

MICROVISION INC  
Form DEF 14A  
May 17, 2005  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )**

Filed by the Registrant  Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**Microvision, Inc.**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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Table of Contents

**MICROVISION, INC.**

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**NOTICE OF 2005 ANNUAL MEETING**

**June 30, 2005**

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Dear Microvision Shareholder:

The Annual Meeting of Shareholders of Microvision, Inc. (the Company), will be held at the Meydenbauer Center, 11100 NE 6 Street, Bellevue, Washington on June 30, 2005, at 9:00 a.m. for the following purposes:

1. To elect eight directors to serve until the next annual meeting;
2. To approve an amendment to the Company's Independent Director Stock Option Plan to increase the number of shares reserved for issuance under the plan by 400,000 to a total of 900,000 shares; and
3. To conduct any other business that may properly come before the meeting and any adjournment or postponement of the meeting.

Details of the business to be conducted at the meeting are more fully described in the accompanying Proxy Statement. Please read it carefully before casting your vote.

If you were a shareholder of record on May 12, 2005, you will be entitled to vote on the above matters. A list of shareholders as of the record date will be available for shareholder inspection at the headquarters of the Company, 19910 North Creek Parkway, Bothell, Washington 98011, during ordinary business hours, from June 20, 2005 to the date of our Annual Meeting. The list also will be available for inspection at the Annual Meeting.

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**Important!**

Whether or not you plan to attend the annual meeting, your vote is very important.

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After reading the enclosed Proxy Statement, you are encouraged to vote by (1) toll-free telephone call, (2) the Internet or (3) completing, signing and dating the enclosed proxy card and returning it as soon as possible in the accompanying postage prepaid (if mailed in the U.S) return envelope. If you are voting by telephone or the Internet, please follow the instructions on the proxy card. You may revoke your proxy at any time before it is voted by following the instructions provided below.

If you need assistance voting your shares, please call

**Investor Relations at (425) 415-6847**

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The Board of Directors recommends a vote FOR the election of eight directors and a vote FOR the proposed amendment to the Company's Independent Director Stock Option Plan.

At the meeting, you will have an opportunity to ask questions about the Company and its operations. You may attend the meeting and vote your shares in person even if you return your proxy card or vote by telephone or Internet. Your proxy (including a proxy granted by telephone or the Internet) may be revoked by sending in another signed proxy card with a later date, sending a letter revoking your proxy to the Company's Secretary in Bothell, Washington, voting again by telephone or Internet, or attending the Annual Meeting and voting in person.

We look forward to seeing you. Thank you for your ongoing support of and interest in Microvision, Inc.

Sincerely,

Richard F. Rutkowski

Chief Executive Officer

May 16, 2005

Bothell, Washington

Table of Contents

**MICROVISION, INC.**

**19910 North Creek Parkway**

**Bothell, Washington 98011**

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**PROXY STATEMENT FOR ANNUAL MEETING  
OF SHAREHOLDERS**

**June 30, 2005**

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**TABLE OF CONTENTS**

<u>INFORMATION ABOUT THE ANNUAL MEETING AND VOTING</u>	1
<u>DISCUSSION OF PROPOSALS RECOMMENDED BY THE BOARD</u>	3
<u>Proposal One Election Of Directors</u>	3
<u>Board Meetings and Committees</u>	5
<u>Shareholder Communication with the Board of Directors</u>	8
<u>Director Compensation</u>	8
<u>Compensation Committee Interlocks and Insider Participation</u>	8
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	8
<u>Code of Ethics</u>	9
<u>Proposal Two Amendment to the Independent Director Stock Option Plan</u>	9
<u>Summary of the Director Plan</u>	9
<u>Federal Income Tax Consequences</u>	10
<u>OTHER BUSINESS</u>	10
<u>EXECUTIVE COMPENSATION AND OTHER MATTERS</u>	11
<u>Executive Compensation</u>	12
<u>Stock Option Grants in the Last Fiscal Year</u>	13
<u>Aggregated Option Values as of Year End 2004</u>	14
<u>Executive Loan Plans</u>	14
<u>Certain Tax Considerations Related to Executive Compensation</u>	14
<u>Report on Executive Compensation For 2004 by the Compensation Committee</u>	14
<u>INFORMATION ABOUT MICROVISION COMMON STOCK OWNERSHIP</u>	16

<u>STOCK PERFORMANCE GRAPH</u>	18
<u>EQUITY COMPENSATION PLAN INFORMATION</u>	19
<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	22
<u>AUDIT COMMITTEE REPORT</u>	23
<u>INDEPENDENT ACCOUNTANTS</u>	25
<u>INFORMATION ABOUT SHAREHOLDER PROPOSALS</u>	26
<u>ADDITIONAL INFORMATION</u>	27
<u>Annual Report</u>	27
<u>Incorporation by Reference</u>	27
<u>Householding</u>	27
<u>Voting by Telephone or the Internet</u>	27

**Table of Contents**

**INFORMATION ABOUT THE ANNUAL MEETING AND VOTING**

**Q: Why did you send me this Proxy Statement?**

**A:** We sent you this Proxy Statement and the enclosed proxy card because the board of directors of the Company (the Board or the Board of Directors ) is soliciting your proxy to vote at the 2005 Annual Meeting of Shareholders (the Annual Meeting ). The Annual Meeting will be held at the Meydenbauer Center, 11100 NE 6<sup>th</sup> Street, Bellevue, Washington on June 30, 2005, at 9:00 a.m.

This Proxy Statement summarizes the information regarding the matters to be voted upon at the Annual Meeting. You do not need to attend the Annual Meeting, however, to vote your shares. You may simply complete, sign, and return the enclosed proxy card or vote your shares by telephone or over the Internet in accordance with the instructions contained on the proxy card.

On May 5, 2005 there were 21,480,669 shares of common stock of the Company outstanding. If you owned shares of our common stock at the close of business on the record date, you are entitled to one vote for each share of common stock you owned as of that date. We began mailing this Proxy Statement on or about May 18, 2005 to all shareholders entitled to vote their shares at the Annual Meeting.

**Q: How many votes do I have?**

**A:** You have one vote for each share of common stock that you owned on the record date. The proxy card will indicate the number of shares.

**Q: How do I vote by proxy?**

**A:** If you properly cast your vote by either executing and returning the enclosed proxy card or by voting your proxy by telephone or via the Internet, and your vote is not subsequently revoked by you, your vote will be voted in accordance with your instructions. If you sign the proxy card but do not make specific choices, your proxy will vote your shares as recommended by the Board as follows:

FOR electing all eight nominees for Director, and

FOR the proposed amendment to the Company's Independent Director Stock Option Plan.

If any other matter is presented, your proxy will vote in accordance with his best judgment. At the time we printed this Proxy Statement, we knew of no matters that needed to be acted on at the Annual Meeting other than those discussed in this Proxy Statement.

**Q: May my broker vote for me?**

**A:** Under the rules of the National Association of Securities Dealers, if your broker holds your shares in its street name, the broker may vote your shares on routine matters even if it does not receive instructions from you. At the Annual Meeting your broker may, without instructions from you, vote on Proposal 1 but not Proposal 2.

**Q: What are abstentions and broker non-votes?**

**A:** An abstention represents the action by a shareholder to refrain from voting for or against a proposal. Broker non-votes represent votes that could have been cast on a particular matter by a broker, as a shareholder of record, but that were not cast because the broker (i) lacked discretionary voting authority on the matter and did not receive voting instructions from the beneficial owner of the shares, or (ii) had discretionary voting authority but nevertheless refrained from voting on the matter.



**Table of Contents**

**Q: May I revoke my proxy?**

**A:** Yes. You may change your mind after you send in your proxy card or vote your shares by telephone, via the Internet or at the Annual Meeting by following these procedures. To revoke your proxy:

Send in another signed proxy card with a later date;

Send a letter revoking your proxy to Microvision's Secretary at the Company's offices in Bothell, Washington;

Vote again by telephone or Internet; or

Attend the Annual Meeting and vote in person.

**Q: How do I vote in person?**

**A:** If you plan to attend the Annual Meeting and vote in person, we will give you a ballot when you arrive. If your shares are held in the name of your broker, bank, or other nominee, you must bring an account statement or letter from that broker, bank, or nominee. The account statement or letter must show that you were the direct or indirect beneficial owner of the shares on May 12, 2005, the record date for voting. Alternatively, you may contact the person in whose name your shares are registered and obtain a proxy from that person and bring it to the Annual Meeting.

**Q: What is the quorum requirement for the meeting?**

**A:** The quorum requirement for holding the meeting and transacting business is a majority of the outstanding shares entitled to be voted. The shares may be present in person or represented by proxy at the meeting. Both abstentions and broker non-votes are counted as present for the purpose of determining the presence of a quorum.

**Q: What vote is required to approve the election of directors?**

**A:** The eight nominees for director who receive the most votes will be elected. So, if you do not vote for a nominee, or you withhold authority to vote for a nominee, your vote will not count either for or against the nominee. Abstentions and broker non-votes will have no effect on the outcome of voting for directors.

**Q: What vote is required to approve the proposed amendment to the Company's Independent Director Stock Option Plan?**

**A:** The amendment to the Independent Director Stock Option Plan will be approved if the number of votes cast in favor of this proposal exceeds the number of votes cast against this proposal. Abstentions and broker non-votes will not be counted for or against the proposal and will have no effect on the outcome of the vote.

**Q: Is voting confidential?**

**A:** We keep all the proxies and ballots private as a matter of practice.

**Q:** **What are the costs of soliciting these proxies?**

**A:** The Company will pay all the costs of soliciting these proxies. In addition to the solicitation of proxies by mail, our officers and employees also may solicit proxies by telephone, fax or other electronic means of communication, or in person. We will reimburse banks, brokers, nominees, and other fiduciaries for the expenses they incur in forwarding the proxy materials to you.

**Q:** **Who should I call if I have any questions?**

**A:** If you have any questions about the Annual Meeting, voting or your ownership of Microvision common stock, please call us at (425) 415-6847 or send an e-mail to [ir@microvision.com](mailto:ir@microvision.com).

**Table of Contents****DISCUSSION OF PROPOSALS RECOMMENDED BY THE BOARD****Proposal One Election Of Directors**

The Board of Directors oversees our business and affairs and monitors the performance of management. In accordance with corporate governance principles, the Board does not involve itself in day-to-day operations of the Company. The directors keep themselves informed through discussions with the Chief Executive Officer, other key executives, and our principal advisers by reading the reports and other materials that we send them regularly and by participating in Board and committee meetings. Our directors hold office until their successors have been elected and duly qualified unless the director resigns or by reason of death or other cause is unable to serve. We currently have one vacancy on our Board of Directors due to William Owens' resignation from the Board of Directors in December 2003. The Board of Directors continues to seek, from time to time, additional board members to fill any vacancies who bring expertise in technology, commercialization, and distribution. Until the vacancy is filled, our Board of Directors will consist of the members who are elected at the Annual Meeting to serve until their successors are duly elected and qualified at the next annual meeting of shareholders, unless the director resigns or by reason of death or other cause is unable to serve in the capacity of director. Proxies cannot be voted for a greater number of persons than the number of nominees named.

If any nominee is unable to stand for election, the shares represented by all valid proxies will be voted for the election of such substitute nominee as the Board of Directors may recommend. All of the nominees are currently directors of the Company. The Company is not aware that any nominee is or will be unable to stand for election.

Proxies received from shareholders, unless directed otherwise, will be voted FOR the election of the nominees listed below. THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ALL OF THE NOMINEES NAMED BELOW AS DIRECTORS OF THE COMPANY.

Set forth below are the name, position held and age of each of the nominees for director of the Company. The principal occupation and recent employment history of each of the nominees are described below, and the number of shares of common stock beneficially owned by each nominee as of May 5, 2005, is set forth on pages 16 and 17.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Richard F. Rutkowski (3)	49	Chief Executive Officer, Director
Stephen R. Willey	51	President, Director
Jacqueline Brandwynne (1)(3)(4)*	67	Director
Richard A. Cowell (2)(4)*	57	Director
Slade Gorton (4)*	77	Director
Walter J. Lack (1)(2)(3)(4)*	57	Chairman of the Board, Director
Robert A. Ratliffe (1)(4)*	44	Director
Dennis Reimer (1)(2)(4)*	65	Director

\* Independent Directors

(1) Member of the Compensation Committee

(2) Member of the Audit Committee

(3) Member of the Finance Committee

(4) Member of the Nominating and Corporate Governance Committee



**Table of Contents**

Richard F. Rutkowski has served as Chief Executive Officer of the Company since September 1995 and as a director since August 1995. Mr. Rutkowski also served as the Company's President from July 1996 to August 2002. From November 1992 to May 1994, Mr. Rutkowski served as Executive Vice President of Medialink Technologies Corporation (formerly Lone Wolf Corporation), a developer of high-speed digital networking technology for multimedia applications in audio-video computing, consumer electronics, and telecommunications. From February 1990 to April 1995, Mr. Rutkowski was a principal of Rutkowski, Erickson, Scott, a consulting firm. Mr. Rutkowski also serves as a director of Lumera Corporation and CMT Crimble Microtest.

Stephen R. Willey has served as President of the Company since August 2002 and as a director since June 1995. Mr. Willey served as the Company's Executive Vice President from October 1995 to August 2002, and an Industrial Fellow for the University of Washington's HIT Lab from October 1993 to October 1996. From January 1994 to April 1996, Mr. Willey served as an outside consultant to the Company through The Development Group, Inc. ( DGI ), a business and technology consulting firm founded by Mr. Willey in 1985. Mr. Willey served as Division Manager CREO Products, Inc., an electro-optics equipment manufacturer, from June 1989 to December 1992. Mr. Willey serves as a director of Pro.Net Communications, Inc., AirIQ, Inc., and eVenture Capital Corporation.

Jacqueline Brandwynne has served as a director of the Company since October 2000. Ms. Brandwynne is President and CEO of Brandwynne Corporation, a business focusing on venture capital and strategic consulting. Ms. Brandwynne founded Brandwynne Corporation in 1981. Ms. Brandwynne is a business strategist with over twenty-five years of experience working with companies including Citicorp, where she was the Global Business Strategist, American Cyanamid, Bristol Myers/Claireol, Revlon, National Liberty Life, Seagram & Sons, and Neutrogena. She is co-founder of two biotech companies and consults and advises several companies on strategic planning. She serves on several not-for-profit Boards, including the Board of Governors of Cedar Sinai Medical Center, the California Institute of the Arts, and Amici Degli Uffici in Florence, Italy.

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. 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 Booz Allen Hamilton, Inc. 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 and received awards for a number of documents relating to the potential future capabilities of various services and agencies.

Slade Gorton joined the company as a director in September 2003. Mr. Gorton is currently Of Counsel at the law firm of Preston Gates & Ellis 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. In 1968 he was elected Attorney General of Washington State where he served until 1980. Mr. Gorton also served on the President's Consumer Advisory Council (1975-77), the Washington State Criminal Justice Training Commission (1969-1981), the National Commission on Federal Election Reform (2001), and was chairman of the Washington State Law & Justice Commission (1969-76). Mr. Gorton also served in the U.S. Army, U.S. Air Force, and the U.S. Air Force Reserves. Mr. Gorton was a Commissioner on the National Commission on Terrorist Attacks upon the United States ( 9-11 Commission ). Mr. Gorton is a director of Vigilos, Inc. and on the advisory board of Intermedia Partners VIII, L.P.

Walter J. Lack has served as a director of the Company since August 1995. Mr. Lack is a partner of Engstrom, Lipscomb & Lack, a Los Angeles, California law firm that he founded in 1974. Mr. Lack has acted as a special arbitrator for the Superior Court of the State of California since 1976 and for the American Arbitration Association since 1979. He is a member of the International Academy of Trial Lawyers and an Advocate of the American Board of Trial Advocates. Mr. Lack also serves as a director of HCCH Insurance Holdings, Inc., a

## **Table of Contents**

multinational insurance company listed on The New York Stock Exchange. He is a director of SUPERGEN, Inc., a pharmaceutical company listed on Nasdaq, dedicated to the development of products for the treatment of various cancers. He is also a director of Spectrum Laboratories, Inc. Mr. Lack has been involved in a number of start-up companies, both as an investor and as a director.

Robert A. Ratliffe has served as a director of the Company since July 1996. Mr. Ratliffe is currently Senior Vice President, Portfolio Management of Kennedy Associates Real Estate Counsel, Inc., a full service institutional real estate investment advisor. From 1996 through April 2003, Mr. Ratliffe was Vice President and principal of Eagle River, Inc., an investment company specializing in the telecommunications and technology sectors, and held various management positions for the firm's portfolio companies. From 1986 to 1996, Mr. Ratliffe served as Senior Vice President, Communications, for AT&T Wireless Services, Inc., and its predecessor, McCaw Cellular Communications, Inc., where he also served as Vice President of External Affairs and as Vice President of Acquisitions and Development. Prior to joining McCaw Cellular Communications, Inc., Mr. Ratliffe was a Vice President with Seafirst Bank. Mr. Ratliffe serves as Chairman of the Board of Directors of Lumera Corporation.

General Dennis J. Reimer, USA, (Ret.) has served as a director of the Company since February 2000. General Reimer is the Director of the National Memorial Institute for the Prevention of Terrorism. General Reimer became the 33rd Chief of Staff, U.S. Army on June 20, 1995. Prior to that, he was the Commanding General of the United States Army, Forces Command, Fort McPherson, Georgia. During his military career he has commanded soldiers from company to Army level. General Reimer served in a variety of joint and combined assignments and has served two combat tours in Vietnam. He also served in Korea as the Chief of Staff, Combined Field Army and Assistant Chief of Staff for Operations and Training, Republic of Korea/United States Combined Forces Command. He served three other tours at the Pentagon as aide-de-camp to the Army Chief of Staff, General Creighton Abrams, as the Deputy Chief of Staff for Operations and Plans for the Army during Desert Storm, and as Army Vice Chief of Staff. General Reimer serves on the boards of DRS Technologies, Inc. and Mutual of America Life Insurance Company.

## **Board Meetings and Committees**

The Board of Directors met seven times during 2004. Each Director 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. The Company has adopted a policy that each of the Company's Directors be requested to attend the Company's Annual Meeting each year. Seven Directors attended the Company's Annual Meeting in 2004.

## ***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 the Company. As a result of its annual review, the Board has determined that all of the Directors, with the exception of Richard F. Rutkowski and Stephen R. Willey, are independent. The Independent Directors are identified by an asterisk on the preceding table which lists each of the Directors.



## **Table of Contents**

### ***Committees***

The Board of Directors has an Audit Committee, a Compensation Committee, and a Nominating and Corporate Governance Committee. The Board of Directors has adopted a written charter for each of these Committees. The full text of each charter is available on the Company's website located at [www.microvision.com](http://www.microvision.com).

#### ***The Audit Committee***

The Audit Committee assists the Board of Directors by monitoring and overseeing: (1) the accounting and financial reporting processes of the Company and the audits of the financial statements of the Company, (2) the integrity of the financial statements of the Company, (3) compliance by the Company with legal and regulatory requirements, and (4) the performance of the Company's internal finance and accounting personnel and its independent auditors. Messrs. Cowell, Lack, and Reimer currently serve on the Audit Committee, with Mr. Cowell serving as Chairman. The Audit Committee met six times during 2004. Additional information relating to the Audit Committee appears below under the heading Audit Committee Report, beginning on page 23.

#### ***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's Report on Executive Compensation for 2004 is set forth below beginning on page 14. Messrs. Lack, Ratliffe, and Reimer and Ms. Brandwynne currently serve as members of the Compensation Committee, with Mr. Lack serving as Chairman. The Compensation Committee met four times during 2004.

#### ***The Nominating and Corporate Governance Committee***

The Nominating and Corporate Governance Committee: (1) counsels the Board of Directors with respect to Board and Committee structure and membership, and (2) reviews and develops the Company's corporate governance guidelines. In fulfilling its duties, the Nominating and Corporate Governance 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;



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establish policies with respect to the process by which shareholders of the Company may recommend candidates to the Nominating and Corporate Governance 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.

The Nominating and Corporate Governance Committee is composed of all of the Independent Directors of the Company (Ms. Brandwynne, Mr. Cowell, Mr. Gorton, Mr. Lack, Mr. Ratliffe, and Mr. Reimer), with Mr. Reimer serving as the chairman. The Nominating and Corporate Governance Committee met one time during 2004.

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**Table of Contents**

The Nominating and Corporate Governance Committee will consider recommendations for directorships submitted by shareholders, or groups of shareholders, that have beneficially owned at least 5% of the Company's 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 and Corporate Governance Committee to consider their recommendations for nominees for the position of Director should submit their request in writing no later than the 120<sup>th</sup> 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 and Corporate Governance Committee care of the Corporate Secretary, Microvision, P.O. Box 3008, Bothell, Washington, 98041-3008, 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);

A representation that the nominating shareholder, or nominating shareholder group, has been the beneficial owner of more than 5% of the Company's outstanding shares of common stock for at least one year and will continue to beneficially own at least 5% of the Company's 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 the Company would be required to disclose in a proxy statement filed pursuant to the rules and regulations of the Securities and Exchange Commission 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 the Company, the Securities and Exchange Commission, 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 the Company's 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 and Corporate Governance Committee will review the nominee's judgment, experience, independence, understanding of the Company's or other related industries and such other factors the Nominating and Corporate Governance Committee determines are pertinent in light of the current needs of the Board. The Nominating and Corporate Governance 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 and Corporate Governance Committee considers, in addition to the requirements set out in the Nominating and Corporate Governance Committee charter, quality of experience, the needs of the Company and the range of talent and experience represented on the Board.



## **Table of Contents**

### **Shareholder Communication with the Board of Directors**

The Company has adopted written procedures establishing a process by which shareholders of the Company can communicate with the Board of Directors regarding various topics related to the Company. A shareholder desiring to communicate with the Board should send his or her written message to the Board of Directors care of the Corporate Secretary, Microvision, P.O. Box 3008, Bothell, Washington, 98041-3008. Each submission will be forwarded, without editing or alteration, by the Secretary to the Board 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.

### **Director Compensation**

Pursuant to the Independent Director Stock Option Plan (the "Director Plan"), each Independent 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 Independent 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 the Company's annual meeting of shareholders next following the date of grant, or (ii) one year from the date of grant, provided the Independent Director continues to serve as a director on the vesting date. If an Independent 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 under the Director Plan 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 the Company's common stock as reported on the Nasdaq National Market on the date of grant. The options generally expire on the tenth anniversary of the date of grant.

In addition, each Independent Director 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.

All directors are reimbursed for reasonable travel and other out-of-pocket expenses incurred in attending meetings of the Board of Directors.

### **Compensation Committee Interlocks And Insider Participation**

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The Compensation Committee is composed entirely of the following Independent Directors: Dennis Reimer, Jacqueline Brandwynne, Walter J. Lack, and Robert A. Ratliffe.

### **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 the Company's securities and any subsequent changes. They must also provide us with copies of the reports.

Based on copies of reports furnished to us, we believe that all of these reporting persons complied with their filing requirements during 2004, except that Messrs. Lee, McIntyre, Raisig and Willey, all executive officers of

## **Table of Contents**

the Company, each belatedly filed one Statement of Changes in Beneficial Ownership of Securities on Form 4, reporting 5, 4, 6 and 4 transactions, respectively; Ms. Brandwynne, a director of the Company, belatedly filed one Annual Statement of Beneficial Ownership of Securities on Form 5 reporting 1 transaction; and Mr. Lack, a director of the Company, belatedly filed two Statements of Changes in Beneficial Ownership of Securities on Form 4 reporting 3 transactions.

## **Code of Ethics**

The Company has adopted a code of ethics applicable to the Company's principal executive officer, principal financial officer, and principal accounting officer, known as the Code of Ethics for Microvision Executives. The Company has also adopted a code of conduct applicable to the Company's 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 the Company's website. In the event 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 the Company's website at [www.microvision.com](http://www.microvision.com).

## **Proposal Two Amendment to the Independent Director Stock Option Plan**

The Board of Directors has authorized an amendment to the Company's Independent Director Stock Option Plan (the Director Plan), subject to shareholder approval. The amendment will increase the number of shares of common stock reserved for issuance upon exercise of options granted under the Director Plan by 400,000 to a total of 900,000 shares.

## **Summary of the Director Plan**

The Director Plan was originally adopted by the Board in February 2000 and approved by the shareholders in June 2000. The Company currently has 6 Independent Directors.

Under the Director Plan, each Independent 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 Independent 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 the Company's annual meeting of shareholders next following the date of grant, or (ii) one year from the date of grant, provided the Independent Director continues to serve as a director on the vesting date. If an Independent 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 under the Director Plan 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 the Company's common stock as reported on the Nasdaq National Market on the date of grant. The options generally expire on the tenth anniversary of the date of grant.

The Board of Directors has reserved a total of 900,000 shares of common stock for issuance under the Director Plan. Unless earlier suspended or terminated by the Board, the Director Plan will continue in effect until the earlier of: (i) ten years from the date on which it was adopted by the Board, or (ii) the date on which all shares available for issuance under the Director Plan have been issued. The Plan may be administered by the Board of Directors or by a committee of directors and, in certain circumstances, officers of the Company, except that only the Board of Directors

may suspend, amend or terminate the Director Plan.

**Table of Contents**

**Federal Income Tax Consequences**

The following is a general description of the principal U.S. federal income tax consequences of option grants under the Director Plan based on the federal income tax rules as in effect on the date of this Proxy Statement, and does not attempt to describe all potential tax consequences. State and local tax treatment, which is not discussed below, may vary from such federal income tax treatment. Furthermore, tax consequences are subject to change and an optionee's particular situation may be such that some variation of the described rules applies. As a result, optionees are advised to consult their own tax advisors as to the tax consequences of participating in the Plan.

Options granted under the Director Plan are treated as nonstatutory options ( NSOs ) for U.S. federal income tax purposes. The grant of an NSO does not result in taxable income to the recipient or in a tax deduction to the Company. At the time of exercise of an NSO, the optionee will realize ordinary compensation income, and the Company will generally be entitled to a deduction, in each case in the amount by which the market value of the shares subject to the option at the time of exercise exceeds the exercise price. Any gain or loss recognized upon a sale or exchange of shares acquired upon exercise of an NSO will be taxed as capital gain or loss, long-term or short-term depending on the holder's tax holding period in the shares. The Company is not entitled to claim a deduction for any such gain or loss.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE FOREGOING AMENDMENT TO THE COMPANY'S INDEPENDENT DIRECTOR STOCK OPTION PLAN.

**OTHER BUSINESS**

We know of no other matters to be voted on at the Annual Meeting or any adjournment or postponement of the meeting. If, however, other matters are presented for a vote at the meeting, the proxy holders (the individuals designated on the proxy card) will vote your shares according to their judgment on those matters.



**Table of Contents**

**EXECUTIVE COMPENSATION AND OTHER MATTERS**

Executive officers are appointed by our Board of Directors and hold office until their successors are elected and duly qualified. In addition to Messrs. Rutkowski and Willey, who also serve as Directors of the Company, the following persons serve as executive officers of the Company:

Richard A. Raisig, age 57, has served as Chief Financial Officer of the Company since August 1996. Mr. Raisig served as the Company's Secretary from April 1998 to May 2002 and as a Director of the Company from March 1996 to August 2002. From June 1995 to August 1996, Mr. Raisig was Chief Financial Officer of Videx Equipment Corporation, a manufacturer and rebuilder of wire processing equipment for the cabling industry. From July 1992 to May 1995, Mr. Raisig was Chief Financial Officer and Senior Vice President-Finance for Killion Extruders, Inc., a manufacturer of plastic extrusion equipment. From February 1990 to July 1992, Mr. Raisig was Managing Director of Crimson Capital Company, an investment banking firm. Prior to 1990, Mr. Raisig was a Senior Vice President of Dean Witter Reynolds, Inc. Mr. Raisig is a Certified Public Accountant. Mr. Raisig holds an MBA from the University of Southern California and a BS in Social Sciences from the University of California, Irvine.

Dr. V. G. Veeraraghavan, age 55, has served as Senior Vice President, Research & Product Development of the Company since July 2001. Prior to joining the Company, from 1998 to 2001, Dr. Veeraraghavan served in senior management with Standard MEMS, a MEMS semiconductor fabrication, end-product packaging and systems integration firm. During his service with Standard MEMS, Dr. Veeraraghavan was, first, Vice President of its operations wafer foundry responsible for engineering and production of MEMS wafers and, second, was Vice President Business Development. From 1991 to 1998, Dr. Veeraraghavan served in various management positions at Lexmark International, Inc., a developer and manufacturer of novel color laser and inkjet solutions. Dr. Veeraraghavan holds an M.S. and a Doctorate in Materials Engineering from Purdue University and an M.B.A. from the University of Kentucky. He also received a B.S. in Science from the University of Madras (India) and a B.S. in Metallurgy from the Indian Institute of Science.

Andrew U. Lee, age 53, has served as Vice President, Sales of the Company since 1997. Prior to joining the Company, from 1992 to 1997, Mr. Lee was Senior Director, National Systems Sales for AEI Music Network, Inc., the largest audio-visual systems integrator in the United States. From 1988 to 1991, Mr. Lee was Vice President of Sales and Marketing for ADB Industries, Inc., a manufacturer of precision mechanical assemblies for the medical, defense, and aerospace industries. Mr. Lee holds a B.S. in Political Science from the University of California at Berkeley.

Todd R. McIntyre, age 43, has served as Senior Vice President of Business Development since November 2003 and as Vice President of Business Development of the Company from January 1996 to November 2003. Mr. McIntyre's experience in emerging markets includes business development and marketing with development stage companies in a variety of technology segments including wireless telecommunications products and services, internet software products, and digital and print media. Mr. McIntyre holds an M.B.A. from Stanford University and a B.A. from Hendrix College.

Thomas E. Sanko, age 50, has served as Vice President of Marketing and Product Management of the Company since February 2001. Prior to joining the Company, from 1999 to 2001, Mr. Sanko was a consultant to Guidant Corp., a manufacturer of cardiovascular surgery products. From 1996 to 1999, Mr. Sanko was Business Manager at InControl, Inc., a manufacturer of electrophysiology products. Prior to 1996, Mr. Sanko served as Director of Marketing for Heart Technology, Inc., and earlier, for Davis and Geck. Both companies are medical device manufacturers. Mr. Sanko has an M.B.A. from the University of Michigan and a B.S. in Mechanical Engineering from the University of Pittsburgh.

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Thomas M. Walker, age 40, has served as Vice President, General Counsel, and Secretary of the Company since May 2002. Prior to joining the Company, 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

**Table of Contents**

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 44, has served as Vice President, Accounting of the Company since April 2002, as Controller and Principal Accounting Officer of the Company since August 1999 and as Director of Accounting of the Company from August 1999 to March 2002. Prior to joining the Company, 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 Price Waterhouse (currently PricewaterhouseCoopers LLP). Mr. Wilson is a certified public accountant. Mr. Wilson holds a B.S. in Accounting from Oklahoma State University.

**Executive Compensation**

The following table sets forth the compensation awarded or paid to or earned by our Chief Executive Officer and our next four most highly compensated executive officers (the Named Executive Officers):

**Summary Compensation Table**

Name and Principal Position	Year	Annual Compensation			Long-term Compensation	
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Awards	Payouts
					Restricted Stock Award(s)	