing laws and regulations.

In its annual review of director independence, the Board considers all commercial, banking, consulting, legal, accounting, charitable, or other business relationships any director may have with us. As a result of its annual review, the Board has determined that all of the directors, with the exception of Alexander Tokman, are independent (the "Independent Directors"). The Independent Directors are identified by an asterisk in the table above.

The NASDAQ listing standards have both objective tests and a subjective test for determining who is an "independent director." The objective tests state, for example, that a director is not considered independent if he or she is our employee or is a partner in or executive officer of an entity to which we made, or from which we received, payments in the current or any of the past three fiscal years that exceed 5% of the recipient's consolidated gross revenue for that year. The subjective test states that an independent director must be a person who lacks a relationship that, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. None of the non-employee directors were disqualified from "independent" status under the objective tests. In assessing independence under the subjective test, the Board took into account the standards in the objective tests, and reviewed and discussed additional information provided by the directors and us with regard to each director's business and personal activities as they may relate to us and our management. Based on all of the foregoing, as required by NASDAQ rules, the Board made a subjective determination as to each independent director that no relationship exists which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The Board has not established categorical standards or guidelines to make these subjective determinations, but considers all relevant facts and circumstances.

In addition to the Board-level standards for director independence, the directors who serve on the Audit Committee each satisfy standards established by the Securities and Exchange Commission (the "SEC") providing that to qualify as "independent" for purposes of membership on that Committee, members of audit committees may not accept, directly or indirectly any consulting, advisory, or other compensatory fee from us other than their director compensation.

Board's Role in Risk Oversight

It is management's responsibility to manage risk and bring to the Board's attention risks that are material to the Company. The Board has oversight responsibility of the processes established to report and monitor systems for the most significant risks applicable to the Company. The Board administers its risk oversight role directly and through its committee structure and the committees' regular reports to the Board at Board meetings. The Board reviews strategic, financial and execution risks and exposures associated with the annual plan and multi-year plans, major litigation and other matters that may present material risk to our operations, plans, prospects or reputation; acquisitions and divestitures and senior management succession planning.

Board Expertise and Diversity.

The Nominating Committee seeks to have a Board that represents diversity as to experience, gender, race and ethnicity, but does not have a formal policy with respect to diversity. We seek a Board that reflects a range of talents, ages, skills, viewpoints, professional experience, educational background and expertise to provide sound and prudent guidance with respect to our operations and interests. All of our directors are financially literate, and two members of our Audit Committee are audit committee financial experts.

Board Leadership Structure

Our Board annually elects a Chairman of the Board. The Board has chosen to separate the roles of Chairman and Chief Executive Officer. Mr. Gorton currently serves as Chairman and Lead Independent Director. In this role, among other duties, Mr. Gorton meets with our Chief Executive Officer and with senior officers as necessary, schedules and presides at meetings of the Board, including meetings of the Independent Directors, serves as a liaison between the Board and our management, approves meeting schedules and agendas, and undertakes other responsibilities designated by the Board. The Board believes that the separate roles of Mr. Tokman as Chief Executive Officer and Mr. Gorton as Chairman and Lead Independent Director currently well serve the interests of us and our shareholders. Mr. Tokman can devote his attention to leading the Company and focus on our business strategy. Mr. Gorton provides an appropriate level of independence in the Company's leadership through his review and approval of meeting agendas and his leadership of the Board.

Committees

The Board of Directors has an Audit Committee, a Compensation Committee and a Nominating Committee. The Board of Directors has adopted a written charter for each of these Committees. The full text of each charter is available on our website located at www.microvision.com.

The Audit Committee

The Board has an Audit Committee which assists the Board by monitoring and overseeing: (1) our accounting and financial reporting processes and the audits of our financial statements, (2) the integrity of our financial statements, (3) our compliance with legal and regulatory requirements, and (4) the performance of our internal finance and accounting personnel and our independent auditors. The Audit Committee conducts discussions related to our earnings announcements and periodic filings, as well as numerous other informal meetings and communications among the Chair, various Audit Committee members, the independent auditors and/or members of our management. Messrs. Cowell, Mulligan and Turner and Ms. Horan currently serve on the Audit Committee, with Mr. Cowell serving as Chairman. The Audit Committee met four times during 2009.

Among other matters, the Audit Committee monitors the activities and performance of our external auditors, including the audit scope, external audit fees, auditor independence matters and the extent to which the independent auditor may be retained to perform non-audit services. The Audit Committee and the Board of Directors have ultimate authority and responsibility to select, evaluate and, when appropriate, replace our independent auditor. The Audit Committee also reviews the results of the external audit work with regard to the adequacy and appropriateness of our financial, accounting and internal controls. Management and independent auditor presentations to and discussions with the Audit Committee also cover various topics and events that may have significant financial impact or are the subject of discussions between management and the independent auditor. In addition, the Audit Committee generally oversees our internal financial controls and financial disclosure procedures.

The "audit committee financial experts" designated by the Board are Col. Richard A. Cowell (Ret.) and Brian Turner, each an independent director. Col. Cowell holds a degree in accounting and has served for nine years as Chair of our Audit Committee. During his twenty-five years of service in the United States Army, Col. Cowell oversaw and actively supervised various complex governmental projects that involved government accounting with a breadth and level of complexity comparable to accounting issues raised by our financial statements, including issues relating to estimates, accruals, and reserves. Since retiring from the Army, Col. Cowell has served as a Principal at Booz Allen Hamilton, Inc., where he provides consulting services relating to significant government projects and grants which involve significant and complex accounting issues. Mr. Turner has eight years experience as a chief financial officer of three public companies and has thirteen years of experience in various roles at PricewaterhouseCoopers LLP, including Director, Corporate Finance. Mr. Turner has been actively involved in and has supervised the preparation of financial statements that present a breadth and complexity of issues comparable to accounting issues raised by our financial statements.

The Compensation Committee

The Compensation Committee makes decisions on behalf of, and recommendations to, the Board regarding salaries, incentives and other forms of compensation for directors, officers, and other key employees, and administers policies relating to compensation and benefits. The Compensation Committee also serves as the Plan Administrator for our stock option plans. The Compensation Committee reviewed the relationship between our risk management policies and practices, organizational structure, operating policies, corporate strategy and our compensation programs to confirm that our compensation programs do not encourage unnecessary and excessive risks. The Compensation Committee Report is set forth below on page 11. Messrs. Gorton and Turner and Ms. Horan currently serve as members of the Compensation Committee, with Mr. Turner serving as chairman. The Compensation Committee met four times during 2009.

The Nominating Committee

The Nominating Committee counsels the Board of Directors with respect to Board and Committee structure and membership. In fulfilling its duties, the Nominating Committee, among other things, will:

- establish criteria for nomination to the Board and its committees, taking into account the composition of the Board as a whole;
- identify, review, and recommend director candidates for the Board;
- recommend directors for election at the annual meeting of shareholders and to fill new or vacant positions;
- establish policies with respect to the process by which our shareholders may recommend candidates to the Nominating Committee for consideration for nomination as a director;
- assess and monitor, with Board involvement, the performance of the Board; and
- recommend directors for membership on Board Committees.

Messrs. Cowell, Gorton and Mulligan currently serve as members of the Nominating Committee, with Mr. Gorton serving as Chairman. The Nominating Committee met two times during 2009.

The Nominating Committee will consider recommendations for directorships submitted by shareholders, or groups of shareholders, that have beneficially owned at least 5% of our outstanding shares of common stock for at least one year prior to the date the nominating shareholder submits a candidate for nomination as a director. A nominating shareholder or group of nominating shareholders may submit only one candidate for consideration. Shareholders who wish the Nominating Committee to consider their recommendations for nominees for the position of director should submit their request in writing no later than the 120th calendar day before the anniversary of the date the prior year's annual meeting proxy statement was released to shareholders. Such written requests should be submitted to the Nominating Committee care of the Corporate Secretary, Microvision, Inc., 6222 185

th Avenue NE, Redmond, Washington 98052, and must contain the following information:

- The name, address, and number of shares of common stock beneficially owned by the nominating shareholder and each participant in a nominating shareholder group (including the name and address of all beneficial owners of more than 5% of the equity interests of an nominating shareholder or participant in a nominating shareholder group);

Edgar Filing: MICROVISION INC - Form 10-K/A

- A representation that the nominating shareholder, or nominating shareholder group, has been the beneficial owner of more than 5% of our outstanding shares of common stock for at least one year and will continue to beneficially own at least 5% of our outstanding shares of common stock through the date of the annual meeting;
- A description of all relationships, arrangements, or understandings between or among the nominating shareholder (or any participant in a nominating shareholder group) and the candidate or any other person or entity regarding the candidate, including the name of such person or entity;
- All information regarding the candidate that we would be required to disclose in a proxy statement filed pursuant to the rules and regulations of the SEC with respect to a meeting at which the candidate would stand for election;
- Confirmation that the candidate is independent, with respect to the Company, under the independence requirements established by us, the SEC, and NASDAQ listing requirements, or, if the candidate is not independent with respect to the Company under all such criteria, a description of the reasons why the candidate is not independent;
- The consent of the candidate to be named as a nominee and to serve as a member of the Board if nominated and elected;
- A representation signed by the candidate that if elected he or she will: (1) represent all shareholders of the Company in accordance with applicable laws, and our certificate of incorporation, by-laws, and other policies; (2) comply with all rules, policies, or requirements generally applicable to non-employee directors; and (3) upon request, complete and sign customary Directors and Officers Questionnaires.

In its assessment of each potential candidate, the Nominating Committee will review the nominee's judgment, experience, independence, understanding of our or other related industries and such other factors the Nominating Committee determines are pertinent in light of the current needs of the Board. The Nominating Committee will also take into account the ability of a director to devote the time and effort necessary to fulfill his or her responsibilities.

Nominees may be suggested by directors, members of management, and, as described above, by shareholders. In identifying and considering candidates for nomination to the Board, the Nominating Committee considers, in addition to the requirements set out in the Nominating Committee charter, quality of experience, our needs and the range of talent and experience represented on the Board.

Shareholder Communication with the Board of Directors

We have adopted written procedures establishing a process by which our shareholders can communicate with the Board of Directors regarding various topics related to the Company. A shareholder desiring to communicate with the Board, or any individual director, should send his or her written message to the Board of Directors (or the applicable director or directors) care of the Corporate Secretary, Microvision, Inc., 6222 185

th Avenue NE, Redmond, Washington 98052. Each submission will be forwarded, without editing or alteration, by the Secretary to the Board, or the applicable director or directors, on or prior to the next scheduled meeting of the Board. The Board will determine the method by which such submission will be reviewed and considered. The Board may also request the submitting shareholder to furnish additional information it may reasonably require or deem necessary to sufficiently review and consider the submission of such shareholder.

Compensation Committee Interlocks And Insider Participation

All members of the Compensation Committee during 2009 were independent directors, and none of them were our employees or former employees. During 2009, none of our executive officers served on the compensation committee (or equivalent), or the board of directors, of another entity whose executive officer(s) served on the Compensation Committee or Board of Directors.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires that our directors, executive officers, and greater-than 10% shareholders file reports with the SEC relating to their initial beneficial ownership of our securities and any subsequent changes. They must also provide us with copies of the reports.

Based solely on a review of the copies of such forms in our possession, and on written representations from reporting persons, we believe that all of these reporting persons complied with their filing requirements during 2009.

Code of Ethics

We have adopted a code of ethics applicable to our principal executive officer, principal financial officer, principal accounting officer and general counsel, known as the Code of Ethics for Microvision Executives. We have also adopted a code of conduct applicable to our directors, officers, and employees, known as the Code of Conduct. The Code of Ethics for Microvision Executives and the Code of Conduct are available on our website. In the event that we amend or waive any of the provisions of the Code of Ethics for Microvision Executives applicable to our principal executive officer, principal financial officer, and principal accounting officer, we intend to disclose the same on our website at www.microvision.com.

ITEM 11. EXECUTIVE COMPENSATION.

Compensation Discussion and Analysis

Executive Compensation Objectives

The Company's executive compensation program is designed to attract, retain, motivate and recognize high performance executive officers. The Compensation Committee is responsible for and oversees the Company's compensation program. The Company's philosophy is to provide compensation programs that incentivize and reward both the short and long-term performance of the executive officers relative to the Company's performance. Thus, the Compensation Committee utilizes compensation components that measure overall Company performance, including performance against the Company's annual strategic operating plan. In addition, the Compensation Committee seeks to align the interests of the Company's executive officers with its shareholders.

Executive Compensation Components

Overview

. The principal elements of the Company's compensation are base salary, incentive bonus awards, and equity awards. The Company's executive compensation policy recognizes that stock price is only one measure of performance, and given industry business conditions and the long-term strategic direction and goals of the Company, it may not necessarily be the best current measure of executive performance. Thus, the Compensation Committee considers the median level of compensation of its peer group and the achievement of the Company's business objectives when determining executive compensation.

In November 2007, the Compensation Committee retained an independent compensation consultant. The consultant was tasked with examining the compensation of the named executive officers and providing an analysis of that compensation relative to other companies. The consultant studied data from the proxy statements of a select group of publicly-traded companies and from nationally recognized surveys. Data from these two sources was equally weighted

in determining the median market levels of compensation. The Company's peer group was selected based on input from the Compensation Committee and senior management. In selecting the Company's peer group, the Compensation Committee and senior management considered companies that were at a similar business stage and companies that were of a similar size in the high-technology and general industries in which the Company operates. In providing its report to the Compensation Committee, the consultant also took into account that information for the Company's peer group was reported as of different dates for different companies. The companies comprising the Company's peer group were 3D Systems Corporation, Arrowhead Research Corporation, eMagin Corporation, Excel Technology, Inc., Hoku Scientific, Inc., Immersion Corporation, Keithley Instruments, Inc., Mechanical Technology Inc., MoSys, Inc., Phoenix Technologies Ltd., ThermoGenesis Corp., Universal Display Corporation, and Zygo Corp. Data from these companies was compiled and averaged over a three-year period. Since proxy data is not job specific (i.e., various positions could be represented among the named executive officers), job specific data from nationally recognized surveys was also used. The nationally recognized published surveys utilized were the Aon Executive Compensation Survey, Economic Research Institute Executive Assessor, Culpepper Technology Executive Pay Report, Mercer Executive Compensation Survey, and Watson Wyatt Top Management Compensation Survey. For determining 2009 compensation, no independent compensation consultant was retained by the Company or the Compensation Committee.

Base Salary.

Base salaries for the named executive officers are primarily based on the position, taking into account competitive market compensation paid by other companies in the Company's peer group for similar positions. Recommendations from the Chief Executive Officer as to increases in base salaries for each executive officer (other than for the Chief Executive Officer) based on the Chief Executive Officer's evaluation of the executive officer's performance are also taken into account.

As with total executive compensation, the Compensation Committee believes that executive base salaries should generally target the median base salary of the Company's peer group. Each named executive officer's base salary is also determined by reviewing the other components of the executive officer's compensation to ensure that the total compensation is in line with the Compensation Committee's overall compensation philosophy. The Compensation Committee makes a recommendation on the Chief Executive Officer's compensation to the full Board of Directors, which then has the authority to approve it.

Salaries for 2008 were based on the compensation objectives mentioned above and, in the case of Alexander Tokman, his employment agreement. Although no changes were made in the Company's overall compensation philosophy, the Company took measures to control costs in 2009, which included holding our executives' salaries consistent with 2008 levels. Mr. Tokman's employment agreement provided for a base salary increase for 2009 of 5%. In order to conserve cash, Mr. Tokman agreed to accept an award of 14,000 shares of stock in lieu of such base salary increase. Accordingly, 2009 base salaries for Messrs. Tokman, Wilson, Walker, Madhavan and Brown were \$347,288, \$204,000, \$229,288, \$202,460, and \$180,000, respectively.

Incentive Bonus.

The Compensation Committee believes that a portion of an executive officer's total compensation, an incentive bonus, should be based on the Company's performance. The Compensation Committee believes that structuring a significant portion of each executive officer's annual cash compensation as an incentive bonus, and the contingent nature of that compensation, induces an executive officer to execute on both the short and long-term goals of the Company. It has structured the executive compensation program to reflect this philosophy by creating an incentive bonus framework that translates Company performance into incentive bonuses.

Each of the named executive officers is eligible for an annual incentive bonus. The amount of the bonus depends generally on the level of Company performance, with a target set as a percentage of base salary. The Compensation Committee approves the target bonus percentages and the actual bonus awards for all executive officers, except the Chief Executive Officer. The Compensation Committee makes a recommendation to the full Board regarding the Chief Executive Officer. As Mr. Brown was no longer an executive officer of the Company at the time of

determination of bonus payments for 2009, his bonus was determined by the Chief Executive Officer. Target bonus percentages are set to be approximately at the median of the Company's peer group.

In 2009, the Compensation Committee approved 40% as a target bonus award (as a percentage of base salary) for the named executive officers other than the Chief Executive Officer. In 2009, the Compensation Committee recommended to the Board, and the Board approved, 65% as a target bonus award (as a percentage of base salary) for the Chief Executive Officer. The amount of the bonus actually awarded to executives is determined solely in the discretion of the Compensation Committee for all executive officers, except the Chief Executive Officer. The Compensation Committee makes a recommendation to the full Board regarding the Chief Executive Officer. In determining bonus amounts to be paid and recommended for 2009, the Compensation Committee evaluated factors such as overall Company performance, financial performance, advancements in the Company's technology, and team performance. This determination also included the evaluation of performance against the following business objectives set forth in the Company's 2009 operating plan: (1) maturing the Company's PicoP platform for product launch; (2) delivering on PicoP programs other than mobile device products; (3) achieving revenue, balance sheet and other financial targets; and (4) improving the effectiveness and culture of the organization.

Using its discretionary authority, the Compensation Committee recommended to the Board, and the Board approved, an incentive bonus for Alexander Tokman of \$245,700. The Compensation Committee awarded Jeff Wilson, Thomas Walker, and Sridhar Madhavan bonuses of \$81,600, \$91,700 and \$81,000 respectively. The Chief Executive Officer awarded Ian Brown a bonus of \$36,000. Due to poor economic conditions and in order to reduce the cash needs of the Company, with respect to the Chief Executive Officer, the Compensation Committee recommended to the Board, and the Board approved paying 54% of the incentive bonus in cash with the remainder paid in stock options. With respect to each of the other executive officers, as well as Mr. Brown, the Compensation Committee approved, paying the incentive bonus half in cash and the other half in stock options. The options were valued for this purpose at \$2.40 per option and had an exercise price equal to the closing market price of the Company's common stock on the NASDAQ Global Market on the grant date. The options were fully vested upon grant with a ten year term.

Equity Awards.

The Compensation Committee believes that equity participation is a key component of the Company's executive compensation program. Equity awards are designed to attract and retain executive officers and to motivate them to enhance shareholder value by aligning the financial interests of executive officers with those of shareholders. Each year the Compensation Committee reviews the size and composition of the equity grants to ensure that they are aligned with the Company's compensation philosophy of compensating executives at the median of the Company's peer group. Similar to base salary, a review of equity award levels is conducted to ensure that a named executive officer's equity compensation comports with the Compensation Committee's overall philosophy and objectives and is competitive with the Company's peer group.

Stock options and restricted stock units awarded to the named executive officers in 2009 were granted under, and subject to, the 2006 Incentive Plan. The stock options typically vest 25% upon the first anniversary of the date of grant and 25% upon each subsequent anniversary. The option awards expire 10 years from the date of grant, and optionees who terminate their service after vesting have a limited time to exercise their options (typically three to twelve months). The options also contain a provision for acceleration of exercisability of all unvested options in the event of a change in control of the Company that does not result in an assumption, substitution or pay off of such awards by the acquiring company. The restricted stock units have three-year cliff vesting, which is tied to continued employment. The exercise price of the options is the closing sale price of the Company's common stock on the NASDAQ Global Market on the date of the grant.

The Compensation Committee's practice is to make annual equity awards as part of its overall philosophy of performance-based compensation. Restricted stock and stock options are awarded by the Compensation Committee to executive officers based on a philosophy of providing equity incentives at the median of the Company's peer group. In 2009, the value of the long-term incentive award was split 70% stock options and 30% restricted stock units.

Edgar Filing: MICROVISION INC - Form 10-K/A

In 2009, the Compensation Committee approved 45% (as a percentage of base salary) for the level of equity awards to the named executive officers other than the Chief Executive Officer. The Committee recommended to the Board, and the Board approved, 110% (as a percentage of base salary) for the level of equity awarded to the Chief Executive Officer. The percentages were used to determine a total dollar value. Stock options were valued at \$2.00 and restricted stock units were valued using the grant price. Those values were then utilized to calculate the respective number of shares of options and restricted stock units to award to an executive.

In 2009, Mr. Tokman was awarded 203,707 stock options, 70,000 of which were granted in lieu of Mr. Tokman's 2008 cash bonus. Jeff Wilson, Thomas Walker, Sridhar Madhavan and Ian Brown were awarded 57,430, 64,563, 56,985 and 50,650 stock options, respectively, including, 25,300, 28,450, 25,100, and 22,300 stock options granted in lieu of 2008 cash bonuses for Mr. Wilson, Mr. Walker, Mr. Madhavan and Mr. Brown, respectively. In 2009, Mr. Tokman was awarded 236,303 restricted stock units, 14,000 of which were in lieu of a contractual base salary increase and vested in 2009 and 110,000 of which were granted pursuant to the terms of Mr. Tokman's Employment Agreement and vest based on meeting service and performance criteria awards. In 2009, Mr. Wilson, Mr. Walker, Mr. Madhavan and Mr. Brown were awarded 13,770, 15,477, 13,665 and 12,150 restricted stock units, respectively.

Tax Deductibility of Compensation

Limitations on the deductibility of compensation may occur under Section 162(m) of the Internal Revenue Code of 1986, which generally limits a public company's tax deduction for compensation paid to its named executive officers to \$1 million in any year. In addition, Section 162(m) specifically exempts certain performance-based compensation from the deduction limit. It is the intent of the Compensation Committee to have the Company's compensation program be deductible without limitation. However, the Compensation Committee will take into consideration various other factors, together with Section 162(m) considerations, in making executive compensation decisions and could, in certain circumstances, approve and authorize compensation that is not fully tax deductible.

Processes and Procedures

Role of the Compensation Committee and the Chief Executive Officer in the Compensation Process

. The Chief Executive Officer, with the assistance and support of the human resources department, provides recommendations regarding the compensation of the executive officers, including himself. The Compensation Committee considers these recommendations and consults with the Chief Executive Officer as to his recommendations for the executive officers. The Compensation Committee considers the Chief Executive Officer's recommendations, together with the Compensation Committee's philosophy, objectives and market data in approving these recommendations. The Compensation Committee makes a recommendation on the Chief Executive Officer's compensation to the full Board of Directors, who then has the authority to approve it.

Role of Compensation Consultants in the Compensation Process

. The Compensation Committee's charter provides the Compensation Committee with the authority to retain a compensation consulting firm in its discretion. However, no independent compensation consultant was retained by the Company or the Compensation Committee in connection with determining 2009 compensation.

Compensation Committee Report

The Compensation Committee has reviewed and discussed this Compensation Discussion and Analysis with management. Based on the review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this report for filing with the Securities and Exchange Commission.

Summary Compensation Table for 2009

This table shows certain information about the compensation we paid our Chief Executive Officer, our Chief Financial Officer and each of our three other most highly compensated executive officers who were serving as executive officers as of December 31, 2009. These officers are referred to as named executive officers.

Name and Principal Position	Fiscal Year	Salary (\$)	Bonus (\$)	Stock Awards (\$) (1)	Option Awards (\$) (1)	Non-Employee Compensation (\$)
Alexander Y. Tokman President and Chief Executive Officer and Director	2009	347,288	--	364,344	239,559	24
	2008	347,288	--	141,514	278,442	14
	2007	330,750	--	--	619,634	23
Jeff T. Wilson Chief Financial Officer	2009	203,804	--	25,612	67,538	8
	2008	203,030	--	34,480	78,697	5
	2007	195,892	--	--	309,067	8
Thomas M. Walker Vice President, General Counsel and Secretary	2009	229,288	--	28,787	75,926	9
	2008	227,907	--	38,662	88,236	5
	2007	205,033	--	--	310,199	9
Sridhar Madhavan Vice President, Engineering	2009	202,460	--	25,417	67,014	8
	2008	200,500	--	33,430	76,279	5
	2007	188,334	--	--	235,504	8
Ian D. Brown Vice President, Sales and Marketing	2009	180,000	--	22,599	59,564	3
	2008	178,333	--	29,757	67,908	4
	2007	170,000	--	--	134,410	7

(1) Reflects the fair value of stock and option awards on the grant date in accordance with FASB ASC Topic 718.

(2) Reflects the total amounts awarded under the annual incentive plan during fiscal 2007, 2008 and 2009, which are discussed in more detail under the heading "Incentive Bonus" in the Compensation Discussion and Analysis above. Amounts awarded for each year were paid following the Compensation Committee's review of performance targets under the plan. One-half of the amounts earned with respect to 2007 were

paid in cash to participants on March 25, 2008 and one-half of the amounts were paid in additional stock options of the Company - Alexander Tokman, Jeff Wilson, Thomas Walker, Sridhar Madhavan and Ian Brown were awarded 68,750, 25,203, 28,256, 24,419 and 21,744 stock options, respectively. Total amounts earned with respect to 2008 were paid in stock options of the Company to participants on April 23, 2009 - Alexander Tokman, Jeff Wilson, Thomas Walker, Sridhar Madhavan and Ian Brown were awarded 70,000, 25,300, 28,450, 25,100 and 22,300 stock options, respectively. One-half of the amounts earned with respect to 2009 will be paid in cash and one-half of the amounts were paid in additional stock options of the Company, except for Alexander Tokman who will receive 54% of the amount earned with respect to 2009 in cash and the remainder in additional stock options of the Company. Alexander Tokman, Jeff Wilson, Thomas Walker, Sridhar Madhavan and Ian Brown were awarded 47,021, 17,000, 19,104, 16,875, and 7,500 stock options respectively.

- (3) Perquisites and other personal benefits are valued on an aggregate incremental cost basis. All figures shown below in footnote 4 represent the direct dollar cost incurred in providing these perquisites and other personal benefits to the named executive officers.
- (4) All Other Compensation includes \$26,898 and \$22,277 for Mr. Tokman and Mr. Madhavan, respectively, of perquisites and other personal benefits in 2007. The table below shows all other amounts under All Other Compensation for fiscal 2007, 2008 and 2009:

Name and Principal Position	Fiscal Year	Amounts reimbursed for payment of taxes	Employer contribution to 401(k) account (1)
Alexander Y. Tokman	2009	--	7,350
	2008	--	6,900
	2007	11,863	6,750
Jeff T. Wilson	2009	--	3,564
	2008	--	6,900
	2007	--	1,970
Thomas M. Walker	2009	--	6,244
	2008	--	5,854
	2007	--	5,845
Sridhar Madhavan	2009	--	6,083
	2008	--	5,835
	2007	10,717	5,857
Ian D. Brown	2009	--	5,400
	2008	--	6,460
	2007	1,888	5,610

(1) This column represents the amount of matching contributions made to our qualified 401(k) retirement plan for each of our named executive officers.

Grants of Plan-Based Awards During 2009

The following table shows grants of plan based awards to our named executive officers in 2009.

Edgar Filing: MICROVISION INC - Form 10-K/A

Name	Grant Date	Estimated Possible Payments Under Non-Equity Incentive Plan Awards Target (\$)	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#) (6)	Exercise or Base Price of Option Awards (\$/Sh) (1)	Grant Date Fair Value of Stock and Option Awards (\$ (2)
Alexander Y. Tokman	04/07/2009		3	14,000		20,
	04/07/2009		4	110,000		158,
	04/23/2009		5	112,303	203,707	425,
	04/23/2009	225,737			1.86	
Jeff T. Wilson	04/23/2009		5	13,770	57,430	93,
	04/23/2009	81,600			1.86	
Thomas M. Walker	04/23/2009		5	15,477	64,563	104,
	04/23/2009	91,715			1.86	
Sridhar Madhavan	04/23/2009		5	13,665	56,985	92,
	04/23/2009	80,984			1.86	
Ian D. Brown	04/23/2009		5	12,150	50,650	82,
	04/23/2009	72,000			1.86	

(1) All option awards were granted with an exercise price equal to the closing price of our common stock on the NASDAQ Global Market on the date of grant.

(2) Reflects the fair value of option and stock awards on the date of grant in accordance with FASB ASC Topic 718.

(3) Mr. Tokman was awarded 14,000 shares of common stock in lieu

of a contractual cash salary increase for 2009, under the terms of his prior Employment Agreement effective July 18, 2005. This award vested 25% on each of April 30, 2009, June 30, 2009, September 30, 2009, and December 31, 2009.

(4) This award was granted under Mr. Tokman's current Employment Agreement effective April 7, 2009. This award vests based on satisfying both service and performance conditions. The award will vest on the later of the third anniversary of the date of grant or the first day thereafter that Mr. Tokman is not in a closed window under our insider trading policy, based on the Company achieving the following specified performance milestones: 55,000 shares are scheduled to vest based on Mr. Tokman's achievement of one operational milestone; another 55,000 shares will vest if one additional operational milestone is achieved by December 31, 2010. Shares that do not vest will be cancelled.

(5) Mr. Tokman was awarded 55,000 shares of stock which vests on the later of the third anniversary of the date of grant or the first day thereafter that Mr. Tokman is not in a closed window under our insider trading policy. In addition, Messrs. Tokman, Wilson, Walker, Madhavan, and Brown were awarded 57,303, 13,770, 15,477, 13,665, and 12,150 shares of stock which vest on the third anniversary of the date of grant.

Edgar Filing: MICROVISION INC - Form 10-K/A

- (6) Messrs. Tokman, Wilson, Walker, Madhavan, and Brown were awarded 70,000, 25,300, 28,450, 25,100, and 22,300 stock options, respectively, fully vested upon date of grant with ten year terms, in lieu of the Incentive Bonus amounts earned with respect to 2008. The remaining option awards vest 25% in annual installments beginning on the first anniversary of the date of grant and expire ten years after the date of grant.

Outstanding Equity Awards at Year-End 2009

The following table shows outstanding equity awards for our named executive officers as of December 31, 2009.

Name	Option Awards				Stock Awards		
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares of Stock That Have Not Vested (#)	Market Value of Stock Awards (\$)
Alexander Y. Tokman	1	300,000	--	2.77	07/07/2015		
	2	285,000	95,000	3.43	04/13/2016		
	2	225,000	75,000	4.46	04/13/2016		
	2	107,876	107,874	4.39	04/19/2017		
	2	37,018	111,053	2.23	03/25/2018	5	63,459
	4	68,750	--	2.23	03/25/2018	5	57,303
	2	--	133,707	1.86	04/23/2019	6	55,000
	4	70,000	--	1.86	04/23/2019	7	110,000
Jeff T. Wilson	3	7,510	--	2.77	10/24/2011		
	3	24,500	--	2.77	04/01/2012		
	3	78,629	--	2.77	06/13/2013		
	2	7,500	2,500	3.43	04/05/2016		
	2	53,808	53,806	4.39	04/19/2017		
	2	9,020	27,058	2.23	03/25/2018		
	4	25,203	--	2.23	03/25/2018		
	2	--	32,130	1.86	04/23/2019	5	15,462
4	25,300	--	1.86	04/23/2019	5	13,770	
Thomas M. Walker	3	120,000	--	2.77	05/07/2012		
	2	30,000	10,000	3.43	04/05/2016		
	2	54,004	54,004	4.39	04/19/2017		
	2	10,113	30,340	2.23	03/25/2018		
	4	28,256	--	2.23	03/25/2018		
	2	--	36,113	1.86	04/23/2019	5	17,337
	4	28,450	--	1.86	04/23/2019	5	15,477
Sridhar Madhavan	2	30,000	10,000	3.43	05/12/2016		
	2	41,000	41,000	4.39	04/19/2017		
	2	8,745	26,234	2.23	03/25/2018		
	4	24,419	--	2.23	03/25/2018		
	2	--	31,885	1.86	04/23/2019	5	14,991
	4	25,100	--	1.86	04/23/2019	5	13,665
Ian D. Brown	2	37,500	12,500	3.43	05/12/2016		
	2	23,400	23,400	4.39	04/19/2017		
	2	7,784	23,352	2.23	03/25/2018		
	4	21,744	--	2.23	03/25/2018		
	2	--	28,350	1.86	04/23/2019	5	13,344
	4	22,300	--	1.86	04/23/2019	5	12,150

- (1) The indicated option vested 20% on the grant date and 20% on each subsequent annual anniversary of the grant date.
- (2) The indicated option vests 25% on each anniversary of the grant date.
- (3) The indicated options vested 25% on the grant date and 25% on each subsequent anniversary of the grant date.
- (4) The indicated options vested 100% on the date of grant.
- (5) The indicated stock awards vest 100% on the third anniversary of the date of grant.
- (6) The indicated stock award vests 100% the later of the third anniversary of the date of grant or the first day thereafter that the officer is not in a closed window period under our insider trading policy.
- (7) The indicated stock award vests based on satisfying both service and performance conditions. The award will vest on the later of the third anniversary of the date of grant or the first day thereafter that the officer is not in a closed window under our insider trading policy, based on the Company achieving the following specified performance milestones: 55,000 shares are scheduled to vest on April 7, 2012 based on the prior achievement of an operational milestone; another 55,000 shares will vest on April 7, 2012 if an additional operational milestone is achieved by December 31, 2010. Shares that do not vest will be cancelled.

Option Exercises and Stock Vested During 2009

None of our named executive officers exercised stock options during 2009. The following table shows the number of stock awards that vested and the fair value realized by our named executive officers during 2009.

Stock Awards		
Name	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Alexander Y. Tokman	14,000	47,600
Jeff T. Wilson	--	--
Thomas M. Walker	--	--
Sridhar Madhavan	--	--
Ian D. Brown	--	--

Potential Payments upon Termination or Change in Control

All of our named executive officers, except for Alexander Tokman, are employed at will and do not have employment agreements. Mr. Tokman's employment agreement is summarized below. Under the 2006 Incentive Plan, 100% of

Edgar Filing: MICROVISION INC - Form 10-K/A

each of the named executive officers' options which have not been exercised will become fully vested and immediately exercisable upon a change of control of the Company that does not result in an assumption, substitution or pay off of such award by the acquiring company. In addition, 100% of each named executive officers restricted stock units will become fully vested upon a change of control of the Company.

The following table sets forth aggregate estimated payment obligations to each of our named executive officers assuming a termination without cause, or a change in control, occurred on December 31, 2009.

Name	Payments Due in Connection with a Termination of Employment without Cause or for Good Reason	Payments Due in Connection with a Change of Control and Termination of Employment without Cause or for Good Reason	Payments with C
Alexander Y. Tokman	731,668	2,404,191	
Jeff T. Wilson	--	--	
Thomas M. Walker	--	--	
Sridhar Madhavan	--	--	
Ian D. Brown	--	--	

(1) We used the following assumptions to calculate these payments:

- We included the estimated intrinsic value of accelerating any award of stock options or awards that are accelerated upon a change in control. In the case of a change in control, we assumed that all such awards would be cashed out at closing using the closing price of our common stock on the NASDAQ Global Market on December 31, 2009, which was \$3.17 per share. See the table titled 'Outstanding Equity Awards at Fiscal Year-End 2009' for information regarding unvested equity awards.

Employment Agreement

Payment upon Termination. Under Mr. Tokman's employment agreement with the Company dated April 7, 2009, if he dies, becomes disabled, retires, terminates his employment other than for "good reason" or is terminated by us for "cause," he will be provided his earned but unpaid base salary, earned but unused vacation time, any bonus compensation for the prior year which is unpaid on the date of termination to the extent bonuses are paid to other officers, 18 months of certain group and medical benefits for Mr. Tokman's family and any business expenses which have not yet been reimbursed by us. If we terminate him "other than for cause," or if he terminates his employment for "good reason," he will receive, in addition to the amounts listed in the foregoing sentence, his base salary for 18 months following the date of his termination, plus an amount equal to his target bonus for the year prior to the termination, and we will continue to pay certain group medical and dental expenses in that 18-month period. We do not accelerate the vesting of equity incentives for our executive officers in the event of a termination of employment. In the event of a change in control of the Company, all unvested stock options vest upon the change in control if the change in control does not result in an assumption, substitution or pay off of such award by the acquiring company, and the Compensation Committee has the discretion to remove the vesting restrictions on all unvested restricted shares.

In determining whether a termination occurred with or without "cause," "cause" is deemed to exist under Mr. Tokman's employment agreement when there is a repeated willful failure to perform or gross negligence in the performance of his duties; fraud, embezzlement or other dishonesty with respect to us; a material breach of his obligations of confidentiality, non-competition, or non-solicitation against us; or commission of a felony or other crime involving moral turpitude.

Edgar Filing: MICROVISION INC - Form 10-K/A

In determining whether Mr. Tokman has "good reason" to terminate his employment, "good reason" is deemed to exist when: we have failed to continue him in a certain position; there is a substantial diminution in the nature and scope of his responsibilities; there is a material failure of us to provide him with base salary and benefits, excluding an inadvertent failure which is cured within a certain time period; or his office is relocated more than thirty-five miles from the then-current location of our principal offices without his consent. Mr. Tokman may only terminate his employment for good reason if he (a) gives notice to us within ninety (90) days of the initial occurrence of the event or condition constituting good reason, setting forth in reasonable detail the nature of such good reason; (b) we fail to cure within thirty (30) days following such notice; and (c) Mr. Tokman terminates his employment within thirty (30) days following the end of the thirty (30)-day cure period (if we fail to cure).

Payment upon a Change in Control

. In the event of a change of control and the termination of Mr. Tokman's employment "other than for cause" by us within two years following a change of control or if Mr. Tokman terminates his employment for "good reason" within six months following a change of control, we must pay Mr. Tokman an amount equal to two times the sum of one year of base salary plus a payment equal to his target bonus. The foregoing amount will be paid in a single lump sum. We must also pay the full cost of Mr. Tokman's continued participation in our group health and dental plans for two years or, if less, for so long as he remains entitled to continue such participation under applicable law. In addition, 100% of his options, restricted stock or other equity awards which have not been exercised and have not expired or been surrendered or cancelled, will become exercisable in accordance with the applicable award agreement.

Our obligation to pay the severance amounts mentioned in this "Payments upon a Termination or Change in Control" section is subject to Mr. Tokman signing an employee release. Also, Mr. Tokman must comply with certain confidential information and assignment of intellectual property obligations. Further, Mr. Tokman is subject to a non-compete and non-solicit obligation for 12 months following his termination.

Director Compensation for 2009

The following table provides information concerning our non-employee directors during 2009. Alexander Tokman was not paid additional compensation for his service as director and his compensation is fully reflected in the other tables contained in this report.

Name	Fees Earned		Total (\$)
	or Paid in Cash (\$)	Option Awards (\$) (1) (2)	
Richard A. Cowell	48,000	40,004	88,004
Slade Gorton	50,000	40,004	90,004
Jeanette Horan	48,000	40,004	88,004
Marc Onetto (4)	8,000	--	8,000
Brian Turner	51,000	40,004	91,004

(1) Reflects the fair value of option awards on the grant date in accordance with FASB ASC Topic 718

(2) The following table shows the number of outstanding shares underlying option and stock awards for each of our non-employee directors as of December 31, 2009:

Name	Outstanding	Outstanding
	Option Awards (#)	Stock Awards (#) (3)
-----	-----	-----

Edgar Filing: MICROVISION INC - Form 10-K/A

Richard A. Cowell	153,867	7,092
Slade Gorton	120,000	7,092
Jeanette Horan	90,000	7,092
Marc Onetto (4)	75,000	7,092
Brian Turner	90,000	7,092

(3) The indicated awards represent one-half of each non-employee directors' annual fee for 2008, which was paid in shares of common stock.

(4) Marc Onetto did not stand for reelection in 2009 and was not a director of the Company as of December 31, 2009.

Each non-employee director is granted a nonstatutory option to purchase 15,000 shares of common stock on the date on which he or she is first elected or appointed to the Board of Directors. These options are fully vested and immediately exercisable upon the date of grant. Each non-employee director also receives, upon his or her initial appointment or election and upon each subsequent reelection to the Board of Directors, an option to purchase 15,000 shares that will vest in full on the earlier of (i) the day prior to the date of our annual meeting of shareholders next following the date of grant, or (ii) one year from the date of grant, provided the non-employee director continues to serve as a director on the vesting date. If a non-employee director ceases to be a director for any reason other than death or disability before his or her term expires, then any outstanding unvested options issued to such Independent Director will be forfeited. Options vested as of the date of termination for any reason other than death or disability are exercisable through the date of expiration. The exercise price for each option is equal to the closing price of our common stock as reported on the NASDAQ Global Market on the date of grant. The options generally expire on the tenth anniversary of the date of grant.

In addition, each non-employee director generally receives the following cash compensation for his or her service as a director:

- A fee of \$20,000 that accrues as of the date of appointment or election to the Board of Directors, and as of the date of each subsequent reelection;
- A fee of \$3,000 for the Board chair or \$2,000 per director for each Board meeting attended by the director; and
- A fee of \$3,000 for the committee chair or \$2,000 per committee member for each committee meeting attended by the director that is held on a day other than a day on which a Board meeting is held.

Mr. Mulligan, who joined our Board as a non-employee director in January 2010, did not receive an option award or other compensation upon joining the Board and is not currently being compensated for his services as a director. All directors are reimbursed for reasonable travel and other out-of-pocket expenses incurred in attending meetings of the Board of Directors.

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

Security Ownership of Certain Beneficial Owners and Management

The following table shows as of April 27, 2010, the number of shares of our common stock owned beneficially by our directors and nominees, the named executive officers, and all directors and executive officers as a group and each persons known by us to own beneficially more than 5% of our outstanding common stock.

Edgar Filing: MICROVISION INC - Form 10-K/A

Name of Beneficial Owner	Number of Shares (1)	Percent of Common Stock (2)
Alexander Y. Tokman (3)	1,477,548	1.
Jeff T. Wilson (4)	295,827	*
Thomas M. Walker (5)	354,070	*
Sridhar Madhavan (6)	196,855	*
Ian D. Brown (7)	162,300	*
Richard A. Cowell (8)	165,659	*
Slade Gorton (9)	129,092	*
Jeanette Horan (10)	97,092	*
Perry Mulligan (11)	11,638	*
Brian Turner (12)	97,092	*
Max Display Enterprises Limited (13)	10,095,299	11.
All executive officers and directors as a group (11 persons) (14)	2,987,173	3.

* Less than 1% of the outstanding shares of common stock.

(1) Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Shares of common stock subject to options or warrants that are currently exercisable or convertible or may be exercised or converted within sixty days are deemed to be outstanding and to be beneficially owned by the person holding these options or warrants for the purpose of

computing the number of shares beneficially owned and the percentage of ownership of the person holding these securities, but are not outstanding for the purpose of computing the percentage ownership of any other person or entity. Subject to community property laws where applicable, and except as otherwise noted, we believe that each shareholder named in this table has sole voting and investment power with respect to the shares indicated as beneficially owned thereby.

(2) Percentage of common stock is based on 88,723,000 shares of common stock outstanding as of April 27, 2010.

(3) Includes 1,435,048 shares issuable upon exercise of options.

(4) Includes 294,927 shares issuable upon exercise of options.

(5) Includes 346,070 shares issuable upon exercise of options.

- (6) Includes 193,355 shares issuable upon exercise of options.
- (7) Includes 159,300 shares issuable upon exercise of options.
- (8) Includes 148,867 shares issuable upon exercise of options.
- (9) Includes 120,000 shares issuable upon exercise of options.
- (10) Includes 90,000 shares issuable upon exercise of options.
- (11) Includes 11,638 shares issuable upon exercise of options.
- (12) Includes 90,000 shares issuable upon exercise of options.
- (13) Based on information set forth in a Form 3 filed with the SEC on June 30, 2009 by Max Display Enterprises Limited and Walsin Lihwa. Includes 2,019,060 shares issuable upon exercise of warrants.
- (14) Includes 2,889,205 shares issuable upon exercise of options.

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

Under the Code of Conduct adopted by us, officers, directors and employees must avoid even the appearance of a conflict of interest. Under the Code of Ethics for Microvision Executives we have adopted, our chief executive officer, chief financial officer and other senior operating and financial executives must report any material transaction or relationship that reasonably could be expected to give rise to a conflict of interest. We also review questionnaires completed by all directors and executive officers for potential "related-person transactions" between us and related persons. The Board's Audit Committee is responsible for review, approval, or ratification of related-person transactions. The Audit Committee determines whether the related person has a material interest in a transaction and may approve, ratify, rescind, or take other action with respect to the transaction in its discretion.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Our independent auditors, PricewaterhouseCoopers LLP, billed the following fees to us for audit and other services for the fiscal years 2009 and 2008:

Audit Fees

The aggregate fees billed for professional services rendered by PricewaterhouseCoopers LLP for the audit of our annual financial statements and the reviews of the financial statements included in our Quarterly Reports on Form 10-Q were \$414,100 for the year ended December 31, 2009 and were \$529,280 for the year ended December 31, 2008.

Audit Related Fees

There were no fees for audit related services in 2009 or 2008.

Tax Fees

Fees for tax services, including federal and state tax compliance, tax advice and tax planning, totaled \$0 in 2009 and \$1,732 in 2008.

All Other Fees

Fees for all other services not described above totaled \$1,500 in each of 2009 and 2008 for a subscription to an online accounting research tool.

The Audit Committee has considered whether the provision of services under the heading "All Other Fees" is compatible with maintaining the accountants' independence and has determined that it is consistent with such independence.

Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditor

The Audit Committee pre-approves all audit services and all permitted non-audit services by the independent auditors. The Audit Committee has delegated the authority to take such action between meetings to the Audit Committee chairman, who reports the decisions made to the full Audit Committee at its next scheduled meeting.

The Audit Committee evaluates whether our use of the independent auditors for permitted non-audit services is compatible with maintaining the independence of the independent auditors. The Audit Committee's policies prohibit us from engaging the independent auditors to provide any services relating to bookkeeping or other services related to accounting records or financial statements, financial information systems design and implementation, appraisal or valuation services, fairness opinions or contribution-in-kind reports, actuarial services, or internal audit outsourcing services unless it is reasonable to conclude that the results of these services will not be subject to audit procedures. The Audit Committee's policies completely prohibit us from engaging the independent auditors to provide any services relating to any management function, expert services not related to the audit, legal services, broker-dealer, investment adviser, or investment banking services or human resource consulting.

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.

MICROVISION, INC.

Date: April 30, 2010

BY: /s/ Alexander Y. Tokman

Alexander Y. Tokman

Chief Executive Officer

(Principal Executive Officer)

Date: April 30, 2010

BY: /s/ Jeff Wilson

Jeff Wilson

Chief Financial Officer

(Principal Financial Officer)

EXHIBIT INDEX

The following documents are filed herewith or have been included as exhibits to previous filings with the Securities and Exchange Commission and are incorporated by reference as indicated below.

- 3.1 Amended and Restated Certificate of Incorporation of Microvision, Inc., as amended ⁽¹⁴⁾
- 3.2 Bylaws of Microvision, Inc. ⁽²⁾
- 4.1 Form of Specimen Stock Certificate for Common Stock. ⁽²⁾
- 4.3 Form of Warrant issued under the Securities Purchase Agreement dated as of March 11, 2005 by and among Microvision, Inc. and the investors listed on the Schedule of Buyers thereto. ⁽⁵⁾
- 4.5 Warrant No. 1 to Purchase Common Stock of Microvision, Inc. issued August 9, 2005 to Satellite Strategic Finance Partners, Ltd. ⁽⁷⁾
- 4.6 Warrant No. 2 to Purchase Common Stock of Microvision, Inc. issued August 9, 2005 to Satellite Strategic Finance Associates, LLC. ⁽⁷⁾
- 4.7 Warrant No. 88 to Purchase Common Stock of Microvision, Inc. issued August 31, 2005 to Omicron Master Trust ⁽⁸⁾
- 4.8 Form of Warrant issued under the Securities Purchase Agreement dated as of November 30, 2005 by and among Microvision, Inc. and the investors listed on the Schedule of Buyers thereto. ⁽⁹⁾
- 4.9 Registration Rights Agreement dated as of May 3, 2006 by and between Microvision, Inc. and Satellite Strategic Finance Associates, LLC. ⁽¹⁰⁾
- 4.10 Form of Underwriter's Warrant Agreement dated June 5, 2006 by and between Microvision, Inc. and MDB Capital Group, LLC. ⁽¹¹⁾
- 4.11 Form of Warrant issued under the Placement Agency Agreement dated as of July 18, 2008 by and between Microvision, Inc. and FTN Securities Corp., as representative of the several placement agents named therein. ⁽¹³⁾
- 10.1 Assignment of License and Other Rights between The University of Washington and the Washington Technology Center and the H. Group, dated July 25, 1993. ⁽¹⁾
- 10.2 Project II Research Agreement between The University of Washington and the Washington Technology Center and

Edgar Filing: MICROVISION INC - Form 10-K/A

	Microvision, Inc., dated October 28, 1993. ⁽¹⁾⁺
10.3	Exclusive License Agreement between The University of Washington and Microvision, Inc., dated October 28, 1993. ⁽¹⁾⁺
10.4	Exclusive License Agreement between the University of Washington and Microvision, Inc. dated March 3, 1994. ⁽⁴⁾
10.5	Microvision, Inc. 2006 Incentive Plan, as amended. ^{(12)*}
10.6	Independent Director Stock Option Plan, as amended. ^{(3)*}
10.8	Employment Agreement between Microvision, Inc. and Alexander Y. Tokman dated April 7, 2009. ⁽¹⁶⁾
10.9	Lease Agreement between CarrAmerica Reality Operating Partnership, L.P. and Microvision, Inc., dated July 15, 2005. ⁽⁶⁾
10.10	Securities Purchase Agreement dated June 22, 2009 by and between the Company and Max Display Enterprises Limited ⁽¹⁵⁾
10.11	Registration Rights Agreement dated June 22, 2009 by and between the Company and Max Display Enterprises Limited ⁽¹⁵⁾
10.12	Warrant No. 120 to Purchase Common Stock of Microvision, Inc. issued June 22, 2009 to Max Display Enterprises Limited ⁽¹⁵⁾

(1) Incorporated by reference to the Company's Form SB-2 Registration Statement, Registration No. 333-05276-LA.

(2) Incorporated by reference to the Company's Post-Effective Amendment to Form S-3 Registration Statement, Registration No. 333-102244.

(3) Incorporated by reference to the Company's Form 10-Q for the quarterly period ended June 30, 2002.

(4) Incorporated by reference to the Company's Current Report on Form 8-K filed on March 5, 2003.

(5) Incorporated by reference to the Company's Current Report on Form 8-K filed on March 14, 2005.

(6) Incorporated by reference to the Company's Form 10-Q for the quarterly period ended June 30, 2005.

(7) Incorporated by reference to the Company's Current Report on Form 8-K filed on August 10, 2005.

(8) Incorporated by reference to the Company's Current Report on Form 8-K filed on September 2, 2005.

(9) Incorporated by reference to the Company's Current Report on Form 8-K filed on December 1, 2005.

(10) Incorporated by reference to the Company's Current Report on Form 8-K filed on May 5, 2006.

(11) Incorporated by reference to the Company's Current Report on Form 8-K filed on May 31, 2006.

Edgar Filing: MICROVISION INC - Form 10-K/A

(12) Incorporated by reference to the Company's Form 10-Q for the quarterly period ended September 30, 2008.

(13) Incorporated by reference to the Company's Current Report on Form 8-K filed on July 18, 2008.

(14) Incorporated by reference to the Company's Form 10-Q for the quarterly period ended September 30, 2009

(15) Incorporated by reference to the Company's Form 10-Q for the quarterly period ended June 30, 2009

(16) Incorporated by reference to the Company's Form 10-Q for the quarterly period ended March 31, 2009

(17) Incorporated by reference to the Company's Original 10-K

+ Subject to confidential treatment.

* Management contracts and compensatory plans and arrangements required to be filed as exhibits pursuant to Item 15(b) of this Report.