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As filed with the Securities and Exchange Commission on July 2, 2009

Registration No. 333-

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

VUZIX CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**3577**	**04-3392453**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

75 Town Centre Drive
Rochester, NY 14623
(585) 359-5900
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Copies to:

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Denver, Colorado 80202
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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box. ☑

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. ☐

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 the 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 ☐ Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☑

Title of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Units, each consisting of one share of Common Stock, $0.001 par value, and one-half of one Common Stock Purchase Warrant(2)	$15,464,625.00	$ 862.93
Shares of Common Stock included as part of the Units		
Common Stock Purchase Warrants included as part of the Units		
Shares of Common Stock underlying the Common Stock Purchase Warrant included in the Units	$11,598,469.00(3)(5)	$ 647.19
Agent Compensation Options(4)		
Shares of Common Stock included as part of the Agent Compensation Options	$ 1,933,079.00	$ 107.87
Common Stock Purchase Warrants included as part of the Compensation Options(5)		
Shares of Common Stock underlying the Common Stock Purchase Warrants included in the Compensation Options	$ 1,449,808.00(3)(5)	$ 80.90
Total	$30,445,981.00	$ 1698.89

(1) Estimated solely for purposes of calculating the registration fee in accordance with Rule 457(o) under the Securities Act of 1933, as amended. In accordance with Rule 457(o) under the Securities Act, the number of shares being registered and the maximum offering price per share are not included in this table.

(2) Public offering of units, each unit consisting of one share of common stock, $0.001 par value, and one-half of one common stock purchase warrant.

(3) Estimated pursuant to Rule 457(g).

(4) The Canadian agents will receive options entitling the agents to purchase that number of shares of common stock and warrants equal to 12.5% of the aggregate number of shares of common stock and warrants sold under the offering, respectively (including the shares of common stock and warrants issued upon exercise of the over-allotment option), at the offering price per share and warrant, respectively, for a period of 12 months from the closing date.

(5) Pursuant to Rule 416, there are also being registered such indeterminable additional securities as may be issued as a result of any additional shares of common stock that shall become issuable by reason of any stock dividend, stock split, recapitalization or other similar transaction effected without the receipt of consideration that results in an increase in the number of the outstanding shares of common stock.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment that specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

EXPLANATORY NOTE

This Registration Statement contains a prospectus relating to an offering of shares of our common stock, warrants and common stock acquirable upon exercise of warrants in the United States, together with separate prospectus pages relating to an offering of shares of our common stock, warrants and common stock acquirable upon exercise of warrants in Canada. The U.S. prospectus and the Canadian prospectus will be identical in all material respects. The complete U.S. prospectus is included herein and is followed by those pages to be used solely in the Canadian prospectus. Each of the alternate pages for the Canadian prospectus included in this registration statement has been labeled “Alternate Page for Canadian Prospectus.”

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

(Subject to Completion) Dated June 30, 2009

PRELIMINARY PROSPECTUS

Vuzix Corporation

Up to • Units

(each consisting of one share of common stock and one half of one common stock purchase warrant)

This is the initial public offering of our securities in the United States and Canada. We are offering for sale up to • units at a price per unit of Cdn$ • . Each unit consists of one share of our common stock, par value US$0.001 per share, and one half of one common stock purchase warrant. Each whole warrant entitles its holder to purchase one share of our common stock at a price of Cdn$ • per share at any time for • months after the closing date of the offering. Our units are being offered to the public in each province of Canada other than Quebec by our Canadian agents, Canaccord Capital Corporation and Bolder Investment Partners, Ltd., under the terms of a prospectus filed with the securities authorities in each Canadian province other than Quebec and concurrently in the United States through selling agents, including Canaccord Adams Inc., a US registered broker dealer affiliated with Canaccord Capital Corporation, and such other US registered dealers as may be designated by our Canadian agents. Prior to this offering, there has been no public market for our securities. **There is currently no market through which our securities may be sold, and purchasers may not be able to resell the securities purchased under this prospectus.** We have applied for the listing of our common stock on the TSX Venture Exchange (TSX-V) under the symbol " ". Listing of our common stock will be subject to fulfilling all of the requirements of the TSX-V. We do not intend to list the warrants on any securities exchange.

Our business and an investment in our securities involve significant risks. These risks are described under the caption "Risk Factors" beginning on page 7 of this prospectus.

Neither the Securities and Exchange Commission nor any other securities commission or regulatory authority has approved or disapproved of these securities or has passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Unit(2)	Total
Public offering price(1)	Cdn$	Cdn$
Underwriting discounts and commissions(3)(4)	Cdn$	Cdn$
Proceeds, before expenses, to Vuzix	Cdn$	Cdn$

(1) The offering is denominated in Canadian dollars.

(2) We intend to allocate Cdn$ to the share of common stock and Cdn$ to the one half of one common stock purchase warrant comprising each unit.

(3) We have retained the Canadian agents to solicit subscriptions for the units on a best efforts basis. As consideration for their services in connection with the initial public offering, the Canadian agents will receive: (i) a commission, payable in cash, equal to 8% of the gross proceeds of the offering; (ii) options entitling the agents to purchase that number of shares of our common stock and warrants equal to 12.5% of the aggregate number of shares of our common stock and warrants sold under the offering (including the shares and warrants issued upon exercise of the over-allotment option), at the offering price per share and warrant, for a period of 12 months from the closing date; and (iii) a non-refundable due diligence fee of Cdn$15,000. The Canadian agents will also be reimbursed for their reasonable fees and expenses including the reasonable legal fees and disbursements of legal counsel to the agents. The Canadian agents may appoint selling agents in the United States, which may be paid cash selling commissions not to exceed 6% of the gross proceeds of the offering in the United States and options entitling US selling agents to purchase that number of shares of our common stock and warrants equal to 8% of the aggregate number of shares of our common stock and warrants sold in the United States under the offering (including the shares and warrants issued upon exercise of the over-allotment option) at the initial public offering price for a period of 12 months from the closing date. The commission paid to US selling agents will be paid by the Canadian agents from their commissions. Canaccord Adams Inc., a US registered broker dealer affiliated with Canaccord Capital Corporation, has been appointed as a selling agent.

(4) In consideration of certain fiscal advisory services rendered by the Canadian agents to us pursuant to a fiscal advisory fee agreement between us and the Canadian agents, we have agreed to issue to the Canadian agents at the closing of this offering, in payment of a fiscal advisory fee, that number of shares of our common stock equal to, depending on the gross proceeds of the offering, between 1.0% and 2.0% of our common stock issued and outstanding immediately upon the closing of the offering. The issuance of these shares to the Canadian agents is not covered by this prospectus. These shares will be issued pursuant to exemptions from the registration requirements of applicable United States and Canadian securities laws and will be subject to resale restrictions under those laws and a lock-up agreement for one year. See "Underwriting — Fiscal Advisory Fee Agreement."

We have granted the agents an over-allotment option, exercisable for a period of 30 days from the date of the closing of this offering, to sell additional shares of common stock and whole warrants up to the lesser of the agents' over-allocation position determined as of the time of closing of the offering and • shares of common stock and • whole warrants (15% of the number of shares and whole warrants offered by us under this prospectus) or any combination thereof at a price of Cdn$ • per share and Cdn$ • per warrant to cover over-allotments, if any, and for market stabilization purposes. For greater clarity, these warrants will only be issued for the purpose of distribution of units to purchasers. The aggregate number of shares and whole warrants issuable to purchasers pursuant to the offering will not exceed • and • , respectively. If the over-allotment option is exercised in full, the total price to the public will be Cdn$ • , the underwriting discounts and commissions payable to the agents will be Cdn$ • and the net proceeds to Vuzix will be Cdn$ • . The expenses associated with any exercise of the over-allotment option, together with the agents' commission, will be paid by us. See "Underwriting."

The agents expect to deliver the shares of common stock and warrants comprising the units in Toronto, Ontario, Canada on or about , 2009.

CANACCORD ADAMS INC.

The date of this prospectus is , 2009.

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You should rely only on the information contained in this prospectus. We have not, and the agents have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the agents are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

GENERAL MATTERS

All references to Vuzix, the "company," "we," "us" and "our" are references to Vuzix Corporation.

Unless otherwise indicated, all references to "dollars," "US$," or "$" in this prospectus are to United States dollars and all references to "Cdn$" are to Canadian dollars. Unless otherwise indicated, all Canadian dollar values have been translated to US dollars, or vice versa, using a convenience translation of US$1.00 = Cdn$ • . On June 29, 2009, the noon buying rate of the Bank of Canada was US$1.00 = Cdn$1.1583.

This prospectus contains various company names, product names, trade names, trademarks and service marks, all of which are the properties of their respective owners.

Unless otherwise indicated or the context otherwise requires, all information in this prospectus assumes no exercise of the over-allotment option.

Unless otherwise indicated, all references to "GAAP" in this prospectus are to United States generally accepted accounting principles.

We completed a 1-for-7 reverse stock split of our common stock in June 2007 and an 8-for-1 split of our common stock in July 2008. All share numbers and amounts per share in this prospectus have been retroactively adjusted to give effect to these changes.

Information contained on our websites, including *www.vuzix.com*, shall not be deemed to be part of this prospectus or incorporated herein by reference and should not be relied upon by prospective investors for the purposes of determining whether to purchase the units offered hereunder.

Through and including , 2009 (the 40th day after the date of this prospectus), all dealers effecting transactions in units or shares of our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter with respect to an unsold allotment or subscription.

For investors outside the United States, neither we nor any of our agents have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States and certain provinces of Canada. You are required to inform yourself about and to observe any restrictions relating to this offering and the distribution of this prospectus.

USE OF MARKET AND INDUSTRY DATA

This prospectus includes market and industry data that has been obtained from third party sources, including industry publications, as well as industry data prepared by our management on the basis of its knowledge of and experience in the industries in which we operate (including our management's estimates and assumptions relating to those industries based on that knowledge). Management's knowledge of such industries has been developed through its experience and participation in those industries. Although our management believes such information to be reliable, neither we nor our management have independently verified any of the data from third party sources referred to in this prospectus or ascertained the underlying economic assumptions relied upon by such sources. In addition, the agents have not independently verified any of the industry data prepared by management or ascertained the underlying estimates and assumptions relied upon by management. Furthermore, references in this prospectus to any publications, reports, surveys or articles prepared by third parties should not be construed as depicting the complete findings of the entire publication, report, survey or article. The information in any such publication, report survey or article is not incorporated by reference in this prospectus.

PROSPECTUS SUMMARY

This summary provides an overview of selected information contained elsewhere in this prospectus and does not contain all of the information you should consider before investing in our securities. You should carefully read the prospectus and the registration statement of which this prospectus is a part in their entirety before investing in our securities, including the information discussed under "Risk Factors" beginning on page 7 and our financial statements and notes thereto that appear elsewhere in this prospectus.

BUSINESS

Company Overview

We are engaged in the design, manufacture, marketing and sale of devices that are worn like eyeglasses and feature built-in video screens that enable the user to view video and digital content, such as movies, computer data, the Internet or video games. Our products (known commercially as Video Eyewear, but also commonly referred to as virtual displays, wearable displays, personal viewers, personal displays, head mounted displays, or near-to-eye displays) are used to view high-resolution video and digital information primarily from mobile devices (such as cell phones, portable media players, gaming systems and laptop computers) and from personal computers. Our products provide the user with a virtual viewing experience that simulates viewing a large screen television or desktop computer monitor practically anywhere, anytime.

Our Video Eyewear products feature high performance miniature display modules, low power electronics and related optical systems. We produce both monocular and binocular Video Eyewear devices that we believe are excellent solutions for many mobile computer, mobile internet devices (MID) or video viewing requirements, including general entertainment applications. We focus on two markets: the consumer markets for gaming, mobile video viewing and stereoscopic three-dimensional video viewing; and rugged mobile displays for defense and industrial applications. We also offer low-vision assist Video Eyewear products that are designed to assist and improve the remaining vision of people suffering from macular degeneration.

The development of intellectual property rights relating to our technologies is a key aspect of our business strategy. We have generated and continue to generate intellectual property as a result of our ongoing performance of development contracts and our internal research and development activities. We have also acquired technologies developed by third parties and we may do so in the future.

Industry Overview

Many mobile devices now allow the user to view high-resolution full color content. We believe that typical displays currently used on mobile devices do not work well for this purpose because they are either too small, making it extremely difficult to view the detail in their display images with a human eye, or too large, making the mobile device cumbersome and difficult to use and carry. Some mobile devices employ a touch screen with software to magnify or zoom in on a partial image. We believe that many consumers consider this solution unsatisfactory because it is difficult to navigate and find information on the portion of the page being viewed.

In contrast, our Video Eyewear products enable the user to effectively view the entire screen on a small, eyeglass-like device. Our products employ microdisplays that provide full screen resolution but are smaller than one-inch diagonally, with some as small as one-quarter of an inch. To make images on the microdisplays viewable, our Video Eyewear products incorporate proprietary magnifying optics that are usually designed by us. The result is a detailed virtual image that appears to the viewer to be similar to the image on a full size computer screen from a normal desktop working distance or the image on a large flat panel television from normal home TV viewing distance. For example, when magnified through our optics, a high-resolution 0.44-inch diagonal microdisplay can provide a viewing experience comparable to that on a 62-inch diagonal television screen viewed at nine feet. We refer to this as a 62-inch virtual display.

We believe that there is growing demand for mobile access to high-resolution content in both the consumer and industrial and defense markets.

Our Products

We offer products that use our proprietary technology and are designed to meet the unique requirements of the consumer, industrial and defense markets.

Binocular Video Eyewear Products

Each binocular Video Eyewear product contains two microdisplay screens, one in front of each eye, mounted in a frame attached to eyeglass-style temples with headphones. These products enable mobile private viewing of video content on virtual displays that can simulate theater-sized screens. They are currently sold on the basis of resolution and their effective virtual viewing screen size. Our products today range from 320 × 240 pixels (Quarter Video Graphics Array or QVGA) to 800 × 600 pixels (Super Video Graphics Array or SVGA) resolution and provide virtual screen sizes of 44- to 62-inch screens viewed at nine feet. We also offer an interactive version for PC gaming which includes our proprietary head tracking technology, which enables the user to look around the environment being displayed in the game by simply moving his or her head, and a microphone to enable communication with others. Finally, we offer a binocular Video Eyewear product that integrates a high-resolution camera with digital magnification, designed to assist and improve the remaining vision of persons suffering from macular degeneration.

Monocular Video Eyewear Products

Our Tac-Eye® monocular (single eye) Video Eyewear products are designed to clip on to a pair of ballistic sunglasses, a head set or conventional safety goggles. They can be used with rugged laptops, security and night vision cameras and thermal night vision sights, including those sights for which we currently build the display drive electronics as a sub-contractor to the US Department of Defense. Tac-Eye® enables users to have wearable, private, hands-free and glanceable access to high-resolution content or information while retaining most of their real world view.

Defense Sub-Assembly and Custom Solutions

We are involved in several programs as part of contracting teams that produce thermal night vision sights to the US Department of Defense. We design and manufacture many of the display drive electronic subassemblies for light, medium, and heavy weight thermal weapon sighting systems for the US and other defense forces. When possible, we obtain a first right of refusal to be the volume manufacturer of our proprietary display subassemblies as part of our contracting process for the custom design of products.

Our Strategy

Our strategy is to establish and maintain a leadership position as a worldwide supplier of Video Eyewear and other virtual display technology solutions. We intend to offer our technologies across major markets, platforms and applications. We will strive to be an innovator in designing virtual display devices that enable new mobile video viewing as well as general entertainment applications.

To maintain and enhance our position as a leading provider of virtual display solutions, we intend to:

- improve our brand name recognition;
- develop products for large markets;
- broaden and develop strategic relationships and partnerships;
- expand market awareness for virtual display solutions;
- maintain and exploit any cost advantage our technology can provide us;
- extend our proprietary technology leadership; and
- establish multiple revenue sources.

Company Information

We were incorporated under the Delaware General Corporation Law in 1997 as VR Acquisition Corp. In 1997 we changed our name to Kaotech Corporation. In 1998 we changed our name to Interactive Imaging Systems, Inc. In 2004 we changed our name to Vicuity Corporation and then to Icuiti Corporation. In September 2007 we changed our name to Vuzix Corporation.

Our principal executive offices are located at 75 Town Centre Drive, Rochester, New York 14623. Our telephone number is (585) 359-5900. We maintain an Internet website at *www.vuzix.com*. The information contained on, connected to or that can be accessed via our website is not part of this prospectus. We have included our website address in this prospectus as an inactive textual reference only and not as an active hyperlink.

Our wholly-owned direct subsidiary is Vuzix (Europe) Limited, which we refer to in this prospectus as Vuzix Europe. Vuzix Europe was incorporated on April 10, 2008 pursuant to the provisions of the Companies Act (England and Wales). The registered and head office of Vuzix Europe is located at St. John's House, 5 South Parade, Summertown, Oxford OX2 7JL.

The Offering

Securities offered by Vuzix	Up to • units (• units if the agents' over-allotment option is exercised in full); each unit consisting of one share of our common stock, par value $0.001 per share, and one half of one common stock purchase warrant. Up to • shares of our common stock (• shares if the agents' over-allotment option is exercised in full) (1) Up to • common stock purchase warrants (• common stock purchase warrants if the agents' over-allotment option is exercised in full). Each whole warrant will entitle its holder to purchase one share of our common stock at Cdn$ • per share at any time for • months after the closing of this offering.
Common stock to be outstanding after this offering	• shares (• shares if the agents' over-allotment option is exercised in full) (2)
Over-allotment option	We have granted the agents an over-allotment option, exercisable for a period of 30 days from the date of the closing of this offering, to sell additional shares of common stock and whole warrants up to the lesser of the agents' over-allocation position determined as of the time of closing of the offering and • shares of common stock and • whole warrants (15% of the number of shares and warrants offered by us under this prospectus) or any combination thereof at a price of Cdn$ • per share and Cdn$ • per warrant to cover over-allotments, if any, and for market stabilization purposes. For greater clarity, these warrants will only be issued for the purpose of distribution of units to purchasers. The aggregate number of shares and warrants issuable to purchasers pursuant to the offering will not exceed • and • , respectively. If the over-allotment option is exercised in full, the total price to the public will be Cdn$ • , the commission payable to the agents will be Cdn$ • and the net proceeds to us will be Cdn$ • . For additional information see "Underwriting."
Agent Compensation	As consideration for their services, the Canadian agents will receive: (i) a commission equal to 8% of the gross proceeds of the offering; (ii) options entitling the Canadian agents to purchase that number of shares of our common stock and warrants equal to 12.5% of the aggregate number of shares of our common stock and warrants sold under the offering (including the shares and warrants issued upon exercise of the over-allotment option), at the offering price per share and warrant, for a period of 12 months from the closing date; and (iii) a non-refundable due diligence fee of Cdn$15,000. The Canadian agents will also be reimbursed for their reasonable fees and expenses including the reasonable legal fees and disbursements of legal

	counsel to the agents. The Canadian agents may appoint selling agents in the United States, including Canaccord Adams Inc., which may be paid cash selling commissions not to exceed 6% of the gross proceeds of the offering in the United States and options entitling US selling agents to purchase that number of shares of our common stock and warrants sold in the United States under the offering (including the shares and warrants issued upon exercise of the over-allotment option) equal to 8% of the aggregate number of shares of our common stock and warrants at the initial public offering price for a period of 12 months from the closing date. The commission paid to US selling agents will be paid by the Canadian agents from their commissions. In consideration of certain fiscal advisory services rendered by the Canadian agents to us pursuant to a fiscal advisory fee agreement between us and the Canadian agents, we have agreed to issue to the Canadian agents at the closing of this offering, in payment of a fiscal advisory fee, that number of shares of our common stock equal to, depending on the gross proceeds of the offering, between 1.0% and 2.0% of our common stock issued and outstanding immediately upon the closing of the offering. The issuance of these shares to the Canadian agents is not covered by this prospectus. These shares will be subject to resale restrictions under applicable United States and Canadian securities legislation and a contractual lock-up agreement for one year. See "Underwriting — Fiscal Advisory Fee Agreement."
Use of proceeds	Based on an assumed initial public offering price of Cdn$ • per unit, after payment of commissions and expenses we expect to receive gross proceeds of Cdn$ • and net proceeds of Cdn$ • (or gross proceeds of Cdn$ • and net proceeds of Cdn$ • if the over-allotment option is exercised in full). We expect to use $ • million of the net proceeds of this offering to repay outstanding indebtedness, including accrued interest. The indebtedness to be repaid includes $95,000 in principal amount plus interest payable to our President and Chief Executive Officer. We intend to use the remainder of the net proceeds from this offering for research and development expenses; capital expenditures; selling, marketing, general and administrative expenses; possible acquisitions of businesses, technologies or other assets; and general corporate purposes. For additional information see "Use of Proceeds."
Risk Factors	See "Risk Factors" and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in our securities.

(1) Consists of (i) up to • shares (• shares if the over-allotment option is exercised in full) included in the units; (ii) up to • shares (• shares if the over-allotment option is exercised in full) issuable upon exercise of the common stock purchase warrants included in the units; (iii) • shares issued to the agents in payment of a fiscal advisory fee; and (iv) up to • shares (• shares if the over-allotment option is exercised in full) and up to an additional • shares (• shares if the over-allotment option is exercised in full) issuable upon exercise of common stock purchase warrants issuable upon exercise of the options issued to the agents as compensation.

(2) Does not include (i) up to 15,304,554 shares issuable upon exercise of options granted under our 2007 Amended and Restated Stock Option Plan; (ii) 1,200,000 shares issuable upon exercise of options granted under our 2009 Non-Employee Director Stock Option Plan subject to the effectiveness of the registration statement of which this prospectus forms a part; (iii) any of the shares described in footnote (1) above except • of those described in clause (iii) in footnote (1); (iv) up to 7,060,914 shares issuable upon conversion of 168,500 outstanding shares of our Series C 6% Convertible Preferred Stock (Series C Preferred Stock), together with all accrued and unpaid dividends thereon as of the date of this prospectus, at the rate of $0.2917 per share; (v) up to 4,599,045 shares issuable upon conversion of $575,000 in aggregate principal amount of convertible promissory notes outstanding, together with all accrued and unpaid interest thereon as of the date of this prospectus; and (vi) up to 7,172,160 shares issuable upon exercise of outstanding warrants.

Selected Summary Financial Data

The following tables present our summary financial data and should be read together with our financial statements and accompanying notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this prospectus. The summary financial data for the years ended December 31, 2008, 2007 and 2006 are derived from our audited annual financial statements, which are included elsewhere in this prospectus. The unaudited summary financial data as of March 31, 2009 and for the three months ended March 31, 2009 and 2008 have been derived from our unaudited interim financial statements, which are included elsewhere in this prospectus, and include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of our financial position and results of operations for these periods.

	Year Ended December 31,			Three Months Ended March 31,	
Statement of Operations Data	**2008**	**2007**	**2006**	**2009**	**2008**
				(Unaudited)	**(Unaudited)**
Sales	$ 12,564,487	$ 10,146,379	$ 9,538,308	$ 3,043,994	$ 1,720,914
Cost of Sales	8,863,508	6,783,473	5,767,550	1,856,683	1,487,349
Gross Margin	3,700,979	3,362,906	3,770,758	1,187,311	233,565
Operating Expenses					
Research and development	3,366,518	2,365,412	1,279,239	502,011	736,716
Selling and marketing	2,128,625	1,920,164	1,191,800	449,266	449,562
General and administrative	2,299,685	1,718,627	1,560,278	478,253	533,799
Depreciation and amortization	510,133	374,078	276,989	138,834	123,696
Total operating expenses	8,304,961	6,378,281	4,308,306	1,568,364	1,843,773
Profit (Loss) from operations	(4,603,982)	(3,015,375)	(537,548)	(381,053)	(1,610,208)
Interest and other income (expense)	188	2,549	313	—	—
Foreign exchange (loss) gain	(24,216)	—	—	(1,272)	366
Interest expense	(260,977)	(241,692)	(179,019)	(65,376)	(41,600)
Legal settlement	—	96,632	—	—	—
Tax (expense) benefit	(5,212)	98,372	(3,700)	(888)	(753)
Total tax and other income (expense)	(290,217)	(44,139)	(182,406)	(67,536)	(41,987)
Net (Loss)	$ (4,894,199)	$ (3,059,514)	$ (719,954)	$ (448,589)	$ (1,652,195)
Income (loss) per share:					
Basic and fully diluted*	$ (0.0229)	$ (0.0160)	$ (0.0047)	$ (0.0022)	$ (0.0084)
Weighted average common shares outstanding:					
Basic and fully diluted*	218,268,927	197,973,139	173,268,048	220,268,927	200,424,027

* All outstanding warrants, options, and convertible debt are anti-dilutive, therefore basic and diluted earnings per share are the same for all periods.

	Year Ended December 31,			Three Months Ended March 31,	
Cash Flow Data	**2008**	**2007**	**2006**	**2009**	**2008**
				(Unaudited)	**(Unaudited)**
Cash flows provided by (used in) operating activities	$(1,285,449)	$(3,295,900)	$ 120,053	$ (761,919)	$ (208,047)
Cash flows (used in) investing activities	(549,804)	(316,743)	(479,236)	(60,208)	(164,927)
Cash flows provided by financing activities	2,289,116	3,408,328	874,569	262,559	77,652

Balance Sheet Data	As of December 31, 2008	2007	2006	As of March 31, 2009 (Unaudited)	2008 (Unaudited)
Cash and cash equivalents	$ 818,719	$ 364,856	$ 569,171	$ 259,151	$ 69,534
Working Capital (deficiency)	(1,846,289)	966,658	69,766	(1,892,747)	(651,720)
Total Assets	6,221,897	6,967,254	5,013,263	5,277,583	5,316,225
Long-Term Liabilities	1,754,379	2,014,476	1,980,476	1,762,408	2,015,453
Accumulated (deficit)	(14,687,276)	(9,691,977)	(6,531,363)	(15,161,140)	(11,369,383)
Total Stockholders' equity (deficit)	(2,089,942)	423,236	(603,954)	(2,223,119)	(1,190,888)

RISK FACTORS

An investment in our securities involves a high degree of risk. You should carefully consider the risks described below, together with all of the other information included in this prospectus, before making an investment decision. If any of the following risks actually occurs, our business, financial condition or results of operations could suffer. In that case, the market value of our securities could decline, and you may lose all or part of your investment.

RISKS RELATED TO OUR BUSINESS

We have a limited operating history in the Video Eyewear products industry.

We were formed in 1997 to develop and sell virtual reality and other personal display technology and products. Since our inception the majority of our sales have been derived from the sale of night vision display drive electronics and from research and development contracts with suppliers to the US government and others. In 2003, we discontinued our original virtual reality product line to focus on Video Eyewear products. We commenced limited initial sales of our monocular eyewear products in fiscal 2003 and commenced shipping our first binocular Video Eyewear model in February 2005. Accordingly, there is a limited amount of past experience upon which to evaluate our business and prospects, and a potential investor should consider the challenges, expenses, delays and other difficulties involved in the development of our business, including the continued development of our technology and the achievement of market acceptance for products using our technology.

We have incurred net losses since our inception, and we may incur net losses in the foreseeable future.

We incurred annual net losses of $4,894,199 in 2008, $3,059,514 in 2007 and $719,954 in 2006 and net losses of $448,589 and $1,652,195 for the three-month periods ended March 31, 2009 and 2008, respectively. We had an accumulated deficit of $15,161,140 as of March 31, 2009.

We may not achieve or maintain profitability in the future. In particular, we expect that our expenses relating to sales and marketing and product development and support, as well as our general and administrative costs, will increase, requiring us to increase sales in order to achieve and maintain profitability. If we do not achieve and maintain profitability, our financial condition will be materially and adversely affected. We would eventually be unable to continue our operations unless we were able to raise additional capital. We may not be able to raise any necessary capital on commercially reasonable terms or at all. If we fail to achieve or maintain profitability on a quarterly or annual basis within the timeframe expected by investors, the market price of our common stock may decline.

We have historically depended on defense related engineering contracts and two customers for sales.

Since inception, the majority of our sales have been derived from the sale of night vision display drive electronics to two suppliers to the US government. Sales of night vision display drive electronics to these customers amounted to 20%, 17% and 42% of our sales in 2008, 2007 and 2006, respectively, and 45% and 47% for the three-month periods ended March 31, 2009 and 2008, respectively. We have no long-term contracts with these customers. A significant reduction or delay in orders from either of our significant customers would materially reduce our revenue and cash flow and adversely affect our ability to achieve or maintain profitability in the future.

The next largest source of revenues has been sales directly to the US Department of Defense, primarily for engineering programs. Such sales amounted to 12%, 54% and 27% of our sales in 2008, 2007 and 2006, respectively, and 9% and 0% for the three-month periods ended March 31, 2009 and 2008, respectively. We have no long-term contracts with the US government for engineering services. We plan to submit proposals for additional development contract funding. However, development contract funding is subject to legislative authorization and, even if funds are appropriated, such funds may be withdrawn based on changes in government priorities.

Together, these two groups of customers accounted for 32%, 71% and 69% of our sales in 2008, 2007 and 2006, respectively, and for 54% and 47% of our sales in the three-month periods ended March 31, 2009 and 2008. We may not be successful in obtaining new government contracts or in receiving further night vision display electronics orders. Our inability to obtain sales from government contracts could have a material adverse effect on

our results of operations and would likely cause us to delay or slow our growth plans, resulting in lower net sales and adversely affect our liquidity and profitability.

Our US government defense contracts and subcontracts are subject to procurement laws and regulations.

Generally, US government contracts are subject to procurement laws and regulations. Some of the our contracts are governed by the Federal Acquisition Regulation (FAR), which lays out uniform policies and procedures for acquiring goods and services by the US government, and agency-specific acquisition regulations that implement or supplement the FAR. For example, the Department of Defense implements the FAR through the Defense Federal Acquisition Regulations (DFAR).

The FAR also contains guidelines and regulations for managing a contract after award, including conditions under which contracts may be terminated, in whole or in part, at the government's convenience or for default. If a contract is terminated for the convenience of the government, a contractor is entitled to receive payments for its allowable costs and, in general, the proportionate share of fees or earnings for the work done. If a contract is terminated for default, the government generally pays for only the work it has accepted. These regulations also subject us to financial audits and other reviews by the government of our costs, performance, accounting and general business practices relating to our government contracts, which may result in adjustment of our contract-related costs and fees.

Our US government contract and subcontract orders are funded by government budgets that are proposed by the President of the United States and reviewed and approved by the Congress. Funds allocated to government agencies are administered by the Executive Office of the President. There are two primary risks associated with this process. First, the process may be delayed or disrupted because of congressional schedules, negotiations over funding levels for programs or unforeseen national or world events. Second, funding for multi-year contracts can be changed in future appropriations. Either of these events could affect the allocation, timing, schedule and program content of our government contracts and subcontracts.

Our lack of long-term purchase orders and commitments could lead to a rapid decline in our sales and profitability.

All of our significant consumer division customers issue purchase orders solely in their own discretion, often only two to four weeks before the requested date of shipment. Our customers are generally able to cancel orders (without penalty) or delay the delivery of products on relatively short notice. In addition, our customers may decide not to purchase products from us for any reason. Any of our current customers may stop purchasing our products in the future. If those customers do not continue to purchase our products, our sales volume and profitability could decline rapidly with little or no warning whatsoever.

We cannot rely on long-term purchase orders or commitments to protect us from the negative financial effects of a decline in demand for our products. The limited certainty of product orders can make it difficult for us to forecast our sales and allocate our resources in a manner consistent with our actual sales. Moreover, our expense levels are based in part on our expectations of future sales and, if our expectations regarding future sales are inaccurate, we may be unable to reduce costs in a timely manner to adjust for sales shortfalls. Furthermore, because we depend on a small number of customers for the vast majority of our sales, the ramifications of these risks is greater than if we had a greater number of customers. As a result of our lack of long-term purchase orders and purchase commitments, we may experience a rapid decline in our sales and profitability.

Historically, a substantial portion of our assets has been comprised of accounts receivable representing amounts owed by a small number of customers. If any of these customers fails to pay us amounts owed in a timely manner, we could suffer a significant decline in cash flow and liquidity which, in turn, could cause us to be unable pay our liabilities and purchase adequate inventory to sustain or expand our sales volume.

Our accounts receivable represented approximately 30%, 53% and 53% of our total current assets as of December 31, 2008, 2007 and 2006, respectively, and 25% and 23% for the three-month periods ended March 31, 2009 and 2008, respectively. As of March 31, 2009, 46% of our accounts receivable represented amounts owed by

two customers, each of which represented over 20% of the total amount of our accounts receivable. As a result of the substantial amount and concentration of our accounts receivable, if any of our major customers fails to pay us amounts owed in a timely manner, we could suffer a significant decline in cash flow and liquidity which could adversely affect our ability to pay our liabilities and to purchase inventory to sustain or expand our current sales volume and adversely affect our ability to continue our business.

In addition, our business is characterized by long periods for collection from our customers and short periods for payment to our suppliers, the combination of which may cause us to have liquidity problems. We experience an average accounts settlement period ranging from one month to as high as three months from the time we deliver our products to the time we receive payment from our customers. In contrast, we typically need to place certain deposits and advances with our suppliers on a portion of the purchase price. Because our payment cycle is considerably shorter than our receivable collection cycle, we may experience working capital shortages. Working capital management, including prompt and diligent billing and collection, is an important factor in our results of operations and liquidity. System problems, industry trends, our customers' liquidity problems or payment practices or other issues may extend our collection period, which would adversely impact our liquidity, our ability to pay our liabilities and to purchase inventory to sustain or expand our current sales volume, and adversely affect our ability to continue our business.

Our future growth and profitability could be adversely affected if our marketing initiatives are not effective in generating sufficient levels of brand awareness.

Since inception, the majority of our sales have been derived from the sale of night vision display electronics and from research and development contracts with suppliers to, or directly to the US government and other customers. Our long-term business plan contemplates that we will transition our business so that the majority of our sales are earned from consumer products sales. In connection with this transition, we are engaged in a variety of marketing initiatives intended to promote sales of our consumer products. Our future growth and profitability from our consumer products will depend in large part upon the effectiveness and efficiency of these marketing efforts, including our ability to:

- create awareness of our brand and products, including general awareness of this new Video Eyewear product category;
- identify the most effective and efficient levels of spending for marketing expenditures in our new target market;
- effectively manage marketing costs (including creative and media) in order to maintain acceptable operating margins and return on marketing investment;
- select the right markets in which to market; and
- convert consumer awareness into actual product purchases.

Our planned marketing expenditures may not result in increased total sales or generate sufficient levels of product and brand name awareness. We may not be able to manage our marketing expenditures on a cost-effective basis.

The current decline and any future decline in general economic conditions could lead to reduced consumer demand for our products and otherwise have an adverse effect on our liquidity and profitability.

We believe that purchases of our consumer Video Eyewear products are dependent upon levels of discretionary spending by our customers. This means that our financial performance will be sensitive to changes in overall economic conditions that affect consumer spending. Consumer spending habits are affected by, among other things, prevailing economic conditions, levels of employment, salaries and wage rates, consumer confidence and consumer perception of economic conditions. As widely reported, general worldwide economic conditions have experienced a downturn due to, among other things, slower economic activity, concerns about inflation, decreased consumer confidence, reduced corporate profits and capital spending, and adverse business conditions. This can impact us

through reduced sales, elongated selling cycles, delays in product implementation and increased competitive margin pressure. We are unable to accurately predict the likely duration and severity of the current disruption in financial markets and adverse economic conditions in the United States and other countries. The continuation of this downturn, the further deterioration of economic conditions in the United States or key international economies or uncertainty as to the economic outlook could reduce discretionary spending or cause a shift in consumer discretionary spending to other products. Any of these factors would likely cause us to delay or slow our growth plans, result in lower net sales and adversely affect our liquidity and profitability. Similarly, the tightening of credit markets may adversely affect our supplier base and increase the potential for one or more of our suppliers to experience financial distress or bankruptcy, which could materially and adversely affect our business.

Our consumer Video Eyewear sales are seasonal and our sales during the winter holiday season will greatly affect our operating results.

Historically, a high percentage of our consumer Video Eyewear product annual sales have been attributable to the winter holiday selling season. Like many manufacturers of consumer electronics products, we must make merchandising and inventory decisions for the winter holiday selling season well in advance of actual sales. Further compounding this forecasting are other fluctuations in demand for the consumer electronics products that work with our Video Eyewear products, often due to the same seasonal influences, as well as technological advances and new models which are often introduced later in the calendar year. Inaccurate projections of demand or deviations in the demand for our product can cause large fluctuations in both our fourth quarter results and could have a material adverse effect on our results of operations for the entire fiscal year. We expect that our fourth quarter sales of consumer products will remain dependent on our performance during the winter holiday selling season.

Our Video Eyewear products require ongoing research and development.

Our research and development efforts remain subject to all of the risks associated with the development of new products based on emerging and innovative technologies, including, for example, unexpected technical problems or the possible insufficiency of funds for completing development of these products. If we experience technical problems or delays, further improvements in our products and the introduction of future products could be delayed, and we could incur significant additional expenses and our business may fail.

We anticipate that we will require additional funds and further US government engineering services contracts to maintain our current levels of expenditure for research and development of new products and technologies, and to obtain and maintain patents and other intellectual property rights in these technologies, the timing and amount of which are difficult to forecast. Our cash on hand after the successful completion of this offering coupled with the possibility of further negative cash flow from operations may not be sufficient to meet all of our future needs. We have no commitment for additional funds. Any funds we need may not be available on commercially reasonable terms or at all. If we cannot obtain any necessary additional capital when needed, we might be forced to reduce our research and development efforts which would materially and adversely affect our business. If we attempt to raise capital in an offering of shares of our common stock, preferred stock, convertible securities or warrants, or if we engage in acquisitions involving the issuance of such securities, our then-existing stockholders' interests will be diluted.

Our planned future products are dependent on advances in technology by other companies.

We rely on and will continue to rely on technologies (including microdisplays) that are developed and produced by other companies. The commercial success of certain of our planned future products will depend in part on advances in these and other technologies by other companies. We may, from time to time, contract with and support companies developing key technologies in order to accelerate the development of them for our specific uses. Such activities might not result in useful technologies or components for us.

Our business depends on our development of new products and technologies.

The market for our products is characterized by rapid changes in products, designs and manufacturing process technologies. Our success depends to a large extent on our ability to develop and manufacture new products and

technologies to match the varying requirements of different customers and groups in order to establish a competitive position and become profitable. Furthermore, we must adapt our products and processes to technological changes and emerging industry standards and practices on a cost-effective and timely basis. Our failure to accomplish any of the above could harm our business and operating results.

Consumer electronics products are subject to rapid technological changes. Companies within the consumer electronics industry are continuously developing new products with increased performance and functionality. This puts pricing pressure on existing products and constantly threatens to make them, or causes them to be, obsolete. Our typical product's life cycle is relatively short, generating lower average selling prices as the cycle matures. If we fail to accurately anticipate the introduction of new technologies, we may possess significant amounts of obsolete inventory that can only be sold at substantially lower prices and gross margins than we anticipated. In addition, if we fail to accurately anticipate the introduction of new technologies, we may be unable to compete effectively due to our failure to offer products most demanded by the marketplace. If any of these failures occur, our sales, profit margins and profitability will be adversely affected.

Microdisplay-based personal displays compete with other technologies in the market for mobile displays.

The mobile display market is dominated by displays larger than one-inch, based on direct view liquid crystal display (LCD) and organic light emitting display (OLED) technology. A number of companies have made and continue to make substantial investments in, and are conducting research to improve characteristics of, small direct view LCDs. Many of the leading manufacturers of these larger direct view LCDs, including LG Electronics, Royal Philips Electronics, Samsung Electronics Co., Ltd., Sony Corporation and Sharp Corporation, are large, established companies with global marketing capabilities, widespread brand recognition and extensive financial resources. Advances in LCD and OLED technology or other technologies may overcome their current limitations and permit them to remain or become more attractive technologies for personal viewing applications, which could limit the potential market for our Video Eyewear technology and cause our business strategy to fail.

It is difficult to assess or predict with any certainty the potential size, timing and viability of market opportunities for our microdisplay-based Video Eyewear products or their market acceptance. Market acceptance of Video Eyewear technology will depend, in part, upon consumer acceptance of near-to-eye displays and upon microdisplay technology providing benefits comparable to or greater than those provided by alternative direct view display technology at a competitive price. If consumers fail to accept near-to-eye displays in the numbers we anticipate or as soon as we anticipate, the sales of our Video Eyewear products and our results of operations would be adversely affected and our business strategy may fail.

Other microdisplay-based personal display technology may be more successful than ours.

In addition to competing with direct view displays, we also compete with microdisplay-based personal display technologies that have been developed by other companies. Our primary personal display competitors include DaeYang Co., Ltd., Ilixco Inc., MyVu Corporation (MyVu), Carl Zeiss, Inc. (Zeiss), 5DT Inc., eMagin Corporation (eMagin), Kopin Corporation (Kopin), Lumus Ltd. (Lumus) and Kaiser Electro Optics Inc. (Kaiser). Additionally, at recent technology exhibitions Sony and Brother International Corporation have demonstrated personal display glasses that look like sunglasses. Most of our microdisplay-based competitors have greater financial, marketing, distribution and technical resources than we do. Certain of these competing microdisplay-based technologies entered the marketplace prior to us. Moreover, our competitors may succeed in developing new microdisplay-based personal display technologies that are more affordable or have more or more desirable features than our technology. If our products are unable to capture a substantial portion of the personal display market, our business strategy may fail.

Our business and products are subject to government regulation in the US and in Europe.

Our products must comply with certain requirements of the US Federal Communications Commission (FCC) regulating electromagnetic radiation in order to be sold in the US and with comparable requirements of the regulatory authorities of the European Union (EU) and other jurisdictions in order to be sold in those jurisdictions. We are also subject to various governmental regulations related to toxic, volatile, and other hazardous chemicals

used in connection with parts of our manufacturing process, including the Restriction of Certain Hazardous Substances Directive (RoHS) issued by the EU effective July 1, 2006. This directive restricts the distribution of products within the EU that exceed very low maximum concentration values of certain substances, including lead.

We believe that all our current consumer products comply with the regulations of the jurisdictions in which they are sold. Our failure to comply with these regulations in the future could result in the imposition of fines or in the suspension or cessation of our operations in the applicable jurisdictions. Additional regulations applicable to our business may be enacted in the United States or other jurisdictions in the future. Compliance with regulations enacted in the future could substantially increase our cost of doing business or otherwise have a material adverse effect on our results of operations and our business.

Our products will likely experience rapidly declining unit prices.

In the markets in which we expect to compete, prices of established products tend to decline significantly over time. In order to maintain our profit margins over the long term, we believe that we will need to continuously develop product enhancements and new technologies that will either slow price declines of our products or reduce the cost of producing and delivering our products. While we anticipate many opportunities to reduce production costs over time, we may not be able to reduce our production costs. We expect to attempt to offset the anticipated decrease in our average selling price by introducing new products, increasing our sales volumes or adjusting our product mix. If we fail to do so, our results of operations will be materially and adversely affected.

If we cannot obtain and maintain appropriate patent and other intellectual property rights protection for our technology, our business will suffer.

The value of our personal display and related technologies is dependent on our ability to secure and maintain appropriate patent and other intellectual property rights protection. We intend to continue to aggressively pursue additional patent protection for our new products and technology. Although we own many patents covering our technology that have already been issued, we may not be able to obtain additional patents that we apply for, or that any of these patents, once issued, will give us commercially significant protection for our technology, or will be found valid if challenged. Moreover, we have not obtained patent protection for some of our technology in all foreign countries in which our products might be manufactured or sold. In any event, the patent laws and enforcement regimes of other countries may differ from those of the United States as to the patentability of our personal display and related technologies and the degree of protection afforded.

Any patent or trademark owned by us may be challenged and invalidated or circumvented. Patents may not issue from any of our pending or future patent applications. Any claims and issued patents or pending patent applications may not be broad or strong enough and may not be issued in all countries where our products can be sold or our technologies can be licensed to provide meaningful protection against any commercial damage to us. Further, others may develop technologies that are similar or superior to our technologies, duplicate our technologies or design around the patents owned by us. Effective intellectual property protection may be unavailable or limited in certain foreign countries. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise use aspects of our processes and devices that we regard as proprietary. Policing unauthorized use of our proprietary information and technology is difficult and our efforts to do so may not prevent misappropriation of our technologies. In the event that our intellectual property protection is insufficient to protect our intellectual property rights, we could face increased competition in the market for our products and technologies, which could have a material adverse effect on our business, financial condition and results of operations.

We may become engaged in litigation to protect or enforce our patent and other intellectual property rights or in International Trade Commission proceedings to abate the importation of goods that would compete unfairly with our products. In addition, we may have to participate in interference or reexamination proceedings before the US Patent and Trademark Office, or in opposition, nullification or other proceedings before foreign patent offices, with respect to our patents or patent applications. All of these actions would place our patents and other intellectual property rights at risk and may result in substantial costs to us as well as a diversion of management attention. Moreover, if successful, these actions could result in the loss of patent or other intellectual property rights protection for the key technologies on which our business strategy depends.

In addition, we rely in part on unpatented proprietary technology, and others may independently develop the same or similar technology or otherwise obtain access to our unpatented technology. To protect our trade secrets, know-how and other proprietary information, we require employees, consultants, financial advisors and strategic partners to enter into confidentiality agreements. These agreements may not provide meaningful protection for our trade secrets, know-how or other proprietary information in the event of any unauthorized use, misappropriation or disclosure of those trade secrets, know-how or other proprietary information. In particular, we may not be able to fully or adequately protect our proprietary information as we conduct discussions with potential strategic partners. If we are unable to protect the proprietary nature of our technology, it will harm our business.

Despite our efforts to protect our intellectual property rights, intellectual property laws afford us only limited protection. A third party could copy or otherwise obtain information from us without authorization. Accordingly, we may not be able to prevent misappropriation of our intellectual property or to deter others from developing similar products or services. Further, monitoring the unauthorized use of our intellectual property is difficult. Litigation may be necessary to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others. Litigation of this type could result in substantial costs and diversion of resources, may result in counterclaims or other claims against us and could significantly harm our results of operations. In addition, the laws of some foreign countries do not protect our proprietary rights to the same extent as do the laws of the United States.

As is commonplace in technology companies, we employ individuals who were previously employed at other technology companies. To the extent our employees are involved in research areas that are similar to those areas in which they were involved at their former employers, we may be subject to claims that such employees or we have, inadvertently or otherwise, used or disclosed the alleged trade secrets or other proprietary information of the former employers. Litigation may be necessary to defend against such claims. Litigation of this type could result in substantial costs to us and divert our resources.

We also depend on trade secret protection through confidentiality and license agreements with our employees, subsidiaries, licensees, licensors and others. We may not have agreements containing adequate protective provisions in every case, and the contractual provisions that are in place may not provide us with adequate protection in all circumstances. The unauthorized reproduction or other misappropriation of our intellectual property could diminish the value of our brand, competitive advantages or goodwill and result in decreased sales.

We may incur substantial costs or lose important rights as a result of litigation or other proceedings relating to our products, patents and other intellectual property rights.

In recent years, there has been significant litigation involving patents and other intellectual property rights in many technology-related industries. Until recently, patent applications were retained in secrecy by the US Patent and Trademark Office until and unless a patent was issued. As a result, there may be US patent applications pending of which we are unaware that may be infringed by the use of our technology or a part thereof, thus substantially interfering with the future conduct of our business. In addition, there may be issued patents in the United States or other countries that are pertinent to our business of which we are not aware. We and our customers could be sued by other parties for patent infringement in the future. Such lawsuits could subject us and them to liability for damages or require us to obtain additional licenses that could increase the cost of our products, which might have an adverse affect on our sales.

In addition, in the future we may assert our intellectual property rights by instituting legal proceedings against others. We may not be able to successfully enforce our patents in any lawsuits we may commence. Defendants in any litigation we may commence to enforce our patents may attempt to establish that our patents are invalid or are unenforceable. Any patent litigation could lead to a determination that one or more of our patents are invalid or unenforceable. If a third party succeeds in invalidating one or more of our patents, that party and others could compete more effectively against us. Our ability to derive sales from products or technologies covered by these patents could be adversely affected.

Whether we are defending the assertion of third party intellectual property rights against our business as a result of the use of our technology, or we are asserting our own intellectual property rights against others, such litigation can be complex, costly, protracted and highly disruptive to our business operations by diverting the

attention and energies of management and key technical personnel. As a result, the pendency or adverse outcome of any intellectual property litigation to which we are subject could disrupt business operations, require the incurrence of substantial costs and subject us to significant liabilities, each of which could severely harm our business.

Plaintiffs in intellectual property cases often seek injunctive relief. Any intellectual property litigation commenced against us could force us to take actions that could be harmful to our business and thus to our sales, including the following:

- discontinuing selling the products that incorporate or otherwise use technology that contains our allegedly infringing intellectual property;
- attempting to obtain a license to the relevant third party intellectual property, which may not be available on reasonable terms or at all; or
- attempting to redesign our products to remove our allegedly infringing intellectual property.

If we are forced to take any of the foregoing actions, we may be unable to manufacture and sell products that incorporate our technology at a profit or at all. Furthermore, the measure of damages in intellectual property litigation can be complex, and is often subjective or uncertain. If we were to be found liable for infringement of proprietary rights of a third party, the amount of damages we might have to pay could be substantial and is difficult to predict. Decreased sales of our products incorporating our technology would adversely affect our sales. Any necessity to procure rights to the third party technology might cause us to negotiate the royalty terms of the third party license which could increase our cost of production or, in certain cases, terminate our ability to build some of our products entirely.

Our failure to renew, register or otherwise protect our trademarks could have a negative impact on the value of our brand names and our ability to use those names in certain geographical areas.

We believe our copyrights and trademarks are critical to our success. We rely on trademark, copyright and other intellectual property laws to protect our proprietary rights. If we fail to properly register and otherwise protect our trademarks, service marks and copyrights, we may lose our rights, or our exclusive rights, to them. In that case, our ability to effectively market and sell our products and services could suffer, which could harm our business.

There may be negative effects on eyesight from the long-term use of our products.

The personal display products that we currently market or may introduce and market in the future are new and utilize new technology. While virtual display technology has been in use over the past 25 years, sales to the general public have been limited. Extensive and continual viewing of any display, including standard computer monitors, for hours each day has the potential to negatively affect eyesight. Accordingly, it is possible that prolonged use of our products may adversely affect a user's eyesight. We design our products with these considerations in mind to attempt to minimize any potential negative impact. We warn users that extensive daily use without appropriate rest periods may cause eye fatigue that could result in temporary or permanent damage (in much the same way that a computer monitor manufacturers now warn users about long-term computer use). Despite our efforts, we may be unable to overcome this risk and such risk could result in claims against us by users of our products. Any such claims, whether or not we are ultimately held liable for them, could diminish the value of our brand, competitive advantages or goodwill and may result in decreased sales and we could incur significant expense in defending against any such claims. In addition, if we are ultimately held liable for any such claims, the resulting liabilities may have a material adverse effect on our business, financial condition and results of operations.

Our business and products may expose us to product liability claims.

Our business may expose us to product liability claims. Although no such claims have been brought against us to date, and to our knowledge no such claim is threatened or likely, we may face liability to product users for damages resulting from the design or manufacture of our products. Any such claims, whether or not we are ultimately held liable for them, could diminish the value of our brand, competitive advantages or goodwill and result in decreased sales and we could incur significant expense in defending against any such claims. While we plan to obtain and maintain product liability insurance coverage, product liability claims made against us may exceed

coverage limits or fall outside the scope of such coverage. Also, insurance may not be available at commercially reasonable rates or at all. We do not have any such product liability insurance in effect.

We are exposed to currency fluctuations, which may have an adverse effect on us.

A substantial majority of our sales and cost of components are denominated in US dollars. As our business grows both our sales and production costs may increasingly be denominated in other currencies. Where such sales or production costs are denominated in other currencies, they are converted to US dollars for the purpose of calculating any sales or costs to us. Our sales may decrease as a result of any appreciation of the US dollar against these other currencies. The proceeds of this offering will be denominated in Canadian dollars and any substantial appreciation of the US dollar against the Canadian dollar during this offering may materially adversely affect our liquidity and capital resources.

The majority of our current expenditures are incurred in US dollars and many of our components come from countries that currently peg their currency against the US dollar. If the US dollar depreciates versus these foreign currencies, additional US dollars will be required to fund our purchases of these components.

Although we do not currently enter into currency option contracts or engage in other hedging activities, we may do so in the future. We can not assure you that we will undertake any such hedging activities or that, if we do so, they will be successful in reducing the risks to us of our exposure to foreign currency fluctuations.

Due to our significant level of international operations, we are subject to international operational, financial, legal and political risks.

A substantial part of our operations are expected to be outside of the United States and many of our customers and suppliers have some or all of their operations in countries other than the United States. Risks associated with our doing business outside of the United States include:

- compliance with a wide variety of foreign laws and regulations, particularly labor, environmental and other laws and regulations that govern our operations in those countries;
- legal uncertainties regarding taxes, tariffs, quotas, export controls, export licenses and other trade barriers;
- economic instability in the countries of our suppliers and customers, particularly in the Asia-Pacific region, causing delays or reductions in orders for their products and therefore our sales;
- political instability in the countries in which our suppliers operate, particularly in China and Taiwan;
- difficulties in collecting accounts receivable and longer accounts receivable payment cycles; and
- potentially adverse tax consequences.

Any of these factors could harm our own, our suppliers' and our customers' international operations and businesses and impair our and their ability to continue expanding into international markets.

Our success depends on attracting and retaining highly skilled and qualified technical and consulting personnel.

Changes in our management could have an adverse effect on our business. This is especially an issue while our staff is small. We are dependent upon the active participation of several key management personnel, including Paul J. Travers, our President and Chief Executive Officer (CEO). We do not carry key person life insurance on any of our senior management or other key personnel other than our CEO. While we have some life insurance coverage on our CEO, we do not believe it would be sufficient to completely protect us against losses we may suffer if his services were to become unavailable to us in the future.

We must hire highly skilled technical personnel as employees and as independent contractors in order to develop our products. As of the date of this prospectus we had 48 full-time employees. The competition for highly skilled technical, managerial and other personnel is intense and we may not be able to retain or recruit such personnel. Our recruiting and retention success is substantially dependent on our ability to offer competitive salaries

and benefits to our employees. We must compete with companies that possess greater financial and other resources than we do and that may be more attractive to potential employees and contractors. To be competitive, we may have to increase the compensation, bonuses, stock options and other fringe benefits offered to employees in order to attract and retain such personnel. The costs of retaining or attracting new personnel may have a material adverse effect on our business and operating results. If we fail to attract and retain the technical and managerial personnel we need to be successful, our business, operating results and financial condition could be materially adversely affected.

Our failure to effectively manage growth could harm our business.

We have rapidly and significantly expanded the number and types of products we sell, and we will endeavor to further expand our product portfolio. We must regularly introduce new products and technologies, enhance existing products, and effectively stimulate customer demand for new products and upgraded versions of our existing products.

This expansion of our products places a significant strain on our management, operations and engineering resources. Specifically, the areas that are strained most by our growth include the following:

- *New Product Launch:* With the growth of our product portfolio, we experience increased complexity in coordinating product development, manufacturing, and shipping. As this complexity increases, it places a strain on our ability to accurately coordinate the commercial launch of our products with adequate supply to meet anticipated customer demand and effective marketing to stimulate demand and market acceptance. If we are unable to scale and improve our product launch coordination, we could frustrate our customers and lose retail shelf space and product sales;
- *Forecasting, Planning and Supply Chain Logistics:* With the growth of our product portfolio, we also experience increased complexity in forecasting customer demand, in planning for production, and in transportation and logistics management. If we are unable to scale and improve our forecasting, planning and logistics management, we could frustrate our customers, lose product sales or accumulate excess inventory; and
- *Support Processes:* To manage the growth of our operations, we will need to continue to improve our transaction processing, operational and financial systems, and procedures and controls to effectively manage the increased complexity. If we are unable to scale and improve these areas, the consequences could include: delays in shipment of product, degradation in levels of customer support, lost sales, decreased cash flows, and increased inventory. These difficulties could harm or limit our ability to expand.

Our facilities and information systems and those of our key suppliers could be damaged as a result of disasters or unpredictable events, which could have an adverse effect on our business operations.

We operate the vast majority of our business from three locations in the Rochester, New York area. We also rely on third party manufacturing plants in China and third party logistics, sales and marketing facilities in other parts of the world to provide key components of our Video Eyewear products and services necessary for our operations. If major disasters such as earthquakes, fires, floods, wars, terrorist attacks, computer viruses, transportation disasters or other events occur in any of these locations, or our information system or communications network or those of any of our key component suppliers breaks down or operates improperly as a result of such events, our facilities or those of our key suppliers may be seriously damaged, and we may have to stop or delay production and shipment of our products. We may also incur expenses relating to such damages. If production or shipment of our products or components is stopped or delayed or if we incur any increased expenses as a result of damage to our facilities, our business, operating results and financial condition could be materially adversely affected.

We generally do not have long-term contracts with our customers.

Our business is operated on the basis of short-term purchase orders and engineering contracts that typically do not exceed 12 months in duration. We cannot guarantee that we will be able to obtain long-term contracts in the future. The purchase orders that we receive can often be cancelled or revised without penalty. In the absence of a backlog of orders that can only be canceled with penalty, we plan production on the basis of internally generated

forecasts of demand, which makes it difficult to accurately forecast inventory requirements and sales. Large supply line commitments and large inventories of various components will be required to support our business and provide reasonable order fulfillment for customers. If we fail to accurately forecast operating requirements, our business may suffer and the value of your investment in us may decline.

Terrorism and the uncertainty of future terrorist attacks or war could reduce consumer confidence which could adversely affect our operating results.

Terrorist acts or acts of war may cause damage or disruption to our facilities, information systems, vendors, employees and customers, which could significantly harm our sales and results of operations. In the future, fears of war or additional acts of terrorism may have a negative effect on consumer confidence or consumer discretionary spending patterns, as well as have an adverse effect on the economy in general. This impact may be particularly harmful to our business because we expect to rely heavily on discretionary consumer spending and consumer confidence levels.

RISKS RELATED TO MANUFACTURING

We rely on two vendors to supply most of our microdisplays.

We do not currently own or operate any manufacturing facilities for microdisplays, one of the key components in our Video Eyewear products. We currently purchase almost all of the microdisplays used in our products from Kopin and eMagin. Kopin accounts for approximately 95% of our microdisplays by unit volume. We estimate that products incorporating Kopin microdisplays will account for approximately 56% of our sales in 2009 and products incorporating eMagin microdisplays will account for approximately 19% of our sales in 2009. Our relationships with both Kopin and eMagin generally are on a purchase order basis and neither supplier has a contractual obligation to provide adequate supply, quality or acceptable pricing on a long-term basis. Both Kopin and eMagin could discontinue sourcing merchandise for us at any time. If Kopin or eMagin were to discontinue their relationships with us, or discontinue providing specific products to us, and we are unable to contract with a new supplier that can meet our requirements, or if Kopin or eMagin or such other supplier were to suffer a disruption in their production, we could experience disruption of our inventory flow, a decrease in sales and the possible need to redesign our products. Any such event could disrupt our operations and have an adverse effect on our business, financial condition and results of operations.

Certain other components and services necessary for the manufacture of our products are available from only a limited number of sources, and other components and services are only available from a single source.

Our inability to obtain sufficient quantities of high quality components or services on a timely basis could result in future manufacturing delays, increased costs and ultimately in reduced or delayed sales or lost orders which could materially and adversely affect our operating results.

The consumer electronics industry is subject to significant fluctuations in the availability of components. If we do not properly anticipate the need for critical components, we may be unable to meet the demands of our customers and end-users.

The availability of certain of the components that we require to produce our Video Eyewear products may decrease. As the availability of components decreases, the cost of acquiring those components ordinarily increases. High growth product categories have experienced chronic shortages of components during periods of exceptionally high demand. If we do not properly anticipate the need for or procure critical components, we may pay higher prices for those components, our gross margins may decrease and we may be unable to meet the demands of our customers and end-users, which could reduce our competitiveness, cause a decline in our market share and have a material adverse effect on our results of operations.

Unanticipated disruptions in our operations or slowdowns by our suppliers, distributors and shipping companies could adversely affect our ability to deliver our products and service our customers.

Our ability to provide high quality customer service, process and fulfill orders and manage inventory depends on the efficient, timely and uninterrupted performance of our manufacturing and distribution facilities and our management information systems and the facilities and systems of our third party suppliers, distributors and shipping companies.

Any material disruption or slowdown in the operation of our manufacturing and distribution facilities or our management information systems, or comparable disruptions or slowdowns suffered by our principal suppliers, distributors or shippers could cause delays in our ability to receive, process and fulfill customer orders and may cause orders to be canceled, lost or delivered late, goods to be returned or receipt of goods to be refused. If any of these events occur, our sales and operating results could be materially and adversely affected.

If we acquire any companies or technologies in the future, they could prove difficult to integrate, disrupt our business, dilute stockholder value or have an adverse effect on our results of operations.

We intend to expand our business primarily through internal growth, but from time to time we may consider strategic acquisitions. Any future acquisition would involve numerous risks including:

- potential disruption of our ongoing business and distraction of management;
- difficulty integrating the operations and products of the acquired business;
- unanticipated expenses related to technology integration;
- exposure to unknown liabilities, including litigation against the companies we may acquire;
- additional costs due to differences in culture, geographic locations and duplication of key talent; and
- potential loss of key employees or customers of the acquired company.

Additionally, to finance an acquisition we may incur substantial amounts of indebtedness, which would affect our balance sheet and results of operations, or we may issue a substantial number of shares of our common stock, which may be dilutive to our stockholders. If we make acquisitions in the future, acquisition-related accounting charges may affect our balance sheet and results of operations. We may not be successful in addressing these risks or any other problems encountered in connection with any acquisitions.

RISKS RELATING TO THIS OFFERING

The offering price for our units may not be indicative of their fair market value.

The offering price for our units was determined in the context of negotiations between us and the agents. Accordingly, the offering price may not be indicative of the true fair market of our company or the fair market value of our units. We are making no representations that the offering price of our units under this prospectus bears any relationship to our assets, book value, net worth or any other recognized criteria of our value.

There is currently no trading market for our securities and an established trading market may not develop.

Our securities are not currently listed or quoted on any national securities exchange or national quotation system. We have applied for the listing of the shares of our common stock included in the units offered under this prospectus and the shares of our common stock issuable upon exercise of the warrants included in the units offered under this prospectus on the TSX-V. We do not intend to list the warrants offered under this prospectus on any securities exchange. Listing of our common stock will be subject to fulfilling all of the requirements of the TSX-V. The TSX-V, or any other exchange or quotation system, may not permit our common stock to be listed and traded. Even if our common stock is accepted for listing on the TSX-V, the TSX-V has continuing listing requirements and we may not be able to comply with those requirements and maintain our listing. If we fail to obtain an initial listing on the TSX-V, we may seek quotation of our common stock on the OTC Bulletin Board of the US Financial Industry

Regulatory Authority, Inc. (FINRA). The OTC Bulletin Board is an inter-dealer, over-the-counter market that provides significantly less liquidity and transparency than the TSX-V. Therefore, prices for securities traded solely on the OTC Bulletin Board may be difficult to obtain and holders of common stock may be unable to resell their securities at or near their original offering price or at any price.

Shares of our common stock eligible for future sale in the public marketplace may adversely affect the market price of our common stock.

The price of our common stock could decline if there are substantial sales of our common stock in the public stock market after this offering. Based on the number of shares of common stock outstanding as of the date of this prospectus, upon completion of this offering, we anticipate that • shares of our common stock will be outstanding. All of the shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act, except for any of those shares held by our "affiliates," as that term is defined in Rule 144 under the Securities Act, whose sales would be subject to the volume and manner of sale limitations of Rule 144 described below. In addition, 117,436,334 shares of our common stock currently outstanding, or approximately • % of our common stock outstanding after this offering, may be resold at any time, subject to the lock-up agreements and TSX-V escrow arrangements described below. Our executive officers and directors currently own 82,987,673 shares, or approximately • % of our common stock outstanding after this offering, which are eligible for resale subject to the volume and manner of sale limitations of Rule 144 and subject to the lock-up agreements and TSX-V escrow arrangements described below. The remaining 19,844,920 shares of our common stock currently outstanding, or approximately • % of our outstanding shares after this offering, are "restricted" under Rule 144 and are eligible for sale under the provisions of Rule 144. See "Shares Eligible for Future Resale."

Additionally, under our fiscal advisory agreement with the Canadian agents, we are obligated to issue to the Canadian agents at the closing of this offering, in payment of a fiscal advisory fee, that number of shares of our common stock equal to, depending on the gross proceeds of the offering, between 1.0% and 2.0% of our common stock issued and outstanding immediately upon the closing of the offering. The shares issued to the Canadian agents under our the agreement will be subject to resale restrictions in accordance with applicable Canadian securities laws and will be subject to resale restrictions for a period of one year following the closing of the offering under the lock-up agreements described below.

After this offering and the expiration of the lock-up periods, the holders of an aggregate of 31,764,437 shares of our common stock will have rights, subject to some conditions, to require us to include their shares in registration statements that we may file for ourselves or other stockholders. We also intend to register for resale all shares of common stock that we have issued and may issue under our option plans. Once we register these shares, subject to any lock-up restrictions, if any, they can be freely sold in the public market. Furthermore, our agents may, at their discretion and at any time without notice, release all or any portion of the securities from the restrictions on sale imposed by lock-up agreements. Due to these factors, sales of a substantial number of shares of our common stock in the public market could occur at any time. These sales, or the perception in the market that the holders of a large number of shares are able to or intend to sell shares, could reduce the market price of our common stock. See "Dilution."

The market price of our common stock may be highly volatile and you may not be able to resell your shares at or above the initial public offering price.

Prior to this offering, there has been no public market for our securities. We have applied for listing on the TSX-V of the shares of our common stock included in the units offered under this prospectus and the shares of our common stock issuable upon exercise of the warrants included in the units offered under this prospectus. An active trading market for our common stock may not develop following this offering. You may not be able to sell your shares quickly or at the market price if trading in our common stock is not active.

The market for our common stock will likely be characterized by significant price volatility when compared to more established issuers and we expect that it will continue to be so for the foreseeable future. The market price of our common stock is likely to be volatile for a number of reasons. First, our common stock is likely to be sporadically and/or thinly traded. As a consequence of this lack of liquidity, the trading of relatively small quantities of common stock by our stockholders may disproportionately influence the price of the common stock in either direction. The

price of the common stock could, for example, decline precipitously if even a relatively small number of shares are sold on the market without commensurate demand, as compared to a market for shares of an established issuer which could better absorb those sales without adverse impact on its share price. Secondly, we are a speculative or "risky" investment due to our small amount of sales and lack of profits to date and uncertainty of future market acceptance for our current and potential products or engineering services. As a consequence of this enhanced risk, more risk-adverse investors may, under the fear of losing all or most of their investment in the event of negative news or lack of progress, be more inclined to sell their shares on the market more quickly and at greater discounts than would be the case with the shares of an established issuer. We cannot make any predictions or projections as to what the prevailing market price for the common stock will be at any time or as to what effect the sale of common stock or the availability of common stock for sale at any time will have on the prevailing market price.

Purchasers of our units will experience immediate and substantial dilution as a result of their common stock being worth less on a net tangible book value basis than the amount they invested.

The price that will be paid by investors in this offering for our units will be significantly higher than the net tangible book value per share of our common stock. Purchasers of our units will experience immediate and substantial dilution of $ • assuming that all of the units offered under this prospectus are sold. In addition, a majority of our outstanding options, warrants, convertible debt and convertible preferred stock may be exercised for or converted into shares of our common stock at prices that are below the expected purchase price paid by investors in this offering. In connection with this offering, we will issue warrants as part of the units and agent options exercisable to purchase that number of shares of our common stock and warrants equal to 12.5% of the aggregate number of shares of our common stock and warrants sold under the offering (including the shares and warrants issued upon exercise of the over-allotment option), at the initial public offering price per share and warrant, for a period of 12 months from the closing date. To the extent that these outstanding options, warrants, convertible debt or convertible preferred stock are exercised or converted, there may be further dilution to investors. In addition, under our fiscal advisory agreement with the Canadian agents, we are obligated to issue to the Canadian agents at the closing of this offering, in payment of a fiscal advisory fee, that number of shares of our common stock equal to, depending on the gross proceeds of the offering, between 1.0% and 2.0% of our common stock issued and outstanding immediately upon the closing of the offering, which will further dilute investors. Accordingly, in the event we are liquidated, investors may not receive the full amount of their investment. See "Dilution."

Our management owns a significant percentage of our outstanding common stock. If the ownership of our common stock continues to be highly concentrated in management, it may prevent other stockholders from influencing significant corporate decisions.

Our officers and directors currently own approximately 38% of the outstanding shares of our common stock. Following the completion of this offering (and assuming that all units offered under this prospectus are sold), our executive officers and directors will own approximately • % of the outstanding shares of our common stock. As a result, our management will exercise significant control over matters requiring stockholder approval, including the election of our board of directors, the approval of mergers and other extraordinary transactions, as well as the terms of any of these transactions. This concentration of ownership could have the effect of delaying or preventing a change in our control or otherwise discouraging a potential acquirer from attempting to obtain control of us, which could in turn have an adverse effect on the fair market value of our company and our common stock. The interests of these and other of our existing stockholders may conflict with the interests of our other stockholders.

Management will have broad discretion as to the use of the proceeds from this offering, and may use the proceeds for purposes different from their current intent or not utilize the proceeds effectively.

While we intend to use the net proceeds of this offering to fund capital expenditures and research and development, repay bank and certain other borrowings, and for general corporate purposes, including working capital, we will have broad discretion to adjust the application and allocation of the net proceeds in order to address changed circumstances and opportunities. The success of our operations that are influenced by capital expenditures, research and development and working capital allocations will be substantially dependent upon the discretion and judgment of our management with respect to the application and allocation of the net proceeds of this offering. Our management will have broad

discretion as to the application of the net proceeds and could use them for purposes other than those contemplated at the time of this offering. Moreover, our management may use the net proceeds for corporate purposes that may not lead to profitability or increase the fair market value of our company or our common stock.

It may be difficult for us to attract or retain qualified officers and directors, which could adversely affect our business.

As a public company, the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley) and the related rules and regulations of the SEC, as well as the rules and regulations of applicable Canadian securities regulators and the rules of the TSX-V (if our listing application is accepted), will require us to implement additional corporate governance practices and adhere to a variety of reporting requirements and complex accounting rules. Among other things, we will be subject to rules regarding the independence of the members of our board of directors and committees of the board and their experience in finance and accounting matters and certain of our executive officers will be required to provide certifications in connection with our quarterly and annual reports filed with the SEC and applicable Canadian securities regulators. The perceived increased personal risk associated with these rules may deter qualified individuals from accepting these positions. Accordingly, we may be unable to attract and retain qualified officers and directors. If we are unable to attract and retain qualified officers and directors, our business and our ability to obtain or maintain the listing of our shares of common stock on a stock exchange could be adversely affected.

If we fail to implement and maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud and may fail to comply with SEC rules and the rules and regulations of applicable Canadian securities regulators.

We must implement and maintain effective internal financial controls for us to provide reliable and accurate financial reports and effectively prevent fraud. Implementation and maintenance of effective internal financial controls will depend on the effectiveness of our financial reporting and data systems and controls. We expect these systems and controls to become increasingly complex to the extent that our business grows. To effectively manage this growth, we will need to continue to improve our operational, financial and management controls and our reporting systems and procedures. We cannot be certain that these measures will ensure that we design, implement and maintain adequate controls over our financial processes and reporting in the future. Any failure to implement required new or improved controls, or difficulties encountered in their implementation or operation, could harm our operating results or cause us to fail to meet our financial reporting obligations. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the market price of our common stock and our access to capital.

Rules adopted by the SEC pursuant to Section 404 of Sarbanes-Oxley require annual assessment of our internal control over financial reporting, and attestation of this assessment by our independent registered public accountants. Under the SEC rules currently in effect, both the management assessment of our internal control over financial reporting and the attestation of management's assessment by our independent registered public accountants will first apply to our annual report for the 2009 fiscal year. The standards governing management's assessment of internal control over financial reporting are new and complex, and require significant documentation, testing and possible remediation to meet the detailed standards. In addition, the attestation process by our independent registered public accountants is new and we may encounter problems or delays in completing the implementation of any requested improvements and receiving an attestation of our assessment by our independent registered public accountants. If we cannot assess our internal control over financial reporting as effective, or our independent registered public accountants are unable to provide an unqualified attestation report on such assessment, investors could lose confidence in our reported financial information, which could have a negative effect on the market price of our common stock and our access to capital.

In addition, management's assessment of internal controls over financial reporting may identify weaknesses and conditions that need to be addressed in our internal controls over financial reporting or other matters that may raise concerns for investors. Any actual or perceived weaknesses and conditions that need to be addressed in our internal control over financial reporting, disclosure of management's assessment of our internal controls over financial reporting, or disclosure of our independent registered public accounting firm's attestation to our report on management's assessment of our internal controls over financial reporting may have a negative effect on the market price of our common stock and our access to capital.

We will incur significant increased costs as a result of operating as a public company, and our management will be required to devote substantial time to new compliance initiatives.

As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, Sarbanes-Oxley and the related rules and regulations of the SEC, as well as the rules and regulations of applicable Canadian securities regulators and the rules of the TSX-V (if our listing application is accepted), impose various requirements on public companies, including requiring changes in corporate governance practices. Our management and other personnel will need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. For example, we expect these new rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to incur substantial costs to maintain the same or similar coverage. Compliance with Section 404 of Sarbanes-Oxley will also require that we incur substantial accounting expenses and expend significant management efforts.

Our common stock may be considered a "penny stock," and thereby be subject to additional sale and trading regulations that may make it more difficult to sell.

Our common stock, which is not currently listed or quoted on any national securities exchange or national quotation system, may be considered to be a "penny stock" if it does not qualify for one of the exemptions from the definition of "penny stock" under Rule 3a51-1 under the Securities Exchange Act of 1934 (Exchange Act). Our common stock may be a "penny stock" if it meets one or more of the following conditions (i) the stock trades at a price less than $5.00 per share; (ii) it is not traded on a "recognized" national exchange; (iii) it is not quoted on the NASDAQ Capital Market, or even if so, has a price less than $5.00 per share; or (iv) is issued by a company that has been in business less than three years with net tangible assets less than $5 million.

The principal result or effect of being designated a "penny stock" is that US securities broker-dealers participating in sales of our common stock will be subject to the "penny stock" regulations set forth in Rules 15g-2 through 15g-9 promulgated under the Exchange Act. For example, Rule 15g-2 requires broker-dealers dealing in penny stocks to provide potential investors with a document disclosing the risks of penny stocks and to obtain a manually signed and dated written receipt of the document at least two business days before effecting any transaction in a penny stock for the investor's account. Moreover, Rule 15g-9 requires broker-dealers in penny stocks to approve the account of any investor for transactions in such stocks before selling any penny stock to that investor. This procedure requires the broker-dealer to (i) obtain from the investor information concerning his or her financial situation, investment experience and investment objectives; (ii) reasonably determine, based on that information, that transactions in penny stocks are suitable for the investor and that the investor has sufficient knowledge and experience as to be reasonably capable of evaluating the risks of penny stock transactions; (iii) provide the investor with a written statement setting forth the basis on which the broker-dealer made the determination in (ii) above; and (iv) receive a signed and dated copy of such statement from the investor, confirming that it accurately reflects the investor's financial situation, investment experience and investment objectives. Compliance with these requirements may make it more difficult and time consuming for holders of our common stock to resell their shares to third parties or to otherwise dispose of them in the market or otherwise.

We do not intend to pay dividends on our common stock.

We have never declared or paid any cash dividends on our common stock. We currently intend to retain our future earnings, if any, to finance the operation and growth of our business and do not expect to pay any cash dividends.

Our certificate of incorporation, by-laws and Delaware law may discourage takeovers and business combinations that our stockholders might consider in their best interests.

Provisions in our certificate of incorporation and by-laws may delay, defer, prevent or render more difficult a takeover attempt that our stockholders might consider in their best interests. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the market value of our common stock if they are

viewed as discouraging takeover attempts in the future. See "Description of Capital Stock" for additional information on the anti-takeover measures applicable to us.

Provisions in our restated certificate of incorporation and amended and restated bylaws, as well as provisions of Delaware law, could make it more difficult for a third party to acquire us, even if doing so would benefit our stockholders. Our certificate of incorporation and bylaws:

- provide that the authorized number of directors may be changed only by resolution of the board of directors;
- provide that all vacancies, including newly created directorships, may, except as otherwise required by law, be filled by the affirmative vote of a majority of directors then in office, even if such number is less than a quorum;
- require that any action to be taken by our stockholders be effected at a duly called annual or special meeting of stockholders and not by written consent;
- provide that stockholders seeking to present proposals before a meeting of stockholders or to nominate candidates for election as directors at a meeting of stockholders must provide notice in writing in a timely manner, and also specify requirements as to the form and content of a stockholder's notice;
- do not provide for cumulative voting rights, therefore allowing the holders of a majority of the shares of our common stock entitled to vote in any election of directors to elect all of the directors standing for election, if they should so choose; and
- provide that special meetings of our stockholders may be called only by the chairman of the board, our chief executive officer or by the board of directors pursuant to a resolution adopted by a majority of the total number of authorized directors.

The amendment of any of these provisions would require approval by the holders of at least 66$^{2}/_{3}$% of our then outstanding capital stock.

In addition, we may become subject to Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with an interested stockholder for a period of three years following the date on which the stockholder became an interested stockholder. This provision could have the effect of delaying or preventing a change of control, whether or not it is desired by or beneficial to our stockholders.

We can issue other series of shares of preferred stock that may adversely affect your rights as a holder of our common stock or warrants.

As of the date of this prospectus, we are authorized to issue up to 6,745,681 shares of preferred stock. Prior to the time the registration statement of which this prospectus forms a part becomes effective, the number of shares of preferred stock we are authorized to issue will be reduced to 5,000,000 shares. The designations, rights and preferences of our preferred stock may be determined from time-to-time by our board of directors. Accordingly, our board of directors is empowered, without shareholder approval, to issue one or more series of preferred stock with dividend, liquidation, conversion, voting or other rights superior to those of the holders of our common stock. For example, an issuance of shares of preferred stock could:

- adversely affect the voting power of the holders of our common stock;
- make it more difficult for a third party to gain control of us;
- discourage bids for our common stock;
- limit or eliminate any payments that the holders of our common stock could expect to receive upon our liquidation; or
- adversely affect the market price of our common stock.

168,500 shares of our Series C Preferred Stock were outstanding as of the date of this prospectus. We have agreed with the agents to use our best efforts to cause all of the outstanding shares of our Series C Preferred Stock, together with all dividends accrued and unpaid thereon, to be converted into common stock prior to the effective time of the registration statement of which this prospectus forms a part.

We may need to raise additional funds.

Our operations to date have consumed substantial amounts of cash, and we expect our capital and operating expenditures to increase in the next few years. We believe that our existing capital resources and anticipated cash flow from planned operations, together with the net proceeds of this offering, should be adequate to satisfy our cash requirements for the next 12 months. However, we may need significant additional capital before that time. Any additional required financing may not be available on acceptable terms or at all. If we raise additional funds by issuing equity securities or convertible debt securities, further dilution to existing stockholders may result. If adequate funds are not available, our business, financial condition and results of operations and the market price of our common stock would be materially adversely affected.

Adverse capital and credit market conditions may significantly affect our ability to meet liquidity needs, access to capital and cost of capital.

We have historically relied on private placements of equity and debt to fund our operating losses and capital expenditure. The capital and credit markets have been experiencing extreme volatility and disruption for more than 12 months. Disruptions, uncertainty or volatility in the capital and credit markets may limit our ability to access the capital necessary to operate and grow our business. Adverse capital and credit market conditions may force us to delay raising capital or bear an unattractive cost of capital which could significantly reduce our financial flexibility. Our results of operations, financial condition, cash flows and capital position and the market value of our common stock could be materially adversely affected by disruptions in the financial markets.

Our ability to utilize our net operating loss carryforwards and certain other tax attributes is limited.

As of March 31, 2009, we had net operating loss carryforwards of approximately $12.5 million for Federal and state income tax purposes. Under Section 382 of the Internal Revenue Code, if a corporation undergoes an "ownership change," the corporation's ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes to offset its post-change income may be limited. An ownership change is defined for these purposes as a greater than 50% change in its equity ownership by value over a three-year period. We may also experience ownership changes in the future as a result of this offering or subsequent changes in our stock ownership.

FORWARD-LOOKING STATEMENTS

This prospectus contains, in addition to historical information, forward-looking statements. These statements are based on our management's beliefs and assumptions and on information currently available to our management. The forward-looking statements are contained principally under the headings "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Use of Proceeds" and "Business." Forward-looking statements include statements concerning:

- our possible or assumed future results of operations;
- our business strategies;
- our ability to attract and retain customers;
- our ability to sell additional products and services to customers;
- our cash needs and financing plans;
- our competitive position;
- our industry environment;
- our potential growth opportunities;
- expected technological advances by us or by third parties and our ability to leverage them;
- the effects of future regulation; and
- the effects of competition.

All statements in this prospectus that are not historical facts are forward-looking statements. We may, in some cases, use terms such as "anticipates," "believes," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "projects," "should," "will," "would" or similar expressions that convey uncertainty of future events or outcomes to identify forward-looking statements.

The outcome of the events described in these forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. These important factors include our financial performance and the other important factors we discuss in greater detail in "Risk Factors." You should read these factors and the other cautionary statements made in this prospectus as applying to all related forward-looking statements wherever they appear in this prospectus. Given these factors, you should not place undue reliance on these forward-looking statements. Also, forward-looking statements represent our management's beliefs and assumptions only as of the date on which the statements are made. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. You should read this prospectus and the documents that we reference in this prospectus and have filed as exhibits to the registration statement, of which this prospectus is a part, completely and with the understanding that our actual future results may be materially different from what we currently expect.

USE OF PROCEEDS

We estimate that the net proceeds of this offering will be approximately Cdn$ • million, based upon an assumed initial public offering price of Cdn$ • per unit, and after deducting estimated underwriting discounts and commissions and offering expenses. If the agents exercise their over-allotment option in full, we estimate that the net proceeds will be approximately Cdn$ • million.

We plan to use $916,065 of our net proceeds from this offering to repay the outstanding principal amounts of and interest accrued on our lines of credit and notes payable, including $95,000 in principal amount plus interest payable to Paul J. Travers, our President and Chief Executive Officer, under a revolving loan agreement that we entered into with Mr. Travers in October 2008. We intend to use the remainder of the net proceeds from this offering for:

- research and development expenses;
- capital expenditures;
- selling, marketing, general and administrative expenses;
- possible acquisitions of businesses, technologies or other assets; and
- general corporate purposes.

We intend to continue our development of new products that leverage our advancements in our optics and electronics technology. We believe that these new technologies, if successfully implemented, will result in significant performance improvements in our products and as a result increase our overall customer demand. We anticipate expending an aggregate of approximately $3.0 million on product design, development and tooling and our current development plans by product line are as follows:

New Product Development Objectives	Targeted Completion Date
Wrap Video Eyewear (consumer)	Fall 2009
Blade Video Eyewear (consumer)	Spring 2010
Blade Tac-Eye (defense)	Summer 2010
Blade low vision-assist product	Fall 2010
Blade II display engine	Spring 2011

To expand our manufacturing floor and our internal research and development equipment we intend to invest approximately $211,000 over the next 18 months. And to support our overall growth we intend to invest approximately $166,000 in new computer hardware and software over the next 18 months.

To assist in the marketing of our new Wrap Video Eyewear products we intend to invest up to $780,000 in point of purchase (POP) display systems to show case our new products at retail outlets. We estimate that this amount would allow us place our POP display systems in approximately 1600 retail outlets.

Although we may use a portion of the net proceeds to acquire businesses, technologies or other assets, we have no agreements or arrangements with respect to any such transactions at the present time.

Notwithstanding the foregoing, we cannot specify with certainty the uses for the net proceeds to be received upon the completion of this offering. Our management will have broad discretion as to how to spend and invest approximately Cdn$ • million of the net proceeds of this offering, and investors will be relying on the judgment of our management regarding the application of these proceeds. You will not have the opportunity to evaluate the economic, financial or other information on which we base our decisions on how to use these proceeds. The timing and amount of our actual expenditures will be based on many factors, including cash flows from operations, available technology advances and the growth of our business. The funds may not be fully used for a significant period following the closing of the offering. Pending the uses described above, we intend to invest the net proceeds from this offering in short-term, investment grade, interest bearing securities. We cannot predict whether the proceeds invested will yield a favorable return.

Although we intend to use the proceeds from the offering as set forth above, the actual amount that we spend in connection with each intended use of the proceeds may vary significantly from the amounts specified above and will be dependent on a number of factors, including those referenced under “Risk Factors”.

We have agreed with Mr. Travers and Grant Russell, our Executive Vice President and Chief Financial Officer, that we will pay them deferred compensation in the aggregate amount of $445,096, plus interest at the annual rate of 8.0%, and $209,208 in aggregate principal amount, plus interest at the annual rate of 8.0%, in repayment of loans made to us more than five years ago by those officers to finance our operations, either in one lump sum on or before the first anniversary of the closing of this offering from the proceeds of the exercise of the warrants included in the units and the agents’ warrants if and when at least 50% of those warrants are exercised or otherwise in 12 equal monthly installments beginning on the first anniversary of the closing of this offering until paid in full. Any additional proceeds from any exercise of the warrants included in the units and the agents’ warrants will be used for working capital. If all of these warrants were to be exercised, we would receive additional funds totaling approximately Cdn$ • . These warrants may not be exercised before they expire • months after the closing of this offering.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our common stock. We currently intend to retain all available funds and any future earnings to support our operations and finance the growth and development of our business. We do not intend to pay cash dividends on our common or preferred stock for the foreseeable future. Any future determination related to dividend policy will be made at the discretion of our board of directors. Additionally, our lines of credit prohibit us from paying cash dividends at any time at which any amount remains outstanding under the lines. Although the outstanding principal amounts of and interest accrued on our lines of credit will be paid in full from the proceeds of this offering we expect that we will draw down on the lines of credit from time to time after this offering. We are not subject to any restrictions that would prevent us from paying a dividend except for the restrictions under our lines of credit and restrictions under TSX-V policies, our certificate of incorporation and bylaws and the Delaware General Corporation Law.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and our capitalization as of March 31, 2009:

- on an actual basis;
- on a pro forma basis based on an assumed initial public offering price of Cdn$ • per unit, to give effect to the conversion of (i) 168,500 shares of our Series C Preferred Stock outstanding immediately prior to the closing of this offering, together with all dividends accrued and unpaid thereon, at the conversion price of $0.2917 per share into 7,060,914 shares of our common stock; and (ii) $75,000 in aggregate principal amount of convertible promissory notes, together with all interest accrued and unpaid thereon, at the conversion price of $0.057089 per share into 2,251,985 shares of our common stock; and
- on a *pro forma* as adjusted basis to give effect to the events described above and the sale of • units in this offering at an assumed initial offering price of Cdn$ • per unit, after deducting estimated underwriting discounts and commissions and offering expenses of Cdn$ • million, and the issuance of • shares of our common stock to the Canadian agents in payment of a fiscal advisory fee.

You should read the information in this table together with our consolidated financial statements and accompanying notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this prospectus.

	March 31, 2009		
	Actual	Pro Forma (Unaudited)	Pro Forma As Adjusted
Cash and cash equivalents	$ 259,151		
Long-term debt (non-convertible) and related accrued interest	1,286,643		
Accrued cumulative preferred dividends	349,574		
Convertible promissory notes and bridge loans and related accrued interest	126,191		
Total long-term obligations	1,762,408		
Stockholders' Equity:			
Preferred stock			
Series C preferred stock ($0.001 par value), 500,000 shares authorized and 168,500 shares issued and outstanding	169		
Common Stock			
Common stock ($0.001 par value), 400,000,000 shares authorized, 220,268,927 shares issued and outstanding, actual; • shares issued and outstanding, pro forma as adjusted	220,269		
Additional paid-in capital	13,039,100		
Subscriptions receivable	(321,517)		
Accumulated deficit	(15,161,140)		
Total stockholders' equity (deficit)	(2,223,119)		
Total capitalization	$ (201,560)		

The number of shares of common stock to be outstanding immediately after this offering is based on the number of shares outstanding as of March 31, 2009 and an assumed offering of • units at an initial public offering price of Cdn$ • per unit, and excludes:

- 15,304,554 shares of our common stock issuable upon exercise of then outstanding options under our 2007 option plan, having a weighted average exercise price of $0.0999 per share;
- 30,000,000 shares of our common stock reserved for issuance upon exercise of options under our 2009 option plan, none of which had then been granted;
- 7,000,000 shares of our common stock reserved for issuance upon exercise of options under our 2009 directors option plan, none of which had then been granted; and
- 7,172,160 shares of our common stock issuable upon exercise of outstanding warrants, having a weighted average exercise price of $0.1815 per share.

In consideration of certain fiscal advisory services rendered by the Canadian agents to us pursuant to a fiscal advisory fee agreement between us and the Canadian agents, we have agreed to issue to the Canadian agents at the closing of this offering, in payment of a fiscal advisory fee, that number of shares of our common stock equal to, depending on the gross proceeds of the offering, between 1.0% and 2.0% of our common stock issued and outstanding immediately upon the closing of the offering. The issuance of these shares to the Canadian agents is not covered by this prospectus. These shares will be issued pursuant to exemptions from the registration requirements of applicable United States and Canadian securities laws and subject to resale restrictions under those laws and a lock-up agreement for one year. See “Underwriting — Fiscal Advisory Fee Agreement.”

Consolidated Capitalization

Except as disclosed in the table above, there have been no material changes in our share and loan capital since December 31, 2008.

DILUTION

If you invest in our units in this offering, your ownership interest will be diluted to the extent of the difference between the initial public offering price per unit and the pro forma net tangible book value per share of our common stock after this offering. The historical net tangible book value of our common stock as of March 31, 2009 was a deficit of approximately $ • million, or $(•) per share, based on the number of shares outstanding as of March 31, 2009. Historical net tangible book value per share is determined by dividing the number of outstanding shares of our common stock into our total tangible assets, or total assets less intangible assets, less our total liabilities and less the carrying value of our total convertible preferred stock. Investors participating in this offering will incur immediate, substantial dilution. Our pro forma net tangible book value as of March 31, 2009 was a deficit of approximately $ • million, or approximately $(•) per share. Pro forma net tangible book value per share represents the amount of our total tangible assets less our total liabilities, divided by the pro forma number of shares of our common stock outstanding after giving effect to the conversion of all outstanding shares of our Series C Preferred Stock, together with all dividends accrued and unpaid thereon, into 7,060,914 shares of our common stock and $75,000 in aggregate principal amount of convertible promissory notes, together with all interest accrued and unpaid thereon, into 2,251,985 shares of our common stock upon completion of this offering. After giving effect to the sale of • units in this offering at an assumed initial public offering price of Cdn$ • per unit, and after deducting estimated underwriting discounts and commissions and offering expenses and the repayment of $ • million of outstanding notes payable, along with accrued interest, and the issuance of • shares of our common stock to the Canadian agents in payment of a fiscal advisory fee, our pro forma as adjusted net tangible book value as of March 31, 2009 would have been approximately $ million, or approximately $ • per share of common stock. This represents an immediate increase in pro forma as adjusted net tangible book value of $ • per share to existing stockholders, and an immediate dilution of Cdn$ • share to investors participating in this offering. The following table illustrates this per share dilution:

Assumed initial public offering price per unit	$
Historical net tangible book value per share as of March 31, 2009	(0.0210)
Increase in net tangible book value deficit per share attributable to conversion of preferred stock and convertible notes	0.0076
Pro forma net tangible book value deficit per share as of March 31, 2009	•
Increase in net tangible book value per share attributable to investors participating in this offering	•
Pro forma as adjusted net tangible book value per share after this offering	
Pro forma dilution per share to investors participating in this offering	•

The following table summarizes, on a pro forma as adjusted basis as of March 31, 2009, the differences between the number of shares of common stock purchased from us, the total consideration and the average price per share paid by existing stockholders and by investors participating in this offering, before deducting estimated underwriting discounts and commissions and offering expenses, at an assumed initial public offering price of Cdn$ • per unit:

	Shares Purchased		Total Consideration		Average Price per Share
	Number	Percent	Amount	Percent	
Existing stockholders before this offering	220,268,927	•%	$ 12,897,165	%	$ 0.0585
Investors participating in this offering	•	•%			
Total	•	100%			

The discussion and tables above assume no exercise of the over-allotment option, the agents' warrants or any other options or warrants outstanding on the date of this prospectus. If the overallotment option and the agents' warrants are exercised in full, the number of shares of common stock held by existing stockholders will be reduced to • % of the total number of shares of common stock to be outstanding after this offering, and the number of

shares of common stock held by investors participating in this offering will be increased to • shares or • % of the total number of shares of common stock outstanding after this offering.

In consideration of certain fiscal advisory services rendered by the Canadian agents to us pursuant to a fiscal advisory fee agreement between us and the Canadian agents, we have agreed to issue to the Canadian agents at the closing of this offering, in payment of a fiscal advisory fee, that number of shares of our common stock equal to, depending on the gross proceeds of the offering, between 1.0% and 2.0% of our common stock issued and outstanding immediately upon the closing of the offering. The issuance of these shares to the Canadian agents is not covered by this prospectus. These shares will be issued pursuant to exemptions from the registration requirements of applicable United States and Canadian securities laws and subject to resale restrictions under these laws and a lock-up agreement for one year. See "Underwriting — Fiscal Advisory Fee Agreement."

The share data in the table above is based on the number of shares outstanding as of March 31, 2009 and an assumed offering of • units at an initial public offering price of $ • per unit, and excludes:

- 15,304,554 shares of our common stock issuable upon exercise of options then outstanding under our 2007 option plan, having a weighted average exercise price of $0.0883 per share;
- 30,000,000 shares of our common stock reserved for issuance upon exercise of options under our 2009 option plan, none of which had then been granted;
- 7,000,000 shares of our common stock reserved for issuance upon exercise of options under our 2009 directors' option plan, none of which had then been granted; and
- 7,172,160 shares of common stock issuable upon exercise of then outstanding warrants, having a weighted average exercise price of $0.1815 per share.

To the extent that any of these options or warrants are exercised, new options are issued under our equity incentive plans or we issue additional shares of common stock in the future, there will be further dilution to investors participating in this offering.

Quantitative and Qualitative Disclosures about Market Risk

Foreign Currency Exchange Risk

In 2008, approximately 85% of our total sales were comprised of sales to customers in the United States and 15% were comprised of sales to customers outside the United States. Of our sales received in 2008 from customers outside of the United States, 95% were paid in currencies other than US dollars. Therefore, our results could be negatively affected by such factors as changes in foreign currency exchange rates, trade protection measures and changes in regional or worldwide economic or political conditions. We also buy many components manufactured in other countries in transactions denominated in US dollars. The domestic currencies of some of those suppliers fluctuate with the US dollar. As a result, changes in the cost of our components can occur with each new purchase. A decrease in the value of the US dollar against our supplier's domestic currencies could negatively and materially affect our manufacturing costs. A 10% change in the value of the US dollar relative to each of the foreign currencies in which our sales are denominated would have resulted in a change in our sales of no more than 2%. Historically, we have not tried to reduce our exposure to exchange rate fluctuations by engaging in hedging activities.

Interest Rate Risk

At December 31, 2008, we had unrestricted cash and cash equivalents totaling $818,719, and at December 31, 2007 we had unrestricted cash and cash equivalents totaling $364,856. These amounts were not held in interest-bearing accounts. The unrestricted cash and cash equivalents were held for working capital purposes. We do not enter into investments for trading or speculative purposes. The interest rates on our $879,208 of notes payable outstanding at December 31, 2008 are fixed at a range of between 7.5% and 12.0% and a weighted average range of approximately 10%. If market interest rates increase, the fair value of our notes payable would decrease.

Recent Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 141(R), *Business Combinations*, a revision to SFAS No. 141, *Business Combinations* (SFAS No. 141(R)). SFAS No. 141(R) provides revised guidance for recognition and measurement of identifiable assets and goodwill acquired, liabilities assumed and any non-controlling interest in the acquiree at fair value. The statement also establishes disclosure requirements to enable the evaluation of the nature and financial effects of a business combination. SFAS No. 141(R) is required to be applied prospectively to business combinations for which the acquisition date is on or after January 1, 2009. The impact of the adoption of SFAS 141(R) on our consolidated financial position and results of operations for the first quarter of 2009 did not have a material effect on our consolidated financial statements. Any subsequent impact will be dependent on the size and nature of business combinations, if any, completed in the future.

In December 2007, the FASB issued SFAS No. 160, *Non-controlling Interests in Consolidated Financial Statements — an amendment of ARB No. 51* (SFAS No. 160). This statement establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent. Specifically, SFAS No. 160 requires the presentation of non-controlling interests as equity in the Consolidated Balance Sheets, and separate identification and presentation in the Consolidated Statements of Income of net income attributable to the entity and the non-controlling interest. It also establishes accounting and reporting standards regarding deconsolidation and changes in a parent's ownership interest. SFAS No. 160 is effective as of January 1, 2009. The provisions of SFAS No. 160 are generally required to be applied prospectively, except for the presentation and disclosure requirements, which must be applied retrospectively. The adoption of SFAS No. 160 did not have a material effect on our consolidated financial statements.

In February 2008, the FASB issued FASB Staff Position (FSP) No. FAS 157-2, *Effective Date of SFAS No. 157*. This FSP delays the effective date of SFAS No. 157 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis (at least annually). This FSP partially deferred the effective date of SFAS No. 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for items within the scope of this FSP. We adopted this FSP in the first quarter of fiscal year 2009, and did not have a material impact on our consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133* (SFAS No. 161). This statement enhances the disclosure requirements related to derivative instruments and hedging activity to improve the transparency of financial reporting, and is effective for fiscal years and interim periods beginning after November 15, 2008. The adoption of SFAS No. 161 did not have a material effect on our consolidated financial statements.

SELECTED FINANCIAL AND OTHER DATA

The following tables present our summary financial data and should be read together with our financial statements and accompanying notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this prospectus. The summary financial data for the years ended December 31, 2008, 2007 and 2006 are derived from our audited annual financial statements, which are included elsewhere in this prospectus. The unaudited summary financial data as of March 31, 2009 and for the three months ended March 31, 2009 and 2008 have been derived from our unaudited interim financial statements, which are included elsewhere in this prospectus, and include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of our financial position and results of operations for these periods.

Statement of Operations Data	Year Ended December 31,			Three Months Ended March 31,	
	2008	2007	2006	2009 (Unaudited)	2008 (Unaudited)
Sales	$ 12,564,487	$ 10,146,379	$ 9,538,308	$ 3,043,994	$ 1,720,914
Cost of Sales	8,863,508	6,783,473	5,767,550	1,856,683	1,487,349
Gross Margin	3,700,979	3,362,906	3,770,758	1,187,311	233,565
Operating Expenses					
Research and development	3,366,518	2,365,412	1,279,239	502,011	736,716
Selling and marketing	2,128,625	1,920,164	1,191,800	449,266	449,562
General and administrative	2,299,685	1,718,627	1,560,278	478,253	533,799
Depreciation and amortization	510,133	374,078	276,989	138,834	123,696
Total operating expenses	8,304,961	6,378,281	4,308,306	1,568,364	1,843,773
Profit (Loss) from operations	(4,603,982)	(3,015,375)	(537,548)	(381,053)	(1,610,208)
Interest and other income (expense)	188	2,549	313	—	—
Foreign exchange (loss) gain	(24,216)	—	—	(1,272)	366
Interest expense	(260,977)	(241,692)	(179,019)	(65,376)	(41,600)
Legal settlement	—	96,632	—	—	—
Tax (expense) benefit	(5,212)	98,372	(3,700)	(888)	(753)
Total tax and other income (expense)	(290,217)	(44,139)	(182,406)	(67,536)	(41,987)
Net (Loss)	$ (4,894,199)	$ (3,059,514)	$ (719,954)	$ (448,589)	$ (1,652,195)
Income (loss) per share:					
Basic and fully diluted*	$ (0.0229)	$ (0.0160)	$ (0.0047)	$ (0.0022)	$ (0.0084)
Weighted average common shares outstanding:					
Basic and fully diluted*	218,268,927	197,973,139	173,268,048	220,268,927	200,424,027

* All outstanding warrants, options, and convertible debt are anti-dilutive, therefore basic and diluted earnings per share are the same for all periods.

Cash Flow Data	Year Ended December 31,			Three Months Ended March 31,	
	2008	2007	2006	2009	2008
				(Unaudited)	(Unaudited)
Cash flows provided by (used in) operating activities	$(1,285,449)	$(3,295,900)	$ 120,053	$ (761,919)	$ (208,047)
Cash flows (used in) investing activities	(549,804)	(316,743)	(479,236)	(60,208)	(164,927)
Cash flows provided by financing activities	2,289,116	3,408,328	874,569	262,559	77,652

Balance Sheet Data	As of December 31,			As of March 31,	
	2008	2007	2006	2009	2008
				(Unaudited)	(Unaudited)
Cash and cash equivalents	$ 818,719	$ 364,856	$ 569,171	$ 259,151	$ 69,534
Working Capital (deficiency)	(1,846,289)	966,658	69,766	(1,892,747)	(651,720)
Total Assets	6,221,897	6,967,254	5,013,263	5,277,583	5,316,225
Long-Term Liabilities	1,754,379	2,014,476	1,980,476	1,762,408	2,015,453
Accumulated (deficit)	(14,687,276)	(9,691,977)	(6,531,363)	(15,161,140)	(11,369,383)
Total Stockholders' equity (deficit)	(2,089,942)	423,236	(603,954)	(2,223,119)	(1,190,888)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of financial condition and results of operations in conjunction with the "Selected Financial and Other Data" and our financial statements and related notes appearing elsewhere in this prospectus. In addition to historical information, the following discussion and analysis includes forward looking statements that involve risks, uncertainties and assumptions. Our actual results and the timing of events could differ materially from those anticipated in these forward looking statements as a result of a variety of factors, including those discussed in "Risk Factors" and elsewhere in this prospectus. See the discussion under "Forward Looking Statements" beginning on page 24 of this prospectus.

Overview

We are engaged in the design, manufacture, marketing and sale of devices that are worn like eyeglasses and feature built-in video screens that enable the user to view video and digital content, such as movies, computer data, the Internet or video games. Our products (known commercially as Video Eyewear, but also commonly referred to as virtual displays, wearable displays, personal viewers, head mounted displays, or near-to-eye displays) are used to view high-resolution video and digital information primarily from mobile electronic devices (such as cell phones, portable media players, gaming systems and laptop computers) and from desktop computers. Our products provide the user a viewing experience that simulates viewing a large screen television or a desktop computer monitor.

Our Video Eyewear products feature high performance miniature display modules, low power electronics and related optical systems. We produce both monocular and binocular Video Eyewear devices that we believe are excellent solutions for many mobile computer or video viewing requirements. We focus on two markets: the consumer markets for gaming and mobile video and rugged mobile displays for defense and industrial applications. We also offer low-vision assist Video Eyewear products that are designed to assist and improve the remaining vision of many people suffering from macular degeneration.

Since our inception in 1997, we have derived the majority of our sales from fees paid to us under research and development contracts and related volume manufacturing services primarily of night vision display electronics as a sub-contractor to defense suppliers to the US government. Since 2005, we have devoted significant resources to the development and commercial launch of our industrial and consumer products. During 2008 and 2007, we derived 35.4% and 32.4%, respectively, of our sales from our consumer Video Eyewear products.

We believe our intellectual property portfolio gives us a leadership position in microdisplay electronics, ergonomics, packaging, motion tracking and optical systems.

Critical Accounting Policies and Significant Developments and Estimates

The discussion and analysis of our financial condition and results of operations are based on our financial statements and related notes appearing elsewhere in this prospectus. The preparation of these statements in conformity with generally accepted accounting principles requires the appropriate application of certain accounting policies, many of which require us to make estimates and assumptions about future events and their impact on amounts reported in our financial statements, including the statement of operations, balance sheet, cash flow and related notes. Since future events and their impact cannot be determined with certainty, the actual results will inevitably differ from our estimates. Such differences could be material to the financial statements.

We believe that our application of accounting policies, and the estimates inherently required therein, are reasonable. These accounting policies and estimates are periodically reevaluated, and adjustments are made when facts and circumstances dictate a change. Historically, we have found our application of accounting policies to be appropriate, and actual results have not differed materially from those determined using necessary estimates.

Our accounting policies are more fully described in the notes to our financial statements included in this prospectus. In reading our financial statements, you should be aware of the factors and trends that our management

believes are important in understanding our financial performance. The critical accounting policies, judgments and estimates that we believe have the most significant effect on our financial statements are:

- valuation of inventories;
- carrying value of long-lived assets;
- valuation of intangible assets;
- revenue recognition;
- product warranty;
- stock-based compensation; and
- income taxes.

Valuation of Inventories

Inventory is stated at the lower of cost or market, with cost determined on a first-in, first-out method. Inventory includes purchased parts and components, work in process and finished goods. Provisions for excess, obsolete or slow moving inventory are recorded after periodic evaluation of historical sales, current economic trends, forecasted sales, estimated product lifecycles and estimated inventory levels. Purchasing practices, electronic component obsolescence, accuracy of sales and production forecasts, introduction of new products, product lifecycles, product support and foreign regulations governing hazardous materials are the factors that contribute to inventory valuation risks. Exposure to inventory valuation risks is managed by maintaining safety stocks, minimum purchase lots, managing product and end-of-life issues brought on by aging components or new product introductions, and by utilizing certain inventory minimization strategies such as vendor-managed inventories. The accounting estimate related to valuation of inventories is considered a "critical accounting estimate" because it is susceptible to changes from period-to-period due to the requirement for management to make estimates relative to each of the underlying factors, ranging from purchasing, to sales, to production, to after-sale support. If actual demand, market conditions or product lifecycles differ from estimates, inventory adjustments to lower market values would result in a reduction to the carrying value of inventory, an increase in inventory write-offs and a decrease to gross margins.

Carrying Value of Long-Lived Assets

If facts and circumstances indicate that a long-lived asset, including a products' mold tooling and equipment, may be impaired, the carrying value is reviewed. If this review indicates that the carrying value of the asset will not be recovered as determined based on projected undiscounted cash flows related to the asset over its remaining life, the carrying value of the asset is reduced to its estimated fair value. To date, no impairment on long-lived assets has been booked. Impairment losses in the future will be dependent on a number of factors such as general economic trends and major technology advances, and thus could be significantly different than historical results.

Valuation of Intangible Assets

We perform a valuation of intangible assets when events or circumstances indicate their carrying amounts may be unrecoverable. We have not impaired the value of certain intellectual property, such as patents and trademarks, which were valued (net of accumulated amortization) at $710,176 as of March 31, 2009, because management believes that its value is recoverable.

Revenue Recognition

Revenue from product sales is recognized in accordance with the SEC Staff Accounting Bulletin No. 104, *Revenue Recognition*. Product sales represent the majority of our revenue. We recognize revenue from these product sales when persuasive evidence of an arrangement exists, delivery has occurred or services have been provided, the sale price is fixed or determinable, and collectability is reasonably assured. Additionally, we sell our products on terms which transfer title and risk of loss at a specified location, typically shipping point. Accordingly, revenue

recognition from product sales occurs when all factors are met, including transfer of title and risk of loss, which typically occurs upon shipment by us. If these conditions are not met, we will defer the revenue recognition until such time as these conditions have been satisfied. We collect and remit sales taxes in certain jurisdictions and report revenue net of any associated sales taxes. We also sell certain products through distributors who are granted limited rights of return for stock balancing against purchases made within a prior 90 day period, including price adjustments downwards on any existing inventory. The provision for product returns and price adjustments is assessed for adequacy both at the time of sale and at each quarter end and is based on recent historical experience and known customer claims.

Revenue from any engineering consulting and other services is recognized at the time the services are rendered. For our longer-term development contracts, which to date have all been firm, fixed-priced contracts, we recognize revenue on the percentage-of-completion method. Under this method income is recognized as work on contracts progresses, but estimated losses on contracts in progress are charged to operations immediately. To date, all of our longer-term development contracts have been less than one calendar year in duration. We generally submit invoices for our work under these contracts on a monthly basis. The percentage-of-completion is determined using the cost-to-cost method.

The accounting estimate related to revenue recognition is considered a “critical accounting estimate” because terms of sale can vary, and judgment is exercised in determining whether to defer revenue recognition. Such judgments may materially affect net sales for any period. Judgment is exercised within the parameters of GAAP in determining when contractual obligations are met, title and risk of loss are transferred, sales price is fixed or determinable and collectability is reasonable assured.

Product Warranty

Warranty obligations are generally incurred in connection with the sale of our products. The warranty period for these products is generally one year, but can be 24 months in certain countries if required by law, such as in Europe. Warranty costs are accrued, to the extent that they are not recoverable from third party manufacturers, for the estimated cost to repair or replace products for the balance of the warranty periods. We provide for the costs of expected future warranty claims at the time of product shipment or over-builds to cover replacements. The adequacy of the provision is assessed at each quarter end and is based on historical experience of warranty claims and costs. The costs incurred to provide for these warranty obligations are estimated and recorded as an accrued liability at the time of sale. Future warranty costs are estimated based on historical performance rates and related costs to repair given products. The accounting estimate related to product warranty is considered a “critical accounting estimate” because judgment is exercised in determining future estimated warranty costs. Should actual performance rates or repair costs differ from estimates, revision to the estimated warranty liability would be required.

Stock-Based Compensation

Our board of directors approves grants of stock options to employees to purchase our common stock. Under SFAS No. 123 (revised 2004), *Share-Based Payment*, stock compensation expense, is recorded based upon the estimated fair value of the stock option at the date of grant. The accounting estimate related to stock-based compensation is considered a “critical accounting estimate” because estimates are made in calculating compensation expense including expected option lives, forfeiture rates and expected volatility. Expected option lives are estimated using vesting terms and contractual lives. Expected forfeiture rates and volatility are calculated using historical information. Actual option lives and forfeiture rates may be different from estimates and may result in potential future adjustments which would impact the amount of stock-based compensation expense recorded in a particular period.

Income Taxes

We account for income taxes in accordance with SFAS No. 109, *Accounting for Income Taxes*. Accordingly, we provide deferred income tax assets and liabilities based on the estimated future tax effects of differences between the financial and tax bases of assets and liabilities based on currently enacted tax laws. A valuation allowance is established for deferred tax assets in amounts for which realization is not considered more likely than not to occur.

The accounting estimate related to income taxes is considered a "critical accounting estimate" because judgment is exercised in estimating future taxable income, including prudent and feasible tax planning strategies, and in assessing the need for any valuation allowance. To date we have determined a 100% valuation allowance is required and accordingly no amounts have been reflected in our consolidated financial statements. In the event that it should be determined that all or part of a deferred tax asset in the future is in excess of the nil amount currently recorded, an adjustment of the valuation allowance would increase income to be recognized in the period such determination was made.

In addition, the calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations. As a result of the implementation of Interpretation No. 48, *Accounting for Uncertainty in Income Taxes- an interpretation of FASB Statement No. 109*, we recognize liabilities for uncertain tax positions based on the two-step process prescribed within the interpretation. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step requires us to estimate and measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement. It is inherently difficult and subjective to estimate such amounts, as this requires us to determine the probability of various possible outcomes. We re-evaluate these uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit and new audit activity. Such a change in recognition or measurement would result in the recognition of a tax benefit or an additional charge to the tax provision in the period.

Finally, any future recorded value of our deferred tax assets will be dependent upon our ability to generate future taxable income in the jurisdictions in which we operates. These assets consist of research credit carry-forwards, capital and net operating loss carry-forwards and the future tax effect of temporary differences between balances recorded for financial statement purposes and for tax return purposes. It will require future pre-tax earnings of in excess of $12.2 million in order to fully realize the value of our unrecorded deferred tax assets. If we were to sustain future net losses, it may be necessary to record valuation allowances against such deferred tax assets in order to recognize impairments in their estimated future economic value.

Key Performance Indicators

We believe that a key indicator for our business is the trend for the volume of orders received from customers, especially those orders related to night-vision electronic modules. During weak economic periods, customers' ability to forecast their requirements deteriorates causing delays in the placement of orders. Forward-looking visibility on customer orders is at an all time low. Our major night-vision electronics modules customers (Kopin and DRS Technologies, Inc.) are placing orders for product only when they have orders in hand from their governmental customer. Total shipments of night vision electronics module customers in 2008 amounted to $6,068,449, compared to $1,418,249 in 2007.

Comparison of Fiscal Years Ended December 31, 2008 and December 31, 2007

Sales. Our sales were $12,564,487 for the year ended December 31, 2008 compared to $10,146,379 for the year ended December 31, 2007. This represents a 23.8% increase for the year 2008 over the year 2007. Our sales from defense products increased to $6,471,824 from $1,418,249 in 2008, an increase of $5,053,575 or 356.3%. The increase resulted primarily from new orders of night vision drive electronics from prime contractors and the introduction of our Tac-Eye® display product line in the fourth quarter of 2008. Sales from our defense-related engineering programs decreased to $1,548,703 versus $5,445,376 in 2007. The large decrease was the result of the start and completion of a $4.3 million engineering program in late 2007. Consumer Video Eyewear product sales increased to $4,451,121 for the year ended December 31, 2008 compared to $3,282,755 for our 2007 year. This 35.6% increase resulted from a broader Video Eyewear product line and increased distribution in the United Kingdom and Japan. Low-vision assist sales for 2008, consisting mainly of sales of low-vision assist products, were $92,839 versus none in fiscal 2007.

Cost of Sales and Gross Margin. Gross margin increased to $3,700,979 for fiscal 2008 from $3,362,906 for fiscal 2007, an increase of $338,073 or 10.1%. As a percentage of net sales, gross margin decreased to 29.5% for fiscal 2008 compared to 33.1% for fiscal 2007. This reduction was the result of changes in our revenue mix and related margins. Generally, we earn a higher gross margin on engineering only programs as compared to the gross margin on products, in which we incur cost of goods or volume production costs. Engineering services revenues decreased to 12.3% as a percentage of total sales in 2008 versus 53.7% of total sales in 2007, resulting in the majority of the reduction in overall gross margin in 2008 versus fiscal 2007.

Research and Development. Our research and development expenses in 2008 increased by $1,001,106, or 42.3%, to $3,366,518 in fiscal 2008 versus $2,365,412 in 2007. This was due to increased internal development activities and less direct support of our research under government funded engineering programs. Expenses we incur under government funded engineering programs are included in costs of goods sold.

Selling and Marketing. Selling and marketing expenses were $2,128,625 for fiscal 2008 as compared to $1,920,164 for fiscal 2007, an increase of $208,461 or 10.9%. Despite the increase in absolute dollars, as a percentage of total sales, the selling and marketing expenses decreased to 16.9% of sales for fiscal 2008 as compared to 18.9% for fiscal 2007. The absolute dollar increase was primarily due to increased advertising expenses along with increased marketing support paid out to our expanded consumer products resellers and the introduction of in-store point of purchase displays with US resellers.

General and Administrative. General and administrative expenses were $2,299,685 for fiscal 2008 as compared to $1,718,627 for fiscal 2007, an increase of $581,058 or 33.8%. The higher general and administrative related to increases in staff and personnel costs, and increased legal expenses.

Depreciation and Amortization. Our depreciation and amortization expense increased by $136,055, or 36.4%, to $510,133 in 2008 versus $374,078 in 2007. The increase was related to increased depreciation on new capital expenditures in 2008 and 2007.

Other Income (Expense). Total other expenses, consisting primarily of interest expense, was $285,005 in 2008 versus $142,511 for 2007. The increase in expenses was primarily attributable to an offsetting legal settlement received during 2007 in the amount of $96,632.

Provision (Benefit) for Income Taxes. The provision for income taxes for the year ended December 31, 2008 was $5,212 versus a net benefit of ($98,372) in 2007. The 2007 net benefit includes our accrual of $130,130 in New York State tax credits for our research and development activities. The balance of each year's tax provision was primarily for franchise taxes payable to the State of Delaware, our state of incorporation. These taxes were $5,212 for 2008 and $31,758 for 2007. This decrease was a result of the 8-for-1 split of our common stock in July 2008.

Net (Loss) and (Loss) per Share. Our net loss was $(4,894,199) or $(0.0229) per share in 2008, an increased loss of $(1,834,685), or (60.0)%, from $(3,059,514) or $(0.0160) per share in 2007.

Comparison of Fiscal Years Ended December 31, 2007 and December 31, 2006

Sales. Our sales were $10,146,379 for the year ended December 31, 2007 compared to $9,538,308 for the year ended December 31, 2006. This represents a 6.4% increase for the year 2007 over the year 2006. Our sales from defense products decreased to $1,418,249 from $4,888,243 in 2006, a decrease of $3,469,994. The decrease resulted from reduced orders from the prime defense contractor caused by technical problems in other areas of their supply chain. Sales from our defense related engineering programs increased to $5,445,375 versus $2,627,442 in 2006. This large increase was the result of a new $4.3 million government research and development program in 2007. Consumer Video Eyewear product sales increased to $3,282,755 for the year ended December 31, 2007 compared to $2,022,623 for our 2006 fiscal year. This 62.3% increase resulted from the introduction of three new Video Eyewear models in 2007 and the commencement of our European sales activities in late 2007.

Cost of Sales and Gross Margin. Gross margin decreased to $3,362,906 for fiscal 2007 from $3,770,758 for fiscal 2006, a decrease of $407,852 or 10.8%. As a percentage of net sales, gross margin decreased to 33.1% for fiscal 2007 compared to 39.5% for fiscal 2006. This reduction was the result of changes in our revenue mix and related margins. Generally, we earn a higher gross margin on our defense products as compared to the gross margin

on consumer products, and with the introduction of three new consumer Video Eyewear products our margins decreased. As defense product sales as a percentage of our total sales decreased to 14.0% in 2008 versus 51.2% in 2006 our overall margins decreased.

Research and Development. Our research and development expenses in 2007 increased by $1,086,173 or 84.9%, to $2,365,412 in fiscal 2007 versus $1,279,239 in 2006. This was due to increases in the number of our research and development personnel and the lease of additional space dedicated to this function.

Selling and Marketing. Selling and marketing expenses were $1,920,164 for fiscal 2007 as compared to $1,191,800 for fiscal 2006, an increase of $728,364 or 61.1%. The increase resulted from the preparatory marketing and advertising launch expenses by three new consumer Video Eyewear products, the establishment of our first print advertising programs and increased trade show costs to promote our new Video Eyewear products.

General and Administrative. General and administrative expenses were $1,718,627 for fiscal 2007 as compared to $1,560,278 for fiscal 2006, an increase of $158,349 or 10.1%. The increase was mainly attributable to increased staffing and legal expenses.

Depreciation and Amortization. Our depreciation and amortization expense increased by $97,089, or 35.1%, to $374,078 in 2007 versus $276,989 in 2006. The increase was related to increased depreciation provisions on new capital expenditures in 2007 and full year's provision on our 2006 additions.

Other Income (Expense). Total other expenses, consisting primarily of interest expense, was $142,511 in 2007 versus $178,706 in 2006. Our borrowing costs were $62,673 higher in 2007 than in 2006 but our 2007 borrowing costs were offset by $96,632 in miscellaneous income related to the settlement of a legal dispute.

Provision (Benefit) for Income Taxes. The provision for income taxes for the year ended December 31, 2007 was a net benefit of $98,372 versus an expense of $3,700 for 2006. The 2007 benefit includes our accrual of $130,130 in New York State tax credits for our research and development activities. The balance of each year's tax provision was primarily attributable to franchise taxes payable to the State of Delaware, our state of incorporation. These taxes were $31,758 for 2007 and $3,700 for 2006. The large increase was a direct result of the 7-for-1 reverse stock split that took place in 2007.

Net (Loss) and (Loss) per Share. Our net loss was $(3,059,514) or $(0.0160) per share in 2007, a decrease of $(2,339,560) from $(719,954) or $(0.0047) per share in 2006.

Comparison of Three Months Ended March 31, 2009 and March 31, 2008

Sales. Our sales were $3,043,994 for the three months ended March 31, 2009 compared to $1,720,914 for the three months ended March 31, 2008. This represents a 76.9% increase for the 2009 period over the comparable 2008 period. Our sales from defense production programs increased to $1,479,794 for the 2009 period from $855,601 in the comparable 2008 period, an increase of $624,194. The increase resulted directly from increased orders from our night vision display drive electronics customer. Sales from our defense related engineering services programs increased to $448,490 for the 2009 period versus $57,039 in the comparable 2008 period. Engineering services were unusually slow in 2008 as we were in transition between programs. Consumer Video Eyewear product sales increased to $1,101,186 for the three months year ended March 31, 2009 compared to $808,274 for the same period in 2008. This 36.2% increase resulted mainly from our increased distribution in the United Kingdom and Japan as compared to 2008. Low-vision assist sales for the three months ended March 31, 2009 were $14,523. There were no such sales for the same period in 2008.

Cost of Sales and Gross Margin. Gross margin increased to $1,187,311 for the three-month ended March 31, 2009 from $233,565 for three months ended March 31, 2008, an increase of $953,746 or 408.3%. As a percentage of net sales, gross margin increased to 39.0% for 2009 period compared to 13.6% for the comparable 2008 period. Gross margins for the 2008 period were lower than for the similar period in 2009 due to product clearance activities, when an older product model was being phased out and larger reseller discounts were being offered to assist its sales. Additionally, changes in our revenue mix and their related margins improved margins for the 2009 period. Generally, we earn a higher gross margin on engineering services and our defense product sales as compared to the gross margin on products and they were 63% of total revenues in 2009 versus 53% for the same period in 2008.

Research and Development. Our research and development expenses in the three months ended March 31, 2009 were $502,011 versus $736,716 in the comparable 2008 period, a decrease of $234,705 or 31.9%. This was due to staff reductions made in late 2008 and a decreased use of external contractors in the 2009 period versus 2008.

Selling and Marketing. Selling and marketing expenses were $449,266 for the three months ended March 31, 2009 as compared to $449,562 for the comparable 2008 period, a small decrease of just $296. As a percentage of total sales, the selling and marketing expenses decreased to 14.8% of sales for the three month period in 2009 as compared to 26.1% for same period in fiscal 2008.

General and Administrative. General and administrative expenses were $478,253 for the three months ended March 31, 2009 as compared to $533,799 for the comparable 2008 period, a decrease of $55,546 or 10.4%. The lower general and administrative related to decreases in staff and personnel costs for the 2009 period against the 2008 period.

Depreciation and Amortization. Our depreciation and amortization expense increased by $15,138, or 12.2%, to $138,834 in the three months ended March 31, 2009 versus $123,696 in the comparable 2008 period. The increase was related to increased depreciation provisions on new capital expenditures made later in fiscal 2008.

Other Income (Expense). Interest expense, net of interest income and foreign exchange adjustments, was $66,648 in the three months ended March 31, 2009 versus $41,234 for the comparable 2008 period. The increase represents increased borrowings and higher interest rates on a note payable.

Provision (Benefit) for Income Taxes. The provision for income taxes was for franchise taxes to Delaware, our state of incorporation. Such income taxes for the three months ended March 31, 2009 were $888 and $753 for the comparable 2008 period.

Net (Loss) and (Loss) per Share. Our net loss was $(448,589) (or $(0.0022) per share) in the three months ended March 31, 2009, an improvement of $1,203,606, or 72.8%, from the larger loss of $(1,652,195) or $(0.0084) per share in the comparable 2008 period.

Liquidity and Capital Resources

As of March 31, 2009, we had cash and cash equivalents of $259,151, a reduction of $559,568 from $818,719 as of December 31, 2008.

Our cash requirements are primarily for research and development, product tooling, and working capital. Historically, we have met these requirements through capital generated from the sale and issuance of our common equity securities, convertible debt and notes payable to private investors, cash flow provided by operations and our revolving bank lines of credit.

Operating Activities. Cash (used in) operating activities was $(1,285,449) in fiscal 2008 and $(3,295,900) in fiscal 2007. Changes in operating assets and liabilities, excluding cash, provided (used) cash were $2,785,425 in fiscal 2008 and $(800,177) in fiscal 2007. The decreases in our accounts receivable by December 31, 2008 of $1,494,613 along with a $733,691 increase in accounts payable and customer deposits of $683,040 primarily resulted in this cash flow improvement in 2008 over 2007. Cash (used in) operating activities was $(761,919) and $(208,047) for the three-month periods ended March 31, 2009 and 2008, respectively. Changes in operating assets and liabilities, excluding cash, provided (used) cash were $(492,853) and $1,273,868 for the three-month periods ended March 31, 2009 and 2008, respectively. The 2009 period's use resulted mainly from decreases in accounts payable and customer deposits whereas the provision of cash for the same period in 2008 resulted primarily from a decrease in accounts receivable in the three-month periods.

Investing Activities. Cash used in investing activities was $549,804 in fiscal 2008 and $316,743 in fiscal 2007 and $60,208 and $164,927 for the three-month periods ended March 31, 2009 and 2008, respectively. Cash used for investing activities in fiscal 2008 related primarily to production tooling and computer software equipment additions of $424,166 and in the three-month period ended March 31, 2009 related primarily to tooling acquisitions of $19,369. The costs of registering our intellectual property rights, including in the investing activities described

above were $125,638 in fiscal 2008 and $136,433 in fiscal 2007 and $40,839 and $42,547 for the three-month periods ended March 31, 2009 and 2008, respectively.

Financing Activities. Cash provided by financing activities was $2,289,116 in fiscal 2008 and $3,408,328 in fiscal 2007 and $262,559 and $77,652 for the three-month periods ended March 31, 2009 and 2008, respectively. We sold shares of our common stock for aggregate gross proceeds of $2,138,646 in 2008 and $3,792,362 in 2007 and $300,000 in the three-month period ended March 31, 2009 in private placements offerings. In the three-month period ended March 31, 2008 we sold shares of our common stock for aggregate gross proceeds of $16,697 upon exercise of stock options.

Capital Resources. As of December 31, 2008, we had a cash balance of $818,719. We had $10,210 in available bank lines of credit (total drawings as of December 31, 2008 were $202,290). As of March 31, 2009, we had a cash balance of $259,151. We had $12,733 in available bank lines of credit (total drawings as of March 31, 2009 were $199,767). The credit lines are with two banks, are payable on demand and secured by the personal guarantee of our President and Chief Executive Officer, Paul J. Travers. The bank credit agreements contain various restrictions on indebtedness, liens, guarantees, redemptions, mergers, acquisitions or sale of assets, loans, transactions with any affiliates, and investments. They also prohibit us from declaring dividends without the bank's prior consent.

Our cash requirements depend on numerous factors, including new product development activities, our ability to commercialize our products, their timely market acceptance, selling prices and gross margins, and other factors. We expect to carefully devote capital resources to continue our development programs, hire and train additional staff, expand our research and development activities, new product marketing and increased inventory levels. Assuming we are able to continue to increase our sales and maintain our planned gross margins, we anticipate that we will also experience growth in our operating expenses for the foreseeable future. Our net operating income or loss, product tooling expenses, and related working capital investments will be the principal use of our cash. In particular, we expect that potentially significant amounts of working capital investments in accounts receivable and inventories that are not offset by corresponding increases in accounts payable will use cash with our planned growth.

We anticipate, based on our internal forecast and assumptions relating to our operations (including, among others, assumptions regarding our working capital requirements, the progress of our research and development efforts and Video Eyewear product sales and gross margins) that, taking into account the anticipated proceeds of the sale of our securities pursuant to this prospectus, we will have sufficient cash to meet our working capital and other cash flow requirements for at least the next 12 months.

The recent global economic crisis has caused disruptions and extreme volatility in global financial markets, increased rates of default and bankruptcy, and has impacted consumer spending levels. These macroeconomic developments could adversely affect our business, operating results or financial condition. Current or potential customers, including suppliers to the US government, may delay or decrease spending on our products and services as their business and/or budgets are impacted by economic conditions. The inability of current and/or potential customers to pay us for our products and services may adversely affect our earnings and cash flows.

Current Financial Position

As of the date of this prospectus we had approximately $363,478 in cash and cash equivalents.

In May 2009, we were awarded an indefinite delivery/indefinite quantity (IDIQ) contract to deliver our Tac-Eye LT® display system to the Air Force's Battlefield Airman Program. The system has been developed over the last five years with support from various US military commands including the Air Force Research Laboratory, Natick Soldier Center and US Special Operations Command (USSOCOM). If the Air Force exercises all of its options under the contract, our revenues under the contract could equal $2 million over the next 19 months.

In October 2008, we received approval of a $640,000 government engineering program. We anticipate that the contract relating to this award will be executed and our work on the program will commence during 2009. We expect the program to be completed in nine months.

As of the date of this prospectus we had approximately $2,728,000 in purchase orders for our defense-related, night vision drive electronics. Those purchase orders are generally non-cancelable. Work on those purchase orders is expected to commence in September 2009. Backorders for our Video Eyewear products as of the date of this prospectus were less than $78,300, which is normal for this time of the year for our consumer product sales. Since March 31, 2009, our inventory and accounts payable have not changed materially but we expect them to increase further during the remainder of 2009.

We believe that the anticipated additional growth in sales from sales of our Video Eyewear should contribute to revenue growth for the remainder of 2009 and beyond. We believe that sales from our defense programs should also contribute to revenue growth for the remainder of 2009 and beyond. We anticipate that we will continue to experience increases in our sales and marketing, and general operating expenses throughout the remainder of 2009 and in 2010 but that they should not grow as a percentage of overall sales.

BUSINESS

Company Overview

We are engaged in the design, manufacture, marketing and sale of devices that are worn like eyeglasses and feature built-in video screens that enable the user to view video and digital content, such as movies, computer data, the Internet or video games. Our products (known commercially as Video Eyewear but also commonly referred to as virtual displays, wearable displays, personal viewers, head mounted displays, or near-to-eye displays) are used to view high-resolution video and digital information from mobile electronic devices, such as cell phones, portable media players, gaming systems and laptop computers. Our products provide the user with a viewing experience that simulates viewing a large screen television or a desktop computer monitor that can be viewed practically anywhere, anytime.

Our Video Eyewear products feature high performance miniature display modules, low power electronics and related optical systems. We produce both monocular and binocular Video Eyewear devices that we believe are excellent solutions for uses including many mobile computer, mobile internet devices (MID) or video viewing requirements, including general entertainment applications. We focus on two markets: the consumer markets for gaming and mobile video and rugged mobile displays for defense and industrial applications. We also offer low-vision assist Video Eyewear products that are designed to assist and improve the remaining vision of many people suffering from macular degeneration.

Owners of mobile display devices increasingly want to use them to view high-resolution, full color content. The displays currently used in these mobile devices do not work well for this purpose because they are either too small, which makes it extremely difficult for the human eye to view the detail of the images that they display, or they are too large, making the device heavier, larger and difficult to carry. Recently, some mobile devices, like the iPhone, have employed a touch screen with software capable of magnifying or zooming in on a small portion of the image. We believe that many consumers consider this solution unsatisfactory because it is not like their desktop computer viewing experience and they find it difficult to navigate touch screens and to find information on the portion of the image being viewed.

In contrast, our Video Eyewear products enable users of many mobile devices to effectively view the entire screen on a small, eyeglass-like device. They can be used as a wearable replacement for any television or desktop computer monitor in almost any environment. Our products employ microdisplays that are smaller than one-inch diagonally, with some as small as one-quarter of an inch. They can display an entire, detailed image with resolution of up to 1280×720 pixels (High Definition or HD). The images on the microdisplay are viewed through proprietary magnifying optics that are usually designed by us and incorporated into our Video Eyewear products. Using these optics and displays, our Video Eyewear products provide a virtual image that appears to be similar to the image on a full size computer screen from a normal desktop working distance or the image on a large flat panel television from normal home TV viewing distance. For example, when magnified through our optics, a high-resolution 0.44-inch diagonal microdisplay can provide a viewing experience comparable to that on a 62-inch diagonal television screen viewed at nine feet.

Overall Strategy

Our goal is to establish and maintain a leadership position as a worldwide supplier of Video Eyewear and virtual imaging technology solutions. We intend to offer our technologies across major markets, platforms and applications. We will strive to be an innovator in designing virtual display devices that enable new mobile video viewing and general entertainment applications.

To maintain and enhance our position as a leading provider of virtual display solutions, we intend to:

- improve brand name recognition;
- provide excellent products and service;
- develop products for large markets;
- broaden and develop strategic relationships and partnerships;

- promote and enhance development of third party software that can take advantage of our products;
- expand market awareness for Video Eyewear, including use for Virtual Reality and Augmented Reality;
- obtain and maintain market leadership and expand customer base;
- maintain and exploit cost advantage;
- extend our proprietary technology leadership;
- enhance and protect our intellectual property portfolio;
- establish multiple revenue sources;
- continue to invest in highly qualified personnel;
- build and maintain strong design capabilities; and
- leverage our outsourcing model.

The Market

We believe that there is growing demand for mobile access to high-resolution content in several major markets. Our business focuses on the consumer mobile entertainment and gaming markets and the industrial and defense markets. The demand for personal displays in these markets is being driven by such factors as:

- Increasing use of the Internet in all aspects of society and business, which is increasing demand for Internet access "anywhere, anytime".
- Low cost wireless networks, with significantly increased bandwidths and improved compression of digital media, continue to evolve. They now allow users to view television or access the Internet on mobile devices. However, the relatively lower resolution and larger size of the displays currently used in these mobile devices do not allow the users to take full advantage of the high-resolution content available to them. We believe that our Video Eyewear products are well suited for this purpose.
- Increased spending by consumers on mobile entertainment devices such as iPods and cellular telephones. We expect that full-featured, cellular handsets with video capabilities will become more widely available and that a single handset will replace today's separate telephone, PDA, digital camera, handheld game player and MP3 music player. Our Video Eyewear products can provide viewable high-resolution mobile displays for users of these merged devices, with better viewing capability and higher detailed resolution than the small screens on existing mobile devices.
- Industrial, defense and security sectors are employing mobile communications, sensors and surveillance devices that are light, durable and easy to use but require displaying their high-resolution content on an external device and often in a hands-free way. Our wearable Video Eyewear products can be ideal for this and will allow a user their physical mobility.
- Video gaming on PCs and consoles continues to grow in North America and around the world. We believe that our Virtual Display technologies will significantly increase user satisfaction with gaming applications by engaging the user through the use of stereoscopic imagery and interactive head tracking. Our Virtual Reality and Augmented Reality Video Eyewear are designed to provide this capability.
- The widening distribution of new three dimensional (3D) movies and other 3D content in North America is creating a need for a method to play this content outside movie theaters. We believe that Video Eyewear, with its inherent dual display design, is well suited for the playback of 3D content. Stereoscopic 3D video playback on Video Eyewear also avoids many of the negative issues commonly encountered by shutter, polarized or color anaglyph glasses used in competing technologies and allows the user to view 3D content without purchasing new computer or television equipment.
- People with low-vision problems require devices to magnify and capture images that they wish to see and to display them in a manner that they can view with their remaining vision. Our Video Eyewear, with the

addition of a camera and digital signal processing in a single device, can provide this capability to many people suffering from certain types of vision problems.

Target Markets

Our target markets and applications by major sector are:

Consumer

Entertainment and Internet. We believe that there is an increasing demand for convenient, high-resolution, 3D displays to view content such as movies, entertainment and the Internet in a mobile environment.

Gaming. We believe that there is a need for high-resolution, interactive, stereoscopic 3D display devices for use with desktop computers, consoles and other gaming products. We believe that gaming on modern mobile devices with small, direct view screen is not a satisfactory experience for many consumers. Our Video Eyewear products are designed to significantly enhance a consumer's experience by providing larger, high-resolution images with stereoscopic 3D capabilities. We believe that there is also a demand for display devices that enable the user to simulate and experience movement within a three-dimensional environment when using either gaming consoles or mobile devices. We anticipate that Virtual Reality (VR) (which allows a user to interact with a computer-simulated environment, whether that environment is a simulation of the real world or an imaginary world) and Augmented Reality (AR) (which combines real-world and computer-generated data in real time) will become increasingly popular entertainment applications. Both VR and AR are difficult to implement using traditional desktop computer monitors and televisions.

Industrial and Defense

The US government requires display devices for mobile and hands-free viewing of computer and mapping information, remote viewing of sensor data, and remote viewing of transmissions from targeting systems. These applications currently include:

- Night vision and thermal sighting systems;
- Unmanned vehicle and robotic systems; and
- Training and simulation systems, including AR Video Eyewear.

These systems typically are required to provide detailed, high-resolution images, with limited power consumption and low external light emission, and to be durable.

Our Video Eyewear products are also used for a number of industrial applications, including as remote camera displays and wearable computer displays, for viewing of industrial thermal signature systems and for providing hands-free access to manuals and other required information in remote and in-field maintenance servicing.

Low-vision Assist

We believe that our Video Eyewear products may provide solutions for patients suffering from certain types of visual handicaps. Our low-vision assist products are designed to assist patients suffering from macular degeneration by signal processing and re-focusing an integrated camera image into the areas of the retina that are not affected by the patient's macular degeneration.

In the United States, macular degeneration in older people is the leading cause of loss of sight. As an indication of the size of the low-vision assist market, according to US National Eye Institute, there are currently over 1.8 million Americans suffering from some form of degenerative low-vision disease with an additional 200,000 being diagnosed annually.

Products

We believe we provide the broadest range of consumer Video Eyewear product offerings available in the market and that our products contain the most advanced electronics and optics for their target markets and uses. Our products include:

Binocular Video Eyewear Products

The features of our binocular Video Eyewear products, including their resolution and apparent display size, microphones, tracking devices and support of three-dimensional viewing are designed to suit consumer applications. Our binocular Video Eyewear products contain two microdisplays, a separate display for each eye, typically mounted in a frame attached to eyeglass style-temples. These products enable mobile and hands-free private viewing of video content on screens that simulate home theater-sized screens. Headphones are built into the temples so that users can listen to accompanying audio in full stereo. They can be employed as mobile high-resolution displays with products such as portable DVD players, laptop computers, MIDs, cellular phones with video output capability, and personal digital media/video players (video iPods).

For the consumer markets, we currently produce four binocular Video Eyewear products, all of which support 3D applications. Each has a different apparent display size and native resolution. They are:

- AV230 XL — QVGA (320x240 three-color pixels) resolution and simulating a 44-inch screen at nine feet.
- AV310 widescreen — WQVGA (420x240 three-color pixels) resolution and simulating a 52-inch screen at nine feet.
- AV920 — VGA (640x480 three-color pixels) resolution and simulating a 62-inch screen at nine feet.
- VR920 — VGA (640x480 three-color pixels) resolution, simulating a 62-inch screen at nine feet, designed to plug into a computer's USB and video ports, and containing our proprietary three degrees of freedom head tracking technology, which enables the user to look around the environment being displayed by simply moving his or her head. A microphone allows the user to communicate with others. We expect those features to be of particular interest to users playing games using the VR920, but they also can be used in commercial 3D applications and for exploring Internet virtual worlds like Second Life. The VR920 is currently compatible with over 80 titles that work with it out of the box, including popular games such as Microsoft's Flight Simulator X and World of Warcraft. We currently have over 1000 software developers' kits being used in applications from college research programs to commercial developers to develop additional titles for the VR920. With the addition of a clip-on camera which we are currently tooling the VR920 can also used in AR applications.

We sell our current binocular products into the consumer marketplace under the brand iWear®. At the Consumer Electronics show in January 2009 we introduced our first sunglass styled Video Eyewear product that we will be selling under the Wraptm brand. We plan to introduce two versions of our Wrap optics, including one that will both allow the user to see through to the real world when the display is off or be just partially transparent when the display is on. The first version will not be see-through and we expect it will be introduced by October 2009. We anticipate that by spring 2010 we will be offering a second version with see-through optics and a higher display native resolution that will accept HD inputs and support AR applications and at the same time be backwards compatible to all the VR920 gaming applications already written. We also anticipate that by spring 2010 we will be offering our six degrees of freedom tracking technology, which is currently still in development. That technology is being designed to both accurately track an object's and the user's position in 3D virtual space and to combine that tracking capability with translational information about the three rotational axes (roll, yaw, pitch). The addition of this translational information will allow the device to report information about its X, Y and Z position as it moves. This will expand the realism and accuracy for users interacting in a VR or AR environment. We anticipate that our six degrees of freedom tracking technology will be available both separately as an accessory and as a built-in feature of many of our Video Eyewear products.

We anticipate that future generations of our Video Eyewear products will have form factors that should be even more appealing to consumers, with appearances and sizes that are more like ordinary sunglasses, and be more

ergonomic and fashionable. We intend to sell our binocular products into the defense markets and have developed and delivered prototypes of a rugged version for marine applications. We also intend to sell our binocular products for industrial applications that are similar to those in the defense markets and with our new Wraptm line of Video Eyewear we anticipate advanced applications from training and tools for maintenance and repair to interactive product design and development.

Monocular Video Eyewear Products

Our Tac-Eye® monocular (single eye) high-resolution Video Eyewear models are designed to clip onto a pair of ballistic sunglasses, a head set or conventional safety goggles. They can be used with the large installed base of rugged laptops, security and night vision cameras and thermal night vision sights, including those systems that we currently act as a sub-contractor of display drive electronics to the US defense department. Tac-Eye® enables users to have wearable, private and hands-free access to high-resolution content or information. They enable the viewing of material that is difficult or impossible to accurately view on the lower-resolution direct view screens that are standard on many of these devices without extensive zooming in or panning across the screen.

Most of our Tac-Eye® products have an SVGA display and afford a 28 degree field of view, the equivalent of a 20-inch computer screen at three feet. They are also designed to be durable and suitable for defense field use and industrial applications.

Defense Sub-Assembly and Custom Solutions

We are involved in two programs as part of contracting teams that produce display drive electronic subassemblies for light, medium, and heavy weight thermal weapon systems for US and other defense forces. We produce the display drive electronics as part of these night-vision systems and over the last five years we have delivered over 107,000 systems. These products have accounted for over 50% of our sales in the last two years.

We also have provided full optics systems, including head mounted devices, wrist worn displays, human computer interface devices, and wearable computers as prototypes under several armed services test programs. These are being tested in applications such as the remote control of unmanned vehicles. When possible, we obtain a first right of refusal to be the volume manufacturer of our proprietary display subassemblies as part of our contracting process for the custom design of products.

Low-vision Assist Products

We offer two Video Eyewear products specifically for low-vision assist applications. The first is a bundle of our AV920 Video Eyewear with an external handheld camera that magnifies written information to help a user to read small print. The second consists of binocular Video Eyewear that incorporates a camera and digital signal processor that uses our proprietary digital signal processing algorithms to increase contrast, magnification, color correction, edge detection, histogram flattening, and using other video processing techniques. The image received by the camera is processed, enhanced and transmitted to the displays within the Video Eyewear to be viewed by a user suffering from macular degeneration. These devices are designed to permit many users suffering from macular degeneration to perform a number of normal daily functions, such as reading or signing a check, that they could not perform unaided.

Technology

We believe that it is important to make substantial investments in research and development to maintain our competitive advantage. The development and procurement of intellectual property rights relating to our technologies is a key aspect of our business strategy. Near-to-eye virtual displays and their components use relatively new technologies. We believe that it is technologically feasible to improve the weight, ergonomics, optical performance, luminance, power efficiency, design compactness, field of view and resolution of the current generation of virtual displays and display components. We expect to continue to improve our products through our ongoing research and development and advancements made by our third party suppliers of key components. We also develop intellectual property through our ongoing performance under engineering service contracts for the US Government. During our fiscal years ended December 31, 2008, December 31, 2007 and December 31, 2006, we spent $3,366,518,

$2,365,412 and $1,279,239, respectively, on research and development activities. We expect to continue to increase our research and development expenditures in the future. We have also acquired technologies developed by third parties and we may do so in the future.

We believe that the range of our proprietary technologies gives us a significant competitive advantage. Our technologies include motion tracking systems; stereoscopic display assemblies; optic systems; display backlights; mobile and wearable computing devices and user interface technology; low-power electronics; software drivers; and software applications. Our technologies enable us to provide low-cost, small form factor, high-resolution Video Eyewear products. To protect our technologies, we have developed a patent portfolio which consists of:

- 44 total patents issued worldwide;
- 27 US patents issued (12 non-provisional, 15 design);
- 11 US patents pending (3 design, 7 non-provisional, 1 provisional);
- 17 international (non-US) patents issued (15 design, 2 non-provisional);
- 10 international (non-US) patents pending (3 design, 5 non-provisional, 2 applications under the Patent Cooperation Treaty); and
- 5 applications in preparation but not yet filed, covering our virtual display technology.

Our US patents expire on various dates from May 7, 2010 until September 23, 2024. Our international patents expire on various dates from May 30, 2015 until May 30, 2030.

Major technologies that we employ in our products include:

Hardware Technology

Virtual Display Technology (including Lens Technology and Optics Assemblies)

Microdisplay optics represents a significant cost of goods for both us and our competitors. Driving this cost is the significant trade off between the physical size of the microdisplay and the cost of the supporting optics. Smaller displays require larger and more sophisticated optics, while larger displays require less magnification and less complex optics. The smaller a microdisplay is, the less it costs to produce. But the smaller a microdisplay is, the more difficult it is to make optics systems that have no user adjustments, large fields of view and very low distortion specifications. To improve our Video Eyewear's fashion and ergonomics we are developing thin and lightweight optics that can be integrated with display engines that match conventional eyewear frames in size and weight and provide what we believe are significantly improved ergonomics compared to competing wearable virtual displays.

Vuzix Quantum Optic: We believe we have developed revolutionary "first surface" optics assemblies that include lenses, microdisplays, and backlights, all assembled into a single sub-assembly. This technology permits the production of inexpensive microdisplay engines that provide low-distortion and large field of view images. We expect that this technology will also enable us to produce sunglass-styled Video Eyewear products that will allow the user to see through the display to the real world. We expect to introduce the first of these products in the fourth quarter of 2009 under the Wraptm brand. We have both issued and pending patents with respect to this technology.

Vuzix Blade Optic: We are developing an optical display engine that uses a blade of glass or plastic as a wave guide, which we refer to as the Bladetm. The Blade uses a "projected" image from a conventional microdisplay that is "squeezed" into a thin blade of glass or plastic and, using a proprietary light guide expander, the image exits from the glass in front of the user's eye. We expect this display engine will provide a large field of view from a very thin lens system. The Blade can also function in see-through applications. Unlike competing wearable virtual displays, a see-through display does not obstruct the wearer's vision or reduce his awareness of what is happening around him. Video Eyewear employing this display engine will be closer to conventional sunglasses than currently available products in comfort, size, weight and ergonomics. We have filed patent applications with respect to this technology.

Holographic Display Engine: We have numerous patents and patents pending on our new Holographic Display Engine (HSE). The HSE incorporates both a display subsystem and associated optics in a single monolithic design. The image is projected into the edge of a slim piece of glass where it is internally reflected and directed out

through a holographic element where it appears as a large virtual screen to the user. To date we have successfully prototyped a monochrome version of this display engine in our design lab. If our continued research is successful we believe we should ultimately have a low cost very high-resolution display engine that by price, resolution, weight, form factor and power consumption all should far exceed existing microdisplay technology.

Low Power — LCD Drive Electronics: We believe that our numerous successful designs for the defense market demonstrate that we can design and successfully implement very low-power microdisplay electronics modules. The electronics required to drive advanced microdisplays are a complex and costly piece of a virtual display system. We may develop application-specific integrated circuits (ASICs) to further reduce the cost, number of components, and size of our electronics package while improving the performance with various input sources. While costly and complicated to develop, we believe these ASICs could be critical to the success of our cost reduction programs and, once completed, should also create barriers to entry for competitors.

Position Tracking: Our tracking system incorporates patented, multi-axis, "source-less" tracking technology to track the rotational orientation of the user's head. Using the earth's magnetic field and gravity as references, a silicon sensor supplies the yaw information and a silicon-based tilt sensor supplies pitch and roll, as well as error correction. We have significantly reduced the cost of tracking with our patented technology as compared to competitive alternative solutions available today. We have also begun development on our 6 degrees of freedom tracker that adds translational tracking about the three rotational axes (roll, yaw, pitch). We believe that cost-effective tracking technology is fundamental to any Virtual and Augmented Reality Video Eyewear system's success and will help create a significant barrier to entry for the competition.

3D Content Delivery

Vuzix Automated 3D Watermark: In response to the proliferation of large-screen, HD home entertainment systems, the motion picture industry has recently begun to invest in stereoscopic 3D technologies to attract theater viewers. Over 5,000 North American movie theaters are being converted to both digital projection and full 3D and production of 3D motion pictures is increasing. Video Eyewear, with its immersive environment and two separate displays, is well suited for viewing 3D content and avoids many of the negative issues typically encountered by shutter, polarized or color anaglyph glasses used in competing technologies such as video color distortion, noticeable flicker, decreased contrast and bleed-through. Currently, in order to effectively display 3D content, the viewer must manually switch the projection system or display device to 3D mode as required by the content. We have developed and have patents pending on a system that does this automatically for the viewer. Using our system, a "watermark" is embedded into the video stream that identifies it as being 3D content. Our Video Eyewear can decode the watermark and reconfigure the Video Eyewear to view the content in 3D without any involvement by the viewer. If the content is not in 3D, the Video Eyewear remains functioning in two-dimensional mode. Our technology can be used with both legacy and advanced Digital Rights Managed (DRM) delivery systems.

Vuzix 3D Stereoscopic USB Drivers: We have developed a USB driver that will allow most 3D titles to work in 3D stereoscopic mode with our PC based Video Eyewear. This driver allows 3D titles that have been and are being created utilizing Microsoft's Direct X 3D graphics drivers and Open GL, industry standards for entertainment and other 3D graphic applications, to be viewed in stereoscopic 3D using our Video Eyewear. We release support for the 3D titles using "Monitor Software" on a title-by-title basis, typically coincident with added tracking capabilities.

General Eyewear Technology

Vuzix Ergonomics and Industrial Designs: We have developed ergonomic technologies that make head-worn displays easier to use in a wide variety of applications. For example, we are currently one of the only producers of Video Eyewear solutions that offers focus adjustment on our products that accommodate many of our users that need glasses for vision correction and at the same time we offer the ability to accommodate glasses for those that need them. We generally file design patents on our more advanced solutions.

Software/Firmware Technology

We believe that our substantial software portfolio provides a competitive advantage. We have developed an extensive set of Windows XP/Vista 32 and 64 bit drivers, Mac through to WIN CE and .NET drivers and core code

capability that allows us to efficiently add new feature sets centered around our hardware and their related software products. We anticipate that this software technology will be the foundation for some of our future products. Additionally, we have a base of embedded microprocessor and field-programmable gate array (FPGA) code related to microdisplay drive electronics. We also have a large library of internally developed, copyright-protected software that is used throughout our products. Usable software applications and add-on accessory hardware drivers can greatly increase customer value of our Video Eyewear products.

Patents and other Intellectual Property

We have a comprehensive intellectual property policy which has as its objectives: (i) the development of new intellectual property both to ensure and further our intellectual property position in relation to personal display technology; and (ii) the maintenance of our valuable trade secrets and know-how. We seek to further achieve these objectives through the commencement of more education and training of our engineering staff and the adoption of appropriate systems and procedures for the creation, identification and protection of intellectual property.

Our general practice is to file patent applications for our technology in the United States, Europe and Japan, while inventions which are considered to have the greatest potential are further protected by the filing of patent applications in additional countries, including Canada, Russia and China. We file and prosecute our patent applications in pursuit of the most extensive protection including, where appropriate, the applications of the relevant technology to the broader display industry.

We believe that our intellectual property portfolio, coupled with our key supplier relationships and accumulated experience in the personal display field, gives us an advantage over potential competitors. We also believe our copyrights, trademarks, trade secrets, and patents are critical to our success, and we intend, directly or indirectly, to maintain and protect these. We also rely on proprietary technology, trade secrets, and know-how, which are not patented. To protect our rights in these areas, we require all employees and, where appropriate, contractors, consultants, advisors and collaborators to enter into confidentiality, invention assignment and non-competition agreements.

In addition to our various patents, Vuzix currently has 11 registered US trademarks and a total of 27 trademark registrations worldwide.

Competitors and Competitive Advantage

The personal display industry in which we operate is highly competitive. We compete against both direct view display technology and against near-eye display technology. We believe that the principal competitive factors in the personal display industry include image size, image quality, image resolution, power efficiency, manufacturing cost, weight and dimension, feature implementation, ergonomics and finally the interactive capabilities of the overall display system.

Most of our competitors' products are based on direct view display systems, in which the user views the display device, or screen, directly without magnification. These products have several disadvantages compared to virtual displays and our Video Eyewear products. If the screens are large enough to read as conventional internet page or HD video without external magnification or image zooming, the products must be large and bulky, such as laptops, personal computers or portable DVD players. If the displays are small, such as those incorporated in cellular phones and PDA-like devices, the screens are difficult to read when displaying higher resolution content. Despite the limitations of direct view personal displays, advanced multi-media enabled or smart cellular phones are being produced in ever increasing volumes by a number of manufacturers, including Motorola, Inc., Nokia Corporation, Sony Ericsson Mobile Communications AB, Research In Motion Limited, Samsung Electronics Co., Ltd., LG Electronics and Apple Inc. (Apple). We expect that these large and well-funded companies, as well as newer entrants into the marketplace, will make products that seek to compete with ours based on improvements to their existing direct view display technologies or on new technologies.

We also have competitors who produce near eye personal displays or Video Eyewear. However, most of our competitors' current products lack one of more of the following critical features: advanced optics, video up-scanning, 3D stereoscopic support, on-screen video controls, and tracking. Furthermore, we believe that most of our

competitors' near eye products have inferior optics, marginal electronics and poor industrial design and that, as a result, our Video Eyewear products are superior to those of our competitors in both visual performance and ergonomics. They are lightweight and provide high-resolution images. They have convenient and easy to use controls that enable the user to control the display. Our systems are also typically more power-efficient than those of our competitors. We believe that tracking technology is a critical component of any VR or AR system and that our patented tracking technology gives us a competitive advantage in the markets for those systems.

Competition — Consumer Products

A number of major companies, such as Sony, Olympus Corporation and Canon Inc., produced head worn video display products for the consumer market in the late 1990s. These products were not well accepted by consumers and were ultimately discontinued. We believe that these products were not well accepted because they were ergonomically unsatisfactory and provided only low resolution images and because, at that time, there was little demand for mobile Video Eyewear. When these products were available, video content was generally stored on video tape and could only be viewed by playing the videotape on a videotape recorder connected to a television. Currently there are a number of smaller companies that have products which compete with our Video Eyewear products. Our major competitors are MyVu, Zeiss, i-O Display Systems, LLC, DaeYang Co., Ltd., Cybermind Interactive Nederland, Mirage Innovations, Ltd., Lumus, Shenzhen Oriscape Electronic Co., Ltd., Microvision Corporation (Microvision) and Kopin.

Kopin began offering QVGA and VGA binocular display modules (BDM) complete with drive electronics to original equipment manufacturers (OEMs) in 2006. Those modules are designed for easy customization by OEMs and include microdisplays, backlights, optics and drive electronics. The availability of those BDMs has greatly reduced the investment required for new competitors to enter the business. To date, the Kopin products have been primarily used by Asian-based Video Eyewear manufacturers. Kopin does not currently compete with Vuzix at the retail level. Kopin is our primary supplier of microdisplays.

In addition to numerous Asian-based companies using Kopin BDMs, we currently have two principal competitors in the consumer Video Eyewear market: MyVu and Zeiss.

- MyVu has based its most recent product line on an optic design that results in relatively small virtual image sizes. While this allows for a smaller form factor, it does not provide the large virtual image that we believe consumers desire from Video Eyewear products. Images on our Video Eyewear products appear as much as four times larger than those on MyVu products. MyVu products also do not currently support 3D, VGA video from a PC or tracking. Finally, MyVu does not have a Video Eyewear product designed specifically for the gaming market.
- Zeiss introduced its first Video Eyewear product in the spring of 2008. This product is bigger and bulkier than ours and we believe it will be less acceptable in the mobile markets. And while Zeiss does provide some level of 3D video support, it does not currently offer PC products nor does it support the tracking technology that would allow its products to be interactive.

There are also several Chinese manufacturers offering Video Eyewear products that have one or more of the deficiencies described above.

Competition — Industrial and Defense

Although several companies produce monocular Video Eyewear, we believe that opportunities for sales of their products to date have been limited. So far, the market opportunity outside of the night vision products has been limited primarily to trial tests, rather than commercial volume purchases for defense and industrial applications. We are aware of only very limited commercial volume purchases in the defense and industrial markets. Our current competitors in these markets are Liteye Systems, Inc., Lumus, Shimadzu Corporation, Microvision, Kopin, Creative Display Systems, LLC, OASYS Technology, LLC, Rockwell Collins, Inc. and its subsidiary Kaiser. Some of these companies are currently shipping product and others have only introduced prototypes and/or are offering only limited sample quantities. We expect that we will encounter competition in the future from major

suppliers of imaging and information products for defense application, including DRS Technologies, Inc. (DRS), Insight Technology Incorporated, Raytheon Company and BAE Systems, Inc.

There is competition in all classes of products manufactured by us, including from divisions of the large companies, as well as many small companies. Our sales do not represent a significant share of the industry's market for any class of its products. The principal points of competition for electronic products of both a defense and industrial nature include, among other factors: price, product performance, the experience of the particular company and history of its dealings in such products. We, as well as other companies engaged in supplying equipment for military use, are subject to various risks, including, without limitation, dependence on US and foreign government appropriations and program allocations, the competition for available military business, and government termination of orders for convenience.

We believe that most of the monocular Video Eyewear products offered by our competitors are inferior to ours because they are bulky, have small image sizes with poor optics and/or are currently priced higher than our products.

Competition — Low-Vision Assist

The majority of competitors in the low-vision assist market offer magnification systems that consist of a large desktop television or computer screen that displays a magnified version of an image captured by a hand scanner or stationary camera. Over 30 companies currently offer such vision tools. The largest providers are Enhanced Vision Inc. (Enhanced Vision) (which markets its product under the Merlin brand name), MagniSight, Inc., Optelec Holding B.V., REHAN Electronics Ltd. (which markets it product under the Affinity brand name), Beirley Associates, Inc., Telesensory Corporation and eSight Corporation. Although the products offered by these companies can provide effective low-vision assistance to many users, they are not mobile and they are often difficult to use. They generally require the user to sit in front of the large screen to view the image. Recently, some companies, including Enhanced Vision, have introduced mobile digital magnifiers that include a camera and an integrated six-inch LCD screen. Enhanced Vision's product is marketed under the Amigo brand. We do not believe that any of these competitive products offers the flexibility of usage, portability and some of the advanced digital video signal processing capabilities of our LV920. Moreover, the utility of all of the other competitive tools is generally limited to reading, whereas the LV920, which employs a wearable camera and is mobile, can also be used for many other normal vision applications.

In the wearable low-vision assist market, our competitors are manufacturers of optical loops and head worn optical systems and one manufacturer of a digital magnifying system similar to our LV920. The optical loops are usually worn by dentists, doctors, and jewelry makers for their fine work, and have gained limited use in the low-vision assist market due to their lack of signal processing and image brightness issues. The competitive digital magnifier is manufactured by Enhanced Vision and is sold under the Jordy and Maxport brand names. While the Enhanced Vision product has been sold for several years now, its market penetration has been limited. We believe our low-vision assist product is more ergonomic and offers more advanced digital video signal processing techniques than those manufactured by Enhanced Vision.

Sales and Marketing

Sales

Our sales strategy is to introduce our products to the widest possible audience within our target markets. We focus today on the consumer and industrial and defense markets. Historically, most of our sales efforts were directed toward obtaining contracts to provide custom engineering solutions and products for the defense and industrial markets. However, in 2005, as our products and technology evolved, we began to also sell standard Video Eyewear products for the consumer markets. In fall 2008, we began offering products for the low-vision assist market.

We have separate marketing and sales strategies for each of our target markets. We have an internal sales force of five people. We regularly attend industry trade shows in our markets and have begun establishing some level of separate branding for both of our divisions. The consumer division sells under the Vuzix name and the industrial and defense division under the Tac-Eye® name.

During the years 2008 and 2007, 63.8% and 67.6% of our sales were derived from providing goods and services to the US government, directly and indirectly. Of those amounts, 80.7% in fiscal 2008 and 20.7% in 2007 were derived from subcontracts with Kopin and DRS, and we are dependent upon continuing to be engaged as a subcontractor to them. We derived 35.4% of our sales from consumer Video Eyewear products in fiscal 2008 and 32.4% and 21.2% in fiscal 2007 and 2006 respectively.

Marketing

Our marketing group is responsible for product management, planning, advertising, marketing communications, and public relations. We intend to become known as the premier supplier of Video Eyewear in the consumer markets, where our products are currently sold under the iWear® brand. We also intend to become known as the premier supplier of virtual display technology and systems for the industrial, defense, and low-vision assist markets. We employ public relations firms in both the United States and England and a marketing firm to help convey our message through brochures, packaging, tradeshow messaging and advertising campaigns. We plan to undertake specific marketing activities as needed, including, but not limited to:

- product reviews, case studies and promotions in trade publications;
- enhancement and maintenance of our Website;
- Internet and web page advertising and targeted emails;
- public relations, print advertising, catalogs and point of purchase displays
- trade shows and sponsorships;
- co-marketing relationships with relevant companies in selected markets; and
- Internet awareness and outreach activities.

Industrial and Defense

We primarily solicit and manage our government/defense products and engineering services directly. We expect to continue to obtain business through marketing our existing reputation within the defense markets for quality, precision electronics for defense night vision and thermal weapons systems. We believe this market to be a relationship and "word of mouth" market in which large contracts are generally awarded only to those who have performed well on previous contracts. We employ, and expect to continue to employ, a Washington-based lobbying firm to help increase our visibility as a potential supplier in these markets and to assist us in uncovering new sales opportunities. We also act as a value added supplier, supplying our products to major defense suppliers, such as iRobot and DRS, to complement their products so that they can offer a complete turn-key solution to their potential defense customers. We are attempting to expand such partnerships and co-marketing agreements with government- and defense-focused value added resellers and system integrators, for our Tac-Eye® product lines. We market our products primarily through our own direct sales organization. Business is solicited from large industrial manufacturers and defense companies, the US government and foreign governments and major foreign electronic equipment companies. In certain countries we have and will use external sales representatives to help solicit and coordinate foreign contracts. We are also on the eligible list of contractors of many agencies of the US Department of Defense and may now be solicited by such agencies for procurement needs falling within the major classes of products we produce. We also search the various government contract offering sites for procurement programs in which we believe we are qualified to participate.

Consumer

We engage in a variety of marketing efforts that are intended to drive customers to our products and to grow awareness of our consumer products and Video Eyewear in general. Public relations is an important aspect of our

marketing and we intend to continue to distribute samples of our products to key industry participants. We currently plan to focus our marketing efforts for the next 12 months on:

- distinguishing the Video Eyewear product category from current competitors and legacy head mounted displays;
- building consumer acceptance and momentum around the new Video Eyewear category;
- creating awareness of the benefits of Video Eyewear as compared to existing technologies; and
- creating brand awareness of the Vuzix, iWear® and Wraptm brands.

Our Video Eyewear and VR Video Eyewear products are currently sold directly to consumers, through select specialty retailers, through catalogue offerings and through third party North American distributors including D&H and Wynit. Our products are currently sold by the following US based resellers: SkyMall, Brookstone, Hammacher Schlemmer, Amazon and Micro Center. Our website, www.vuzix.com is an important part of our direct sales efforts.

If our marketing efforts are successful and our sales volume increase we expect that most of our products will then be sold through the traditional consumer electronics and PC mass-market distribution channels and to a smaller extent from our current specialty retailers. Therefore, we intend to spend the majority of our marketing budget during this phase on website, direct sales support and on reseller incentives and support. For resellers with physical retail locations we began offering in the US, point of purchase systems that include a video frame running a slide show presentation on the products as well as an integrated fully functional Video Eyewear product that allows potential customers to use our products.

We may also explore and consider OEM and licensing relationships with manufacturing partners, consumer electronics firms, and mobile phone makers.

We intend to sell our products internationally through our growing network of international distributors. Our distributorships are being established on a country by country basis, where market size allows. Normally, we appoint two or more distributors in each area. However, in early 2009 we signed a letter of intent to negotiate a long-term exclusive distribution arrangement for the Chinese marketplace. Negotiations with the potential distributor are currently continuing and any definitive agreement will be subject to sales performance and volume requirements, along with an option to manufacture portions of our products under license directly in China for that marketplace only.

Our initial international focus was on Japan. In late 2007 we opened a branch sales and service office in Tokyo, staffed by two full-time personnel. In addition to supporting local resellers and distributors and providing end user customer support, we are seeking new sales channels and partnerships with software and hardware solution providers in Japan.

To serve the EU market, in spring 2008 we established a wholly owned subsidiary, Vuzix (Europe) Limited, through which to conduct our business. As of March 31, 2009 we had resellers in 23 countries that had placed orders with us in the last six months. While we do not currently maintain a European office, we have contracted with a third-party end user technical support firm and fulfillment center to service our customers in the EU. We have also retained a sales consultant (who acts as our European Director of Operations), a UK public relations firm and a mobile applications consultant to provide us with advice regarding the European cellular phone market.

Low-Vision Assist

We intend to market our low-vision assist products through low-vision clinics, catalogs and the Internet. Our research indicates that most low-vision sufferers visit a low-vision clinic after visiting a retinal specialist (of which there are approximately 2,000 in the United States) or after a low-vision examination at an optometrist or ophthalmologist. We intend to develop an awareness campaign aimed at retina specialists and to provide demonstration systems and brochures at low-vision clinics, which are the most common purchase point for low-vision assist products. An internal sales force and independent sales representatives will be used to sell our products through and to those clinics. We intend to test our products against other low-vision aids and publish the results in medical journals and present them at medical conventions. There are at least five major trade shows each

year for retina specialists in North America and we intend to exhibit both our products and present the results of our testing at those shows.

Manufacturing

Currently, we purchase product components from our suppliers and perform the final assembly of our Video Eyewear products ourselves in our Rochester, New York facility. We are experienced in the successful production of our products in moderate volumes. We expect to continue to perform final assembly of our Video Eyewear products ourselves over the short term. However, if our assembly volume increases and cost effective third party sourcing becomes feasible, we anticipate that we will outsource the bulk of the final assembly, with the possible exception of certain critical optical and display components.

We currently purchase almost all of the microdisplays used in our products from Kopin and eMagin. Kopin accounts for approximately 95% of our microdisplays by unit volume. We estimate that products incorporating Kopin microdisplays will account for approximately 46% of our sales in 2009 and products incorporating eMagin microdisplays will account for approximately 20% of our sales in 2009. We procured increasing percentages of our microdisplays from other sources, but they are very limited currently. While we do not manufacture our components, we own the tooling that is used to make our custom components (with the exception of Apple iPod authentication chips and connectors that we acquire directly under license from Apple) and we do not believe that we are dependent on our relationships with any supplier in order to continue to operate our business effectively. Some of our accessory products, such as screen-less portable DVD players and mouse based camera systems are sourced from third parties as finished goods. We typically have them print our Vuzix brand name on the products. Such third party products represent less than 2% of our sales in 2008.

We are committed to globally sourcing all our components to minimize product costs. We anticipate that procuring assembled products from third parties will result in decreased labor force requirements, capital equipment costs, component inventories, and the cost of maintaining inventories of work in progress. We generally procure components and products from our vendors on a purchase order basis without any long-term commitments. We currently use several Asian manufacturing sources, where we have located some of our tooling.

Employees

As of the date of this prospectus, we had 48 full-time employees in North America: eight in sales and marketing, distribution, and customer service; 16 in research and development and engineering services support; 16 in manufacturing, operations and purchasing; one in quality assurance; and seven in finance, management, and administration. We also work with a group of sub-contractors mainly for industrial, mechanical and optical design assistance in the Rochester, New York area, some of which have been continually contracted over the last 36 months. In Japan we have two full-time employees and in the UK we have one full-time contractor to manage our European sales and marketing activities.

Facilities

Our manufacturing facility, consisting of approximately 8,800 square feet, is located at 2166 Brighton Henrietta Townline Road, Rochester, New York 14623, and our research and development, sales and administration offices, consisting of approximately 9,600 square feet, are located in two different suites at 75 Town Centre Drive, Rochester, New York 14623. We currently pay approximately $65,000 per year in rent for our manufacturing facility and $110,000 per year for our research and development, sales and administration offices. The manufacturing facility is leased on a calendar year term and we expect to renew the lease on substantially the same terms prior to its expiration at the end of 2009. Our lease on one office suite expired in May 2009 and our lease on the other office suite expires in June 2010. We currently occupy the suite on which our lease expired on a month-to-month basis. We expect to renew that lease on substantially the same terms in the near future. We have an option to terminate the lease expiring in June 2010 earlier subject to payment of a termination fee.

We believe that each of our facilities is in good operating condition and will adequately serve our needs for at least the next 12 months. Subject to the successful completion of this offering, we intend to start re-consolidating our facilities. This will be done for efficiency reasons. We anticipate that, if required, suitable additional or

alternative space would be available on commercially reasonable terms to accommodate expansion of our operations.

Legal Proceedings

As at the date of this prospectus, we are not a party to, and our property is not the subject of, any legal proceedings, we have not been a party to, and our property has not been the subject of, any such proceedings since our incorporation, and we are not aware of any such proceedings contemplated by or against us or our property.

There have been no penalties or sanctions imposed against us by a court relating to Canadian provincial and territorial securities legislation or by a Canadian securities regulatory authority within the three years immediately preceding the date of this prospectus.

There have been no penalties or sanctions imposed by a court or regulatory body against us that are necessary to be described herein for the prospectus to contain full, true and plain disclosure of all material facts relating to the securities being distributed, nor have we entered into any settlement agreements before a court relating to Canadian provincial and territorial securities legislation within the three years immediately preceding the date of this prospectus.

History

We were incorporated in Delaware in 1997 as VR Acquisition Corp. In 1997, we acquired substantially all of the assets of Forte Technologies, Inc. (Forte), which was engaged in the manufacture and sale of virtual reality headsets and the development of related technologies. It was originally owned and controlled by Kopin, our main current microdisplay supplier. Most of the technologies developed by Forte are now owned and used by us.

Thereafter in 1997 we changed our name to Kaotech Corporation. In 1998 we changed our name to Interactive Imaging Systems, Inc. In 2004 we changed our name to Vicuity Corporation and then to Icuiti Corporation. In 2007, we changed to our current name, Vuzix Corporation. None of these name changes were the result of a change in our ownership control.

Our corporate offices are located at 75 Town Centre Drive, Rochester, New York 14623. Our phone number is (585) 359-5900. The URL for our website is www.vuzix.com. The information contained on, connected to or that can be accessed via our website is not part of this prospectus. We have included our website address in this prospectus as an inactive textual reference only and not as an active hyperlink.

MANAGEMENT

Executive Officers, Key Employees, Directors and Director Nominees

Below are the names, ages and positions held with us of our executive officers, key employees, directors and directors elect.

Name	Age	Position(s)
Paul J. Travers	47	CEO, President and Director
Grant Russell	56	CFO, Executive Vice President and Director
Vincent J. Ferrer	37	Director of Engineering
Paul Churnetski	61	Vice President — Quality Assurance
Gary VanCamp	62	Vice President — Low-Vision Assist Products
Steven D. Ward	48	Controller
Stephen J. Glaser	37	Vice President — Sales & Marketing — Defense
Mike Hallett	36	Director Sales — Consumer
Peter Artz	40	Director of Manufacturing
William Lee	56	Director
Frank Zammataro	51	Director Elect
Kathryn Sayko	42	Director Elect
Bernard Perrine	46	Director Elect

Executive Officers

Paul J. Travers was the founder of Vuzix and has served as our President and Chief Executive Officer since 1997 and as a member of our board of directors since November 1997. Prior to the formation of Vuzix, Mr. Travers founded both e-Tek Labs, Inc. and Forte Technologies Inc. He has been a driving force behind the development of our products for the consumer market. With more than 20 years experience in the consumer electronics field, and 13 years experience in the virtual reality and virtual display fields, he is a nationally recognized industry expert. He holds an Associate degree in engineering science from Canton, ATC and a Bachelor of Science degree in electrical and computer engineering from Clarkson University. Mr. Travers resides in Honeoye Falls, New York, United States.

Grant Russell has served as our Chief Financial Officer since 2000 and as a member of our board of directors since April 2009. From 1997 to 2004, Mr. Russell developed and subsequently sold a successful software firm and a new concept computer store and cyber café. In 1984, he co-founded Advanced Gravis Computer (Gravis), which, under his leadership as President, grew to become the world's largest PC and Macintosh joystick manufacturer with sales of $44 million worldwide and 220 employees. Gravis was listed on NASDAQ and the Toronto Stock Exchange. In September 1996 it was acquired by a US-based Fortune 100 company in a successful public tender offer. Mr. Russell holds a Bachelor of Commerce degree in finance from the University of British Columbia and is both a US Certified Public Accountant and a Canadian Chartered Accountant. Mr. Russell resides in Vancouver, British Columbia, Canada.

Key Employees

Paul J. Churnetski — Mr. Churnetski held the position of Vice President of Manufacturing from November 1997 to December 2005, when he became Vice President of Quality Assurance at Vuzix. Mr. Churnetski was also a member of our board of directors from November 1997 to August 2007. He was previously employed with medical manufacturers Fisons Corp. and Pennwalt Corp., where he held senior positions in the areas of technical operations, quality assurance, manufacturing, and information technology. He holds a Bachelor of Science degree in chemistry and a Master of Science degree in physical chemistry from the State University of New York, College at Geneseo, and was previously certified as a Quality Engineer. Mr. Churnetski resides in Henrietta, New York, United States.

Vincent J. Ferrer has served as our Director of Engineering since September 2005. Mr. Ferrer is responsible for directing our research and development team as well as managing our intellectual property portfolio and regulatory affairs for markets served. From July 1993 to September 2005, Mr. Ferrer was an engineer and project manager at Belkin Components, Inc. Mr. Ferrer holds a Bachelor of Science degree in engineering from Rochester Institute of Technology. Mr. Ferrer resides in Pittsford, New York, United States.

Gary VanCamp has been with us since March 2004 and has served as our Vice President — Low-vision Assist Products since August 2007. Prior to joining us, Mr. VanCamp was a Project Manager — World Wide Training (Sales and Marketing Department) at Intel Corporation from January 2000 through July 2003. His more than 25 years of electronics engineering, manufacturing, and project management experience includes project management, Vice President of Engineering positions and extensive hardware design and development experience. Mr. VanCamp holds a Bachelor of Science degree in electrical/electronics engineering from Rochester Institute of Technology. Mr. VanCamp resides in Rochester, New York, United States.

Steven D. Ward has served as our Controller since January 1998. Mr. Ward, a Certified Public Accountant, is responsible for all of our accounting and human resource services. Mr. Ward's previous experience includes positions as Controller/Tax Manager for AM&M Companies, a financial services firm, and as a principal in a regional certified public accounting firm. Mr. Ward holds a Bachelor of Science degree in accounting from the State University of New York, College at Fredonia. Mr. Ward resides in Rochester, New York, United States.

Stephen J. Glaser has served as our Vice President Sales & Marketing — Defense and Industrial since January 2000. Prior to joining Vuzix, Mr. Glaser worked in sales with Johnson & Johnson. Mr. Glaser holds a Bachelor of Science degree in marketing and business administration from State University of New York, Empire State College. Mr. Glaser resides in Pittsford, New York, United States.

Michael Hallett has been with us since May 2005 and has served as our Director of Sales — Consumer since October 2008. From June 2004 to May 2005, Mr. Hallett was a sales manager at Wards Natural Science. Prior to that position, Mr. Hallett had sales potions at Unisys Corporation and Paychex, Inc. Mr. Hallett holds a Bachelor of Science degree in business administration with a concentration in marketing and a minor in economics from the State University of New York, College at Brockport. Mr. Hallett resides in Canandaigua, New York, United States.

Peter Artz has been with us since February 2005 and has served as our Director of Manufacturing since October 2006. Mr. Artz is responsible for directing our Production, Manufacturing Engineering and Purchasing activities. Prior to joining Vuzix, Mr. Artz was with PSC Inc. for eight years as a Senior Manufacturing Engineer, developing laser barcode scanners. Mr. Artz holds a Bachelor of Science degree in manufacturing engineering from Rochester Institute of Technology. Mr. Artz resides in Penfield, New York, United States.

Director

William Lee has served as a member of our board of directors since June 2009. Mr. Lee has been self-employed as a financial consultant since May 2008. From January 2006 to May 2008, he served as Chief Financial Officer of Jinshan Gold Mines Inc., a mining company listed on the Toronto Stock Exchange. From July 2004 to December 2005, he was engaged as a business analyst for Ivanhoe Energy Inc., a Toronto Stock Exchange and NASDAQ-listed company, and Ivanhoe Mines Ltd. Vancouver, an independent international heavy oil development and production company with operations in Canada, the United States, China, and Ecuador and listed on the New York and Toronto Stock Exchanges. Mr. Lee spent nine years engaged in the practice of public accounting with the firm of Deloitte & Touche. Mr. Lee is a member of the Institute of Chartered Accountants of British Columbia and holds a Bachelor of Commerce degree from the University of British Columbia. Mr. Lee also currently serves as a director of Tinka Resources Ltd., Halo Resources Ltd., both of which are listed on the TSX-V, and Golden Peaks Resources Ltd., which is listed on the TSX. Mr. Lee resides in Delta, British Columbia, Canada.

Directors Elect

Frank Zammataro has been elected, and has agreed to serve, as a member of our board of directors upon the effectiveness of the registration statement of which this prospectus forms a part. Mr. Zammataro is the President of Rentricity, Inc., a privately held, renewable energy company which he founded in 2003. Prior to founding that

business, Mr. Zammataro served as Chief Marketing Officer of w-Technologies, Inc., a wireless solutions start-up which provided a software platform and applications framework for companies developing consumer-based wireless services. From 1979 through 2000, he was employed by Merrill Lynch, Pierce, Fenner & Smith Inc., where in his last position he led the Internet-related market and services development activities. He holds a Bachelor of Arts degree in communications arts and political science from St. John's University and is a graduate of the Executive Management Program of the Wharton School of the University of Pennsylvania. Mr. Zammataro resides in Chatham, New Jersey, United States.

Kathryn Sayko has been elected, and has agreed to serve, as a member of our board of directors upon the effectiveness of the registration statement of which this prospectus forms a part. Ms. Sayko is a Managing Director of J.P. Morgan, Inc., most recently serving as its Head of North East Middle Market Investment Banking Coverage. Ms. Sayko has been employed by J.P. Morgan since 1993. She holds a Bachelor of Business Administration degree from James Madison University School of Business and a Master of Business Administration degree from New York University, Stern School of Business. Ms. Sayko resides in New York City, New York, United States.

Bernard Perrine has been elected, and has agreed to serve, as a member of our board of directors upon the effectiveness of the registration statement of which this prospectus forms a part. Mr. Perrine, one of the founders of Kinko's Inc., has been self-employed as a business consultant since December 2007. From November 2006 through December 2007, Mr. Perrine served as Vice President — U.S. Sales and Marketing of Rexel, Inc., an electrical distribution company. From September 2005 through May 2006, he served as Chief Executive Officer of Telezygology, Inc., a start-up provider of intelligent fastening technologies. From August 2004 through September 2005, he was a Worldwide General Manager for Microsoft, Inc. Prior to August 2004, Mr. Perrine was Worldwide Vice President/General Manager, Digital & Film Imaging Systems for Eastman Kodak Co. He holds a Bachelor of Science degree in management from the University of Akron. He has also completed Executive Management courses at Harvard University and the University of Pennsylvania. Mr. Perrine resides in Lincolnshire, Illinois, United States.

Indebtedness of Directors and Executive Officers

As of the date of this prospectus, no amount is owed to us or any of our subsidiaries by any of our directors, directors elect or executive officers.

As of the date hereof and during the fiscal period ended December 31, 2008, there was no indebtedness owing to us in connection with the purchase of securities or other indebtedness by any of our current or former executive officers, directors or employees except as described below under the "Related Party Transactions — Officer Loan."

No individual who is, or at any time during our most recent completed fiscal year was, a director or officer of our company, none of our directors elect, or any associate of any one of them is, or at any time since the beginning of our most recent completed fiscal year has been, indebted to us (other than in respect of amounts which would constitute routine indebtedness) or was indebted to another entity, which such indebtedness is, or was at any time during our most recent completed fiscal year, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by us except as described below under the "Related Party Transactions — Officer Loan."

Family Relationships

There is no family relationship between or among any of our directors, directors elect or executive officers.

Involvement in Certain Legal Proceedings

During the past five years, none of our directors, directors elect, executive officers, promoters or control persons has: (1) filed a petition under the federal bankruptcy laws or any state insolvency law, nor had a receiver, fiscal agent or similar officer appointed by a court for the business or present of such a person, or any partnership in which he was a general partner at or within two yeas before the time of such filing, or any corporation or business association of which he was an executive officer within two years before the time of such filing; (2) was convicted in a criminal proceeding or named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses); (3) was the subject of any order, judgment or decree, not subsequently reversed, suspended or

vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from or otherwise limiting the following activities: (i) acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, associated person of any of the foregoing, or as an investment advisor, underwriter, broker or dealer in securities, or as an affiliated person, director of any investment company, or engaging in or continuing any conduct or practice in connection with such activity; (ii) engaging in any type of business practice; (iii) engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of federal or state securities laws or federal commodity laws; (4) was the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any federal or state authority barring, suspending or otherwise limiting for more than 60 days the right of such person to engage in any activity described in clause (3) above, or to be associated with persons engaged in any such activity; (5) was found by a court of competent jurisdiction in a civil action or by the SEC to have violated any federal or state securities law and the judgment in subsequently reversed, suspended or vacate; or (6) was found by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading Commission (CFTC) to have violated any federal commodities law, and the judgment in such civil action or finding by the CFTC has not been subsequently reversed, suspended or vacated.

Cease Trade Orders, Bankruptcies and Penalties and Sanctions

None of our directors, directors elect, officers or control persons is, or within the ten years prior to the date of this prospectus has been, (a) a director, chief executive officer or chief financial officer of any issuer (including us) that, (i) was subject to an order that was issued while that person was acting in the capacity as director, chief executive officer or chief financial officer, or (ii) was subject to an order that was issued after that person ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; or (b) a director or executive officer of any company (including us) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets. For the purposes of this paragraph, “order” means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days.

None of our directors, directors elect, officers or control persons has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or has been subject to any other penalties or sanctions imposed by a court or regulatory body which would be important to a reasonable investor making an investment decision.

None of our directors, directors elect, officers or control persons (or a personal holding company of any such person) is, or within the ten years prior to the date of this prospectus has become, bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his assets.

Conflicts of Interest

Certain of our proposed directors are also directors of other public companies and our existing and proposed directors and officers are or may be shareholders of other public companies. Accordingly, conflicts of interest may arise between such persons’ duties as directors and officers of Vuzix and their positions as directors and shareholders of such other companies. All such possible conflicts are required to be disclosed in accordance with the requirements of applicable corporate law and the directors and officers are required to act in accordance with the obligations imposed on them by law.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth information for the fiscal years ended December 31, 2008 and 2007 concerning compensation of (i) the one individual serving as our principal executive officer during the fiscal year ended December 31, 2008 and (ii) the one individual serving as our principal financial officer during the fiscal year ended December 31, 2008 (collectively, the "named executive officers"):

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	All Other Compensation ($)	Total ($)
Paul J. Travers, President and	2008	$200,000	—	—	—	$200,000
Chief Executive Officer	2007	$142,460	—	—	—	$142,460
Grant Russell, Chief Financial	2008	$175,000	—	—	$ 24,571(1)	$199,571
Officer & Executive Vice President	2007	$127,407	—	—	$ 23,309(1)	$150,716

(1) Consists of amounts paid to Mr. Russell as a reimbursement for the rental of an automobile and direct travel to and from his residence in Vancouver, Canada to Rochester.

Employment Agreements

Paul J. Travers

On August 1, 2007, we entered into an employment agreement with Paul J. Travers providing for his continued service as our Chief Executive Officer and President. Under the agreement, Mr. Travers is entitled to an initial annual base salary of $200,000, subject to increases in the sole discretion of the board of directors, and upon the initial public offering of common stock an annual base salary of $300,000 or such greater amount as shall be determined by the board of directors. He is also eligible to receive such periodic, annual or other bonuses as the board of directors in its sole discretion shall determine and to participate in all bonus plans established for our senior executives. The agreement also provides that Mr. Travers may be awarded, in the sole discretion of the board of directors, stock options and other awards under any plan or arrangement for which our senior executives are eligible. The level of his participation in any such plan or arrangement shall be determined by the board of directors in its sole discretion. To the greatest extent permissible under the Internal Revenue Code (the Code) and the regulations thereunder, options granted to Mr. Travers shall be incentive stock options within the meaning Section 422 of the Code. He is also eligible to participate in all employee benefit plans which are generally available to our senior executives and entitled to receive fringe benefits and perquisites comparable to those of our other senior executives.

Mr. Travers' employment under the agreement shall continue indefinitely until terminated by him or by us. In the event that his employment is terminated by us other than for "cause" (as defined in the agreement), by him for "good reason" (as defined in the agreement) or upon his death or "disability" (as defined in the agreement), Mr. Travers shall be entitled to be paid, in addition to any base salary and bonuses then accrued and unpaid, and his then current base salary for 24 months after the date of termination and the entire bonus that would have been payable pursuant to any agreement, understanding, arrangement or plan in which he is entitled to participate for the year in which the termination of his employment occurred as if he had been employed for the entire year, provided that, in the opinion of the board of directors, he is likely to have met any bonus plan goals for the relevant period had he not been terminated. As a condition to our obligation to make any such payment, we, in our sole discretion, may require Mr. Travers to release us and our officers, directors, employees, and agents, from any and all claims and causes of action, including, but not limited to those arising from his employment and the termination of his employment. In the event of such termination, all stock options, restricted stock grants, stock appreciation rights and other similar awards held by Mr. Travers at the date of termination shall immediately vest, the period during which any options or rights relating to such grants may be exercised shall be the longer of the date specified in such

grants or the date that is thirty (30) days after the end of the 24-month period following the date of termination and will, in all other respects, continue to be governed by, and continued in accordance with, their applicable plan and grant documents. In the event that Mr. Travers's employment is terminated by us for cause or by him other than for good reason, Mr. Travers shall be entitled to be paid only any base salary then accrued and unpaid and annual bonus amounts for any fiscal year completed prior to the date of termination and we shall have no further obligations to him.

In the event of a "change of control" (as defined in the agreement), any unvested stock options held by Mr. Travers shall be fully vested and become immediately exercisable. Such options shall remain exercisable for the period remaining under the relevant stock option agreement and shall not have a shortened period of exercisability as a result of the change of control, except for statutory stock options which shall, at Mr. Travers's election, (i) expire 90 days after his termination (or one year after his termination upon his death or permanent and total disability) or (ii) be converted into non-qualified stock options expiring at the end of the entire term of such option under the relevant stock option agreement. Additionally, if Mr. Travers is terminated within one year of a change of control for any reason other than by us for cause, or if he elects to terminate his employment (whether or not for good reason) after the expiration of 120 days after and on or before the two-year anniversary of a change of control, Mr. Travers shall be entitled to be paid, in addition to any base salary and bonuses then accrued and unpaid, and his then current base salary for 48 months after the date of termination and the entire bonus that would have been payable pursuant to any agreement, understanding, arrangement or plan in which he is entitled to participate for the year in which the termination of his employment occurred as if he had been employed for the entire year, provided that, in the opinion of the board of directors, he is likely to have met any bonus plan goals for the relevant period had he not been terminated.

Under his agreement, we are obligated to reimburse Mr. Travers for the costs of an automobile at the rate of $750 per month and for all actual, reasonable and customary expenses incurred in the course of his employment in accordance with our policies as then in effect. Mr. Travers is subject to certain restrictive covenants under the agreement, including a covenant not to compete for 24 months after his termination for any reason other than by him for good reason or by us without cause and for 48 months after his termination if such termination results in our obligation to pay him the change of control payment described above.

Grant Russell

On August 1, 2007, we entered into an employment agreement with Grant Russell providing for his continued service as our Chief Financial Officer and Executive Vice President. Under the agreement, Mr. Russell is entitled to an initial annual base salary of $175,000, subject to increases in the sole discretion of the board of directors, and upon the initial public offering of common stock an annual base salary of $275,000 or such greater amount as shall be determined by the board of directors. He is also eligible to receive such periodic, annual or other bonuses as the board of directors in its sole discretion shall determine and to participate in all bonus plans established for our senior executives. The agreement also provides that Mr. Russell may be awarded, in the sole discretion of the board of directors, stock options and other awards under any plan or arrangement for which our senior executives are eligible. The level of his participation in any such plan or arrangement shall be determined by the board of directors in its sole discretion. To the greatest extent permissible under the Code and the regulations thereunder, options granted to Mr. Russell shall be incentive stock options within the meaning of Section 422 of the Code. He is also eligible to participate in all employee benefit plans which are generally available to our senior executives and entitled to receive fringe benefits and perquisites comparable to those of our other senior executives.

Mr. Russell's employment under the agreement shall continue indefinitely until terminated by him or by us. In the event that his employment is terminated by us other than for "cause" (as defined in the agreement), by him for "good reason" (as defined in the agreement) or upon his death or "disability" (as defined in the agreement), Mr. Russell shall be entitled to be paid, in addition to any base salary and bonuses then accrued and unpaid, and his then current base salary for 24 months after the date of termination and the entire bonus that would have been payable pursuant to any agreement, understanding, arrangement or plan in which he is entitled to participate for the year in which the termination of his employment occurred as if he had been employed for the entire year, provided that, in the opinion of the board of directors, he is likely to have met any bonus plan goals for the relevant period had he not been terminated. As a condition to our obligation to make any such payment, we, in our sole discretion, may

require Mr. Russell to release us and our officers, directors, employees, and agents, from any and all claims and causes of action, including, but not limited to those arising from his employment and the termination of his employment. In the event of such termination, all stock options, restricted stock grants, stock appreciation rights and other similar awards held by Mr. Russell at the date of termination shall immediately vest, the period during which any options or rights relating to such grants may be exercised shall be the longer of the date specified in such grants or the date that is thirty (30) days after the end of the 24-month period following the date of termination and will, in all other respects, continue to be governed by, and continued in accordance with, their applicable plan and grant documents. In the event that Mr. Russell's employment is terminated by us for cause or by him other than for good reason, Mr. Russell shall be entitled to be paid only any base salary then accrued and unpaid and annual bonus amounts for any fiscal year completed prior to the date of termination and we shall have no further obligations to him.

In the event of a "change of control" (as defined in the agreement), any unvested stock options held by Mr. Russell shall be fully vested and become immediately exercisable. Such options shall remain exercisable for the period remaining under the relevant stock option agreement and shall not have a shortened period of exercisability as a result of the change of control, except for statutory stock options which shall, at Mr. Russell's election, (i) expire 90 days after his termination (or 1 year after his termination upon his death or permanent and total disability) or (ii) be converted into non-qualified stock options expiring at the end of the entire term of such option under the relevant stock option agreement. Additionally, if Mr. Russell is terminated within one year of a change of control for any reason other than by us for cause, or if he elects to terminate his employment (whether or not for good reason) after the expiration of 120 days after and on or before the two-year anniversary of a change of control, Mr. Russell shall be entitled to be paid, in addition to any base salary and bonuses then accrued and unpaid, and his then current base salary for 48 months after the date of termination and the entire bonus that would have been payable pursuant to any agreement, understanding, arrangement or plan in which he is entitled to participate for the year in which the termination of his employment occurred as if he had been employed for the entire year, provided that, in the opinion of the board of directors, he is likely to have met any bonus plan goals for the relevant period had he not been terminated.

Under his agreement, we are obligated to either reimburse Mr. Russell for the costs of an automobile at the rate of $750 per month or to bear all expenses associated with his lease of an automobile for his use while in Rochester, New York and to reimburse him for all actual, reasonable and customary expenses incurred in the course of his employment in accordance with our policies as then in effect. Mr. Russell is subject to certain restrictive covenants under the agreement, including a covenant not to compete for 24 months after his termination for any reason other than by him for good reason or by us without cause and for 48 months after his termination if such termination results in our obligation to pay him the change of control payment described above.

2007 Amended and Restated Stock Option Plan

Our stock option plan was originally adopted by our board of directors and approved by our stockholders in October 1997. Our board of directors adopted and our stockholders approved the adoption of the amendment and restatement of our 1997 plan in August 2007. Throughout this prospectus we refer to the plan as amended and restated as our 2007 option plan. An aggregate of 45,714,288 shares of our common stock are reserved for issuance under the 2007 option plan. Our board of directors has determined that, upon the effectiveness of the registration statement of which this prospectus forms a part, no further options will be granted under our 2007 option plan.

Shares Available for Awards. As of the date of this prospectus, we had issued 2,876,263 shares of our common stock upon the exercise of options granted under the 2007 option plan, options to purchase 15,304,554 shares of common stock had been issued and were outstanding under the plan and 27,533,471 shares of common stock remained available for issuance under the plan. Our board of directors has determined that, upon the effectiveness of the registration statement of which this prospectus forms a part, no further options will be granted under our 2007 option plan.

Eligibility. Only our employees, our directors, our consultants and other key persons are eligible to participate in our 2007 option plan. We may grant incentive stock options only to employees.

Administration. Our board of directors administers the 2007 option plan. Our board, however, may delegate this authority to a committee of one or more directors. The party administering our 2007 option plan, whether it is our board of directors or a committee appointed by our board of directors, is referred to under the 2009 option plan as the "committee". Subject to the provisions of the 2007 option plan and the rules of any stock exchange on which shares of our common stock may be listed, the committee has complete authority to interpret the 2007 option plan, to prescribe, amend and rescind rules and regulations relating to it, to determine who will receive stock options, to determine the terms and provisions of the respective option agreements (which need not be identical), and to make all other determinations necessary or advisable for the administration of the 2007 option plan.

Stock Options. We grant incentive and nonstatutory stock options under the plan pursuant to incentive and nonstatutory stock option agreements. The committee determines who will receive stock options, whether the stock options will be incentive or nonstatutory stock options, and the number of stock options to be granted. The committee determines the exercise price for a stock option, consistent with the terms and conditions of the 2007 plan and applicable law. The exercise price of any incentive stock option cannot be less than 100% of the fair market value of our common stock on the date of grant. Under the 2007 option plan, "fair market value" means the value of a share of the Company's common stock on any date as determined by the committee. The exercise price for stock options shall be paid in the form of cash or certified or bank check, or consideration received by us under a cashless exercise program if implemented by us in connection with the 2007 option plan and if permitted by the rules of any stock exchange on which shares of our common stock may be listed. Options granted under the 2007 option plan vest at the rate determined by the committee and specified in each stock option agreement. The committee determines the term of stock options granted under the 2007 option plan, which can be up to ten years, except in the case of certain incentive stock options, which may have a term of up to five years. Unless an option agreement provides otherwise, if an optionee's employment with the Company is terminated for any reason, whether voluntary or otherwise, the optionee, or his or her beneficiary, may exercise any vested options for a period of 30 days from the date of termination of service. An optionee may not exercise an option beyond the expiration of its term.

Adjustment of Shares. In the event that we have a specified type of change in our capital structure, such as, a stock split, stock dividend, recapitalization, spin-off, reclassification or similar occurrence, then the committee must appropriately adjust the number of shares reserved under the 2007 option plan, as well as the numbers of shares covered by each outstanding award and the exercise prices or purchase prices, if applicable, of all outstanding stock awards under the 2007 option plan.

Consolidation or Merger. In the event of any consolidation or merger of the Company with or into another company or in case of any sale or conveyance to another company or entity of the property of the Company as a whole or substantially as a whole, shares of stock or other securities equivalent in kind and value to those shares and other securities an optionee would have received if he or she had held the full number of shares of common stock remaining subject to the option immediately prior to such consolidation, merger, sale or conveyance and had continued to hold those shares (together with all other shares, stock and securities thereafter issued in respect thereof) to the time of the exercise of the option shall thereupon be subject to the option. However, unless any option agreement shall provide different or additional terms, in any such transaction the committee, in its discretion, may provide instead that any outstanding option shall terminate, to the extent not exercised by the optionee prior to termination, either (a) at the close of a period of not less than ten (10) days specified by the committee and commencing on the committee's delivery of written notice to the optionee of its decision to terminate such option without payment of consideration as provided in the following clause or (b) as of the date of the transaction, in consideration of the Company's payment to the optionee of an amount of cash equal to the difference between the aggregate fair market value of the shares of common stock for which the option is then exercisable and the aggregate exercise price for such shares under the option.

Other Terms. Whenever shares are to be issued in satisfaction of an option granted under our 2007 option plan, the Company shall have the right to require the optionee to remit to the Company an amount sufficient to satisfy federal, state, local or other withholding tax requirements if and to the extent required by law (whether so required to secure for the Company an otherwise available tax deduction or otherwise) prior to the delivery of any certificate or certificates for such shares. An optionee may not transfer a stock option granted under our 2007 option plan other than by will or the laws of descent and distribution, and each option is exercisable, during the lifetime of the optionee, only by the optionee. Shares issued upon exercise of an option may be subject to forfeiture conditions, rights of repurchase, rights of first refusal and other transfer restrictions as determined by the committee and as set forth in the stock option agreement.

Amendment and Termination. Subject to compliance with the rules of any stock exchange on which shares of our common stock may be listed, the 2007 option plan may be amended, altered, suspended or terminated by our board of directors at any time. We may not alter the rights and obligations under any option granted before amendment of the 2007 option plan without the written consent of the affected optionee. Our board of directors has determined that, upon the effectiveness of the registration statement of which this prospectus forms a part, no further options will be granted under our 2007 option plan.

2009 Stock Plan

Our 2009 stock plan has been approved by our board of directors and stockholders and will become effective as of the time the registration statement of which this prospectus forms is declared effective by the SEC. An aggregate of 30,000,000 shares of our common stock are reserved for issuance under the 2009 option plan. As of the date of this prospectus, no options or other awards have been granted under our 2009 option plan.

Shares Available for Awards. The total number of shares of our common stock that may be subject to awards under our 2009 option plan is 30,000,000 shares, plus the number of shares with respect to which awards previously granted thereunder are forfeited, expire, terminate without being exercised or are settled with property other than shares, and the number of shares that are surrendered in payment of any awards or any tax withholding requirements.

Eligibility. The persons eligible to receive awards under our 2009 option plan are our officers, directors, employees and independent contractors who render consulting or advisory services to us and those of our subsidiaries. An employee on leave of absence may be considered as still in our employ or in the employ of one of our subsidiaries for purposes of eligibility for participation in our 2009 option plan.

Administration. Our 2009 option plan provides that it shall be administered by our board of directors or a committee appointed by our board of directors, which committee shall be constituted to comply with applicable laws. The party administering our 2009 option plan, whether it is our board of directors or a committee appointed by our board of directors, is referred to under the 2009 option plan as the "administrator". Subject to the terms of our 2009 option plan, the administrator is authorized to select eligible persons to receive awards, determine the type and number of awards to be granted and the number of shares of our common stock to which awards will relate, specify times at which awards will be exercisable or settleable (including performance conditions that may be required as a condition thereof), set other terms and conditions of awards, prescribe forms of award agreements, interpret and specify rules and regulations relating to our 2009 option plan and make all other determinations that may be necessary or advisable for the administration of our 2009 option plan. Our board of directors has designated the compensation committee of the board to act as the administrator of our 2009 option plan.

Stock Options. The administrator is authorized to grant stock options, including both incentive stock options or ISOs, which can result in potentially favorable tax treatment to the participant, and nonstatutory stock options. The exercise price per share subject to an option is determined by the administrator, but in the case of an ISO must not be less than the fair market value of a share of our common stock on the date of grant and in the case of a nonstatutory stock option must not be less than 85% of the fair market value of a share of our common stock on the date of grant provided that if stock options are granted within 90 days of a distribution by way of prospectus, the exercise price must not be less than the offering price under the prospectus. For purposes of our 2009 option plan, the term "fair market value" means, as of any date, the value of our common stock determined as follows: (1) if our common stock is listed on any established stock exchange or a national market system, its fair market value shall be

the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system on the day prior to the date of grant, as reported in The Wall Street Journal or such other source as the administrator deems reliable; (2) if our common stock is regularly quoted by a recognized securities dealer but selling prices are not reported, its fair market value shall be the mean between the high bid and low asked prices for our common stock on the day of determination; or (3) in the absence of an established market for our common stock, the fair market value thereof shall be determined in good faith by the administrator. The maximum term of each option, the times at which each option will be exercisable, and provisions requiring forfeiture of unexercised options at or following termination of employment or service generally are fixed by the administrator except that no option may have a term exceeding ten years. The exercise price for stock options shall be paid using such method of payment as shall be determined by the administrator, including, without limitation: (1) cash, (2) check, or (3) any combination of the foregoing methods of payment. Grants of stock options are subject to the limitation that, in any 12 month period, no individual may receive options to purchase shares of our common stock in excess of 5% of the number of shares of our common stock then outstanding and no individual who is a consultant or engaged in investor relations activities may receive options to purchase shares of our common stock in excess of 2% of the number of shares of our common stock then outstanding.

Stock Purchase Rights. The administrator is authorized to grant stock purchase rights. A stock purchase right is an award that entitles the participant to purchase shares of our common stock. The terms, conditions, and restrictions related to grants of stock purchase rights are determined by the administrator, provided that all such terms, conditions, and restrictions must comply with the Delaware General Corporation Law and the requirements of any stock exchange on which shares of our common stock may be listed. Stock purchase rights are exercised by execution of a restricted stock purchase agreement in the form determined by the administrator.

Restricted Stock Units. The administrator is authorized to grant restricted stock units. A restricted stock unit is an award that entitles the participant to receive shares of our common stock if certain vesting criteria are met. The vesting criteria and any other terms, conditions, and restrictions related to grants of restricted stock units are determined by the administrator.

Adjustment of Shares. In the event that we have a specified type of change in our capital structure, such as a stock split, stock dividend, recapitalization, spin-off, reclassification or similar occurrence, then the administrator must appropriately adjust the number of shares reserved under the 2009 option plan, as well as the numbers of shares covered by each outstanding award and the exercise prices or purchase prices, if applicable, of all outstanding stock awards under the 2009 option plan.

Other Terms of Awards. The administrator may institute an exchange program which is a program under which (1) outstanding awards are surrendered or cancelled in exchange for awards of the same type (which may have lower exercise prices and different terms), awards of a different type, and/or cash, and/or (2) the exercise price of an outstanding award is reduced, but subject to such approvals as may be required by any stock exchange on which shares of our common stock may be listed. The terms and conditions of any exchange program will be determined by the administrator in its sole discretion. The administrator may to allow participants to satisfy withholding tax obligations by electing to have the Company withhold from the shares of our common stock to be issued upon exercise of an award that number of shares of common stock having a fair market value equal to the minimum amount required to be withheld. Awards may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or the laws of descent and distribution, and may be exercised during the lifetime of the participant, only by the participant. Awards under our 2009 option plan are generally granted without a requirement that the participant pay consideration in the form of cash or property for the grant (as distinguished from the exercise), except to the extent required by law. The administrator may, however, grant awards in exchange for other awards under our 2009 option plan awards or under our other plans, or other rights to payment from us, and may grant awards in addition to and in tandem with such other awards, rights or other awards.

Acceleration of Vesting; Change in Control. The administrator may, in its discretion, but subject to such approvals as may be required by any stock exchange on which shares of our common stock may be listed, accelerate the exercisability, the lapsing of restrictions or the expiration of vesting periods of any award. In the event of a merger of the Company with or into another corporation, or a “change in control” of the Company, as defined in our 2009 option plan, each outstanding award shall be assumed or an equivalent award substituted by the successor

corporation or a parent or subsidiary of the successor corporation. In the event that the successor corporation refuses to assume or substitute for the award, the participant will fully vest in and have the right to exercise all of his or her outstanding options and stock purchase rights, including shares of our common stock as to which such awards would not otherwise be vested or exercisable, all restrictions on restricted stock will lapse, and all outstanding restricted stock units will fully vest. In addition, the administrator may provide in an award agreement that the performance goals relating to any performance based award will be deemed to have been met upon the occurrence of any change in control.

Amendment and Termination. Our board of directors may amend, alter, suspend, or terminate our 2009 option plan at any time without further stockholder approval, except stockholder approval must be obtained for any amendment or alteration if such approval is required by law or regulation or under the rules of any stock exchange or quotation system on which shares of our common stock are then listed or quoted. Thus, stockholder approval may not necessarily be required for every amendment to our 2009 option plan which might increase the cost of our 2009 option plan or alter the eligibility of persons to receive awards. Stockholder approval will not be deemed to be required under laws or regulations, such as those relating to ISOs, that condition favorable treatment of participants on such approval, although our board of directors may, in its discretion, seek stockholder approval in any circumstance in which it deems such approval advisable. Unless earlier terminated by our board of directors, our 2009 option plan shall continue in effect for a term of ten years from the later of (1) the effective date of our 2009 option plan, or (2) the earlier of the most recent board of directors or stockholder approval of an increase in the number of shares of our common stock reserved for issuance under our 2009 option plan.

2009 Non-Employee Directors' Stock Option Plan

Our 2009 Non-Employee Directors' Stock Option Plan has been approved by our board of directors and stockholders and will become effective as of the time the registration statement of which this prospectus forms is declared effective by the SEC. Throughout this prospectus we refer to the plan as our 2009 directors' plan. An aggregate of 7,000,000 shares of our common stock are reserved for issuance under the 2009 directors' plan. As of the date of this prospectus, no options or other awards have been granted under our 2009 directors' plan.

Shares Available for Awards. The total number of shares of our common stock that may be subject to awards under our 2009 directors' plan is 7,000,000 shares, plus the number of shares with respect to which awards previously granted thereunder are forfeited, expire, terminate without being exercised or are settled with property other than shares, and the number of shares that are surrendered in payment of any awards or any tax withholding requirements.

Eligibility. The persons eligible to receive awards under our 2009 directors' plan are members of our board of directors who are not employed by us or any of our subsidiaries.

Administration. Our 2009 directors' plan provides that it shall be administered by our board of directors and that the board of directors may not delegate administration of the plan to a committee. Subject to the terms of the plan, our board of directors is authorized to determine the provisions of each stock option granted pursuant to the 2009 directors' plan and to construe and interpret the plan and stock options granted under it, and to establish, amend and revoke rules and regulations for its administration.

Stock Options. Only nonstatutory stock options may be granted under the 2009 directors' plan. Furthermore, pursuant to the plan, options may only be granted to members of our board of directors who are not employed by us or any of our subsidiaries. The granting of nonstatutory stock options to our non-employee directors is non-discretionary and occurs automatically as follows: (1) (i) each person who is or becomes a non-employee director as of the effective date of the plan, and (ii) each person who, after the effective date, is elected or appointed for the first time to be a non-employee director automatically shall, upon the effective date or the date of his or her initial election or appointment to be a non-employee director, as applicable, be granted an "initial grant" to purchase 300,000 shares of our common stock; and (2) on the date of the annual meeting of our stockholders, each person who is elected as a non-employee director at that annual meeting (other than directors who have been elected directors for the first time at that annual meeting or have not served for at least 18 months), automatically shall receive an "annual grant" to purchase 150,000 shares of our common stock on the terms and conditions set forth in the plan, provided, however, that the number of shares subject to an annual grant for a particular non-employee

director shall be reduced, on a pro rata basis, for each month such person did not serve as a non-employee director during the 12-month period from the prior annual grant date (or from the date of the closing of this offering with respect to the first annual grant hereunder) until the current annual grant date. One half of the shares of common stock covered by an initial grant shall vest immediately and the other one half shall vest monthly over 12 months. The shares of common stock covered by an annual grant shall vest monthly over 12 months. The exercise price per share subject to an option shall be the fair market value of a share of our common stock on the date of grant provided that if stock options are granted within 90 days of a distribution by way of prospectus, the exercise price must not be less than the offering price under the prospectus. For purposes of our 2009 directors' plan, the term "fair market value" means, as of any date, the value of our common stock determined as follows: (1) if our common stock is listed on any established stock exchange or a national market system, its fair market value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system on the day prior to the date of grant, as reported in The Wall Street Journal or such other source as our board of directors deems reliable; or (2) in the absence of an established market for our common stock, the fair market value thereof shall be determined in good faith by the board of directors. No stock option shall be exercisable after the expiration of ten years from the date it was granted. The exercise price for stock options granted under our 2009 directors' plan shall be paid by (1) cash, (2) check or (3) any combination of the foregoing methods of payment. Stock options granted under the 2009 directors' plan shall terminate the earlier of three months (six months if the termination is a result of the option holder's disability (as defined in the 2009 directors' plan) or 12 months if the termination is a result of the option holder's death) following the termination of an option holder's continuous service as a director or the expiration of the term of the stock option as set forth in the option holder's option agreement.

Adjustment of Shares. In the event that we have a specified type of change in our capital structure, such as a stock split, stock dividend, recapitalization, spin-off, reclassification or similar occurrence, then the board of directors must appropriately adjust the number of shares reserved under the 2009 directors' plan, as well as the numbers of shares covered by each outstanding award and the exercise prices or purchase prices, if applicable, of all outstanding stock awards under the 2009 directors' plan.

Other Terms of Awards. Option holders may satisfy withholding tax obligations by electing to have us withhold from the shares of our common stock to be issued upon exercise of an award that number of shares of common stock having a fair market value equal to the minimum amount required to be withheld. Stock options may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or the laws of descent and distribution, and may be exercised during the lifetime of the participant, only by the participant. Upon exercise of any stock option , an option holder may not sell, dispose of, transfer, make any short sale of, grant any option for the purchase of, or enter into any hedging or similar transaction with the same economic effect as a sale, any shares of our common stock or our other securities held by the option holder, for a period of time specified by the managing underwriter (not to exceed one hundred eighty (180) days) following the effective date of any registration statement that we may file under the Securities Act, other than a Form S-8 registration statement.

Early Exercise; Change in Control. If permitted by the rules of any stock exchange on which shares of our common stock may be listed, the board of directors may, in its discretion, give an option holder the right to exercise his or her option as to any part or all of the shares of our common stock subject to the stock option prior to full vesting of the stock option. In the event that we undergo a "change in control," as defined in our 2009 directors' plan, and as of, or within 12 months after, the effective time of such change in control, an option holder's continuous service with us or any of our subsidiaries terminates, then his or her stock options will accelerate and become fully vested and immediately exercisable, unless the termination was a result of the option holder's resignation (other than any resignation contemplated by the terms of the change in control or required by us or the acquiring entity pursuant to the change in control). Our 2009 directors' plan provides for a "reduced payment" (as defined in the plan) to an option holder in the event that the acceleration of the vesting and exercisability of the stock options provided for in subsection 11(c) of the plan and benefits otherwise payable to an option holder would (1) constitute a "parachute payment" within the meaning of Section 280G of the Code, and (2) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code

Amendment and Termination. Our board of directors may amend, alter, suspend, or terminate our 2009 directors' plan at any time. However, except as provided in Section 11 of the plan relating to adjustments upon changes in our common stock, no amendment shall be effective unless approved by our stockholders to the extent stockholder approval is necessary to satisfy the requirements of Rule 16b-3 or any TSX-V or other securities exchange listing requirements. The 2009 directors' plan does not have a set termination date. Our board of directors may terminate the 2009 directors' plan at any time.

Incentive Bonus Plan

Our board of directors has adopted an incentive bonus plan under which Paul J. Travers, our Chief Executive Officer and President, and Grant Russell, our Chief Financial Officer and Executive Vice President, may be awarded cash bonuses based upon increases in our sales and improvements in our profitability in 2009 compared to 2008. Under the plan, Mr. Travers will be entitled to a cash bonus of 0.50% of his base salary for each 1.0% increase in our sales and Mr. Russell will be entitled to a cash bonus of 0.35% of his base salary for each 1.0% increase in our sales, provided however, that no bonus shall be paid unless our sales increase by at least 20%, the amount paid for increases in our sales to Mr. Travers shall not exceed 100% of his base salary and the amount paid to Mr. Russell shall not exceed 70% of his base salary. Additionally, but only if our 2009 sales are equal to or greater than our 2008 sales, Mr. Travers and Mr. Russell will each be entitled to a bonus of 15% of their respective base salaries if our operating loss for 2009 is less than $1.0 million or a bonus of 30% of their respective base salaries if our operating income for 2009 is more than zero but less than 3% of our sales for 2009. If our operating income for 2009 is more than 3% of our sales for 2009, Mr. Travers and Mr. Russell will each be entitled to an additional cash bonus based upon the our 2009 operating income as a percentage of our 2009 sales. In Mr. Traver's case, the bonus will be determined by multiplying his base salary by 10 times our 2009 operating income expressed as a percentage of our 2009 sales. In Mr. Russell's case, the bonus will be determined by multiplying his base salary by 7.5 times our 2009 operating income expressed as a percentage of our 2009 sales. However, the amount paid to Mr. Travers shall not exceed 100% of his base salary and the amount paid to Mr. Russell shall not exceed 75% of his base salary.

Other Benefits

We believe establishing competitive benefit packages for our employees is an important factor in attracting and retaining highly qualified personnel. Executive officers are eligible to participate in all of our employee benefit plans, such as medical, dental, vision, group life and accidental death and dismemberment insurance and our 401(k) plan, in each case on the same basis as other employees. While our 401(k) plan does permit us to make discretionary contributions and matching contributions, subject to established limits and a vesting schedule, we have not made any discretionary or matching contributions to the plan on behalf of any participating employees since its inception in 2007.

Perquisites

In general, we do not provide significant perquisites to our employees. As a result, the cost to us of any perquisites is minimal. We reimburse our President and Chief Executive Officer and our Chief Financial Officer for the costs of an automobile at the rate of $750 per month. We also provide our Chief Financial Officer, whose primary residence is in Vancouver, British Columbia, the option to receive portions of his regular salary as a housing allowance at the rate prescribed by the Internal Revenue Service, for the maintenance of a part-time residence in Rochester, New York. Payment of such allowance is deductible by us for federal income tax purposes in the same manner as compensation. We also reimburse the costs of our Chief Financial Officer's flights that are direct to and from his residence in Vancouver Canada and Rochester, New York.

The board of directors or its compensation committee may at any time choose not to implement, amend, suspend, discontinue or terminate the annual incentive or profit sharing plan.

Outstanding Equity Awards at Fiscal Year End

The following table sets forth information concerning exercisable and unexercisable options and stock awards that has not vested for each of the named executive officers that is outstanding as of December 31, 2008. We have not granted any stock awards.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

	Option Awards				
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date
Paul Travers	188,576	—	—	$0.00875	9/03/12
	1,485,232	—	—	$0.02599	1/03/13
Grant Russell	174,256	—	—	$0.00875	9/03/12

Options to Purchase Securities

The following chart sets out, as at the date of this prospectus, information regarding outstanding options to purchase shares of our common stock which have been granted to our directors, executive officers, employees, consultants, past directors, executive officers, employees and consultants.

Relationship to the Corporation	Number of Options(1)	Securities Under Option	Grant Date	Expiry Date(2)	Exercise Price(3)	Market Value of Common Shares on Date of Grant
All directors and past directors of Vuzix (4 individuals in total)	3,365,224	common stock	November 1, 2001 to May 1, 2009	November 1, 2011 to May 1, 2019	$0.0608	(4)
All executive officers and past executive officers of Vuzix (3 individuals in total — all included in the above grouping also)	2,222,320	common stock	September 3, 2002 to May 1, 2009	September 3, 2002 to May 1, 2019	$0.0355	(4)
All other employees or past employees of Vuzix (48 individuals in total)	8,973,642	common stock	September 30, 2000 to May 1, 2009	September 30, 2010 to May 1, 2019	$0.1373	(4)
All consultants and past consultants of Vuzix (24 individuals in total)	6,821,587	common stock	March 30, 2000 to May 1, 2009	June 30, 2009 to May 1, 2019	$0.1539	(4)
Other (none)	—	—	—	—	—	—

(1) Represents the aggregate number of shares issuable upon exercise of all outstanding options and warrants held by the group. Except for warrants exercisable to purchase an aggregate of 3,855,899 shares of our common stock held by our current and former consultants, all the securities disclosed in this table are options granted under our 2007 plan.

(2) All options granted under our 2007 plan expire ten years from the date of grant. Warrants expire between two and five years from the date of issuance with a weighted average remaining term of 0.99 years.

(3) Represents the weighted average exercise price of all outstanding options and warrants held by the members of the group. Individual exercise prices range: (i) for directors, from $0.0088 to $0.2334; (ii) for executive officers, from $0.0088 to $0.1500; (iii) for employees, from $0.0061 to $0.2334; and (iv) for consultants, from $0.0061 to $0.2333.

(4) All options and warrants are exercisable at the fair market value of our common stock as of the date of grant as determined by our board of directors.

Potential Payments upon Termination or Change in Control

We have entered into an agreement with each of Paul Travers and Grant Russell that would require us to provide compensation to them in the event of a termination of employment or a change in control. See "Employment Agreements" above.

Their employment agreements entitle them to severance payments upon their termination by us other than for "cause" (as defined in the agreement) or by them for "good reason" (as defined in the agreement) or upon their death or "disability" (as defined in the agreement). Under the agreements: (a) we shall have "cause" to terminate them as a result of their: (i) willfully engaging in conduct which is materially injurious to us; (ii) willful fraud or material dishonesty in connection with their performance as an employee; (iii) deliberate or intentional failure to substantially perform their duties as employees that results in material harm to us; or (iv) conviction for, or plea of *nolo contendere* to a charge of, commission of a felony; (b) they shall have "good reason" to terminate their employment upon: (i) a material diminution during the term of the agreements in their duties, responsibilities, position, office or title; (ii) a breach by us of the compensation and benefits provisions of their agreements; (iii) a material breach by us of any other terms of their agreements; or (iv) the relocation of their principal place of business at our request beyond 30 miles from its current location; and (c) they shall be deemed to be "disabled" if they shall be rendered incapable of performing their duties to us by reason of any medically determined physical or mental impairment that can be expected to result in death or that can reasonably be expected to last for a period of either (i) six or more consecutive months from the first date of their absence due to the disability or (ii) nine months during any 12-month period. Any termination by us for cause or by them for good reason is subject to a 30-day notice period and opportunity to cure.

In the event that their employment is terminated by us other than for cause, by them for good reason or upon their death or disability, Mr. Travers and Mr. Russell shall be entitled to be paid, in addition to any base salary and bonuses then accrued and unpaid, and their then current base salary for 24 months after the date of termination and the entire bonus that would have been payable pursuant to any agreement, understanding, arrangement or plan in which he is entitled to participate for the year in which the termination of his employment occurred as if they had been employed for the entire year, provided that, in the opinion of the board of directors, they are likely to have met any bonus plan goals for the relevant period had they not been terminated. As a condition to our obligation to make any such payment, we, in our sole discretion, may require Mr. Travers and Mr. Russell to release us and our officers, directors, employees, and agents, from any and all claims and causes of action, including, but not limited to those arising from their employment and the termination of their employment. In the event of such termination, all stock options, restricted stock grants, stock appreciation rights and other similar awards held by them at the date of termination shall immediately vest, the period during which any options or rights relating to such grants may be exercised shall be the longer of the date specified in such grants or the date that is thirty (30) days after the end of the 24-month period following the date of termination and will, in all other respects, continue to be governed by, and continued in accordance with, their applicable plan and grant documents.

Under their employment agreements, "change of control" means: (i) the approval by our stockholders, and the completion of the transaction resulting from such approval, of (A) the sale or other disposition of all or substantially all our assets or (B) our complete liquidation or dissolution; (ii) the sale, in a single transaction or in a series of related transactions, of all or substantially all of the outstanding shares of our capital stock; (iii) the approval by our stockholders, and the completion of the transaction resulting from such approval, of a merger, consolidation, reorganization or similar corporate transaction, whether or not we are the surviving corporation in such transaction, in which the outstanding shares of common stock are converted into (A) shares of stock of another company, other than a conversion into shares of voting common stock of the successor corporation (or a holding company thereof) representing fifty percent (50%) or more of the voting power of all capital stock thereof outstanding immediately after the merger or consolidation or (B) other securities (either ours or those of another company) or cash or other property; (iv) pursuant to an affirmative vote of a holder or holders of seventy five percent (75%) of our capital stock of the entitled to vote on such a matter, the removal of a majority of the individuals who are at that time members of the board of directors; or (v) the acquisition by any entity or individual of one hundred percent of our capital stock.

In the event of a change of control, any unvested stock options held by Mr. Travers or Mr. Russell shall be fully vested and become immediately exercisable. Such options shall remain exercisable for the period remaining under

the relevant stock option agreement and shall not have a shortened period of exercisability as a result of the change of control, except for statutory stock options which shall, at their election, (i) expire 90 days after their termination (or one year after their termination upon their death or permanent and total disability) or (ii) be converted into non-qualified stock options expiring at the end of the entire term of such option under the relevant stock option agreement. Additionally, if Mr. Travers or Mr. Russell is terminated within one year of a change of control for any reason other than by us for cause, or if they elect to terminate their employment (whether or not for good reason) after the expiration of 120 days after and on or before the two-year anniversary of a change of control, Mr. Travers and Mr. Russell shall be entitled to be paid, in addition to any base salary and bonuses then accrued and unpaid, their then current base salary for 48 months after the date of termination and the entire bonus that would have been payable pursuant to any agreement, understanding, arrangement or plan in which they are entitled to participate for the year in which the termination of their employment occurred as if they had been employed for the entire year, provided that, in the opinion of the board of directors, they are likely to have met any bonus plan goals for the relevant period had he not been terminated.

Compensation of Directors

The following table sets forth information concerning the compensation for the fiscal year ended December 31, 2008 of our directors and directors elect who are not also named executive officers:

DIRECTOR COMPENSATION — YEAR ENDED DECEMBER 31, 2008

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)(1)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Robert F. Mechur(2)	—	—	$1,081	—	—	—	$1,081
William Lee(3)	—	—	—	—	—	—	—
Frank Zammataro(4)	—	—	—	—	—	—	—
Kathryn Sayko(4)	—	—	—	—	—	—	—
Bernard Perrine(4)	—	—	—	—	—	—	—

(1) The amounts shown in this column represent the dollar amounts recognized for share-based compensation expense for financial statement reporting purposes for stock options granted in 2008 and unvested stock options granted in prior years in accordance with Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment,* but without giving effect to estimated forfeitures related to service-based vesting conditions. The assumptions used to compute the fair value are disclosed in note 18 (Stock-based Compensation Expense) to our audited financial statements for the fiscal year ended December 31, 2008 included in this prospectus.

(2) Resigned from our board of directors in June 2009.

(3) Elected to our board of directors in June 2009.

(4) Elected, and has agreed to serve, as a member of our board of directors upon the effectiveness of the registration statement of which this prospectus forms a part.

During 2008, no cash director fees were earned by or paid to any non-management member of the board of directors. Under our 2009 directors' plan, on the date each director is first elected or otherwise validly appointed to our board of directors he or she will be granted an option to purchase 300,000 shares of our common stock at an exercise price per share equal to 100% of the fair market value of our common stock on the date of grant. These options will be 50% vested immediately on grant and the balance will vest ratably, on a monthly basis, over the next 12 months. After two years of service, non-management directors will thereafter receive an annual grant of options to purchase an additional 150,000 shares of common stock at the fair market value as determined on the date of grant, which options will vest on December 31 in the year granted. In addition, each non-management director is reimbursed for ordinary expenses incurred in connection with attendance at such meetings. Our 2007 option plan provided for each incoming director to be granted an option to purchase 250,000 shares of our common stock and an

annual grant of 125,000 shares of common stock. These grants were otherwise on the same terms and conditions as those under our 2009 directors' plan.

In addition to the above option grants, in the future to recruit and maintain qualified directors, we believe that we will likely have to begin paying annual retainers, board committee membership and board meeting fees. It is not expected that such fees will be paid to any directors who are paid full salaries and serve as officers of the Company.

Compensation Committee Interlocks and Insider Participation

During 2007 and 2008, Paul J. Travers, our President and Chief Executive Officer, participated in deliberations of our board of directors concerning executive compensation.

RELATED PARTY TRANSACTIONS

Since January 1, 2006, we have entered into the following transactions in which our directors, executive officers or holders of more than 5% of our capital stock had or will have a direct or indirect material interest. The following transactions do not include compensation, termination and change-in-control arrangements, which are described under "Management." We believe the terms obtained or consideration that we paid or received, as applicable, in connection with the transactions described below were comparable to terms available or the amounts that would be paid or received, as applicable, in arm's-length transactions. Except as described below, we are not aware, after enquiring with our directors and officers, of any material interest, direct or indirect, of any our directors, executive officers, principal stockholders, or any associate or affiliate thereof, in any transaction within the last three years, or in any proposed transaction, that has materially affected or will materially affect our company.

Officer Loan

In October 2002, we entered into a stock purchase agreement with four of our employees, including Grant Russell, our Chief Financial Officer and Executive Vice President, pursuant to which they purchased an aggregate of 32,537,135 shares of common stock at an aggregate purchase price of $276,566 or $0.0085 per share. Of these shares, Mr. Russell purchased 8,339,644 shares at an aggregate purchase price of $58,378. In order to finance the purchase of these shares, we loaned each employee an amount equal to the purchase price for the shares he purchased. Each loan was evidenced by a non-recourse promissory note and was secured by a pledge of the shares purchased. Each loan bore interest at the rate of 6% per annum, and all principal and interest was originally due and payable in September 2007. In September 2007, we extended the maturity date of each note until September 2012. In April 2009, we forgave the entire amount of Mr. Russell's indebtedness under this loan in payment of a one-time bonus in consideration of Mr. Russell's efforts in connection with this offering. At that time, the outstanding principal amount of the note payable by Mr. Russell together with all interest accrued thereon was $22,669. The aggregate outstanding principal amount of the notes payable by the employees other than Mr. Russell, together with all interest accrued thereon as of the date of this prospectus, was approximately $197,687.

Indemnification Agreements

We have entered into a standard form of indemnification agreement with each of our directors and executive officers. Under this agreement we are obligated to indemnify the indemnitee to the fullest extent permitted by applicable law for all reasonable expenses (including attorneys' fees and disbursements), judgments, fines (including excise taxes and penalties) and amounts paid in settlement actually and reasonably incurred by the indemnitee arising out of or connected with the indemnitee's service as a director or officer and indemnitee's service in another capacity at our request or direction. We are also obligated to advance all reasonable and actual expenses incurred by the indemnitee in connection with any action, suit, proceeding or appeal with respect to which he is entitled to be indemnified upon our receipt of an invoice for such expenses. Our obligation to advance expenses is subject to the indemnitee's execution, upon our request, of an agreement to repay all such amounts it if is ultimately determined that he is not entitled to be indemnified by us under applicable law. If a claim for indemnification under this agreement may not be paid to the indemnitee under applicable law, then in any action in which we are jointly liable with the indemnitee, we are obligated to contribute to the amount of reasonable expenses (including attorneys' fees and disbursements) actually and reasonably incurred by the indemnitee in proportion to the relative

benefits received by us and the indemnitee from the transaction from which such action arose, and our relative fault and that of the indemnitee in connection with the events which resulted in such expenses. The rights of an indemnitee under the form of indemnification agreement are in addition to any other rights that the indemnitee may have under our certificate of incorporation or bylaws, any agreement, or any vote of our stockholders or directors. We are not obligated to make any payment under the form of indemnification agreement to the extent payment is actually made to the indemnitee under an insurance policy or any other method outside of the agreement.

Related-Person Transactions Policy

Pursuant to our Code of Ethics and Business Conduct, all employees, officers and directors of ours and our subsidiaries are prohibited from engaging in any relationship or financial interest that is an actual or potential conflict of interest with us without prior approval. Employees are required to disclose any potential or actual conflicts with supervisors or our ethics compliance officer if one has been appointed by the board and otherwise directly to the members of our board of directors. Officers and directors are required to disclose any potential or actual conflicts to our board of directors.

Our board of directors reviews and approves all transactions with directors, officers, and holders of five percent or more of our voting securities and their affiliates, or each, a related party. Prior to our board of directors' consideration of a transaction with a related party, the material facts as to the related party's relationship or interest in the transaction are disclosed to our board of directors, and the transaction is not considered approved by our board of directors unless a majority of the directors who are not interested in the transaction approve the transaction. Further, when stockholders are entitled to vote on a transaction with a related party, the material facts of the related party's relationship or interest in the transaction are disclosed to the stockholders, who must approve the transaction in good faith.

All future transactions between us and any of our officers and directors or their respective affiliates will be on terms believed by us to be no less favorable to us than are available from unaffiliated third parties. Such transactions, including any forgiveness of loans, will require prior approval by a majority of the members of our board who do not have an interest in the transaction who had access, at our expense, to our attorneys or independent legal counsel. We will not enter into any such transaction unless our disinterested independent directors or disinterested directors determine that the terms of such transaction are no less favorable to us than those that would be available to us with respect to such a transaction from unaffiliated third parties.

CORPORATE GOVERNANCE

Board of Directors

Our board of directors currently consists of two members: Paul J. Travers, our President and Chief Executive Officer, and Grant Russell, our Chief Financial Officer and Executive Vice President. William Lee, Frank Zammataro, Kathryn Sayko and Bernard Perrine have each been elected, and have agreed to serve, as a member of our board of directors subject to the effectiveness of the registration statement of which this prospectus forms a part. Our board has determined that each of our directors and directors elect other than Mr. Travers and Mr. Russell is, or will be upon the effective time of their election be, an independent director as defined by Rule 5605(a)(2) of the NASDAQ Stock Market LLC (NASDAQ). We believe that, upon the effectiveness of the of the registration statement of which this prospectus forms a part, we will be compliant with the independence criteria for boards of directors under applicable laws and regulations, including NASDAQ Rule 5605(a)(2). The board may meet independently of management as required. Although they are permitted to do so, the independent directors have not held regularly scheduled meetings at which non-independent directors and members of management are not in attendance.

Committees of the Board of Directors

Subject to the effectiveness of the registration statement of which this prospectus forms a part, we have established an audit committee, a compensation committee and a nominating committee.

Audit Committee

Upon the effectiveness of the of the registration statement of which this prospectus forms a part, our audit committee will consist of William Lee, Kathryn Sayko and Bernard Perrine, each of whom will then be a non-employee director. Mr. Lee will be the chairperson of our audit committee. Our board of directors has determined that each member designee of our audit committee will be an independent director as defined by NASDAQ Rule 5605(a)(2) and will meet the requirements of financial literacy under SEC rules and regulations. Mr. Lee will serve as our audit committee financial expert, as defined under SEC rules.

Our audit committee will be responsible for, among other things:

- selecting and hiring our independent auditors, and approving the audit and non-audit services to be performed by our independent auditors;
- evaluating the qualifications, performance and independence of our independent auditors;
- monitoring the integrity of our financial statements and our compliance with legal and regulatory requirements as they relate to financial statements or accounting matters;
- reviewing the adequacy and effectiveness of our internal control policies and procedures;
- discussing the scope and results of the audit with the independent auditors and reviewing with management and the independent auditors our interim and year-end operating results; and
- preparing the audit committee report that the SEC requires in our annual proxy statement.

Our board of directors has adopted a written charter for our audit committee, which will be available on our website upon the completion of this offering.

Compensation Committee

Upon the effectiveness of the of the registration statement of which this prospectus forms a part, our compensation committee will consist of Kathryn Sayko, Bernard Perrine and Frank Zammataro, each of whom will then be a non-employee director. Ms. Sayko will be the chairperson of our compensation committee. Our board of directors has determined that each member designee of our compensation committee will be an independent director as defined by NASDAQ Rule 5605(a)(2).

Our compensation committee will be responsible for, among other things:

- reviewing and approving compensation of our executive officers including annual base salary, annual incentive bonuses, specific goals, equity compensation, employment agreements, severance and change in control arrangements, and any other benefits, compensations or arrangements;
- reviewing and recommending compensation goals, bonus and stock compensation criteria for our employees;
- reviewing and discussing annually with management our “Compensation Discussion and Analysis” disclosure required by SEC rules;
- preparing the compensation committee report required by the SEC to be included in our annual proxy statement; and
- administering, reviewing and making recommendations with respect to our equity compensation plans.

Our board of directors has adopted a written charter for our compensation committee, which will be available on our website upon the completion of this offering.

Nominating Committee

Upon the effectiveness of the of the registration statement of which this prospectus forms a part, our nominating committee will consist of William Lee and Frank Zammataro, each of whom will then be a non-employee member of our board of directors. Mr. Zammataro will be the chairperson of our nominating committee.

Our board of directors has determined that each member designee of our nominating committee will be an independent director as defined by NASDAQ 5605(a)(2).

Our nominating committee will be responsible for, among other things:

- assisting our board of directors in identifying, interviewing and recruiting prospective director nominees;
- recommending director nominees;
- establishing and reviewing on an annual basis a process for identifying and evaluating nominees for our board of directors;
- annually evaluating and reporting to the our board of directors on the performance and effectiveness of the board of directors;
- recommending members for each board committee of our board of directors; and
- annually presenting a list of individuals recommended for nomination for election to our board of directors at the annual meeting of our shareholders.

Our board of directors has adopted a written charter for our nominating committee, which will be available on our website upon the completion of this offering.

Canadian Governance Matters

Generally

The Canadian Securities Administrators have published National Policy 58-201 — Corporate Governance Guidelines. These instruments set out a series of guidelines and requirements for effective corporate governance and in this prospectus we refer to them collectively as the "Guidelines." The Guidelines address matters such as the constitution and independence of corporate boards, the functions to be performed by boards and their committees and the effectiveness and education of board members.

Independence

Our board of directors has determined that each of our directors and directors elect other than Mr. Travers and Mr. Russell is, or will be upon the effective time of his or her election, independent for the purpose of National Instrument 58-101 — Disclosure of Corporate Governance Practices.

Except as described below, our directors and hold no other directorships at the present time with other reporting issuers:

Director Name and Municipality of Residence	Other Directorships
William Lee, Vancouver, British Columbia	Tinka Resources Limited Halo Resources Ltd. Golden Peaks Resources Ltd.

Orientation and Continuing Education

Our board of directors is responsible for the orientation and education of new members of the board and all new directors are provided with copies of our policies. Prior to joining the board, each new director will meet with our Chief Executive Officer. Our Chief Executive Officer is responsible for outlining our business and prospects, both positive and negative, with a view to ensuring that the new director is properly informed to commence his duties as a director. Each new director is also given the opportunity to meet with our auditors and counsel. As part of its annual self-assessment process, our board of directors determines whether any additional education and training is required for board members.

Ethical Business Conduct

The directors encourage and promote a culture of ethical business conduct through communication and supervision as part of their overall stewardship responsibility. In addition, our board of directors has adopted a code of ethics and business conduct for our employees, officers and directors which addresses our continuing commitment to conducting business with highest integrity and in accordance with applicable laws, rules and regulations. Our code of ethics and business conduct establishes procedures that allow our directors, officers and employees to confidentially submit their concerns to our ethics officer or to our audit committee regarding questionable ethical, moral, accounting or auditing matters, without fear of retaliation. A copy of our code of ethics and business conduct will be available on our website and at www.sedar.com upon the completion of this offering.

Nomination of Directors

Historically, because of our size and stage of development and the limited number of directors, the entire board of directors has taken responsibility for nominating new directors and assessing current directors. As of the closing of this offering, nominees for election to our board of directors will be identified, interviewed and recruited by our nominating committee. For additional information about our nominating committee, see "Corporate Governance — Committees of the Board of Directors — Nominating Committee" above.

Compensation

Historically, because of our size and stage of development and the limited number of directors, the compensation of our executive officers and directors was determined by our board of directors as a whole. As of the closing of this offering, our compensation committee will be responsible for reviewing and approving the compensation of our executive officers and directors and for reviewing and recommending compensation goals, bonus and stock compensation criteria for our employees. For additional information about our compensation committee, see "Corporate Governance — Committees of the Board of Directors — Compensation Committee" above.

Assessment

Historically, because of our size and stage of development and the limited number of directors, our board of directors considered a formal assessment process to be inappropriate and evaluated its own effectiveness on an ad hoc basis. As of the closing of this offering, our nominating committee will be responsible for annually evaluating and reporting to our board of directors on the performance and effectiveness of the board as a whole, its committees and individual directors. For additional information about our nominating committee, see "Corporate Governance — Committees of the Board of Directors — Nominating Committee" above.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding beneficial ownership of our common stock by:

- each of our named executive officers;
- each of our directors and directors elect;
- each person, or group of affiliated persons, known by us to beneficially own more than 5% of our common stock; and
- all of our directors, directors elect and executive officers as a group.

Name and Address of Beneficial Owner(1)	Number of Shares Beneficially Owned(2)	Percentage of Shares Beneficially Owned	
		Before Offering(3)	After Offering(4)
Paul J. Travers	72,747,703(5)	32.24%	•%
Grant Russell	12,288,033(6)	5.45%	•%
William Lee	300,000(8)	*	*
Frank Zammataro	175,000(7)	*	*
Kathryn Sayko	175,000(7)	*	*
Bernard Perrine	175,000(7)	*	*
Paul Churnetski	20,278,453(6)	9.06%	•%
Directors, directors elect and executive officers as a group (6 people)	85,735,736(8)	38.44%	•%

* less than 1.0%

(1) The address for each person is c/o Vuzix Corporation, 75 Town Centre Drive, Rochester, NY 14623.

(2) We have determined beneficial ownership in accordance with the rules of the SEC. These rules generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to those securities. In addition, the rules include shares of common stock issuable pursuant to the exercise of stock options or warrants, or the conversion of convertible promissory notes, that are either immediately exercisable or convertible, or that will become exercisable within 60 days after the date of this prospectus. These shares are deemed to be outstanding and beneficially owned by the person holding those options, warrants or convertible promissory notes for the purpose of computing the percentage ownership of that person, but they are not treated as outstanding for the purpose of computing the percentage ownership of any other person. Unless otherwise indicated, the persons or entities identified in this table have sole voting and investment power with respect to all shares shown as beneficially owned by them, subject to applicable community property laws.

(3) The percentage of shares beneficially owned before the offering is based on 220,268,927 shares of our common stock issued and outstanding as of the date of this prospectus.

(4) The percentage of shares beneficially owned after the offering is based on • shares of our common stock issued and outstanding, including 9,312,899 shares of common stock to be issued upon the conversion of both all our outstanding shares of Series C Preferred Stock, together with all accrued and unpaid dividends, and $75,000 in aggregate principal amount of convertible promissory notes, together with all accrued and unpaid interest and • shares to be issued under our fiscal advisory fee agreement with the Canadian agents, and assumes no exercise of the agents' overallotment option.

(5) Includes 1,673,808 shares issuable upon exercise of options granted under our 2007 option plan.

(6) Includes 374,256 shares issuable upon exercise of options granted under our 2007 option plan.

(7) Consists of shares issuable upon exercise of options granted under our directors' plan, subject to the effectiveness of the registration statement of which this prospectus forms a part. Does not include an additional 125,000 shares issuable upon exercise of option that will vest in equal monthly installments and will be fully vested on the first anniversary of the effective date of grant.

(8) Includes (i) 1,879,556 shares issuable upon exercise of options granted under our 2007 option plan and (ii) 700,000 shares issuable upon exercise of options granted under our 2009 directors' plan, subject to the effectiveness of the registration statement of which this prospectus forms a part.

DESCRIPTION OF CAPITAL STOCK

The following is a summary of the rights of our common stock and preferred stock. This summary is not complete. For more detailed information, please see our certificate of incorporation and bylaws, which are filed as exhibits to the registration statement of which this prospectus forms a part.

Common Stock

We are authorized to issue up to 400,000,000 shares of common stock, par value $0.001 per share. As of the date of this prospectus, 220,268,927 shares of our common stock were issued and outstanding and held of record by 246 stockholders. The outstanding shares of our common stock are validly issued, fully paid and nonassessable.

The holders of our common stock are entitled to vote upon all matters submitted to a vote of our stockholders and are entitled to one vote for each share of common stock held. Holders of our common stock are not entitled to cumulative voting on any matter, including in the election of directors. Subject to the rights and preferences, if any, applicable to shares of our preferred stock then outstanding, the holders of our common stock are entitled to receive ratably such dividends, payable in cash, stock or otherwise, as may be declared by our board of directors out of any funds legally available for the payment of dividends and distributions to the stockholders. See "Dividend Policy."

In the event of our voluntary or involuntary liquidation, dissolution or winding up, holders of our common stock are entitled to share ratably in all of our assets legally available for distribution after payment of our liabilities and distribution of the liquidation preference, if any, on our preferred stock then outstanding. Holders of our common stock have no preemptive or other subscription rights and no rights of conversion or redemption. The rights, preferences and privileges of holders of our common stock are subject to the rights of holders of any series of our preferred stock that may then be issued and outstanding.

Preferred Stock

As of the date of this prospectus, we are authorized to issue up to 6,745,681 shares of preferred stock, par value $0.001 per share. Prior to the time the registration statement of which this prospectus forms a part becomes effective, the number of shares of preferred stock that we will be authorized to issue will be reduced to 5,000,000. The shares of our preferred stock may be issued in one or more series, and shall have such voting powers, full or limited, or no voting powers, and such designations, preferences and relative participating, optional or other special rights, and qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions providing for the issuance of such stock adopted from time to time by our board of directors. The board of directors is expressly vested with the authority to determine and fix in the resolution or resolutions providing for the issuances of any series of preferred stock the voting powers, designations, preferences and rights, and the qualifications, limitations or restrictions thereof, of each such series to the full extent now or hereafter permitted by the laws of the State of Delaware.

As of the date of this prospectus, we have designated 500,000 shares of our preferred stock as Series C 6% Convertible Preferred Stock (Series C Preferred Stock). As of that date, 168,500 shares of our Series C Preferred Stock were issued and outstanding. We have agreed with the agents to use our best efforts to cause all of the outstanding shares of our Series C Preferred Stock, together with all dividends accrued and unpaid thereon, to be converted into common stock prior to the effective time of the registration statement of which this prospectus forms a part.

The outstanding shares of our preferred stock are validly issued, fully paid and nonassessable.

Series C Preferred Stock

Holders of our Series C Preferred Stock are entitled to vote with the holders of our common stock, together as a single class, on all matters submitted to the vote of holders of our common stock. On each such matter, each holder of our Series C Preferred Stock is entitled to the number of votes equal to the number of whole shares of our common stock into which such holder's Series C Preferred Stock is then convertible. Holders of our Series C Preferred Stock are entitled to receive an annual cumulative dividend of $0.60 per share payable in cash out of the funds legally available therefor and are entitled to participate ratably on an as converted basis in any dividends paid on our common stock. In the event of our voluntary or involuntary liquidation, dissolution or winding up, prior to any distributions to holders of our common stock, the holders of our Series C Preferred Stock are entitled to receive out of the assets legally available for distribution $10.00 per share (subject to adjustment for stock splits, stock dividends, reorganizations, consolidations and similar changes) plus any accrued and unpaid dividends.

Each share of our Series C Preferred Stock is convertible at the option of the holder into that number of shares of our common stock equal to $10.00 divided by the conversion price then in effect. The initial conversion price of one preferred share for 30 shares of common equaled $0.3333 per share was subject to adjustment for stock splits, dividends payable in capital stock, capital reorganizations or reclassifications of our capital stock and is now $0.2917 per share. All of the shares of Series C Preferred Stock plus any unpaid accrued dividends then outstanding were to automatically convert into shares of our common stock at the same rate upon the earlier of the election of the holders of 67% of the Series C Preferred Stock outstanding or the closing of a public offering of our common stock pursuant to a registration statement under the Securities Act in which the aggregate public offering price of our securities sold in the offering, before deduction of agents commissions and discounts, is at least $10,000,000.

Our Series C Preferred Stock may be redeemed, at our option, at any time and from time to time and in whole or in part, upon written notice to the holder at a redemption price equal to $10.00 per share plus any accrued and unpaid dividends. The holders of our Series C Preferred Stock may exercise their conversion rights notwithstanding our delivery of a redemption notice until we have paid the redemption price.

We have agreed with the agents to use our best efforts to cause all of the outstanding shares of our Series C Preferred Stock, together with all dividends accrued and unpaid thereon, to be converted into common stock prior to the effective time of the registration statement of which this prospectus forms a part.

Warrants

As of the date of this prospectus, warrants to purchase a total of 7,172,160 shares of our common stock with a weighted average exercise price of $0.1815 per share were outstanding. Each warrant contains provisions for the adjustment of the exercise price and the number of shares issuable upon the exercise of the warrant in the event of certain stock dividends, stock splits, reorganizations, reclassifications and consolidations. In September 2006, in consideration of a loan to us of $500,000, we issued the lender a warrant to purchase our common stock. The warrant is exercisable, upon conversion of the promissory note issued in evidence of the loan, to purchase the number of shares of our common stock equal to the principal amount of and accrued interest on the promissory note then converted divided by $0.5334, at an exercise price per share of $0.35. The warrant expires on September 30, 2009. If the convertible promissory note, together with all accrued and unpaid interest thereon, had been converted on the date of this prospectus, 1,173,397 shares of our common stock would have been issuable upon exercise of the warrant at the exercise price of $0.35 per share The shares of common stock issuable upon exercise of this warrant are included in the totals above. We intend to pay the outstanding principal amount of this note in full, together with all accrued and unpaid interest from the proceeds of this offering. If we do so, this warrant will terminate.

Options

As of The date of this prospectus, options to purchase 15,304,554 shares of common stock with a weighted average exercise price of $0.0999 per share were outstanding under our 2007 option plan. Our board of directors has determined that no further options will be granted under our 2007 option plan.

As of the date of this prospectus, no options were outstanding under our 2009 option plan. 30,000,000 shares of our common stock are reserved for issuance under our 2009 option plan.

As of the date of this prospectus, options to purchase 1,200,000 shares of common stock have been granted under our 2009 directors' plan, subject to the effectiveness of the registration statement of which this prospectus forms a part. 5,800,000 additional shares of our common stock are reserved for issuance under our 2009 directors' plan.

Convertible Debt

In December 2001 and January 2002, we issued and sold convertible promissory notes in the aggregate principal amount of $15,000. Interest on outstanding principal amount of the notes accrues at the annual rate of 7.5%. The outstanding principal amount of the notes, together with all accrued and unpaid interest thereon, is convertible at the option of the holder into shares of our common stock at the adjusted current rate of $0.057089 per share. The outstanding principal amount of the notes together with all unpaid accrued interest thereon was

originally due and payable upon the consummation of our first equity financing after the date of issuance. We have agreed with the agents to use our best efforts to cause the entire outstanding principal amount of the notes, together with all unpaid accrued interest thereon, to be converted into shares of our common stock prior to the effective time of the registration statement of which this prospectus forms a part.

From April 2002 through July 2002, we issued and sold convertible promissory notes in the aggregate principal amount of $60,000. Interest on outstanding principal amount of the notes accrues at the annual rate of 8.0%. The outstanding principal amount of the notes, together with all accrued and unpaid interest thereon, is convertible at the option of the holder into shares of our common stock at the rate of the lesser of (i) $0.30 per share; (ii) 65% of the price at which shares of our common stock are offered to the public in the initial public offering of our common stock; or (iii) 75% of the weighted average price per share at which we sell our common stock in the first offering after issuance of the notes that results in aggregate gross proceeds to us of at least $500,000. The outstanding principal amount of the notes together with all unpaid accrued interest thereon was originally due and payable on May 31, 2004. We have agreed with the agents to use our best efforts to cause the entire outstanding principal amount of the notes, together with all unpaid accrued interest thereon, to be converted into shares of our common stock prior to the effective time of the registration statement of which this prospectus forms a part.

On September 19, 2006, we borrowed $500,000 from an individual lender and issued a convertible promissory note in the principal amount of $500,000 in evidence of the loan. Interest on the outstanding principal amount of the note accrues at the annual rate of 10.0%. The outstanding principal amount of the note, together with all accrued and unpaid interest thereon, is convertible at the option of the holder into shares of our common stock at the rate of $0.2667 per share. The outstanding principal amount of the note together with all unpaid accrued interest thereon was due and payable on January 31, 2009. As of January 31, 2009, the interest accrued and unpaid on the note was $118,493. Since January 31, 2009 interest on the principal amount of the note has accrued at the annual rate of 18.0% and we have made monthly payments of interest only. We intend to pay the outstanding principal amount of the note in full, together with all accrued and unpaid thereon, from the proceeds of this offering.

Registration Rights

In October 2000, we entered into a registration rights agreement with investors who purchased shares of our common stock in a private placement. Additional investors who purchased shares of our common stock in private placements closed in December 2000, January 2001 and September 2001 were subsequently joined as parties to the agreement. Under the agreement, if at any time after October 11, 2002 our common stock is not listed for trading on a recognized stock market or exchange in the United States or Canada or on the OTC Bulletin Board, then upon the request of investors holding at least a majority of the shares of our common stock subject to the agreement we are obligated to file one registration statement covering the resale of such shares. We are required to bear all costs, other than underwriting discounts and commissions, related to any such registration. As of the date of this prospectus, 2,720,000 shares of our common stock are subject to the agreement. To date, no request for registration has been made by the holders of those shares.

In October 2000, we entered into a shareholders' agreement with certain holders of our common stock. Under the agreement, we are obligated to give those shareholders the opportunity to include their shares of common stock in any registration statement filed by us under the Securities Act for purposes of effecting a public offering of our securities (including, but not limited to, registration statements relating to secondary offerings of our securities, but excluding registration statements relating to our initial public offering). If any shareholder decides not to include all of his shares in any registration statement filed by us, or if the number of shares that he is permitted to include in such registration statement is limited by the underwriter, that shareholder shall continue to have the right to include his shares in any registration statement we may subsequently file. We are required to bear all costs, other than underwriting discounts and commissions, related to any such registration. As of the date of this prospectus, 31,764,437 shares of our common stock are subject to the agreement.

In June 2005, we entered into a registration rights agreement with investors who purchased shares of our Series C Preferred Stock and warrants exercisable to purchase shares of our common stock in a private placement. Under the agreement, we are obligated to give those investors the opportunity to include the shares of common stock issuable upon conversion of their Series C Preferred Stock or upon exercise of their warrants in any registration of our common stock under the Securities Act other than our initial registered offering of shares to the public, a

registration in connection with a merger or other business combination transaction that has been consented in writing by the holders of the Series C Preferred Stock, or a registration relating to an employee benefit plan. We are required to bear all costs, other than underwriting discounts and commissions, related to any such registration. As of the date of this prospectus 7,060,914 shares of our common stock are issuable upon conversion of the Series C Preferred Stock, together with all accrued and unpaid dividends thereon. All of the warrants issued in the private placement of our Series C Preferred Stock were exercised in 2008.

In December 2005, pursuant to a technology acquisition agreement we entered into a rights agreement with New Light Industries, Ltd. in connection with our issuance to New Light of a warrant to purchase up to 1,428,571 shares of our common stock. Under the agreement, we are obligated to give New Light the opportunity to include the shares of common stock issuable upon exercise of its warrants in any registration of our securities under the Securities Act other than a registration in connection with a merger or other business combination transaction or relating to an employee benefit plan or our first firm commitment underwritten public offering. We are required to bear all costs, other than underwriting discounts and commissions, related to any such registration. New Light has waived its registration rights with respect to this offering.

Rule 144

The holders of 46.9% of our outstanding common stock have owned their shares for more than one year, are not affiliated with us and, accordingly, are able to resell their shares to the public with regard to any volume limitations in accordance with Rule 144 under the Act. In addition, 90 days after the date of this prospectus our stockholders who have then held their shares for more than six months and are not affiliated with us will also be able to resell their shares to the public without regard to any volume limitations in accordance with Rule 144 and our affiliates (which includes our officers and directors) who have held their shares for more than six months will be able to sell their shares to the public subject to certain volume and other restrictions contained in Rule 144. The ability of our officers and directors and some of our stockholder to sell under Rule 144 is subject the lock up agreements and TSX-V escrow arrangements described below. See “Shares Eligible For Future Sale.”

Delaware Anti-Takeover Law and Provisions of our Restated Certificate of Incorporation and Amended and Restated Bylaws

Delaware Anti-Takeover Law.

As a result of this offering we may become subject to Section 203 of the Delaware General Corporation Law. Section 203 generally prohibits a Delaware corporation that has a class of voting stock that is listed on a “national securities exchange” or is held of record by more than 2,000 stockholders from engaging in a “business combination” with an “interested stockholder” for a period of three years after the date of the transaction in which the person became an interested stockholder, unless it satisfies one of the following conditions:

- prior to the date of the transaction, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
- the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding shares owned by persons who are directors and also officers and shares owned by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- on or subsequent to the date of the transaction, the business combination is approved by the board and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least $66^{2}/_{3}\%$ of the outstanding voting stock which is not owned by the interested stockholder.

For purposes of Section 203, “business combination” includes:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge or other disposition involving the interested stockholder of 10% or more of the assets of the corporation;

- subject to exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder; and
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an "interested stockholder" as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by such entity or person.

Neither the TSX-V nor the OTC BB constitutes a "national securities exchange" for purposes of Section 203. However, in the event that as a result of the offering our common stock is held of record by more than 2,000 stockholders or if the common stock is listed on an exchange that constitutes a national securities exchange within the meaning of Section 203, we would become subject to the foregoing restrictions.

Certificate of incorporation and amended and restated bylaws.

Provisions of our certificate of incorporation and bylaws may delay or discourage transactions involving an actual or potential change in our control or change in our management, including transactions in which stockholders might otherwise receive a premium for their shares and transactions that our stockholders might otherwise deem to be in their best interests. As a result, these provisions could adversely affect the price of our common stock. Our certificate of incorporation permits our board of directors to issue up to 6,785,481 shares of preferred stock, with any rights, preferences and privileges as they may designate, including the right to approve an acquisition or other change in our control. In addition, our certificate of incorporation and bylaws:

- provide that the authorized number of directors may be changed only by resolution of the board of directors;
- provide that all vacancies, including newly created directorships, may, except as otherwise required by law, be filled by the affirmative vote of a majority of directors then in office, even if such number is less than a quorum;
- require that any action to be taken by our stockholders be effected at a duly called annual or special meeting of stockholders and not by written consent;
- provide that stockholders seeking to present proposals before a meeting of stockholders or to nominate candidates for election as directors at a meeting of stockholders must provide notice in writing in a timely manner, and also specify requirements as to the form and content of a stockholder's notice;
- do not provide for cumulative voting rights, therefore allowing the holders of a majority of the shares of our common stock entitled to vote in any election of directors to elect all of the directors standing for election, if they should so choose; and
- provide that special meetings of our stockholders may be called only by the chairman of the board, our chief executive officer or by the board of directors pursuant to a resolution adopted by a majority of the total number of authorized directors.

The amendment of any of these provisions would require approval by the holders of at least $66^{2}/_{3}\%$ of our then outstanding capital stock.

Transfer Agent and Registrar

The main transfer agent and registrar for our common stock is Computershare Trust Company, N.A. in Golden, Colorado and the co-transfer agent and co-registrar for our common stock is Computershare Investor Services Inc. in Toronto, Ontario, Canada. The agent and registrar for our warrants is Computershare Trust Company of Canada in Toronto, Ontario, Canada.

SHARES ELIGIBLE FOR FUTURE SALE

Immediately prior to this offering, there was no public market for our securities. Future sales of substantial amounts of common stock in the public market, or the perception that such sales may occur, could adversely affect the market price of our common stock. Furthermore, since only a limited number of shares will be available for sale shortly after this offering because of contractual and legal restrictions on resale described below, sales of substantial amounts of common stock in the public market after the restrictions lapse could adversely affect the market price for our common stock as well as our ability to raise equity capital in the future. There may never be an active public market for our common stock.

Based on the number of shares of common stock outstanding as of the date of this prospectus, upon completion of this offering, • shares of our common stock will be outstanding, (assuming no exercise of the agents' overallotment option, no exercise of other outstanding options or warrants and assuming conversion in full of all outstanding Series C Preferred Stock, together with all accrued and unpaid dividends thereon, at the rate of $0.2917 per share and conversion of $75,000 in aggregate principal amount of convertible promissory notes, together with all accrued and unpaid interest thereon, at the rate of $0.057085 per share). All of the shares sold in this offering (including all of the shares issuable upon exercise of the warrants sold in this offering) will be freely tradable without restriction or further registration under the Securities Act, except for any of those shares held by our "affiliates," as that term is defined in Rule 144 under the Securities Act, whose sales would be subject to the volume and manner of sale limitations of Rule 144 described below. In addition, 117,436,334 shares of our common stock currently outstanding, or approximately • % of our common stock outstanding after this offering, may be resold at any time, subject to the lock-up agreements and TSX-V escrow arrangements described below. Our executive officers and directors currently own 82,987,673 shares, or approximately • % of our common stock outstanding after this offering, which are eligible for resale subject to the volume and manner of sale limitations of Rule 144 and subject to the lock-up agreements and TSX-V escrow arrangements described below. The remaining 19,844,920 shares of our common stock currently outstanding, or approximately • % of our outstanding shares after this offering, are "restricted" under Rule 144 and are eligible for sale under the provisions of Rule 144.

We have entered into a fiscal advisory agreement with the Canadian agents. The agreement provides that in consideration for the fiscal advisory services to be provided from time to time by the Canadian agents to us, we will issue to the Canadian agents at the closing of this offering that number of shares of our common stock equal to, depending on the gross proceeds of the offering, between 1.0% and 2.0% of our common stock issued and outstanding immediately upon the closing of the offering. The shares issued to the Canadian agents under the agreement will be subject to resale restrictions in accordance with applicable Canadian securities laws and will be subject to resale restrictions for a period of one year following the closing of the offering under the lock-up agreements described below.

Rule 144

In general, under Rule 144 as currently in effect, a person (or persons whose shares are aggregated) who is not deemed to have been an affiliate of ours at any time during the three months preceding a sale, and who has beneficially owned restricted securities within the meaning of Rule 144 for at least six months (including any period of consecutive ownership of preceding non-affiliated holders) would be entitled to sell those shares, subject only to the availability of current public information about us. A non-affiliated person who has beneficially owned restricted securities within the meaning of Rule 144 for at least one year would be entitled to sell those shares without regard to the provisions of Rule 144.

In general, under Rule 144 as currently in effect, our affiliates or persons selling shares on behalf of our affiliates are entitled to sell, upon expiration of the lock-up agreements described above, within any three-month period beginning 90 days after the date of this prospectus, a number of shares that does not exceed the greater of:

- 1% of the number of shares of common stock then outstanding, which will equal approximately 260,846 shares immediately after this offering; or
- The average weekly trading volume of the common stock on the TSX-V during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.

Sales under Rule 144 by our affiliates or persons selling shares on behalf of our affiliates are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about us.

Rule 701

Rule 701 under the Securities Act, as currently in effect, permits the resale of shares in reliance on Rule 144 without compliance with certain restrictions of Rule 144, including the holding period requirement. Most of our employees, executive officers, directors and consultants who purchased shares under a written compensatory plan or contract may be entitled to rely on the resale provisions of Rule 701 provided that they wait until 90 days after the date of this prospectus before selling their shares. However, substantially all Rule 701 shares are subject to lock-up agreements as described below and under "Underwriting" and will become eligible for sale upon the expiration of those agreements (or as otherwise permitted under those agreements).

Lock-Up Agreements

We have agreed with the agents to use our commercially reasonable efforts to cause our directors, executive officers and stockholders who will hold more than 2.5% of our outstanding common stock (or securities exercisable, exchangeable or convertible for common stock) on a fully-diluted basis immediately after the closing of this offering, who currently collectively represent approximately 61.9% of our outstanding shares of common stock, to enter into agreements with the agents not to offer, sell, assign, transfer, pledge, contract to sell or otherwise dispose of or hedge any shares of our common stock, or any securities convertible into or exchangeable for shares of common stock, for a period of one year following the closing of this offering. Additionally, we have agreed with the agents to use our commercially reasonable efforts to cause stockholders who will hold more than 1.0% of our outstanding common stock (or securities exercisable, exchangeable or convertible for common stock) on a fully-diluted basis immediately after the closing of this offering and our key employees, who collectively represent approximately 11.0% of our outstanding shares of common stock, to enter into agreements with the agents not to offer, sell, assign, transfer, pledge, contract to sell or otherwise dispose of or hedge any shares of our common stock, or any securities convertible into or exchangeable for shares of common stock, for a period of six months following the closing of this offering. The shares of our common stock to be issued to the Canadian agents under our fiscal advisory fee agreement will also be subject to restrictions on resale for a period of one year after the closing of the offering under the terms of the lock-up agreement. The agents may, in their sole discretion, at any time without prior notice, release all or any portion of the shares from the restrictions in any such agreement. We have been advised by the agents that, in considering any request to release shares subject to a lock-up agreement, they will consider, among other factors, the stockholder's reasons for requesting the release, the number of shares for which the release is being requested and market conditions at the time. Notwithstanding the foregoing, for the purposes of allowing the agents to comply with NASD Rule 2711(f)(4), if, under certain circumstances during the 16-day period beginning on the last day of the lock-up period, we release earnings results or publicly announce other material news or a material event relating to us is publicly announced, the lock-up period will be extended until 18 days following the date of release of the earnings results or the announcement of the material news or material event, as applicable.

Registration Rights

Upon completion of this offering, the holders of 31,764,437 shares of our common stock, and warrants to purchase up to 1,428,571 shares of our common stock will be entitled to include their shares of common stock in any subsequent registration statement that we file registering the sale of common stock under the Securities Act, subject to certain limitations and exceptions. Registration of these shares under the Securities Act would result in the shares becoming freely tradable without restriction under the Securities Act, except for shares purchased by affiliates, immediately upon the effectiveness of the registration. Any sales of securities by these stockholders could have a material adverse effect on the trading price of our common stock. See "Description of Capital Stock — Registration Rights."

Equity Incentive Plans

We intend to file with the SEC a registration statement under the Securities Act covering the shares of common stock reserved for issuance under our 2007 option plan, 2009 option plan and directors' plan. We expect the

registration statements to be filed and become effective as soon as practicable after the completion of this offering. Shares registered under that registration statement will be available for sale in the open market following its effective date, subject to Rule 144 volume limitations and the lock-up arrangements described above and the TSX-V escrow arrangements described below, if applicable.

The following three sections describe restrictions on resale arising under the rules and regulations of applicable Canadian securities regulators and the TSX-V.

Principal's Escrow

In accordance with the National Policy 46-201 *Escrow for Initial Public Offerings* (National Policy 46-201), our Principals (as defined below) are required to deposit into escrow our equity securities and any securities that are convertible into our equity securities that they own or control (which we refer to as the "Principal's Escrow"). "Principals" include all persons or companies that will, on the completion of this offering, fall into at least one of the following categories: (i) a person or company who acted as our promoter within two years before the date of this prospectus; (ii) our directors and/or senior officers; (iii) those who own and/or control more than 10% of our voting securities immediately after the completion of this offering if they also have appointed or have the right to appoint one or more of our directors or senior officers; (iv) those who own and/or control more than 20% of our voting securities immediately after the completion of this offering; (v) associates and affiliates of any of the above; (vi) a company, trust, partnership or other entity more than 50% held by one or more Principals; and (vii) a Principal's spouse and their relatives that live at the same address as the Principal.

Pursuant to the Principals' Escrow, the Principals will deposit into escrow with Computershare Investor Services Inc. their shares of common stock, warrants and options to purchase shares of our common stock (which we refer to as the "Escrowed Securities") which will be subject to escrow.

Upon completion of this offering, we expect that we will be classified by applicable Canadian securities regulators as an "established issuer." Accordingly, 25% of the Escrowed Securities will be released from escrow upon receipt of notice from the TSX-V confirming the listing of our common stock on the TSX-V. The remaining 75% of the Escrowed Securities will be released from escrow in 25% tranches at six-month intervals over an 18-month period following receipt of such notice.

TSX-V Seed Share Resale Restrictions

Securities that were issued to people other than our Principals prior to the completion of this offering will be subject to hold periods imposed by the TSX-V (which we refer to as the "TSX-V Escrow"). The purchase price of such securities and the time of their purchase relative to the date of a receipt for this prospectus by the applicable Canadian securities regulators will determine which TSX-V hold period applies. The TSX-V hold period does not apply to persons who are subject to the Principal's Escrow as discussed above.

Summary of Escrow and Contractual Restrictions on Transfer

As of the date hereof, the following table sets out the number and percentage of our securities which will be subject to the Principal's Escrow upon the closing of this offering.

Designation of Class	Number of Securities Held in Escrow(1)	Percentage of Class Outstanding	
		Prior to the Offering	After the Offering
Common Stock	106,475,137(1)	48.3%	
Options	6,513,920	3.0%	
Warrants	—	—	—

(1) Pursuant to National Policy 46-201, • shares of our common stock will be held in escrow under the Principals' Escrow. Pursuant to the TSX-V Escrow, • shares of our common stock will be held in escrow under the Seed Escrow.

UNDERWRITING

We intend to enter into an agency agreement with Canaccord Capital Corporation and Bolder Investment Partners, Ltd. to serve as co-lead agents of our offering in Canada. Neither Canaccord nor Bolder will directly offer any of our units in the United States. Offers of our units in the United States will be made only through Canaccord Adams Inc., a US registered broker dealer affiliated with Canaccord Capital Corporation, and such other US registered dealers as may be designated by our Canadian agents. This offering is made on a commercially reasonable "best efforts" basis. This means that the agents have not committed to buy any of our units, but shall use commercially reasonable efforts to sell our units for us.

As consideration for their services, the Canadian agents will receive: (i) a commission equal to 8% of the gross proceeds of the offering; (ii) options entitling the Canadian agents to purchase that number of shares our common stock and warrants equal to 12.5% of the aggregate number of shares of our common stock and warrants sold under the offering (including the shares and warrants issued upon exercise of the over-allotment option), at the offering price per share and warrant, respectively, for a period of 12 months from the closing date; and (iii) a non-refundable due diligence fee of Cdn$15,000. The Canadian agents will also be reimbursed for their reasonable fees and expenses including the reasonable legal fees and disbursements of legal counsel to the agents. The Canadian agents may appoint selling agents in the United States, including Canaccord Adams Inc., which may be paid selling commissions not to exceed 6% of the gross proceeds of the offering in the United States and options entitling US selling agents to purchase that number of shares of our common stock and warrants equal to 8% of the aggregate number of shares of our common stock and warrants sold in the United States under the offering (including the shares and warrants issued upon exercise of the over-allotment option) at the initial public offering price for a period of 12 months from the closing date. The commission paid to US selling agents will be paid by the Canadian agents from their commissions.

The agents will use commercially reasonable efforts to sell up to • units at a minimum price of Cdn$ • per unit. The offering is not subject to any minimum number of units sold or our receipt of any minimum proceeds from the sale of the units. We may elect to hold more than one closing until we have sold all of units offered or until our offering terminates. We have granted the agents an over-allotment option, exercisable for a period of 30 days from the date of the closing of this offering, to sell additional shares of common stock and whole warrants up to the lesser of the agents' over-allocation position determined as of the time of closing of the offering and • shares of common stock and • whole warrants (15% of the number of shares and warrants offered by us under this prospectus) or any combination thereof at a price of Cdn$ • per share and Cdn$ • per warrant to cover over-allotments, if any, and for market stabilization purposes. For greater clarity, these warrants will only be issued for the purpose of distribution of units to purchasers. The aggregate number of shares and warrants issuable to purchasers pursuant to the offering will not exceed • and • , respectively.

The warrants will be issued pursuant to the terms of a warrant indenture dated as of the closing date between us and Computershare Trust Company of Canada, as warrant agent. The warrant indenture will contain provisions designed to protect the holders of warrants against dilution upon the happening of certain events. No fractional shares will be issued upon exercise of the warrants.

The obligations of the agents under the agency agreement may be terminated by the agents in their discretion on the basis of their assessment of the state of the financial markets and may also be terminated in certain stated circumstances and upon the occurrence of certain stated events.

The agents, or registered sub-agents who assist the agents in the distribution of the units offered hereunder, conditionally offer the units, subject to prior sale, if, as and when issued by us and accepted by the agents in accordance with the conditions contained in the agency agreement and subject to the approval of certain legal matters, on behalf of counsel to both us and the agents. While the agents will solicit expressions of interest and arrange for subscriptions for units prior to closing, the agents will not accept proceeds prior to closing. Subscriptions for the common stock and warrants constituting the units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.

We estimate that our total expenses of the offering, excluding underwriting commissions, will be approximately $ million and are payable by us. We will pay all these expenses from the proceeds of the offering. We will also reimburse the agents for all of their expenses including all of the fees owed by them to their legal counsel.

Offering Price Determination

Prior to the offering, there has been no public market for our securities. The initial public offering price of our units will be negotiated between us and the agents. In addition to prevailing market conditions, the factors considered in determining the initial public offering price are our financial information, our historical performance, our future prospects and the future prospects of our industry in general, our capital structure, estimates of our business potential and earnings prospects, the present state of our development and an assessment of our management and the consideration of the above factors in relation to market valuation of companies engaged in businesses and activities similar to ours.

An active trading market for our common stock may not develop. It is also possible that after the offering, the shares of common stock will not trade in the public market at or above the initial public offering price. Any of the underwriting activities mentioned in this section may have the effect of preventing or retarding a decline in the market price of the common stock. The agents may also cause the price of the common stock to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The agents may conduct these transactions on the TSX-V or in the over-the-counter market, or otherwise. If the agents commence any of these transactions, they may discontinue them at any time.

The agents do not intend to confirm sales of the shares to any accounts over which they have discretionary authority.

Allocation of Purchase Price

In acquiring our units, the purchasers will be acquiring ownership of the shares of common stock and the warrants represented by our units. The shares of common stock and warrants represented by our units are separate securities and, accordingly, purchasers will be required to allocate the purchase price paid for units between the shares of common stock and the warrants on a reasonable basis in order to determine their respective costs for purposes of federal income tax. We intend to allocate Cdn$ • of the public offering price of each unit as consideration for the issue of each share of common stock and Cdn$ • for the issue of each one-half warrant. Although we believe this allocation is reasonable, this allocation will not be binding on the Internal Revenue Service or any other tax authority and neither Vuzix nor our counsel express any opinion as to this allocation. **The information provided herein does not constitute tax advice. You must consult your own tax advisors concerning the application of US federal income tax laws to your particular situation as well as any consequences of the purchase, ownership, and disposition of the shares of common stock and warrants arising under the laws of any other jurisdiction.**

Stabilization, Short Positions and Penalty Bids

Until the distribution of the shares is completed, SEC rules may limit agents and selling group members from bidding for and purchasing our common stock. However, the agents' representatives may engage in transactions that stabilize the price of our common stock, such as bids or purchases to peg, fix or maintain that price.

If the agents create a short position in the common stock in connection with the offering (i.e., if they sell more shares than are listed on the cover of this prospectus), the agents' representatives may reduce that short position by purchasing shares in the open market. The agents' representatives may also elect to reduce any short position by exercising all or part of the over-allotment option described above. Purchases of the common stock to stabilize its price or to reduce a short position may cause the price of the common stock to be higher than it might be in the absence of such purchases.

The agents' representatives may also impose a penalty bid on agents and selling group members. This means that if the agents' representatives purchase shares of common stock in the open market to reduce the underwriter's short position or to stabilize the price of such shares of common stock, they may reclaim the amount of the selling concession from the agents and selling group members who sold those shares of common stock. The imposition of a penalty bid may also affect the price of the shares of common stock in that it discourages resales of those shares of common stock.

Neither we nor any of the agents make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the common stock. In addition, neither we nor any of the agents make any representation that the agents' representatives or lead manager will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Lock-Up Agreements

We have agreed with the agents to use our commercially reasonable efforts to cause our directors, executive officers and stockholders who will hold more than 2.5% of our outstanding common stock (or securities exercisable, exchangeable or convertible for common stock) on a fully-diluted basis immediately after the closing of this offering, who collectively hold approximately • % of our outstanding shares of common stock, to enter into agreements with the agents not to offer, sell, assign, transfer, pledge, contract to sell or otherwise dispose of or hedge any shares of our common stock, or any securities convertible into or exchangeable for shares of common stock, for a period of one year following the closing of this offering. Additionally, we have agreed with the agents to use our commercially reasonable efforts to cause stockholders who will hold more than 1.0% of our outstanding common stock (or securities exercisable, exchangeable or convertible for common stock) on a fully-diluted basis immediately after the closing of this offering and our key employees, who collectively hold approximately • % of our outstanding shares of common stock, to enter into agreements with the agents not to offer, sell, assign, transfer, pledge, contract to sell or otherwise dispose of or hedge any shares of our common stock, or any securities convertible into or exchangeable for shares of common stock, for a period of six months following the closing of this offering.

The foregoing restricted periods will be extended if during the last 17 days of the restricted period we issue an earnings release or material news or a material event relating to us occurs, or prior to the expiration of the restricted period we announce that we will release earnings results during the 16-day period beginning on the last day of the restricted period, in which case the restrictions described above will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

The restriction described in the immediately preceding paragraphs do not apply to: (a) transactions by stockholders not deemed to be our affiliates relating to shares of common stock or other securities acquired in open market transactions after the completion of this offering; (b) transfers of shares of common stock or any security exercisable for shares of common stock as a *bona fide* gift or gifts; (c) distributions of shares of common stock or any security exercisable for shares of common stock to corporations, partnerships, limited liability companies or other entities to the extent that such entities are wholly-owned by the stockholder that agrees to be bound by the restrictions described in the preceding paragraphs; (d) tenders of shares of common stock made in response to a *bona fide* third party take-over bid made to all holders of shares of common stock or similar acquisition transaction; (e) any transfer to an immediate family member or an entity of which the transferor or an immediate family member of the transferor is the sole beneficiary; or (f) a pledge of shares of common stock or any security exercisable for shares of common stock to a bank or other financial institution for the purpose of giving collateral for a debt made in good faith; provided, that in the case of any transfer, distribution or pledge pursuant to clause (b), (c), (e) or (f), each donee, distributee, transferee or pledgee agrees in writing to be bound by the transfer restrictions described in the preceding paragraphs and no filing by any party under the Exchange Act shall be required or shall be voluntarily made in connection with subsequent sales of shares of common stock or other securities acquired in such transfer or distribution.

Indemnification

We have agreed to indemnify the agents against certain liabilities relating to the offering, including without restriction liabilities under the Securities Act, and liabilities arising from breaches of the representations and warranties contained in the underwriting agreement, and to contribute to payments that the agents may be required to make for these liabilities.

Fiscal Advisory Fee Agreement

We have entered into a fiscal advisory fee agreement with the Canadian agents. The agreement provides that the Canadian agents have and will continue to provide certain customary fiscal advisory services, including assisting and

advising us with respect to capital markets strategies and assisting us in its development of an investor relations strategy and communications with existing investors. In consideration for the services to be provided under the agreement, we will issue to the Canadian agents at the closing of this offering that number of shares of our common stock equal to, depending on the gross proceeds of the offering, between 1.0% and 2.0% of our common stock issued and outstanding immediately upon the closing of the offering. The shares issued to the Canadian agents under the agreement will be issued pursuant to exemptions from the registration requirements of applicable United States and Canadian securities laws and will be subject to resale restrictions under those laws and to resale restrictions for a period of one year following the closing of the offering under the lock-up agreements described above. The agreement will terminate, and we will have no obligation to issue any shares to the Canadian agents thereunder, if the offering has not closed by October 31, 2009.

LEGAL MATTERS

Boylan, Brown, Code, Vigdor & Wilson, LLP, Rochester, New York, will pass upon the validity of the shares of common stock being offered by this prospectus. The agents are being represented by in this offering by Dorsey & Whitney LLP, Denver, Colorado.

EXPERTS

Rotenberg & Co. LLP, an independent registered public accounting firm, has audited our consolidated financial statements as of December 31, 2008. Davie Kaplan, CPA, P.C., an independent registered public accounting firm, has audited our financial statements as of December 31, 2007 and 2006 as set forth in their reports thereon accompanying such financial statements included in this prospectus and in this registration statement. We have included these financial statements in this prospectus and in the registration statement in reliance on both Rotenberg & Co. LLP and Davie Kaplan's reports, given on the authority of such firm as experts in accounting and auditing.

As of the date hereof, the partners, counsel and associates of Boylan, Brown, Code, Vigdor & Wilson, LLP or Dorsey & Whitney LLP beneficially own directly or indirectly, respectively, less than 1% of our common stock or any common stock of any of our affiliates or associates.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1 (including exhibits and schedules thereto) under the Securities Act with respect to the shares of common stock being offered by this prospectus. This prospectus does not contain all of the information included in the registration statement. For further information about us and our common stock offered by this prospectus, we refer you to the registration statement. Statements contained in this prospectus as to the contents of any contract or any other document referred to are not necessarily complete, and in each instance, we refer you to the copy of the contract or other document filed as an exhibit to the registration statement. Each of these statements is qualified in all respects by this reference.

You may read our SEC filings, including the registration statement, over the Internet at the SEC's website at www.sec.gov. You may also read and copy any document we file with the SEC at its public reference facilities at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. In addition, you may obtain copies of these documents at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities.

Upon completion of this offering, we will be subject to the information reporting requirements of the Securities Exchange Act and we will file reports, proxy statements and other information with the SEC. These reports, proxy statements and other information will be available for inspection and copying at the public reference facilities and website of the SEC referred to above. We also maintain a website at www.vuzix.com, at which you may access these materials free of charge as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. The information contained on, connected to or that can be accessed through our website is not part of this prospectus. We have included our website address in this prospectus as an inactive textual reference only and not as an active hyperlink.

VUZIX CORPORATION

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Vuzix Corporation

We have audited the accompanying consolidated balance sheet of Vuzix Corporation and its subsidiary as of December 31, 2008, and the related consolidated statement of operations, changes in stockholders' equity and cash flows for the period then ended. Vuzix Corporation's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Vuzix Corporation as of December 31, 2007, were audited by other auditors whose report dated June 17, 2008 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Vuzix Corporation as of December 31, 2008, and the results of its operations and its cash flows for the period ending December 31, 2008 in conformity with accounting principles generally accepted in the United States of America.

/s/ Rotenberg & Co. LLP

Rochester, New York
June 17, 2009

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
VUZIX Corporation

We have audited the balance sheets of VUZIX Corporation (F/K/A Icuiti Corporation) as of December 31, 2007 (Restated) and 2006, and the related statements of operations, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of VUZIX Corporation (F/K/A Icuiti Corporation) as of December 31, 2007 (Restated) and 2006, and the results of its operations, changes in stockholders' equity and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As discussed in Note 20 to the financial statements, the 2007 financial statements have been restated to correct a misstatement.

/s/ Davie Kaplan, CPA, P.C.

June 17, 2008
(Except for Note 20, as to which the date is April 14, 2009)

VUZIX CORPORATION
F/K/A ICUITI CORPORATION

CONSOLIDATED BALANCE SHEETS

	March 31, 2009 (Unaudited)	March 31, 2008 (Unaudited)	December 31, 2008	December 31, 2007 (As restated)	December 31, 2006
ASSETS					
Current Assets					
Cash and Cash Equivalents	$ 259,151	$ 69,534	$ 818,719	$ 364,856	$ 569,171
Accounts Receivable, Net (Note 3)	962,519	872,126	1,413,611	2,908,224	1,977,103
Inventories (Note 4)	2,426,298	2,618,470	2,307,321	1,984,465	1,157,733
Prepaid Income Taxes	130,130	136,130	130,130	130,130	—
Prepaid Expenses and Other Assets	67,449	109,680	41,390	108,525	2,500
Total Current Assets	3,845,547	3,803,940	4,711,171	5,496,200	3,706,507
Tooling and Equipment, Net (Note 5)	721,860	869,534	825,924	857,170	781,979
Patents and Trademarks, Net (Note 6)	710,176	642,751	684,802	613,884	524,777
Total Assets	$ 5,277,583	$ 5,316,225	$ 6,221,897	$ 6,967,254	$ 5,013,263
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current Liabilities					
Accounts Payable	$ 4,348,752	$ 3,249,518	$ 4,763,321	$ 4,029,630	$ 2,743,349
Lines of Credit (Note 7)	199,767	186,270	202,290	78,400	92,237
Current Portion of Long-term Debt	500,000	—	500,000	—	200,000
Current Portion of Capital Leases	139,800	139,800	139,800	171,778	155,625
Customer Deposits (Note 8)	328,841	742,154	729,677	46,637	125,584
Accrued Expenses (Note 9)	220,246	103,879	185,960	171,872	319,946
Income Taxes Payable	888	34,039	36,412	31,225	—
Total Current Liabilities	5,738,294	4,455,660	6,557,460	4,529,542	3,636,741
Long-Term Liabilities					
Accrued Compensation (Note 10)	445,096	445,096	445,096	445,096	445,096
Long Term Portion of Long-Term Debt (Note 11)	379,208	784,208	379,208	784,208	991,188
Long Term Portion of Capital Leases (Note 12)	145,410	232,115	180,328	247,052	216,519
Accrued Interest	443,120	341,560	425,448	314,921	211,574
Cumulative Dividends Payable on Preferred Stock	349,574	248,474	324,299	223,199	122,099
Total Long-Term Liabilities	1,762,408	2,051,453	1,754,379	2,014,476	1,980,476
Total Liabilities	7,500,702	6,507,113	8,311,839	6,544,018	5,617,217
Stockholders' Equity					
Series C Preferred Stock — $.001 Par Value, 500,000 Shares Authorized; (Refer to Note 14 for Series A, Series B and Unauthorised Preferred Stock) 168,500 Shares Issued and Outstanding in Each Period (Note 14)	169	169	169	169	169
Common Stock — $.001 Par Value, 400,000,000 Shares Authorized; 220,268,927, 200,424,027 Shares Issued and Outstanding March 31, Respectively 218,268,927, 197,973,139 and 173,268,048 Shares Issued and Outstanding December 31, Respectively	220,269	200,424	218,269	197,972	173,268
Additional Paid-in Capital	13,039,100	10,299,419	12,700,413	10,238,589	6,115,622
Accumulated (Deficit)	(15,161,140)	(11,369,383)	(14,687,276)	(9,691,977)	(6,531,363)
Subscriptions Receivable (Note 19)	(321,517)	(321,517)	(321,517)	(321,517)	(361,650)
Total Stockholders' Equity	(2,223,119)	(1,190,888)	(2,089,942)	423,236	(603,954)
Total Liabilities and Stockholders' Equity	$ 5,277,583	$ 5,316,225	$ 6,221,897	$ 6,967,254	$ 5,013,263

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

VUZIX CORPORATION
F/K/A ICUITI CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock		Additional	Retained	Preferred Stock		Subscriptions	
	Shares	Amount	Paid-In Capital	Deficit	Shares	Amount	Receivable	Total
Balance — December 31, 2005	173,245,191	$173,245	$ 5,593,693	$ (5,718,223)	123,000	$ 123	$ (266,240)	$ (217,402)
Issuance of Preferred Stock	—	—	407,604	—	45,500	46	—	407,650
Dividends	—	—	—	(93,186)	—	—	—	(93,186)
Stock Compensation Expense	—	—	18,418	—	—	—	—	18,418
Exercise of Stock Options	22,857	23	497	—	—	—	—	520
Extension of Subscriptions Receivable	—	—	95,410	—	—	—	(95,410)	—
2006 Net Loss	—	—	—	(719,954)	—	—	—	(719,954)
Balance — December 31, 2006	173,268,048	173,268	6,115,622	(6,531,363)	168,500	169	(361,650)	(603,954)
Warrants Issued for Services	—	—	78,275	—	—	—	—	78,275
Exercise of Stock Options	402,483	402	5,328	—	—	—	—	5,730
Exercise of Stock Warrants	177,136	177	1,373	—	—	—	—	1,550
Issuance of Common Stock	23,125,472	23,125	3,767,686	—	—	—	—	3,790,811
Conversion of Debt into Stock	1,000,000	1,000	199,000	—	—	—	—	200,000
Stock Compensation Expense	—	—	111,438	—	—	—	—	111,438
Dividends	—	—	—	(101,100)	—	—	—	(101,100)
Extension of Subscriptions Receivable	—	—	(40,133)	—	—	—	40,133	—
2007 Net Loss	—	—	—	(3,059,514)	—	—	—	(3,059,514)
Balance — December 31, 2007 (As Restated)	197,973,139	197,972	10,238,589	(9,691,977)	168,500	169	(321,517)	423,236
Exercise of Options	2,450,888	2,451	14,245	—	—	—	—	16,696
Issuance of Common Stock	15,847,517	15,848	2,122,798	—	—	—	—	2,138,646
Exercise of Stock Warrants	1,552,936	1,553	12,033	—	—	—	—	13,586
Stock Issued for Services	444,447	444	66,223	—	—	—	—	66,667
Dividends	—	—	—	(101,100)	—	—	—	(101,100)
Warrants Issued for Services	—	—	66,227	—	—	—	—	66,227
Stock Compensation Expense	—	—	180,298	—	—	—	—	180,298
2008 Net Loss	—	—	—	(4,894,199)	—	—	—	(4,894,199)
Balance — December 31, 2008	218,268,927	$218,268	$ 12,700,413	$(14,687,276)	168,500	$ 169	$ (321,517)	$(2,089,943)
Exercise of Options	—	—	—	—	—	—	—	—
Issuance of Common Stock	2,000,000	2,000	298,000	—	—	—	—	300,000
Exercise of Stock Warrants	—	—	—	—	—	—	—	—
Stock Issued for Services	—	—	—	—	—	—	—	—
Repurchase of Fractional Shares	—	—	(2)		—	—	—	(2)
Dividends	—	—	—	(25,275)	—	—	—	(25,275)
Warrants Issued for Services	—	—	—	—	—	—	—	—
Stock Compensation Expense	—	—	40,689	—	—	—	—	40,689
Net Loss for the 3 months ended March 31, 2009	—	—	—	(448,589)	—	—	—	(448,589)
Balance — March 31, 2009 (Unaudited)	220,268,927	$220,268	$ 13,039,100	$(15,161,140)	168,500	$ 169	$ (321,517)	$(2,223,120)

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

VUZIX CORPORATION
F/K/A ICUITI CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For Three Months Ended March 31,		For Years Ended December 31,		
	2009	2008	2008	2007	2006
	(Unaudited)	(Unaudited)		(As restated)	
Cash Flows from Operating Activities					
Net Loss	$(448,589)	$(1,652,195)	$(4,894,199)	$(3,059,514)	$ (719,954)
Non-Cash Adjustments					
Depreciation and Amortization	138,834	123,696	510,133	374,078	276,989
Stock-Based Compensation Expense	40,689	46,584	180,298	111,438	18,418
Stock Issued for Services	—	—	66,667	—	—
Warrants Issued for Services	—	—	66,227	78,275	—
(Increase) Decrease in Operating Assets					
Accounts Receivable	451,092	2,032,098	1,494,613	(931,121)	(1,226,116)
Inventories	(118,977)	(634,005)	(322,856)	(826,732)	(362,118)
Prepaid Income Taxes	—	—		(130,130)	—
Prepaid Expenses and Other Assets	(26,060)	(1,155)	67,135	(106,025)	4,919
Increase (Decrease) in Operating Liabilities					
Accounts Payable	(414,504)	(780,111)	733,691	1,580,255	1,496,609
Accrued Expenses	34,284	(67,929)	14,088	(175,574)	289,124
Customer Deposits	(400,836)	695,517	683,040	(78,947)	(117,722)
Income Taxes Payable	(35,524)	2,814	5,187	31,225	3,192
Accrued Commissions	—	—	—	(266,475)	266,475
Accrued Compensation	—	—	—		135,000
Accrued Interest	17,672	26,639	110,527	103,347	55,237
Net Cash Flows (Used in) Provided From Operating Activities	(761,919)	(208,047)	(1,285,449)	(3,295,900)	120,053
Cash Flows from Investing Activities					
Purchases of Tooling and Equipment	(19,369)	(122,380)	(424,166)	(180,310)	(370,188)
Investments in Patents and Trademarks	(40,839)	(42,547)	(125,638)	(136,433)	(109,048)
Net Cash Used in Investing Activities	(60,208)	(164,927)	(549,804)	(316,743)	(479,236)
Cash Flows from Financing Activities					
Net Change in Lines of Credit	(2,523)	107,870	123,890	(13,837)	(115,138)
Issuance of Common Stock	300,000	—	2,138,646	3,792,362	—
Issuance of Preferred Stock	—	—	—	—	407,650
Repayment of Capital Leases	(34,918)	(46,915)	(98,702)	(168,947)	(121,135)
Prepayment of Long-Term Debt	—	—	—	(206,980)	(22,328)
Exercise of Stock Options	—	16,697	16,696	5,730	520
Exercise of Stock Warrants	—	—	13,586	—	—
Proceeds from Long-Term Debt	—	—	95,000	—	725,000
Net Cash Flows Provided by Financing Activities	262,559	77,652	2,289,116	3,408,328	874,569
Net Increase (Decrease) in Cash and Cash Equivalents	(559,568)	(295,322)	453,863	(204,315)	515,386
Cash and Cash Equivalents — Beginning of Year	818,719	364,856	364,856	569,171	53,785
Cash and Cash Equivalents — End of Year	$ 259,151	$ 69,534	$ 818,719	$ 364,856	$ 569,171
Supplemental Disclosures					
Interest Paid	45,747	29,490	149,214	138,345	179,019
Income Taxes Paid	36,412	425	425	3,725	1,950
Non-Cash Investing Transactions					
Equipment Acquired Under Capital Lease	—	9,528	89,833	221,633	317,932
Equipment Acquired Through Assumption of Long-Term Debt	—	—	—	—	62,010
Dividends Declared but Not Paid	25,275	25,275	101,100	101,100	93,186
Debt Converted to Equity	—	—	—	200,000	

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

VUZIX CORPORATION
F/K/A ICUITI CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

	For Three Months Ended March 31,		For Years Ended December 31,		
	2009	2008	2008	2007	2006
	(Unaudited)	(Unaudited)		(As restated)	
Sales of Products	$ 2,595,504	$ 1,663,875	$ 11,015,784	$ 4,701,004	$ 6,910,866
Sales of Engineering Services	448,490	57,039	1,548,703	5,445,375	2,627,442
Total Sales	3,043,994	1,720,914	12,564,487	10,146,379	9,538,308
Cost of Sales — Products	1,617,174	1,440,348	7,844,519	3,407,340	4,269,908
Cost of Sales — Engineering Services	239,509	47,001	1,018,989	3,376,133	1,497,642
Total Cost of Sales	1,856,683	1,487,349	8,863,508	6,783,473	5,767,550
Gross Profit	1,187,311	233,565	3,700,979	3,362,906	3,770,758
Operating Expenses:					
Research and Development	502,011	736,716	3,366,518	2,365,412	1,279,239
Selling and Marketing	449,266	449,562	2,128,625	1,920,164	1,191,800
General and Administrative	478,253	533,799	2,299,685	1,718,627	1,560,278
Depreciation and Amortization	138,834	123,696	510,133	374,078	276,989
Total Operating Expenses	1,568,364	1,843,773	8,304,961	6,378,281	4,308,306
Loss from Operations	(381,053)	(1,610,208)	(4,603,982)	(3,015,375)	(537,548)
Other Income (Expense)					
Interest and Other (Expense) Income			188	2,549	313
Foreign Exchange Gain (Loss)	(1,272)	366	(24,216)		
Legal Settlement	—	—	—	96,632	—
Interest Expenses	(65,376)	(41,600)	(260,977)	(241,692)	(179,019)
Total Other Income (Expense)	(66,648)	(41,234)	(285,005)	(142,511)	(178,706)
Loss Before Provision for Income Taxes	(447,701)	(1,651,442)	(4,888,987)	(3,157,886)	(716,254)
Provision (Benefit) for Income Taxes (Note 13)	888	753	5,212	(98,372)	3,700
Net Loss	(448,589)	$ (1,652,195)	$ (4,894,199)	$ (3,059,514)	$ (719,954)
Basic and Diluted Loss per Share	$ (0.0022)	$ (0.0084)	$ (0.0229)	$ (0.0160)	$ (0.0047)
Weighted-average Shares Outstanding — Basic and Diluted	220,268,927	200,424,027	218,268,927	197,973,139	173,268,048

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

VUZIX CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts and disclosures at and for the three months ended March 31, 2009 and 2008 are unaudited)

Note 1 — Basis of Presentation

The unaudited Consolidated Financial Statements of Vuzix Corporation and Subsidiary (the "Company") for the three months ending March 31, 2009 and 2008 have been prepared in accordance with generally accepted accounting principles in the United States of America for interim financial information. Accordingly, the Consolidated Financial Statements do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. The results for the interim periods are not necessarily indicative of the results to be expected for the year. The accompanying Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements of the Company as of December 31, 2008, as included with these consolidated financial statements.

Note 2 — Nature of Business and Summary of Significant Accounting Policies

The Company

Vuzix Corporation (the Company) was formed in 1997 under the laws of the State of Delaware and maintains its corporate offices in Rochester, New York. The Company changed its name to Vuzix Corporation in September 2007, being previously known as Icuiti Corporation. The Company is engaged in the design, manufacture, marketing and sale of devices that are worn like eyeglasses and which feature built-in video screens that enable the user to view video and digital content, such as movies, computer data, the Internet or video games. Our products (known commercially as "Video Eyewear") are used to view high resolution video and digital information from portable devices, such as cell phones, portable media players, gaming systems and laptop computers and from personal computers. Our products provide the user with a virtual viewing experience that emulates viewing a large screen television or desktop computer monitor practically anywhere, anytime.

Segment Data, Geographic Information and Significant Customers

The Company is not organized by market and is managed and operated as one business. A single management team that reports to the chief operating decision maker comprehensively manages the entire business. The Company does not operate any material separate lines of business or separate business entities. Accordingly, the Company does not accumulate discrete information, other than product revenue and material costs, with respect to separate product lines and does not have separately reportable segments as defined by Statement of Financial Accounting Standards (SFAS) No. 131, "Disclosures about Segments of an Enterprise and Related Information."

Shipments to customers outside of the United States approximated 20%, 12% and 5% of sales in 2008, 2007 and 2006, respectively. No single international country represented more than 10% of revenues. The Company does not maintain significant amounts of long-lived assets outside of the United States other than tooling held by its third party manufacturers, primarily in China.

The Company has at times had a concentration of sales to the U.S. government and they amounted to approximately 12% and 54% of sales in 2008 and 2007, respectively. Accounts receivable from the U.S. government accounted for 31% and 19% of accounts receivable at 2008 and 2007, respectively. Another customer, who is also a minority stockholder, represented 20% and 17% of sales in 2008 and 2007, respectively.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Vuzix Europe. All significant inter-company transactions have been eliminated.

VUZIX CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Foreign Currency Translation

The U.S. dollar is the functional currency of the Company's foreign subsidiary. Monetary assets and liabilities are re-measured at year-end exchange rates. Non-monetary assets and liabilities are re-measured at historical rates. Revenues, expenses, gains and losses are re-measured using the rates on which those elements were recognized during the period.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at year end and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

The Company performs ongoing credit evaluations of its customers' financial condition and maintains an allowance for uncollectible accounts receivable based upon the expected collectability of all accounts receivable. As of December 31, 2008, one customer, represented 31% of net accounts receivable and was subsequently received during 2009.

For cash management purposes, the Company concentrates its cash holdings in two accounts at the JP Morgan Chase Bank. The balance in these accounts may exceed the federally insured limit of $250,000 per customer by the Federal Deposit Insurance Corporation in case of bank failure. At December 31, 2008 and 2007, the Company had $462,808 and $250,851 in excess of the insurance limit at this bank.

Cash and Cash Equivalents

The Company's cash received is applied against its two revolving lines of credit on a periodic basis based projected monthly cash flows, reducing interest expense. Cash and cash equivalents can include highly liquid investments with original maturities of three months or less.

Fair Value of Financial Instruments

The Company's financial instruments primarily consists of cash and cash equivalents, accounts receivable, inventories, prepaid income taxes, prepaid expenses and other assets, accounts payable, lines of credit, current portion of long-term debt and capital leases, customer deposits, accrued expenses, and income taxes payable.

As of the consolidated balance sheet date, the estimated fair values of the financial instruments were not materially different from their carrying values as presented due to the short maturities of these instruments and that the interest rates on the borrowing approximate those that would have been available for loans for similar remaining maturity and risk profiles at respective year ends.

Allowance for Doubtful Accounts

The Company establishes an allowance for uncollectable trade accounts receivable based on the age of outstanding invoices and management's evaluation of collectability of outstanding balances. These provisions are established when the aging of outstanding amounts exceeds allowable terms and are re-evaluated at each quarter end for adequacy. In determining the adequacy of the provision, the Company considers known uncollectable or at risk receivables.

Provision for Future Warranty Costs

Warranty costs are accrued, to the extent that they are not recoverable from third party manufacturers, for the estimated cost to repair or replace products for the balance of the warranty periods. The Company's products are covered by standard warranty plans that extend normally 12 months to 24 months from the date of product shipment. The Company provides for the costs of expected future warranty claims at the time of product shipment or over-builds to cover replacements. The adequacy of the provision is assessed at each quarter end and is based on historical experience of warranty claims and costs. As of December 31, 2008, the Company's provision for future warranty claims was $106,865 compared to $73,064 as of December 31, 2007, with the increase attributable primarily to increased revenue from product shipments.

Inventories

Inventories are valued at the lower of cost, or market using the first-in, first-out method. The Company does not include any direct overheads costs in its inventory valuation costing, as such amounts have been immaterial in its current and prior fiscal years. The Company records provisions for excess, obsolete or slow moving inventory based on changes in customer demand, technology developments or other economic factors. The Company's products have product life cycles that range on average from two to three years currently. At both the product introduction and product discontinuation stage, there is a higher degree of risk of inventory obsolescence. The provision for obsolete and excess inventory is evaluated for adequacy at each quarter end. The estimate of the provision for obsolete and excess inventory is partially based on expected future product sales, which are difficult to forecast for certain products.

Revenue Recognition

The Company recognizes revenue from product sales in accordance with the SEC Staff Accounting Bulletin No. 104, "Revenue Recognition." Product sales represent the majority of the Company's revenue. The Company recognizes revenue from these product sales when persuasive evidence of an arrangement exists, delivery has occurred or services have been provided, the sale price is fixed or determinable, and collectability is reasonably assured. Additionally, the Company sells its products on terms which transfer title and risk of loss at a specified location, typically shipping point. Accordingly, revenue recognition from product sales occurs when all factors are met, including transfer of title and risk of loss, which typically occurs upon shipment by the Company. If these conditions are not met, the Company will defer revenue recognition until such time as these conditions have been satisfied. The Company collects and remits sales taxes in certain jurisdictions and reports revenue net of any associated sales taxes. The Company also sells certain products through distributors who are granted limited rights of return for stock balancing against purchases made within a prior 90 day period, including price adjustments downwards that the Company implements on any existing inventory. The provision for product returns and price adjustments is assessed for adequacy both at the time of sale and at each quarter end and is based on recent historical experience and known customer claims.

Revenue from any engineering consulting and other services is recognized at the time the services are rendered. The Company accounts for its longer-term development contracts, which to date have all been firm fixed-priced contracts, on the percentage-of-completion method, whereby income is recognized as work on contracts progresses, but estimated losses on contracts in progress are charged to operations immediately. The percentage-of-completion is determined using the cost-to-cost method. Amounts are generally billed on a monthly basis. To date all such contracts have been less than one calendar year in duration.

VUZIX CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Tooling and Equipment

Tooling and equipment are stated at cost. Depreciation of tooling and equipment is provided for using the straight-line method over the following estimated useful lives:

Computers and Software	3 years
Manufacturing Equipment	5 years
Tooling	3 years
Furniture and Equipment	5 years

Repairs and maintenance costs are expensed as incurred. Asset betterments are capitalized.

Patents and Trademarks

The Company capitalizes the costs of obtaining its patents and registration of Trademarks. Such costs are accumulated and capitalized during the filing periods, which can take several years to complete. Successful applications that result in the granting of a patent or trademark are then amortized over 15 years on a straight-line basis. Unsuccessful applications are written off and expensed in the fiscal period where application is abandoned or discontinued.

Long-Lived Assets

The Company regularly assesses all of its long-lived assets for impairment when events or circumstances indicate their carrying amounts may not be recoverable, in accordance with SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets.”

Research and Development

Research and development costs, are expensed as incurred and include employee related costs, office expenses, third party design and engineering services, and new product prototyping costs.

Shipping and Handling Costs

Amounts charged to customers and costs incurred by the Company related to shipping and handling are included in net sales and cost of goods sold, respectively, in accordance with EITF Issue No. 00-10, “Accounting for Shipping and Handling Fees and Costs.”

Advertising

Advertising costs are expensed as incurred and recorded in “Selling and marketing” in the Consolidated Statements of Operations. Advertising expense amounted to $1,009,992, $893,973 and $291,800 for 2008, 2007 and 2006, respectively.

Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109. Accordingly, the Company provides deferred income tax assets and liabilities based on the estimated future tax effects of differences between the financial and tax bases of assets and liabilities based on currently enacted tax laws. A valuation allowance is established for deferred tax assets in amounts for which realization is not considered more likely than not to occur.

The Company reports any interest and penalties accrued relating to uncertain income tax positions as a component of the income tax provision.

VUZIX CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted earnings per share calculations reflect the assumed exercise and conversion of all dilutive employee stock options and the conversion of any outstanding convertible preferred shares or notes payable that are-in-the-money, applying the treasury stock method. However, the assumed exercise of stock options and warrants and the conversion of preferred shares or notes payable are anti-dilutive, therefore basic and diluted earnings per share are the same for all periods. All share and per-share amounts in the accompanying consolidated financial statements and notes to the consolidated financial statements have been adjusted to apply the effect of the reverse stock split (one-for-seven) in 2007 and the forward stock split (eight-for-one) in 2008.

Stock-Based Employee Compensation

Effective January 1, 2006, the provisions of SFAS No. 123 (revised 2004), "Share-Based Payment," and related interpretations were adopted. SFAS No. 123(R) requires that compensation expense be recognized in the consolidated financial statements for share-based awards based on the grant-date fair value of those awards. The Company elected to not adopt SFAS No. 123(R) for any stock options granted prior to December 31, 2005 which had unrecognized compensation expense at January 1, 2006, and has instead applied it to only new share-based awards granted subsequent to December 31, 2005, based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123(R). Stock-based compensation expense includes an estimate for pre-vesting forfeitures and is recognized over the requisite service periods of the awards on a straight-line or graded vesting basis, which is generally commensurate with the vesting term. As a result of the adoption of SFAS No. 123(R), stock-based compensation expense associated with stock option grants of $180,298, $111,438 and $18,418 was recorded in 2008, 2007 and 2006, respectively.

The Company issues new shares upon stock option exercises. Please refer to Note J, *Stock-based Compensation Expense*, for further information.

Fair Value Measurements

In September 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States, and expands disclosures about fair value measurements. The Company has adopted the provisions of SFAS No. 157 as of January 1, 2008 for financial instruments. This standard defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. Further, the Company has taken into consideration the guidance promulgated in FASB Staff Position No. FAS 157-3, "Determining the Fair Value of a Financial Asset When the Market for that Asset is Not Active," in estimating the fair value of its financial instruments. The adoption of SFAS 157 was not material to the Company's consolidated financial statements or results of operations.

SFAS No. 157 establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted prices included in Level 1 that are directly or indirectly observable for the asset or liability. Such inputs include quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs derived principally from or corroborated by observable market data by correlation or other means. Level 3 inputs are unobservable inputs for the asset or liability. Such inputs are used to measure fair value when observable inputs are not available.

Recent Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations," a revision to SFAS No. 141, "Business Combinations." SFAS No. 141(R) provides revised guidance for recognition and measurement of identifiable assets and goodwill acquired, liabilities assumed and any non-controlling interest in the acquiree at fair value. The Statement also establishes disclosure requirements to enable the evaluation of the nature and financial effects of a business combination. SFAS No. 141(R) is required to be applied prospectively to business combinations for which the acquisition date is on or after January 1, 2009. The impact of the adoption of SFAS 141(R) on our consolidated financial position and results of operations will be dependent on the size and nature of business combinations, if any, completed after the adoption of this Statement.

In December 2007, the FASB issued SFAS No. 160, "Non-controlling Interests in Consolidated Financial Statements — an amendment of ARB No. 51." This Statement establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent. Specifically, SFAS No. 160 requires the presentation of non-controlling interests as equity in the Consolidated Balance Sheets, and separate identification and presentation in the Consolidated Statements of Income of net income attributable to the entity and the non-controlling interest. It also establishes accounting and reporting standards regarding deconsolidation and changes in a parent's ownership interest. SFAS No. 160 is effective as of January 1, 2009. The provisions of SFAS No. 160 are generally required to be applied prospectively, except for the presentation and disclosure requirements, which must be applied retrospectively. We do not expect the adoption of SFAS No. 160 to have a material effect on our consolidated financial statements.

In February 2008, the FASB issued FSP FAS 157-2, which delays the effective date of SFAS No. 157 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis (at least annually). This FSP partially deferred the effective date of SFAS No. 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for items within the scope of this FSP. This FSP will be adopted by the Company in the first quarter of fiscal year 2009, and is not expected to have a material impact on its consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133." This statement enhances the disclosure requirements related to derivative instruments and hedging activity to improve the transparency of financial reporting, and is effective for fiscal years and interim periods beginning after November 15, 2008. We do not expect the impact of adoption of SFAS No. 161 will have a material effect on our consolidated financial statements.

Note 3 — Accounts Receivable, Net

Accounts receivable consisted of the following:

December 31,	2008	2007
Accounts Receivable	$1,417,870	$2,908,224
Less: Allowance for Doubtful Accounts	(4,259)	—
Net	$1,413,611	$2,908,224

VUZIX CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 4 — Inventories, Net

Inventories consisted of the following:

December 31,	2008	2007
Purchased Parts and Components	$2,091,734	$1,656,093
Work in Process	130,351	197,413
Finished Goods	539,883	211,994
Less: Reserve for Obsolescence	(454,647)	(81,035)
Net	$2,307,321	$1,984,465

Note 5 — Tooling and Equipment, Net

Tooling and equipment consisted of the following:

December 31,	2008	2007
Tooling and Manufacturing Equipment	$ 1,567,537	$ 1,247,402
Computers and Software	522,274	463,847
Furniture and Equipment	360,695	315,091
	$ 2,450,506	$ 2,026,340
Less: Accumulated Depreciation and Amortization	(1,624,582)	(1,169,170)
Net	$ 825,924	$ 857,170

Total depreciation expense for tooling and equipment for 2008, 2007 and 2006 was $455,412, $326,752, and $237,592, respectively.

Note 6 — Patents and Trademarks, Net

December 31,	2008	2007
Patents and Trademarks	$ 899,952	$ 774,314
Less: Amortization	(215,150)	(160,430)
Net	$ 684,802	$ 613,884

Total amortization expense for patents and trademarks for 2008, 2007 and 2006 was $54,720, $47,326, and $39,397, respectively. The estimated aggregate amortization expense for each of the next five fiscal years is $57,175.

Note 7 — Lines of Credit

The Company has available a $100,000 line of credit secured by the personal guarantee of an officer of the Company with interest payable at the bank's prime rate plus 4.24%. The outstanding balance on the line of credit amounted to $96,040 and $78,400 at December 31, 2008 and 2007, respectively. The prime rate at 2008 was 3.25%.

The Company also has available a $112,500 line of credit with interest payable at the bank's prime rate plus 1%. The line is unsecured and personally guaranteed by an officer of the Company. The outstanding balance on the line of credit amounted to $106,250 and $0 at December 31, 2008 and 2007, respectively.

VUZIX CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 8 — Customer Deposits

Customer deposits represents money the Company received in advance of providing a product or engineering services to a customer. Such deposits are short term in nature as the Company delivers the product or engineering services to the customer before the end of its next annual fiscal period.

Note 9 — Accrued Expenses

Accrued expenses consisted of the following:

December 31,	2008	2007
Accrued Wages and Related Costs	$ 25,478	$ 65,194
Accrued Professional Services	40,000	27,500
Accrued Warranty Obligations	106,865	73,064
Other Accrued Expenses	13,617	6,114
Total	$185,960	$171,872

The Company has warranty obligations in connection with the sale of certain of its products. The warranty period for its products is generally one year except in European countries where it is two years. The costs incurred to provide for these warranty obligations are estimated and recorded as an accrued liability at the time of sale. The Company estimates its future warranty costs based on product-based historical performance rates and related costs to repair. The changes in the Company's accrued warranty obligations for 2008, 2007 and 2006 were as follows:

Accrued Warranty Obligations at January 1, 2006	$ 15,361
Actual Warranty Experience	(28,317)
Warranty Provisions	55,431
Accrued Warranty Obligations at December 31, 2006	$ 42,475
Actual Warranty Experience	(48,710)
Warranty Provisions	79,299
Accrued Warranty Obligations at December 31, 2007	$ 73,064
Actual Warranty Experience	(71,244)
Warranty Provisions	105,045
Accrued Warranty Obligations at December 31, 2008	$106,865

Note 10 — Accrued Compensation

Accrued compensation represents amounts owed to officers of the Company for services rendered prior to 2007 that remain outstanding. The principal is not subject to a fixed repayment schedule, and interest on the outstanding balance is payable at 8% per annum. Interest expense related to accrued compensation amounts to $35,608, $35,608 and $24,808 for the years ended December 31, 2008, 2007 and 2006, respectively. Total accrued interest on the accrued compensation was $154,753 and $119,145 as of December 31, 2008 and 2007, respectively and these amounts are included in Accrued Interest, under the Long-Term Liabilities portion of the consolidated balance sheet.

VUZIX CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 11 — Long-Term Debt

Long-term debt consisted of the following at December 31:

December 31,	2008	2007
Note payable to an officer of the Company. The principal is not subject to a fixed repayment schedule, bears interest at 8% per annum and is secured by all of the assets of the Company	$209,208	$209,208
During October 2008, entered into an agreement with an officer of the Company, whereby the officer agrees to make loans from time to time to the Company through December 31, 2010, accruing interest on the outstanding balance at 12%, secured by all of the assets of the Company	95,000	—
Bridge loans in the original amount of $15,000 to stockholders of the Company with no fixed date of repayment, accruing interest at 7.5% and are unsecured. The Company has granted holders the same conversion terms as the $60,000 in notes below	15,000	15,000
Convertible promissory notes in the original amount of $60,000. These notes bear interest at 8% and are unsecured. There is no set date of repayment	60,000	60,000
Convertible Notes payable bearing interest at 10% and is secured by all the assets of the Company	500,000	500,000
	$879,208	$784,208
Less: Amount Due Within One Year	500,000	—
Amount Due After One Year	$379,208	$784,208

The aggregate maturities for all long-term borrowings as of December 31, 2008 are as follows:

2009	2010	2011	2012	2013	Thereafter	Total
$ 500,000	$95,000	$ —	$ —	$ —	$284,208	$879,208

Include above are convertible promissory notes and bridge loans that the Company has issued. The notes and loans may be converted into the Company's common stock at $0.0571 per share. Unpaid, accrued interest on these notes and loans amounts to $48,717 and $40,085 at December 31, 2008 and 2007, respectively. The total potential conversions of these notes and loans along with accrued interest amounted to 2,144,522 and 2,013,078 shares at December 31, 2008 and 2007, respectively.

Included above is a $500,000 convertible note payable due to a related party. The note may be converted into the Company's common stock at $0.2667 per share. Unpaid accrued interest on this note amounted to $114,247 and $64,110 at December 31, 2008 and 2007, respectively. The total potential note conversion along with accrued interest amounted to 2,303,138 and 2,115,148 shares at December 31, 2008 and 2007, respectively. This note was due January 31, 2009 and was still outstanding as of March 31, 2009. The interest rate has changed to 18% onwards and the note principal is now being rolled-over on a month to month basis.

VUZIX CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 12 — Capital Lease Obligations

The Company maintains equipment held under capital lease obligations due in monthly installments ranging from $95 to $2,811 including interest at rates ranging from 0.00% to 20.08%. The related equipment is collateral to the leases. Final payments are due through September, 2011.

December 31,	2008	2007
Total Principal Payments	$ 320,128	$ 418,830
Less: Amount Due Within One Year	(139,800)	(171,778)
Amount Due After One Year	$ 180,328	$ 247,052

Annual requirements for retirement of the capital lease obligations are as follows:

December 31,	Amount
2009	$244,610
2010	109,498
2011	30,301
2012	—
2013	—
Total Minimum Lease Payments	$384,409
Less: Amount Representing Interest	(64,281)
Present Value of Minimum Lease Payments	$320,128

The following is a summary of assets held under capital leases:

December 31,	2008	2007
Tooling and Manufacturing Equipment	$ 390,940	$ 313,657
Computers and Software	315,591	303,042
Furniture and Equipment	112,648	112,648
	$ 819,179	729,347
Less: Accumulated Depreciation	(490,866)	(286,127)
Net	$ 328,313	$ 443,220

Depreciation expense related to the assets under capital lease amounted to $204,739, $175,114, and $98,043 for years ended December 31, 2008, 2007, and 2006, respectively.

Note 13 — Income Taxes

The Company files U.S. federal, and U.S. state tax returns. At December 31, 2008, the Company had unrecognized tax benefits totaling $2,962,000, of which would have a favorable impact on our tax provision (benefit), if recognized.

Pre-tax earnings consisted of the following for the years ended December 31, 2008, 2007 and 2006:

December 31,	2008	2007	2006
Total Pre-Tax (Loss) Earnings	$(4,888,987)	$(3,157,886)	$(716,254)

VUZIX CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The provision (benefit) for income taxes was as follows:

December 31,	2008	2007	2006
Current Income Tax Provision (Benefit)			
Federal	$ —	$ —	$ —
State	5,212	(98,372)	3,700
Net Change in Liability for Unrecognized Tax Benefits	—	—	—
	$5,212	$(98,372)	$3,700
Deferred Provision (Benefit)	—	—	—
Total Provision (Benefit)	$5,212	$(98,372)	$3,700

A reconciliation of the statutory U.S. federal income tax rate to the effective rates is as follows:

December 31,	2008	2007	2006
Federal Income Tax at Statutory Rate	34.0%	34.0%	34.0%
State Tax Provision, Net of Federal Benefit	—%	(0.3)%	(0.2)%
Meals and Entertainment	(0.3)%	(0.3)%	(0.8)%
Stock Compensation Expense	(1.3)%	(1.2)%	(0.9)%
Research and Development Credits	(2.1)%	(2.5)%	(6.2)%
Other	—%	—%	(0.2)%
Effective Tax Rate	30.3%	29.7%	25.7%
Change in Valuations Allowance	(30.3)%	(29.7)%	(25.7)%
Net Effective Tax Rate	—%	—%	—%

VUZIX CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Deferred tax assets (liabilities) consist of the following:

December 31,	2008	2007
Assets		
Current		
Inventory and Inventory Related Items	$ 68,000	$ 12,000
Bad Debt and Note Receivable Reserves	1,000	—
Non-Current		
Net Operating Loss Carryforwards	1,825,000	1,235,000
Stock Compensation Expense	—	—
Tax Credit Carryforwards	946,000	656,000
Depreciation	—	—
Other	122,000	102,000
Total Gross Deferred Tax Assets	$ 2,962,000	$ 2,005,000
Valuation Allowance — 100%	(2,962,000)	(2,005,000)
Total Net Deferred Tax Assets	$ —	$ —
Liabilities		
Current		
New York State Refund	$ (19,000)	$ —
Total Gross Deferred Tax Liabilities	(19,000)	—
Valuation Allowance — 100%	19,000	—
Total Net Deferred Tax Liability	$ —	$ —
Net Deferred Tax	$ —	$ —

December 31,	2008	2007
Net Current Deferred Tax Assets	$ —	$ —
Net Long-Term Deferred Tax Assets	$ —	$ —

In 2008 and 2007, the Company generated federal and state net operating losses for income tax purposes. These federal and state net operating loss carryforwards, which total approximately $12,200,000 at December 31, 2008 and begin to expire in 2018, if not utilized. Of the Company's tax credit carryforwards, $946,000 expire between 2017 and 2018, if not utilized.

Deferred tax assets, including carryforwards and other attributes, are reviewed for expected realization and a valuation allowance is established when appropriate to reduce the assets to their estimated net realizable value. Expected realization of deferred tax assets is dependent upon sufficient taxable income in the appropriate jurisdiction and period that is also of the appropriate character. The Company has evaluated the availability of such taxable income, the nature of its deferred tax assets and the relevant tax laws in determining the net realizable value of its deferred tax assets.

In addition, the calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations. As a result of the implementation of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48), we recognize liabilities for uncertain tax positions based on the two-step process prescribed within the interpretation. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step requires us

to estimate and measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement. It is inherently difficult and subjective to estimate such amounts, as this requires us to determine the probability of various possible outcomes. We re-evaluate these uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit and new audit activity. Such a change in recognition or measurement would result in the recognition of a tax benefit or an additional charge to the tax provision in the period.

The following table summarizes the activity in the valuation allowance account for 2008 and 2007:

Balance, January 1, 2007	$1,682,700
Additions Relating to Uncertain Future Realization of	
Net Operating Losses	245,500
State Research and Development Tax Credits	76,800
Balance, December 31, 2007	$2,005,000
Additions Relating to Uncertain Future Realization of	
Net Operating Losses	855,000
State Research and Development Tax Credits	102,000
Balance, December 31, 2008	$2,962,000

Note 14 — Preferred Stock

Series A Preferred Stock par value $0.001 (Authorized 725,000; 0 shares issued and outstanding)

Series A preferred stockholders do not have the right to vote on any matter submitted to the stockholders of the Company for vote, consent, or approval. The Company may at any time redeem all or any portion of Series A preferred stock outstanding at a price per share equal to the liquidation value. The holders of Series A preferred stock may elect to require the Company to redeem on or after November 20, 2007 at the liquidation value of all of the then outstanding shares of Series A preferred Stock.

Series B Preferred Stock par value $0.001 (Authorized 1,020,681; 0 shares issued and outstanding)

Holders of Series B preferred stock shall have voting rights for all matters voted on by stockholders of the Company. Each Series B preferred stockholder shall have that number of votes equal to the number of whole common shares into which the stockholder's Series B preferred stock could be converted on that date. Each share of Series B preferred stock shall be convertible, at the option of the holder, into fully paid and non-assessable shares of common stock at the Conversion Ratio, as defined in the Articles of Incorporation. The initial conversion price of Series B preferred stock was $0.10.

Series C Preferred Stock par value $0.001 (Authorized 500,000; 168,500 shares issued and outstanding)

Holders of Series C preferred stock shall have voting rights for all matters voted on by stockholders of the Company. Each Series C preferred stockholder shall have that number of votes equal to the number of whole common shares into which the stockholder's Series C preferred stock could be converted on that date. Each share of 6% Cumulative Series C preferred stock shall be convertible, at the option of the holder, into 34.29 shares of common stock. The Series C preferred stock is redeemable at the option of the Company at any time after June 30, 2007 for $10 per share plus accrued, unpaid dividends.

Preferred stock

Shares of undesignated preferred stock may be issued in one or more series. The balance of undesignated preferred stock is 4,500,000 as at December 31, 2008. The Board of Directors is authorized to establish and designate the different series and to fix and determine the voting powers and other special rights and qualifications.

Preferred dividends

Cumulative preferred dividends on the Series C series totaled $324,299 as of December 31, 2008 and $223,199 as of December 31, 2007. These cumulative dividends in arrears represented an average $1.92 per share as of December 31, 2008 and an average of $1.32 per share as of December 31, 2007. As of March 31, 2009 total accrued dividends were $349,574 or an average of $2.07 per share.

Note 15 — Stock Split

Effective July 16, 2008, the Company effected a stock split of its common stock whereby each one share of Common Stock, par value $0.001 per share, of the Company's outstanding stock were reclassified and changed into eight shares of Common Stock, par value $0.001 per share.

Effective June 28, 2007 the Company effected a reverse stock split of its common stock whereby each seven shares of Common Stock, par value $0.001 per share, of the Company's outstanding stock were reclassified and changed into one share of Common Stock, par value $0.001 per share.

Both the stock split and reverse share consolidation affected the shares outstanding and pricing for convertible debt, stock subscriptions, incentive stock options, stock warrants and stockholders' equity disclosures. All share and per-share amounts in the accompanying consolidated financial statements and notes to the consolidated financial statements have been adjusted to apply the effect of the reverse stock split (one-for-seven) in 2007 and the forward stock split (eight-for-one) in 2008.

Note 16 — Stock Warrants

During 2007, the Company issued warrants to purchase 2,521,656 shares, respectively, of common stock to the parties who helped secure financing. The exercise price was $0.20 per share.

In exchange for services performed by vendors who worked at a reduced rate, warrants were issued during to purchase 380,699 and 317,032 shares in 2008 and 2007, respectively, of common stock. The exercise prices range from $0.00875 to $0.20 per share.

During 2008, 1,552,936 warrants were exercised at a price of $.00875 per share.

The following table shows the various changes in warrants for the years December 31, 2008 and 2007.

December 31,	2008	2007
Warrants Outstanding, Beginning of Year	6,171,008	3,509,456
Exercised During the Year	(1,552,936)	(177,136)
Issued During the Year	380,699	2,838,688
Forfeited During the Year	—	—
Warrants Outstanding, End of Year	4,998,771	6,171,008

The outstanding warrants as of December 31, 2008 expire from August 10, 2010 to December 31, 2013. The weighted average remaining contractual term on the warrants is 2.7 years. The weighted average exercise price is $0.1401 per share.

During 2006, pursuant to a convertible note payable, a warrant was issued that would only be exercisable if the note holder converted their note along with any unpaid accrued interest. The exercise price if this warrant came into effect would be $0.35 per share and the warrant would have to be exercised by September 30, 2009. Excluding accrued interest, the conversion of the principal of the note and exercise of the resulting warrant would result in the issuance of up to 1,071,225 shares. This warrant is not included in the totals above.

Note 17 — Stock Option Plans

The Company has an Incentive Stock Option Plan (the "Plan") that allows for the granting of both Qualified and Non-Qualified Stock Options as defined under the Internal Revenue Code regulations. The total authorized number of shares under the plan is 45,714,286. For Non-Qualified Stock Options, the Company may grant options that provide for the issuance of Common Shares of $0.001 at prices below fair market value at the date of grant. For Qualified Options grants, the option issuance price may not be less than fair market value at the date of grant. The Plan gives the Board of Directors of the Company the ability to determine vesting periods for all options granted under the Plan, and allows option terms to be up to ten years from the original grant date. Employees' incentive stock options must vest at a minimum rate of 20% per year over a five year period, commencing on the date of grant. Most vest ratably over four years commencing on the date of the option grant. In the case of directors, such options are granted annually and they expire ten years after the date of their grant and vest ratably, on a monthly basis, over the next 12 months. Advisors or consultants can have vesting range from 100 percent of the option grants vesting immediately to ratably, on a monthly basis, over the next a period of up to 48 months.

The following table summarizes stock option activity for the three years ended December 31, 2008:

	Number of Shares	Weighted Average Exercise Price	Exercise Price Range
Outstanding at January 1, 2006	11,783,648	$ 0.02916	$ 0.0061 – $ 0.2334
Granted	1,601,800	$ 0.2318	$ 0.2275 – $ 0.2334
Exercised	(22,857)	$ 0.02275	$0.02275
Expired or Forfeited	—	—	$ —
Outstanding at December 31, 2006	13,362,591	$ 0.05266	$ 0.0061 – $ 0.2334
Granted	1,772,584	$ 0.2189	$ 0.2000 – $ 0.2334
Exercised	(402,483)	$ 0.01137	$ 0.0087 – $0.02889
Expired or Forfeited	(185,742)	$ 0.02889	$0.02889
Outstanding at December 31, 2007	14,546,950	$ 0.07254	$ 0.0061 – $ 0.2334
Granted	1,917,288	$ 0.1846	$ 0.15 – $ 0.20
Exercised	(2,450,888)	$ 0.00694	$0.0.6123 – $ 008750
Expired or Forfeited	(934,336)	$ 0.1949	$ 0.20 – $ 0.2334
Outstanding at December 31, 2008	13,079,014	$ 0.0914	$ 0.0061 – $ 0.2334

As of December 31, 2008, there were 9,582,619 options that were fully vested and exercisable at weighted average exercise price of $0.0594 per share. The weighted average remaining contractual term on the vested options is 5.7 years.

The unvested balance of 3,496,395 options as of December 31, 2008, vest ratably over less than the next 46 months.

VUZIX CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following tables summarizes stock option information at December 31, 2008:

Total Options Outstanding

Range of exercise price	Shares	Weighted average remaining life (yrs)	Weighted average exercise price
$0.0062 to $0.0087	2,995,192	3.58	$ 0.0076
$0.0227 to $0.0289	5,105,291	6.07	$ 0.0257
$0.1500 to $0.2000	2,644,152	9.66	$ 0.1889
$0.2100 to $0.2334	2,334,379	8.10	$ 0.2323
	13,079,014	6.59	$ 0.0914

Exercisable Options Outstanding

Range of exercise price	Shares	Weighted average remaining life (yrs)	Weighted average exercise price
$0.0062 to $0.0087	2,995,192	3.58	$ 0.0076
$0.0227 to $0.0289	4,653,140	5.98	$ 0.0255
$0.1500 to $0.2000	551,296	9.39	$ 0.1935
$0.2100 to $0.2334	1,382,991	7.90	$ 0.2322
	9,582,619	5.70	$ 0.0594

Unvested Options Outstanding

Range of exercise price	Shares	Weighted average remaining life (yrs)	Weighted average exercise price
$0.0062 to $0.0087	—	—	$ —
$0.0227 to $0.0289	452,151	7.00	$ 0.1350
$0.1500 to $0.2000	2,092,856	9.73	$ 0.1876
$0.2100 to $0.2334	951,388	8.41	$ 0.2324
	3,496,395	9.02	$ 0.1930

The weighted average fair value of options granted during 2008 was $0.182842 with an aggregate value of $192,632. The weighted average fair value of options granted during 2007 was $0.215918 with an aggregate total value of $224,020. The weighted average fair value of options granted during 2006 was $0.231794 with an aggregate total value of $246,214. There were no dividends in any of the periods.

The number of options for our securities remaining for future issuance (excluding options reflected above — 13,079,014 as of December 31, 2008) is 29,759,011.

Cash received from option exercises in 2008, 2007, and 2006, amounted to $16,696, $5,730, and $520, respectively. All of the shares issued out of common stock.

No grants, exercises, or forfeitures occurred in the three period ending March 31, 2009. The only change was that more options vested.

With respect to any non-qualified stock options and incentive stock options that are exercised and held for less than one year, the Company recognizes a tax benefit upon exercise in an amount equal to the tax effect of the difference between the option price and the fair market value of the common stock on the exercise date.

VUZIX CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 18 — Stock-based Compensation Expense

The table below summarizes the impact of outstanding stock options on the results of operations for the years ended December 31, 2008, 2007 and 2006 under the provisions of SFAS No. 123(R):

December 31,	2008	2007	2006
Stock-Based Compensation Expense:			
Stock Options	$180,298	$111,438	$18,418
Income Tax Benefit	—	—	—
Net Decrease in Net Income	$180,298	$111,438	$18,418
Decrease in Earnings Per Share:			
Basic and Diluted	$ 0.0008	$ 0.0006	$0.0001

The Black-Scholes-Merton option pricing model was used to estimate the fair value of share-based awards under SFAS No. 123(R) as well as for pro forma disclosures under SFAS No. 123. The Black-Scholes-Merton option pricing model incorporates various and highly subjective assumptions, including expected term and expected volatility. For valuation purposes, stock option awards were categorized into two groups, stock option grants to employees and stock option grants to members of the Board of Directors.

The expected term of options granted was estimated to be the average of the vesting term, historical exercise and forfeiture rates, and the contractual life of the option. The expected volatility at the grant date is estimated using historical stock prices based upon the expected term of the options granted. The risk-free interest rate assumption is determined using the rates for U.S. Treasury zero-coupon bonds with maturities similar to those of the expected term of the award being valued. Cash dividends have never been paid and are not anticipated to be paid in the foreseeable future. Therefore, the assumed expected dividend yield is zero.

The following table shows the detailed assumptions used to compute the fair value of stock options granted during 2008, 2007 and 2006:

December 31,	2008	2007	2006
Expected Term (Years)	6.25 years	6.25 years	6.25 years
Volatility	60.9%	63.7%	63.7%
Risk Free Interest Rate	4.39%	4.39%	4.49%

SFAS No. 123(R) requires pre-vesting option forfeitures at the time of grant to be estimated and periodically revised in subsequent periods if actual forfeitures differ from those estimates. Stock-based compensation expense is recorded only for those awards expected to vest using an estimated forfeiture rate based on historical pre-vesting forfeiture data.

Unrecognized stock-based compensation expense was approximately $360,612 as of December 31, 2008, relating to a total of 3,496,396 unvested stock options under the Company's stock option plans. This stock-based compensation expense is expected to be recognized over a weighted average period of approximately 3.8 years.

Stock-based compensation expense for the three months ending March 31, 2009 and 2008 was $40,689 and $46,584, respectively.

VUZIX CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 19 — Stock Subscriptions Receivable

During the year ended December 31, 2002, the Company's Board of Directors authorized to make loans to certain senior employees to allow them to participate in a rights offering and purchase 32,537,135 shares of common stock at a price of $0.0085 per share. While the loans were initially due September, 2007, the due date was extended to December 2012. The loans bear interest at 6% and are shown as stock subscriptions receivable in the accompanying consolidated financial statements.

Note 20 — Commitments

The Company leases office space under an operating lease expiring in December, 2008 requiring monthly payments of $4,200 plus insurance, taxes and common charges.

The Company leases office space under an operating lease expiring in May, 2009 requiring monthly payments of $3,819 plus insurance, taxes and common charges.

On June 1, 2007 the Company acquired an operating lease for additional office space. The lease expires on June 30, 2010 and requires monthly payments of $3,973 plus insurance, taxes and common charges.

Rent expense for the years ended December 31, 2008, 2007, and 2006 totaled $178,657, $161,410, and $95,539, respectively.

Future minimum payments required under operating lease obligations are as follows:

2009	2010	Total Minimum Lease Payments
$66,765	$23,835	$ 90,600

For the lease agreements described above, the Company is required to pay the pro rata share of the real property taxes and assessments, expenses and other charges associated with these facilities.

Note 21 — Employee Benefit Plans

The Company has a Section 401(k) Savings Plan which covers employees who meet certain age and length of service requirements. To date the plan is comprised of 100% employee deferrals.

Note 22 — Litigation

The Company is not subject to any legal proceedings or claims at the current time. The Company indemnifies its directors and officers who are, or were, serving at the Company's request in such capacities. The fair value of the indemnifications that the Company issued during 2008 was not material to the Company's financial position, results of operations or cash flows.

Note 23 — Product Revenue

The following table represents the Company's total sales for 2008, 2007 and 2006 classified by product category:

December 31,	2008	2007	2006
Consumer Video Eyewear	$ 4,451,121	$ 3,282,755	$2,022,623
Defense Products	6,471,824	1,418,249	4,888,243
Engineering Services	1,548,703	5,445,375	2,627,442
Low Vision Products	92,839	—	—
Total	$ 12,564,487	$ 10,146,379	$9,538,308

VUZIX CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 24 — Concentrations

For 2008, 2007, and 2006, one customer accounted for approximately 20%, 17% and 42% of sales, respectively and sales to the U.S. government accounted for approximately 12% 54%, and 27%, respectively.

Accounts receivable from the U.S. government accounted for 31% and 19% of accounts receivable at December 31, 2008 and 2007, respectively and the other one customer mentioned above represented 6% and 39% of accounts receivable at December 31, 2008 and 2007, respectively.

Note 25 — Related Party Transactions

During 2008, $2,472,824 and $827,307 of revenues and purchases, respectively were derived from a minority stockholder (less than 5%) of the Company who also represented $90,606 of the accounts receivable balance and $— nil of the accounts payable balance at December 31, 2008.

During 2007, $1,737,285 and $2,009,500 of revenues and purchases, respectively were derived from a minority stockholder (less than 5%) of the Company who also represented $1,145,472 of the accounts receivable balance and $1,493,956 of the accounts payable balance at December 31, 2007.

During 2006, $4,006,324 and $620,727 of revenues and purchases, respectively were derived from a minority stockholder (less than 5%) of the Company who also represented $359,068 of the accounts receivable balance and $164,510 of the accounts payable balance at December 31, 2006.

Included in long-term debt is a note payable to an officer of the Company. Interest expense related to the note payable amount to $16,737 for the years ended December 31, 2008 and 2007. Total accrued interest on the note payable was $100,449 as of December 31, 2008. See Note 11 for details.

Included in long-term debt are bridge loans payable and convertible notes payable to related parties, minority stockholders owning less than 1% of the Company. Interest expense related to these loans payable amounted to $48,717, $40,085, and $32,056 for the years ended December 31, 2008, 2007 and 2006, respectively.

The Company has accrued compensation owed to officers of the Company. Interest expense related to accrued compensation amounts to $35,608, $35,608 and $24,808 for the years ended December 31, 2008, 2007 and 2006, respectively. Total accrued interest on the accrued compensation was $154,753 as of December 31, 2008. See Note 10 for details.

Note 26 — Prior-Period Restatements

The accompanying consolidated financials for 2007 have been restated to correct errors recognized after their initial release. These changes include the correction of the warranty reserve of $73,064; a reduction of depreciation expense of $15,346; and the accrual of an income tax benefit from research and development tax credits of $130,130. The effect of these restatements is an overall decrease in the net loss in the amount of $72,412 for 2007. There was also a reclassification of expenses of $499,237 between the cost of sales and operating expense classifications for consistency across the periods. This had no effect on the reported net loss.

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Up to • Units

PROSPECTUS

Until , 2009, all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This requirement is in addition to the dealers' obligation to deliver a prospectus when acting as agents and with respect to their unsold allotments or subscriptions.

, 2009

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Alternate page for Canadian Prospectus

A copy of this preliminary prospectus has been filed with the securities regulatory authorities in each of the provinces of Canada other than Québec but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the prospectus is obtained from the securities regulatory authorities.
This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. Vuzix Corporation has filed a registration statement on Form S-1 with the United States Securities and Exchange Commission under the United States Securities Act of 1933, as amended, with respect to these securities. See "Plan of Distribution".

PRELIMINARY PROSPECTUS

Initial Public Offering June 30, 2009

VUZIX®
View the Future™

VUZIX CORPORATION

UP TO CDN$ ●

Up to ● Units

(each Unit consisting of one share of common stock and one-half of one common stock purchase warrant)

This prospectus qualifies the distribution (the "Offering") of up to ● units (the "Units") in the capital of Vuzix Corporation ("Vuzix", the "Company", "us" or "we"), at a price of Cdn$ ● per Unit (the "Offering Price"). Each Unit is comprised of one share of our common stock, with a par value of US$0.001 per share (each, a "Share" and collectively, the "Shares") and one-half of one common stock purchase warrant (each whole warrant being a "Warrant"). The Warrants will be created and issued pursuant to the terms of a warrant indenture (the "Warrant Indenture") dated as of the closing date between us and Computershare Trust Company of Canada, as warrant agent thereunder. Each Warrant will entitle its holder to purchase one share of our common stock at a price of Cdn$ ● per share at any time for ● months after the closing date of the Offering. The Units are being offered concurrently in each of the provinces of Canada other than Québec pursuant to this prospectus and in the United States pursuant to a registration statement on Form S-1 (the "U.S. Prospectus") filed with the United States Securities and Exchange Commission. The full text of the U.S. Prospectus is included in and forms a part of this prospectus. We have engaged Canaccord Capital Corporation and Bolder Investment Partners, Ltd. (collectively, the "Agents") to act as our agents in connection with the sale of the Units on a best efforts basis. Subject to compliance with applicable laws, the Offering Price of the Units will be determined by negotiation between us and the Agents. In connection with the Offering, the Agents may over-allot or effect transactions which stabilize or maintain the market price of the shares at levels other than those which may otherwise exist in the open market. See "Plan of Distribution".

There is currently no market through which the Units or the Shares and Warrants comprising the Units may be sold and purchasers may not be able to resell the Shares or Warrants purchased under this prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities and the extent of issuer regulation. An investment in the Units is subject to a number of risks that should be considered by a prospective purchaser. Investors should carefully consider the risk factors described under "Risk Factors" in the U.S. Prospectus before purchasing the Units. We have applied to list the shares of our common stock (including the Shares) on the TSX Venture Exchange (the "TSX-V"). Listing will be subject to us fulfilling all of the listing requirements of the TSX-V. We do not intend to list the Warrants on the TSX-V or any other securities exchange.

PRICE CDN$ ● PER UNIT

	Price to the Public	Agents' Commissions[1],[2]	Net Proceeds to Vuzix[3]
Per Unit	Cdn$ ●	Cdn$ ●	Cdn$ ●
Total Offering[4]	Cdn$ ●	Cdn$ ●	Cdn$ ●

Notes

(1) We have retained the Agents to solicit subscriptions for the Units on a best efforts basis. As consideration for their services, the Agents will receive: (i) a commission equal to 8% of the gross proceeds of the Offering; (ii) options (the "Compensation Options") entitling the Agents to purchase that number of Shares and Warrants equal to 12.5% of the aggregate number of Shares and Warrants sold under the Offering (including the Shares and Warrants issued upon exercise of the Over-Allotment Option), at the Offering Price per Share and Warrant, for a period of 12 months from the closing date; and (iii) a due diligence fee of Cdn$15,000. The Agents will also be reimbursed for their reasonable fees and expenses including the reasonable legal fees and disbursements of legal counsel to the Agents. This prospectus also qualifies the distribution of that number of Compensation Options entitling the Agents to acquire up to 10% of the Shares and Warrants sold under the Offering (including pursuant to the exercise of the Over-Allotment Option referred to below). The distribution of the balance of the Compensation Options (entitling the Agents to acquire up to 2.5% of the number of Shares and Warrants sold under the Offering) is not qualified under this prospectus and such securities will be issued to the Agents pursuant to exemptions from the prospectus and registration requirements of applicable securities legislation and will be subject to resale restrictions under applicable securities legislation.

(2) In consideration of certain fiscal advisory services rendered by the Agents to us pursuant to a fiscal advisory fee agreement between us and the Agents dated June 29, 2009 (the "Fiscal Advisory Fee Agreement"), we have agreed to issue to the Agents that number of shares of our common stock equal to, depending on the gross proceeds of the Offering, between 1.0% and 2.0% of the number of issued and outstanding shares of our common stock outstanding on the closing of the Offering. The distribution of these shares to the Agents pursuant to the Fiscal Advisory Fee Agreement is not qualified by this prospectus. Such shares will be issued pursuant to exemptions from the prospectus and registration requirements of applicable securities legislation and will be subject to resale restrictions under applicable securities legislation. See "Material Contracts".

(3) Before deducting the expenses of the Offering estimated at Cdn$ ● which, together with the Agents' commission and fees, will be paid by us out of the proceeds of the Offering.

(4) We have granted the Agents an over-allotment option (the "Over-Allotment Option"), exercisable in whole or in part at any time for a period of 30 days from the date of the closing of the Offering, to sell up to an aggregate number of additional Shares and Warrants, up to the lesser of the Agents' over-allocation position determined at the time of closing of the Offering and ● Shares and ● Warrants (15% of the number of Shares and whole Warrants offered by us under this prospectus) or any combination thereof at a price of Cdn$ ● per Share and Cdn$ ● per Warrant. For greater clarity, these Warrants will only be issued upon exercise of the Over-Allotment Option for the purpose of distribution of Units to purchasers. The aggregate number of Shares and Warrants issuable to purchasers pursuant to the Offering shall not exceed ● Shares and ● Warrants, respectively. The Over-Allotment Option and the Shares and Warrants issuable on exercise thereof are qualified for distribution under this prospectus regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. If the Over-Allotment Option is exercised in full, the aggregate price to the public, the Agents' commission and the net proceeds to Vuzix will be Cdn$ ●, Cdn$ ● and Cdn$ ●, respectively. The expenses associated with any exercise of the Over-Allotment Option, together with the Agents' commission, will be paid by us. See "Plan of Distribution".

(Continued on the next page)

Alternate page for Canadian Prospectus

(Continued from previous page)

As of the date hereof, we are an "IPO Venture Issuer" (defined under National Instrument 41-101 as an issuer that does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, a U.S. marketplace, or a marketplace outside of Canada and the United States of America other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc.). See "Risk Factors" in the U.S. Prospectus. In connection with this Offering, the Agents may, subject to applicable laws, over-allot or effect transactions that stabilize or maintain the price of the Shares at levels other than those which otherwise might prevail on the open market. See "Plan of Distribution".

The following table summarizes the options granted by us to the Agents pursuant to the Offering:

Agents' Position	Maximum Number of Securities Held	Exercise Period	Exercise Price
Over-Allotment Option(1)	● Shares ● Warrants	30 days from the closing of the Offering	● per Share ● per Warrant
Compensation Options(1),(2)	12.5% of the number of Shares and Warrants sold under the Offering (including upon exercise of the Over-Allotment Option)	12 months from the closing of the Offering	$ ● per Unit
Total Securities under Option	●		

Notes

(1) Assuming exercise in full of the Over-Allotment Option.

(2) This prospectus also qualifies the distribution of that number of Compensation Options entitling the Agents to acquire up to 10% of the Shares and Warrants sold under the Offering (including the Shares and Warrants issued upon exercise of the Over-Allotment Option). The distribution of the balance of the Compensation Options (entitling the Agents to acquire up to 2.5% of the number of Shares and Warrants sold under the Offering) is not qualified under this prospectus and such portion of the Compensation Options will be issued to the Agents pursuant to exemptions from the prospectus and registration requirements of applicable securities legislation and will be subject to resale restrictions under applicable securities legislation.

A purchaser who acquires Shares or Warrants forming part of the Agents' over-allocation position acquires those Shares and Warrants under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "Plan of Distribution".

The Agents, as agents on behalf of the Company, conditionally offer the Units qualified under this prospectus, subject to prior sale, if, as and when issued by us and accepted by the Agents in accordance with the conditions contained in the agency agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on our behalf by Wildeboer Dellelce LLP as to certain matters of Canadian law and Boylan, Brown, Code, Vigdor & Wilson, LLP as to certain matters of U.S. law and on behalf of the Agents by McCullough O'Connor Irwin LLP as to certain matters of Canadian law and Dorsey & Whitney LLP as to certain matters of U.S. law. The Agents may offer the Units at prices lower than stated above. See "Plan of Distribution".

The financial statements included in this prospectus have not been prepared in accordance with Canadian generally accepted accounting principles and may not be comparable to financial statements of a Canadian issuer. See "Notice to Investors Regarding GAAP".

Subscriptions will be received subject to rejection or allotment in whole or in part, and the Agents reserve the right to close the subscription books at any time without notice. It is expected that the closing of the Offering will occur on or about ● , 2009 or such other date as the Company and the Agents may agree, which in any event shall not be later than ● , 2009. One or more book-entry only certificates representing the Shares and the Warrants, respectively, to be issued or sold in this Offering will be issued in registered form to The Canadian Depository for Securities Limited ("CDS"), or to its nominee, and will be deposited with CDS on the date of closing. A purchaser of the Units will receive only a customer confirmation from the registered dealer through which the Units are purchased.

Vuzix is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction. Although we have appointed Wildeboer Dellelce Corporate Services Inc. as our agent for service of process in Toronto, Ontario, it may not be possible for investors to enforce judgments obtained in Canada against us. See "Enforcement of Legal Rights".

Unless the context requires otherwise, references to the "Company", "Vuzix", "we", "us", or "our" refer to Vuzix Corporation and its subsidiary.

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CURRENCY AND EXCHANGE RATE DATA

We measure and report our financial results in U.S. dollars. The following table sets forth, for the periods indicated, the high, low, average and period-end noon buying rates of exchange for one U.S. dollar in Canadian dollars published by the Bank of Canada. Although obtained from sources believed to be reliable, the data is provided for informational purposes only, and the Bank of Canada does not guarantee the accuracy or completeness of the data. No representation is made that the U.S. dollar amounts have been, could have been or could be converted into Canadian dollars at the noon buying rate on such dates or any other dates.

	Year Ended December 31			Period Ended March 31	
	2008	2007	2006	2009	2008
Highest rate during period	$1.2969	$1.1853	$1.1726	$1.3000	$1.0324
Lowest rate during period	0.9719	0.9170	1.0990	1.1823	0.9719
Average rate during period	1.0660	1.0748	1.1342	1.2456	1.0042
Rate at the end of period	1.2246	0.9881	1.1653	1.2602	1.0279

On June 29, 2009, the noon buying rate of the Bank of Canada was U.S.$1.00 = Cdn$1.1583. **Unless otherwise specified, all references to "dollars", "U.S.$" or "$" in this prospectus are to United States dollars and references to "Cdn$" in this prospectus are to Canadian dollars.**

NOTICE TO INVESTORS REGARDING GAAP

The financial statements included in this prospectus have been prepared in accordance with U.S. generally accepted accounting principles which differ in certain material respects from Canadian generally accepted accounting principles. As we will become an "SEC issuer" (as such term is defined in National Instrument 52-107 of the Canadian Securities Administrators), we are not required to provide, and have not provided, a reconciliation of our financial statements to Canadian generally accepted accounting principles.

CONTINUOUS DISCLOSURE

Upon the filing of the final prospectus with the securities regulatory authorities in each of the provinces of Canada other than Québec we will become a reporting issuer under the securities laws of such jurisdictions that provide for a reporting issuer regime. Pursuant to the rules of the securities regulatory authorities of such jurisdictions, we (or, in the case of insider reporting, our insiders) are generally exempt from the requirements of the laws of such jurisdictions relating to continuous disclosure, proxy solicitation and insider reporting. These rules generally permit us to comply with certain informational requirements applicable in the United States instead

of the continuous disclosure requirements normally applicable in such Canadian jurisdictions, provided that the relevant documents are filed with the securities regulatory authorities in the relevant Canadian jurisdictions and are provided to security holders in Canada to the extent and in the manner and within the time required by applicable U.S. requirements.

ENFORCEMENT OF LEGAL RIGHTS

We are incorporated under the laws of the State of Delaware in the United States of America and, accordingly, the rights and remedies generally available to shareholders under Canadian corporate statutes will not be available to investors who purchase under this prospectus. In addition, substantially all of our assets are located outside of Canada. Although we have appointed Wildeboer Dellelce Corporate Services Inc. as our agent for service of process in Ontario, it may not be possible for investors to collect from the Company judgments obtained in courts in Canada predicated on the civil liability provisions of applicable securities legislation in Canada.

In addition, a majority of our directors and officers and certain of the experts named in this prospectus reside outside of Canada. Furthermore, substantially all of the assets of such persons may also be located outside of Canada. It may not be possible for investors to effect service of process within Canada upon these directors and officers and experts referred to above. In addition, it may not be possible to enforce against the Company's directors and officers or certain of the experts named in this prospectus judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable securities legislation in Canada.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to a holder of Shares and Warrants:

- who is or is deemed to be a resident of Canada,
- who deals at arm's length with us,
- who is not affiliated with us,
- an interest in which would not be a "tax shelter investment" under the *Income Tax Act* (Canada) (the "Tax Act"),
- who is not a "financial institution" or other taxpayer to which the "mark to market" rules in the Tax Act apply,
- who holds all Shares and Warrants solely as capital property,
- who does not determine its "Canadian tax results" in a "functional currency", each as defined in the Tax Act, and
- for whom we are not at any material time a "foreign affiliate" for the purposes of the Tax Act,

at all material times for the purposes of the Tax Act.

A Share or a Warrant will generally be considered capital property of a holder unless the holder holds the Share or Warrant in the course of carrying on a business of buying and selling shares or warrants, or acquired the Shares or Warrants in a transaction or transactions considered to be an adventure in the nature of trade.

This summary is of a general nature only and is not exhaustive of all Canadian federal income tax considerations that may be relevant to a particular holder. It is not, and should not be construed as, legal or tax advice to any particular holder. Consequently each holder is urged to consult the holder's own tax advisers with respect to the legal and tax consequences applicable to the holder's circumstances.

This summary is based on the current provisions of the Tax Act and regulations thereunder in force as at the date hereof, all specific proposals to amend the Tax Act and regulations thereunder (the "Proposed Amendments"), publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof, and counsel's

understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the "CRA"). This summary assumes that the Proposed Amendments will be enacted as currently proposed, and that there will be no other material change to any relevant law or administrative practice, although no assurance can be given in these respects.

Except as otherwise indicated, this summary does not take into account or anticipate any change in any applicable law, and does not take into account any provincial, territorial or foreign tax law nor any income or other tax treaty, any of which may give rise to considerations that differ significantly from the Canadian federal income tax considerations discussed herein.

Currency

For the purposes of the Tax Act, each amount relating to a share, including dividends, adjusted cost bases and proceeds of disposition, must be expressed in Canadian dollars. Any relevant amount denominated in U.S. dollars generally must be converted into Canadian dollars based on the prevailing U.S. dollar exchange rate at the relevant time. Holders may therefore realize additional income, gains or losses by virtue of changes in foreign currency exchange rates.

Acquisition of Shares and Warrants

The total Offering Price of a Unit to a holder must be allocated on a reasonable basis between the Share and the one-half of one Warrant to determine the cost of each for purposes of the Tax Act. For our purposes, we intend to allocate Cdn$ ● of the Offering Price of each Unit as consideration for the issue of each Share and Cdn$ ● of the issue price of each Unit for the issue of each one-half of one Warrant. Although we believe that this allocation is reasonable, it is not binding on the CRA or the holder. The holder's adjusted cost base of each Share comprising a part of each Unit will be determined by averaging the cost allocated to the Shares acquired pursuant to the offering with the adjusted cost base to the holder of all Shares owned by the holder immediately prior to such acquisition.

Exercise of Warrants

No gain or loss will be realized by a holder upon the exercise of a Warrant. When a Warrant is exercised, the holder's cost of the share of common stock acquired thereby will be the aggregate of the holder's adjusted cost base of such Warrant and the exercise price paid for the share of our common stock. The holder's adjusted cost base of the common stock so acquired will be determined by averaging such cost with the adjusted cost base to the holder of all shares of our common stock owned by the holder immediately prior to such acquisition.

Disposition and Expiry of Warrants

A disposition or deemed disposition by a holder of a Warrant (other than upon the exercise thereof) will generally give rise to a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, are greater (or less) than such holder's adjusted cost base of the Warrants. In the event of the expiry of an unexercised Warrant, the holder will realize a capital loss equal to the holder's adjusted cost base of such Warrant. The tax treatment of capital gains and capital losses is discussed in greater detail below under the subheading "Capital Gains and Capital Losses".

Disposition of Shares

A holder who disposes or is deemed to dispose of a share of our common stock generally will realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition of the share, less reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such share to the holder. The tax treatment of capital gains and capital losses is discussed in greater detail below under the subheading "Capital Gains and Capital Losses".

Capital Gains and Capital Losses

The holder must include one half of any capital gain ("taxable capital gain") realized by a holder in income, and may deduct one half of any capital loss ("allowable capital loss") against taxable capital gains realized by a holder in

the same year subject to the detailed rules in the Tax Act limiting the deduction of capital losses . The holder may deduct any excess of allowable capital losses against any net taxable capital gains realized in any of the three preceding taxation years or any subsequent taxation year, to the extent and under the circumstances permitted in the Tax Act. A holder resident in Canada who realizes a capital gain on the disposition of the Shares and pays United States tax as a result of the disposition may be eligible to claim a foreign tax credit or deduction under the Tax Act in respect of the United States tax payable to the extent and under the circumstances described in the Tax Act.

A holder that is a "Canadian-controlled private corporation" for the purposes of the Tax Act may be liable to pay an additional refundable tax of 6$^2/_3$% on its "aggregate investment income" for the year, which will include any net taxable capital gains. Capital gains realized by a holder who is an individual (including most trusts) may be subject to alternative minimum tax.

Dividends on Shares

A holder will be required to include in income the gross amount of any dividend, including amounts deducted for any United States or other foreign withholding tax that may be levied on the dividend, that the holder receives, or is deemed to receive, on a share of common stock. The holder, if an individual (including a trust), will not be entitled to the gross-up and dividend tax credit rules normally applicable to dividends received by individuals from taxable Canadian corporations. If the holder is a corporation, the holder will not be entitled to deduct the amount of the dividend in computing its taxable income.

The holder will, subject to the detailed rules in the Tax Act governing foreign tax credits and deductions in respect of foreign taxes, generally be entitled to claim a foreign tax credit against federal Canadian income tax, or a deduction in computing income, or both a foreign tax credit and a deduction, in respect of any United States or other foreign withholding tax levied on any such dividend.

Holders are advised to consult their own tax advisers with respect to the availability of a foreign tax credit or deduction in respect of any dividend received or deemed to be received on a share of common stock.

A holder that is a "Canadian-controlled private corporation" for the purposes of the Tax Act may be liable to pay an additional refundable tax of 6$^2/_3$% on its "aggregate investment income" for the year, which will include dividends on the common stock.

Foreign Property Information Reporting

The Tax Act imposes information reporting requirements on most Canadian residents who hold "specified foreign property" having an aggregate cost amount of Cdn$100,000 at any time in a taxation year or fiscal period. The Shares will be specified foreign property for these purposes. Each holder should consult the holder's own tax advisers to determine whether the holder is or may be subject to these reporting requirements.

Proposals Regarding Foreign Investment Entities

The Proposed Amendments contain provisions that relate to the taxation of certain interests held by Canadian residents in certain non-resident entities, applicable for taxation years commencing after 2006 (the "FIE Proposals"), notwithstanding that they have yet to be passed into law. However, the January 27, 2009 Federal Budget announced that the Government of Canada will review the existing FIE Proposals in light of submissions that it has received before proceeding with measures in the area.

Under the FIE Proposals, where a Canadian resident holds an interest such as a Share or rights to acquire shares (such as the Warrants), other than an "exempt interest", in a corporation that is a "foreign investment entity" (a "FIE") at the corporation's taxation year-end (as each of such terms is defined in the FIE Proposals), the Canadian resident generally will be required to include in computing income for the Canadian resident's taxation year that includes such year-end an amount in respect of such interest computed in one of three ways: (a) an imputed return calculated as a prescribed percentage of the holder's "designated cost" of such interest; (b) in certain circumstances, the annual accrued increase or decrease in the fair market value of the holder's interest; or (c) in certain other limited circumstances, a proportionate share of the FIE's income or loss for the year calculated using Canadian tax rules as specified in the FIE Proposals. For most holders, the method described in (a) would be applicable.

We will not, however, be a FIE at the end of a taxation year provided that either: (a) at such time, the "carrying value" of all of our "investment property" will not be greater than one-half of the "carrying value" of all our property; or (b) throughout the relevant taxation year, our principal undertaking will have been the carrying on of a business that is not an "investment business". No assurances can be given that we will not be a FIE at the end of any of our taxation years or at any other times.

Even if we were a FIE for purposes of the FIE Proposals at the end of a taxation year, if the Shares or Warrants qualified as "exempt interests" for a particular holder at that time, the FIE Proposals would not apply in respect of such holder's Shares or Warrants, respectively. Generally, under the FIE Proposals, the Shares or Warrants would be an "exempt interest" to a particular Holder at the end of a particular taxation year if: (a) it was reasonable to conclude that the holder had no "tax avoidance motive" in respect of the Shares or Warrants, respectively, at that time; (b) throughout such period the Shares or Warrants, respectively, were an "arm's length interest" of the holder; and (c) throughout such period either (i) the Shares or Warrants, respectively, were listed on a designated stock exchange for the purposes of the Tax Act (which currently includes the TSX-V) or (ii) we were governed by and existed under the laws of a state of the United States and were a resident of the United States for the purposes of the Canada-United States Tax Convention (1980).

Holders should consult their own tax advisors regarding the FIE Proposals generally in respect of the Shares and Warrants, including the determination of whether or not they have a "tax avoidance motive" and whether or not the Shares or Warrants may at any time constitute an "exempt interest" to a holder.

If we were a FIE, the FIE Proposals include complex provisions to relieve against double taxation of dividend received and amounts included in income under the FIE Proposals. Holders should consult their own tax advisors in this regard.

AUDITORS, TRANSFER AGENTS & REGISTRARS

Our auditors are Rotenberg & Co. LLP, an independent registered public accounting firm, located in Rochester, New York.

The main transfer agent and registrar for our common stock is Computershare Trust Company, N.A. at its principal office located in Golden, Colorado. The co-transfer agent and registrar for our common stock is Computershare Investor Services, Inc. at its principal office located in Toronto, Ontario. The warrant agent for our Warrants is Computershare Trust Company of Canada at its principal office located in Toronto, Ontario.

PLAN OF DISTRIBUTION

We will enter into an agency agreement with the Agents with respect to the Units being offered by us. For a description of the terms of the agency agreement, see "Underwriting" in the U.S. Prospectus. This section supplements the disclosure contained under "Underwriting" in the U.S. Prospectus.

The obligations of the Agents may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events.

The Offering is being made concurrently in the United States and each of the provinces of Canada other than Québec. The Units will be offered in the United States through those Agents who are registered to offer the Units for sale in the United States, either directly or indirectly through their U.S. broker-dealer affiliates, or such other registered dealers as may be designated by the Agents. The Units will be offered in each of the provinces of Canada other than Québec through those Agents who are registered to offer the Units for sale in such provinces. Subject to applicable law, the Agents may offer the Units outside of the United States and Canada.

The Warrants will be created and issued pursuant to the terms of the Warrant Indenture to be dated as of the closing date between us and Computershare Trust Company of Canada, as warrant agent thereunder. The Warrant Indenture will, among other things, include provisions for the appropriate adjustment in the class, number and price of the Shares to be issued upon exercise of the Warrants upon the occurrence of certain events, including any subdivision, consolidation or reclassification of the shares of our common stock, the payment of stock dividends

and any amalgamation, arrangement or merger. No fractional shares will be issued upon exercise of the Warrants. The Shares issuable upon exercise of the Warrants, when issued upon exercise of a Warrant, will be fully paid and non-assessable. The holder of a Warrant will not possess any rights as a shareholder until the holder exercises the Warrant. A Warrant may be exercised upon surrender of the certificate representing such Warrant on or before the expiry date of the Warrant at the office of the warrant agent, with the exercise form found on the back of the Warrant certificate completed and executed as indicated, accompanied by payment of the exercise price (by money order, wire transfer, bank draft or certified cheque payable to the order of "Vuzix Corporation") for the number of shares of our common stock with respect to which the Warrant is being exercised. The foregoing discussion of material terms and provisions of the Warrants is qualified in its entirety by reference to the detailed provisions of the Warrant Indenture, a copy of which will be available on www.sedar.com and a copy of which may be obtained by contacting us.

Pursuant to policy statements of certain Canadian provincial securities commissions and the Universal Market Integrity Rules for Canadian Marketplaces, the Agents may not, throughout the period of distribution, bid for or purchase Shares or Warrants except in accordance with certain permitted transactions, including market stabilization and passive market making activities. Subject to the foregoing, the Agents may engage in stabilizing transactions, which involve making bids for, purchasing and selling the Shares or Warrants in the open market for the purpose of preventing or retarding a decline in the market price of our Shares or Warrants while the Offering is in progress. These stabilizing transactions may include making short sales of the Units or Shares, which involve the sale by the Agents of a greater number of the Shares or Warrants than are being sold in the Offering. Short sales may be "covered" shorts, which are short positions in an amount not greater than the Agents' Over-Allotment Option, or may be "naked" shorts, which are short positions in excess of that amount. The Agents may close out any covered short position either by exercising their Over-Allotment Option, in whole or in part, or by purchasing the Shares or Warrants in the open market. In making this determination, the Agents will consider, among other things, the price of the Shares and Warrants available for purchase in the open market compared to the price at which the Agents may purchase the Shares or Warrants through the Over-Allotment Option. A naked short position is more likely to be created if the Agents are concerned that there may be downward pressure on the price of the Shares or Warrants in the open market that could adversely affect investors who purchase in the Offering. To the extent that the Agents create a naked short position, they will purchase the Shares or Warrants in the open market to cover the position. These activities may have the effect of raising or maintaining the market price of the Shares or Warrants or preventing or retarding a decline in the market price of the Shares or Warrants, and, as a result, the price of the Shares or Warrants may be higher than the price that otherwise might exist in the open market. Such transactions, if commenced, may be discontinued at any time. The Agents may carry out these transactions on the TSX-V, in the over the counter market or otherwise.

There is no current market through which the Shares or Warrants may be sold and purchasers may not be able to resell securities purchased under this prospectus. See "Risk Factors" in the U.S. Prospectus. We have applied to list the Shares distributed under this prospectus on the TSX-V. Listing will be subject to the Company fulfilling all listing requirements of the TSX-V.

As of the date hereof, we are an "IPO Venture Issuer" (defined under National Instrument 41-101 as an issuer that does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, a U.S. marketplace, or a marketplace outside of Canada and the United States of America other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc.).

We have granted the Agents the Over-Allotment Option, exercisable in whole or in part at any time for a period of 30 days from the date of the closing of the Offering, to sell up to an aggregate number of additional Shares and Warrants, equal to the lesser of the Agents' over-allocation position determined at the time of closing of the Offering and ● Shares and ● Warrants (being 15% of the number of Shares and Warrants offered by us under this prospectus) or any combination thereof. For greater clarity, these Warrants will only be issued upon exercise of the Over-Allotment Option for the purpose of distribution of whole Units to purchasers. The aggregate number of Shares and Warrants issuable to purchasers pursuant to the Offering shall not exceed ● Shares and ● Warrants, respectively. The Over-Allotment Option and the Shares and Warrants issuable on exercise thereof are qualified for distribution under this prospectus regardless of whether the over-allocation position is ultimately filled

through the exercise of the Over-Allotment Option or secondary market purchases. If the Over-Allotment Option is exercised in full, the aggregate price to the public, the Agents' commission and the net proceeds to Vuzix will be $ ● , $ ● and $ ● , respectively. The expenses associated with any exercise of the Over-Allotment Option, together with the Agents' commission, will be paid by us.

As consideration for their services, the Agents will receive: (i) a commission equal to 8% of the gross proceeds of the Offering; (ii) Compensation Options entitling the Agents to purchase that number of Shares and Warrants equal to 12.5% of the aggregate number of Shares and Warrants sold under the Offering (including the Shares and Warrants issued upon exercise of the Over-Allotment Option), at the Offering Price per Share and Warrant, for a period of 12 months from the closing date; and (iii) a due diligence fee of Cdn$15,000. The Agents will also be reimbursed for their reasonable fees and expenses including the reasonable legal fees and disbursements of legal counsel to the Agents.

This prospectus also qualifies the distribution of that number of Compensation Options entitling the Agents to acquire up to 10% of the Shares and Warrants sold under the Offering (including pursuant to the exercise of the Over-Allotment Option). The distribution of the balance of the Compensation Options (entitling the Agents to acquire up to 2.5% of the number of Shares and Warrants sold under the Offering) is not qualified under this prospectus and such portion of the Compensation Options will be issued to the Agents pursuant to exemptions from the prospectus and registration requirements of applicable securities legislation and will be subject to resale restrictions under applicable securities legislation.

In consideration of certain fiscal advisory services rendered by the Agents to us pursuant to the Fiscal Advisory Fee Agreement, we have agreed to issue to the Agents that number of shares of our common stock equal to, depending on the gross proceeds of the Offering, between 1.0% and 2.0% of the number of issued and outstanding shares of our common stock outstanding on the closing of the Offering. The distribution of these shares of our common stock to the Agents pursuant to the Fiscal Advisory Fee Agreement is not qualified by this prospectus. Such shares will be issued pursuant to exemptions from the prospectus and registration requirements of applicable securities legislation and will be subject to resale restrictions under applicable securities legislation. See "Material Contracts".

PRIOR SALES

In the past 12 months, shares of our common stock or securities convertible or exercisable for shares of our common stock have been issued by us as follows:

Date of Issuance	Nature of Securities Issued	Number of Shares of Common Stock Issued or Issuable	Issue Price Per Share of Common Stock	Aggregate Issue Price
May 2009	options(1)	2,335,940	$ 0.15	—
January 2009	shares of common stock(2)	2,000,000	$ 0.15	$ 300,000
January 2009	warrants(2)	1,000,000	$ 0.20	—
December 2008	warrants(3)	120,000	$ 0.01	—
December 2008	warrants(4)	11,583	$ 0.15	—
November 2008	options(5)	142,864	$ 0.15	—
November 2008	options(6)	446,424	$ 0.15	—
September 2008	shares of common stock(7)	444,447	$ 0.15	$ 66,667
August 2008	shares of common stock(8)	2,000,000	$ 0.15	$ 300,000
July 2008	options(9)	1,328,000	$ 0.20	—
July 2008	shares of common stock(10)	13,364,899	$ 0.15	$2,004,735
July 2008	warrants(11)	66,667	$ 0.01	—
June 2008	warrants(12)	157,504	$ 0.01	—
June 2008	warrants(13)	24,945	$ 0.20	—
June 2008	shares of common stock(14)	1,552,936	$ 0.01	$ 15,529

Notes:

(1) Options were granted under our stock option plan to 44 employees and are exercisable for ten years from the date of grant, subject to vesting over four years from the date of grant.

(2) Shares of our common stock, together with a warrant to purchase an additional 1,000,000 shares of our common stock, were issued to an individual investor and such warrants are exercisable for five years from the date of issue.

(3) Warrants were issued to a consultant in consideration for services and are exercisable for five years from the date of issuance.

(4) Warrants were issued to a consultant in consideration for services and are exercisable for five years from the date of issuance.

(5) Options were granted under our stock option plan to our external director as his annual retainer for serving and are exercisable for ten years from the date of grant, subject to vesting over 12 months from the date of grant.

(6) Options were issued to one consultant and two employees and are exercisable for ten years from the date of grant, subject to vesting over four years from the date of grant.

(7) Shares of our common stock were issued to a consultant for services.

(8) Shares of our common stock were issued to an individual investor.

(9) Options were issued under our 2007 stock option plan to seven employees and are exercisable for ten years from the date of the grant subject to vesting over four years from the date of grant.

(10) Shares of our common stock were issued to 46 individual and institutional investors.

(11) Warrants were issued to a consultant in consideration for services and are exercisable for five years from the date of issuance.

(12) Warrants were issued to a consultant in consideration for services and are exercisable for five years from the date of issuance.

(13) Warrants were issued to a consultant in consideration for services and are exercisable for five years from the date of issuance.

(14) Shares issued to 51 investors pursuant to the exercise of then outstanding warrants.

Except for the Shares and Warrants issuable pursuant to the Offering (including pursuant to the exercise of the Over-Allotment Option and the issuance of shares of our common stock pursuant to the Fiscal Advisory Fee Agreement), and the shares of our common stock issuable pursuant to the conversion of outstanding convertible securities if, as and when converted by the holders thereof, as more particularly described in the U.S. Prospectus, we do not have a present intention to issue any other securities.

MATERIAL CONTRACTS

The only material contracts not in the ordinary course of business entered into since the beginning of the last financial year ending before the date of the prospectus, or before the beginning of such financial year where such contract is still in effect, or to be entered into, on or before the closing of the Offering, are as follows:

(a) Warrant Indenture. See “Plan of Distribution”.

(b) Shareholders Agreement dated as of October 11, 2000 by and among Vuzix and Shareholders (as defined therein). See “Description of Capital Stock — Registration Rights” and Exhibit 10.9 in the U.S. Prospectus.

(c) Technology Purchase and Royalty Agreement dated as of December 23, 2005 between Vuzix and New Light Industries, Ltd. See “Description of Capital Stock — Registration Rights” and Exhibit 10.12 in the U.S. Prospectus.

(d) Demand Note in the original principal amount of $247,690.92 by Vuzix to the order of Paul J. Travers. See Exhibit 10.17 in the U.S. Prospectus.

(e) Loan Agreement dated as of October 2008 by and between the Vuzix and Paul J. Travers. See Exhibit 10.18 in the U.S. Prospectus.

(f) Promissory Note dated as of October 2008 by Vuzix to the order of Paul J. Travers. See Exhibit 10.19 in the U.S. Prospectus.

(g) Fiscal Advisory Fee Agreement dated as of June 29, 2009 between Vuzix and the Agents. See Exhibit 10.21 in the U.S. Prospectus.

In connection with the Offering, we will also enter into the Agency Agreement between the Company and the Agents referred to under “Plan of Distribution”.

Copies of these agreements are attached as exhibits to the U.S. Prospectus, are available on www.sedar.com and also may be examined during normal business hours at the offices of our Canadian legal counsel, Wildeboer Dellelce LLP, located at Wildeboer Dellelce Place, Suite 800, 365 Bay Street, Toronto, Ontario, M5H 2V1, any time during the period of distribution of the Units under this prospectus.

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ELIGIBILITY FOR INVESTMENT

In the opinion of Wildeboer Dellelce LLP, our Canadian counsel, and McCullough O'Connor Irwin LLP, the Canadian counsel to the Agents, provided that the relevant provisions of the Tax Act and the regulations thereunder remain unamended at the time that the Shares are listed on a designated stock exchange for purpose of the Tax Act (which currently includes the TSX-V), the Shares, if and when listed on a designated stock exchange, and the Warrants, if and when the Shares are listed on a designated exchange, will be qualified investments under the Tax Act and the regulations thereunder for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts (each a "Registered Plan"), provided that, in the case of the Warrants, each person who is an annuitant, a beneficiary, an employer or a subscriber under the Registered Plan deals at arm's length (within the meaning of the Tax Act) with us. There can be no assurances that the Shares will be listed on a designated stock exchange.

An investment in our Shares and Warrants will not generally be a "prohibited investment" for a particular trust governed by a tax-free savings account provided the holder does not have a "significant interest" in us. Generally, a holder will not have a significant interest in us unless the holder and/or persons not dealing at arm's length with the holder, owns directly or indirectly, 10% or more of the issued shares of any class of our capital stock or a corporation related to us. Specific rules may also deem an individual to own shares of a partnership in which he or she is a member or a trust of which he or she is a beneficiary.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

UNITED STATES PROSPECTUS

Attached is the U.S. Prospectus, which forms part of the Form S-1 registration statement filed with the United States Securities and Exchange Commission in connection with the U.S. offering. The U.S. Prospectus is deemed to form a part of this prospectus.

Alternate page for Canadian Prospectus

CERTIFICATE OF VUZIX CORPORATION

Dated June 30, 2009

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces of Canada other than Québec.

By: (Signed) Paul J. Travers
President and Chief Executive Officer

By: (Signed) Grant Russell
Chief Financial Officer, Treasurer and Secretary

On behalf of the Board of Directors of Vuzix Corporation

By: (Signed) William Lee
Director

Alternate page for Canadian Prospectus

CERTIFICATE OF THE AGENTS

Dated June 30, 2009

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces of Canada other than Québec.

CANACCORD CAPITAL CORPORATION	BOLDER INVESTMENT PARTNERS, LTD.
By: (Signed) David Rentz	By: (Signed) Paul Woodward

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. ***Other Expenses of Issuance and Distribution.***

The following table sets forth all costs and expenses, other than underwriting discounts and commissions, payable by us in connection with the sale of the common stock being registered. All amounts shown are estimates except for the SEC registration fee, the FINRA filing fee, the Canadian securities regulators filing fees and the TSX-V filing fee.

	Amount to be Paid
SEC registration fee	$ 1,699
FINRA filing fee	$ 3,734
Canadian securities regulators filing fees	*
TSX-V filing fee	*
Blue sky qualification fees and expenses	*
Printing and engraving expenses	*
Legal fees and expenses	*
Accounting fees and expenses	*
Transfer agents and registrar fees and expenses	*
Miscellaneous expenses	*
Total	$ *

* To be provided by amendment.

Item 14. ***Indemnification of Directors and Officers.***

We are incorporated under the laws of the State of Delaware. Section 145 of the Delaware General Corporation Law provides that a Delaware corporation may indemnify any persons who are, or are threatened to be made, parties to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of such corporation), by reason of the fact that such person was an officer, director, employee or agents of such corporation, or is or was serving at the request of such person as an officer, director, employee or agents of another corporation or enterprise. The indemnity may include expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided that such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the corporation's best interests and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his or her conduct was illegal. A Delaware corporation may indemnify any persons who are, or are threatened to be made, a party to any threatened, pending or completed action or suit by or in the right of the corporation by reason of the fact that such person was a director, officer, employee or agents of such corporation, or is or was serving at the request of such corporation as a director, officer, employee or agents of another corporation or enterprise. The indemnity may include expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit, provided such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the corporation's best interests except that no indemnification is permitted without judicial approval if the officer or director is adjudged to be liable to the corporation. Where an officer or director is successful on the merits or otherwise in the defense of any action referred to above, the corporation must indemnify him or her against the expenses which such officer or director has actually and reasonably incurred.

Section 102(b)(7) of the Delaware General Corporation Law permits a corporation to provide in its certificate of incorporation that a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duties as a director, except for liability for any:

- transaction from which the director derives an improper personal benefit;
- act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payment of dividends or redemption of shares; or
- breach of a director's duty of loyalty to the corporation or its stockholders.

Our certificate of incorporation provides that we shall indemnify each director and officer of the registrant, his heirs, executors and administrators, and may indemnify each employee and agents of the registrant, his heirs, executors, administrators and all other persons whom the registrant is authorized to indemnify under the provisions of the General Corporation Law of the State of Delaware, to the greatest extent permitted or provided by law (a) against all expenses (including attorney's fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with any action, suit or proceeding, whether civil, criminal, administrative or investigative, or in connection with any appeal therein, or otherwise, and (b) against all expenses (including attorney's fees) actually and reasonably incurred by him in connection with the defense or settlement of any action or suit by or in the right of the registrant, or in connection with any appeal therein, or otherwise; and no provision of Article 9 of the registrant's certificate of incorporation is intended to be construed as limiting, prohibiting, denying or abrogating any of the general or specific powers or rights conferred by the General Corporation Law of the State of Delaware upon the registrant to furnish, or upon any court to award, such indemnification, or indemnification as otherwise authorized pursuant to the General Corporation Law of the State of Delaware or any other law now or hereafter in effect.

Our by-laws provide that all directors and officers of the registrant shall be entitled to be indemnified by us to the fullest extent permitted by the General Corporation Law of the State of Delaware. In addition, our by-laws provide that any person serving or having served at the request of the registrant as a director, trustee, officer, employee or agents of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan, shall be entitled to be indemnified by us to the fullest extent permitted by the General Corporation Law of the State of Delaware.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers, and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment of expenses incurred or paid by a director, officer or controlling person in a successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, we will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to the court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

Section 174 of the Delaware General Corporation Law provides, among other things, that a director who willfully or negligently approves of an unlawful payment of dividends or an unlawful stock purchase or redemption may be held liable for such actions. A director who was either absent when the unlawful actions were approved, or dissented at the time, may avoid liability by causing his or her dissent to such actions to be entered in the books containing minutes of the meetings of the board of directors at the time such action occurred or immediately after such absent director receives notice of the unlawful acts.

As permitted by the Delaware General Corporation Law, we have entered into indemnity agreements with each of our directors and executive officers that require us to indemnify such persons against any and all expenses (including attorneys' fees), witness fees, damages, judgments, fines, settlements and other amounts incurred (including expenses of a derivative action) in connection with any action, suit or proceeding, whether actual or threatened, to which any such person may be made a party by reason of the fact that such person is or was a director, an officer or an employee of Vuzix or any of its affiliated enterprises, provided that such person acted in good faith

and in a manner such person reasonably believed to be in or not opposed to our best interests and, with respect to any criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful. The indemnification agreements also set forth certain procedures that will apply in the event of a claim for indemnification thereunder.

At present, there is no pending litigation or proceeding involving any of our directors or executive officers as to which indemnification is required or permitted, and we are not aware of any threatened litigation or proceeding that may result in a claim for indemnification.

We have an insurance policy covering our officers and directors with respect to certain liabilities, including liabilities arising under the Securities Act or otherwise.

Reference is made to the following documents filed as exhibits to this registration statement regarding relevant indemnification provisions described above and elsewhere herein:

Item 15. ***Recent Sales of Unregistered Securities.***

The following list sets forth information regarding all securities sold or issued by us in the three years preceding the date of this registration statement.

(1) In May 2009, we granted options under our 2007 stock option plan to purchase an aggregate of 2,335,940 shares of our common stock to 44 employees. Each option is exercisable at $0.15 per share for ten years from the date of grant, subject to vesting over four years from the date of grant. The exercise price of these options is subject to upward adjustment to the initial public offering price per share of our common stock if the closing of this offering occurs within 90 days of the grant date.

(2) In January 2009, we issued 2,000,000 shares of our common stock at a purchase price of $0.15, together with a warrant to purchase an additional 1,000,000 shares of shares of our common stock at an exercise purchase price of $0.20 per share for 5 years from the date of issue, to an individual investor for aggregate gross proceeds of $300,000 in cash.

(3) In December 2008, we issued warrants to purchase 120,000 shares of our common stock, exercisable at $0.01 per share for five years from the date of issuance, to a consultant in consideration for services.

(4) In December 2008, we issued warrants to purchase 11,583 shares of our common stock, exercisable at $0.15 per share for five years from the date of issuance, to a consultant in consideration for services.

(5) In November 2008, we granted an option under our 2007 stock option plan to purchase 142,864 shares of our common stock to our external director as his annual retainer. The option is exercisable at $0.15 per share for ten years from the date of issuance and vests over 12 months from the date of grant.

(6) In November 2008, we granted options under our 2007 stock option plan to purchase an aggregate of 446,424 shares of our common stock to one consultant and two employees. Each option is exercisable at $0.15 per share for ten years from the date of grant, subject to vesting over four years from the date of grant.

(7) In September 2008, we issued 444,447 shares of our common stock to a consultant in consideration for services.

(8) In July and August 2008, we issued 15,364,899 shares of our common stock to 46 individual and institutional investors for aggregate gross proceeds of $2,304,735 in cash.

(9) In July 2008, we issued warrants to purchase 66,667 shares of our common stock, exercisable at $0.01 per share for five years from the date of issuance, to a consultant in consideration for services.

(10) In July 2008, we issued 482,640 shares of our common stock to a consultant in consideration for services.

(11) In July 2008, we granted options under our 2007 stock option plan to purchase an aggregate of 1,328,000 shares of our common stock to seven employees. Each option is exercisable at $0.20 per share for ten years from the date of grant, subject to vesting over four years from the date of grant.

(12) In June 2008, we issued 1,552,936 shares of our common stock to 51 institutional and individual investors upon the exercise of warrants for aggregate gross proceeds of $15,529 in cash.

(13) In June 2008, we issued warrants to purchase 157,504 shares of our common stock, exercisable at $0.01 per share for five years from the date of issuance, to a consultant in consideration for services.

(14) In June 2008, we issued warrants to purchase 24,945 shares of our common stock, exercisable at $0.20 per share for five years from the date of issuance, to a consultant in consideration for services.

(15) In January 2008, we issued 2,450,888 shares of our common stock upon the exercise of options granted under our 2007 stock option plan for aggregate gross proceeds of $24,509 in cash.

(16) In December 2007, we issued warrants to purchase 45,000 shares of our common stock exercisable at $0.01 per share and warrants to acquire 37,720 shares of our common stock exercisable at $0.23336 per share to two consultants in consideration for services.

(17) In November 2007, we granted options under our 2007 stock option plan to purchase an aggregate of 140,000 shares of our common stock to an employee. Each option is exercisable at $0.20 per share for ten years from the date of grant, subject to vesting over four years from the date of grant.

(18) In November 2007, we granted an option under our 2007 stock option plan to purchase 142,864 shares of our common stock to our non-employee director. The option is exercisable at $0.20 per share for ten years from the date of issuance and vests over 12 months from the date of grant.

(19) In November 2007, we issued 134,280 shares of our common stock for aggregate gross proceeds of $1,343 in cash upon the exercise of the warrants issued in the transactions described in paragraph 37 below.

(20) In November 2007, we issued 500,000 shares of our common stock upon the conversion of outstanding indebtedness at the rate of $0.20 per share.

(21) In October 2007, we issued warrants to acquire 65,000 shares of our common stock, exercisable at $0.20 per share for two years from the date of issuance, to a consultant in consideration for services.

(22) In September 2007, we granted options under our 2007 stock option plan to purchase an aggregate of 644,000 shares of our common stock to six employees. Each option is exercisable at $0.20 per share for ten years from the date of grant, subject to vesting over four years from the date of grant.

(23) In July 2007, we issued 42,856 shares of our common stock to an individual investor for $429 in cash upon the exercise of warrants issued in the transaction described in paragraph 38 below.

(24) In June 2007, we issued warrants to acquire 38,568 shares of our common stock, exercisable at $0.0875 per share for five years from the date of issuance, to a consultant in consideration for services.

(25) In June 2007, we issued 20,891,600 shares of our common stock to 160 individual and institutional investors for aggregate gross proceeds of $4,178,320 in cash.

(26) In June 2007, in consideration of their services as placement agents in the private placement described in the immediately preceding paragraph, we issued to Canaccord Capital Corporation 2,233,872 shares of our common stock and to Canaccord Capital Corporation, IQ Ventures, Inc. and Lighthouse Financial Group, LLC warrants to purchase up to an aggregate of 2,456,656 shares of our common stock, exercisable at $1.60 per share for two years from the date of issuance. The exercise price of the warrants has been reduced to $0.20 per share as a result of anti-dilution adjustments in accordance with the terms thereof.

(27) In June 2007, we issued warrants to acquire 17,144 and 48,000 shares of our common stock, exercisable at $0.00875 per share for five years from the date of issuance, to two consultants in consideration for services.

(28) In June 2007, we issued warrants to acquire 168,320 shares of our common stock, exercisable at $0.20 per share for five years from the date of issuance, to a consultant in consideration for services.

(29) In May 2007, we issued 402,484 shares of our common stock upon the exercise of options granted under our 2007 stock option plan for aggregate gross proceeds of $3,539 in cash.

(30) In April 2007, we granted options under our 1997 stock option plan to purchase an aggregate of 274,286 shares of our common stock to two employees. Each option is exercisable at $0.2334 per share for ten years from the date of grant, subject to vesting over four years from the date of grant.

(31) In April 2007, we granted options under our 1997 stock option plan to purchase 571,432 shares of our common stock to a consultant. The option is exercisable at $0.2334 per share for five years from the date of grant, subject to vesting over two years from the date of grant.

(32) In December 2006, we granted options under our 1997 stock option plan to purchase an aggregate of 390,286 shares of our common stock to 12 employees. Each option is exercisable at $0.2334 per share for ten years from the date of grant, subject to vesting over four years from the date of grant.

(33) In November 2006, we granted options under our 1997 stock option plan to purchase an aggregate of 571,429 shares of our common stock to three employees. Each option is exercisable at $0.2334 per share for ten years from the date of grant, subject to vesting over four years from the date of grant.

(34) In November 2006, we granted an option under our 1997 stock option plan to purchase 142,864 shares of our common stock to our external director as his annual retainer, The option is exercisable at $0.2334 per share for ten years from the date of issuance and vests over 12 months from the date of grant.

(35) In September 2006, we issued 22,857 shares of our common stock upon the exercise of options granted under our 1997 stock option plan for aggregate gross proceeds of $229 in cash.

(36) In September 2006, in consideration of a loan of $500,000, we issued to the lender a warrant exercisable upon conversion of the promissory note issued in evidence of the loan to purchase up to that number of shares of our common stock equal to the principal amount of and accrued interest on the promissory note then converted divided by 0.5334, exercisable at $0.35 per share for three years from the date of the issue of the promissory note. As of the date of this prospectus, the promissory note has not been converted. Interest on the promissory note accrued at an initial annual rate of 10% but increased to 18% as of February 1, 2009.

(37) In September 2006, we issued 10,000 shares of our Series C Preferred Stock and a warrant to purchase 91,432 shares of our common stock, exercisable at $0.00875 per share for approximately three years from the date of issuance, to one individual investor for aggregate gross proceeds of $100,000 in cash.

(38) In September 2006, in consideration of loans in the aggregate amount of $200,000, we issued to the lenders warrants to purchase up to 85,712 shares of our common stock, exercisable at $0.00875 per share for five years from the date of issuance.

(39) In August 2006, we granted an employee an option under our 1997 stock option plan to purchase 142,857 shares of our common stock, exercisable at $0.2275 per share for ten years from the date of grant, subject to vesting over four years from the date of grant.

The offers, sales and issuances of the securities described in paragraphs 1, 5, 6, 17, 18, 22 and 30 through 34 above were deemed to be exempt from registration under the Securities Act in reliance on Rule 701 because the transactions were under compensatory benefit plans and contracts relating to compensation as provided under Rule 701. The recipients of such securities were our employees, directors or bona fide consultants and received the securities under our stock option plan. Appropriate legends were affixed to the securities issued in these transactions. Each of the recipients of securities in these transactions had adequate access, through employment, business or other relationships, to information about us.

The offers, sales and issuances of the securities described all the other paragraphs above were deemed to be exempt from registration under the Securities Act in reliance on Rule 506 of Regulation D because the issuance of securities to the accredited investors did not involve a public offering. The recipients of securities in each of these transactions acquired the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the securities issued in these transactions. Each of the recipients of securities in these transactions was an accredited investor under Rule 501 of Regulation D.

Item 16. ***Exhibits and Financial Statement Schedules.***

(a) Exhibits.

A list of exhibits filed with this registration statement on Form S-1 is set forth in the Exhibit Index and is incorporated in this Item 16(a) by reference.

(b) Financial Statement Schedules.

No financial statement schedules are provided because the information called for is not required or is shown either in the financial statements or the notes thereto.

Item 17. ***Undertakings.***

The undersigned registrant hereby undertakes to provide to the agents at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the agents to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this Registration Statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Rochester, State of New York, on the 30th day of June, 2009.

VUZIX CORPORATION

By: /s/ Paul J. Travers
Paul J. Travers
President and Chief Executive Officer

POWER OF ATTORNEY

We, the undersigned directors and officers of Vuzix Corporation, do hereby constitute and appoint Paul J. Travers and Grant Russell, or either of them, our true and lawful attorneys and agents, to do any and all acts and things in our name and on our behalf in our capacities as directors and officers and to execute any and all instruments for us and in our names in the capacities indicated below, which said attorneys and agents, or either of them, may deem necessary or advisable to enable said registrant to comply with the Securities Act of 1933 and any rules, regulations and requirements of the Securities and Exchange Commission, in connection with this registration statement, including specifically, but without limitation, power and authority to sign for us or any of us in our names in the capacities indicated below, any and all amendments (including post-effective amendments and any related registration statement pursuant to Rule 462(b) under the Securities Act of 1933) hereto and we do hereby ratify and confirm all that said attorneys and agents, or any of them, shall do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement on Form S-1 has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Paul J. Travers Paul J. Travers	President, Chief Executive Officer and Director *(Principal Executive Officer)*	June 30, 2009
/s/ Grant Russell Grant Russell	Chief Financial Officer, Secretary and Treasurer *(Principal Financial and Accounting Officer)*	June 30, 2009
/s/ William Lee William Lee	Director	June 30, 2009

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1.1*	Form of Agency Agreement
3.1	Certificate of Incorporation currently in effect
3.2*	Amended and Restated Certificate of Incorporation to be effective immediately following the closing of the offering
3.3	Bylaws currently in effect
3.4*	Amended and Restated Bylaws to be effective immediately following the closing of the offering
4.1*	Specimen certificate evidencing shares of common stock
4.2*	Specimen common stock purchase warrant
4.3*	Form of Warrant Indenture between the registrant and Computershare Trust Company of Canada
	Certain instruments defining the rights of the holders of long-term debt of the registrant, none of which authorize a total amount of indebtedness in excess of 10% of the total assets of the registrant and its subsidiary on a consolidated basis, have not been filed as exhibits. The registrant hereby agrees to furnish a copy of any of these agreements to the Commission upon request.
5.1*	Opinion of Boylan, Brown, Code, Vigdor & Wilson, LLP
10.1+	2007 Amended and Restated Stock Option Plan
10.2+	2009 Stock Plan
10.3+*	Form of Award Agreement under 2009 Stock Plan
10.4+	2009 Non-Employee Directors' Stock Option Plan
10.5+*	Form of Option Grant Agreement under 2009 Non-Employee Directors' Stock Option Plan
10.6+	Form of Indemnification Agreement by and between the registrant and each director and executive officer
10.7+	Employment Agreement dated as of August 1, 2007 by and between the registrant and Paul J. Travers
10.8+	Employment Agreement dated as of August 1, 2007 by and between the registrant and Grant Russell
10.9	Shareholders Agreement dated as of October 11, 2000 by and among the registrant and Shareholders (as defined therein)
10.10	Registration Rights Agreement dated as of October 11, 2000 by and among the registrant and the Investors (as defined therein)
10.11	Registration Rights Agreement dated as of June 2005 by and among the registrant and the Investors (as defined therein)
10.12*	Technology Purchase and Royalty Agreement dated as of December 23, 2005 between the registrant and New Light Industries, Ltd.
10.13	Warrant to purchase common stock dated as of December 23, 2005 issued by the registrant to New Light Industries, Ltd.
10.14	Rights Agreement dated as of December 23, 2005 by and between the registrant and New Light Industries, Ltd.
10.15	Agency Agreement dated as of June 29, 2007 by and between the registrant and Canaccord Capital Corporation
10.16	Form of warrant to purchase common stock issued by the registrant pursuant to the Agency Agreement dated as of June 29, 2007 by and between the registrant and Canaccord Capital Corporation
10.17	Demand Note in the original principal amount of $247,690.92 by the registrant to the order of Paul J. Travers
10.18	Loan Agreement dated as of October 2008 by and between the registrant and Paul J. Travers
10.19*	Promissory Note dated as of October 2008 by the registrant to the order of Paul J. Travers
10.20	Fiscal Advisory Fee Agreement dated as of June 29, 2009 by and between the registrant and Canaccord Capital Corporation and Bolder Investment Partners, Ltd.
23.1	Consent of Rotenberg & Co. LLP, independent registered public accounting firm
23.2	Consent of Davie Kaplan, CPA , P.C., independent registered public accounting firm
23.3*	Consent of Boylan, Brown, Code, Vigdor & Wilson, LLP (included in Exhibit 5.1)
24.1	Power of Attorney (included on signature page)

* To be filed by amendment

\+ Management contract or compensation plan or arrangement

Exhibit 3.1

STATE OF DELAWARE
CERTIFICATE FOR RENEWAL
AND REVIVAL OF CHARTER

The corporation organized under the laws of Delaware, the charter of which was voided for non-payment of taxes, now desires to procure a restoration, renewal and revival of its charter, and hereby certifies as follows:

1. The name of this corporation is Vuzix Corporation.
2. Its registered office in the State of Delaware is located at 2711 Centerville Rd, Suite 400, City of Wilmington, Zip Code 19808, County of New Castle the name and address of its registered agent is Corporation Service Company.
3. The date of filing of the original Certificate of Incorporation in Delaware was 9/16/97.
4. The date when restoration, renewal, and revival of the charter of this company is to commence is the 28th day of February 2009, same being prior to the date of the expiration of the charter. This renewal and revival of the charter of this corporation is to be perpetual.
5. This corporation was duly organized and carried on the business authorized by its charter until the 1st day of March, 2009, at which time its charter became inoperative and void for non-payment of taxes and this certificate for renewal and revival is filed by authority of the duly elected directors of the corporation in accordance with the laws of the State of Delaware.

IN TESTIMONY WHEREOF, and in compliance with the provisions of Section 312 of the General Corporation Law of the State of Delaware, as amended, providing for the renewal, extension and restoration of charters the last and acting authorized officer hereunto set his/her hand to this Certificate this 2nd day of April, 2009.

By: /s/ Paul J. Travers
Authorized Officer

Name: Paul J. Travers

Title: President

CERTIFICATE OF AMENDMENT
OF THE
CERTIFICATE OF INCORPORATION
OF
VUZIX CORPORATION

Under Section 242 of the General Corporation Law

Vuzix Corporation, a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Corporation"), does hereby certify:

FIRST: That the Board of Directors of the Corporation, by unanimous written consent of its members, duly adopted resolutions setting forth a proposed amendment of the Certificate of Incorporation of the Corporation and declaring said amendment to be advisable. The resolution setting forth the proposed amendment is as follows:

RESOLVED, that the Corporation's Certificate of Incorporation be amended by adding a new section to the end of Article 4 of the Corporation's Certificate of Incorporation referred to as "D. Stock Split of the Common Stock" that reads as follows:

D. STOCK SPLIT OF THE COMMON STOCK

Effective on July 16, 2008, each one shares of Common Stock, par value $.001 per share, of the Corporation outstanding as of such date shall, without any action on the part of the holder thereof, automatically be reclassified and changed into eight (8) shares of Common Stock, par value $.001 per share, of the Corporation.

SECOND: In lieu of a meeting and vote of stockholders, a majority of the stockholders have given written consent to said amendment in accordance with the provisions of Section 228 of the General Corporation Law of the State of Delaware.

THIRD: That said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

[Remainder of page intentionally left blank, signature page to follow]

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be duly executed in its corporate name on July 16, 2008.

Vuzix Corporation

By: /s/ Paul J. Travers
Paul J. Travers, President and CEO

STATE OF DELAWARE
CERTIFICATE OF AMENDMENT
OF CERTIFICATE OF INCORPORATION
OF
ICUITI CORPORATION

The corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware does hereby certify:

FIRST: That by Unanimous Written Consent the Board of Directors duly adopted setting forth a proposed amendment of the Certificate of Incorporation of said corporation, declaring said amendment to be advisable and calling a meeting of the stockholders of said corporation for consideration thereof. The resolution setting forth the proposed amendment is as follows:

RESOLVED, that the Certificate of Incorporation of this corporation be amended by changing Article thereof numbered, "FIRST" so that, as amended said Article shall be and read as follows:

"FIRST: The name of the corporation is VUZIX CORPORATION."

SECOND: That thereafter, pursuant to resolution of its Board of Directors, a special meeting of the stockholders of said corporation was duly called and held upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware at which meeting the necessary number of shares as required by statute were voted in favor of the amendment.

THIRD: That said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said corporation has caused this certificate to be signed this 31st day of August, 2007.

By: /s/ Paul J. Travers

Title: CEO

Name: Paul J. Travers

CERTIFICATE OF AMENDMENT
OF THE
CERTIFICATE OF INCORPORATION
OF
ICUITI CORPORATION

Under Section 242 of the General Corporation Law

Icuiti Corporation, a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Corporation"), does hereby certify:

FIRST: That the Board of Directors of the Corporation, by unanimous written consent of its members, duly adopted resolutions setting forth a proposed amendment of the Certificate of Incorporation of the Corporation and declaring said amendment to be advisable. The resolution setting forth the proposed amendment is as follows:

RESOLVED, that the Corporation's Certificate of Incorporation be amended by adding a new section to the end of Article 4 of the Corporation's Certificate of Incorporation referred to as "C. Reverse Stock Split of the Common Stock" that reads as follows:

C. REVERSE STOCK SPLIT OF THE COMMON STOCK

Effective on June 28, 2007, each seven shares of Common Stock, par value $.001 per share, of the Corporation outstanding as of such date shall, without any action on the part of the holder thereof, automatically be reclassified and changed into one share of Common Stock, par value $.001 per share, of the Corporation.

SECOND: In lieu of a meeting and vote of stockholders, a majority of the stockholders have given written consent to said amendment in accordance with the provisions of Section 228 of the General Corporation Law of the State of Delaware.

THIRD: That said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

[Remainder of page intentionally left blank, signature page to follow]

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be duly executed in its corporate name on June 27, 2007.

Icuiti Corporation

By: /s/ Paul J. Travers
Paul J. Travers, President and CEO

CERTIFICATE OF DESIGNATIONS
OF THE SERIES C 6% PREFERRED STOCK
OF
ICUITI CORPORATION

* * * * * * *

Icuiti Corporation, a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"),

DOES HEREBY CERTIFY:

That, pursuant to the authority conferred upon the Board of Directors of the Corporation by the Corporation's Certificate of Incorporation (as amended), and pursuant to the provisions of Section 151 of the General Corporation Law of the State of Delaware, the Board of Directors of the Corporation, by unanimous written consent of its members, filed with the minutes of the Board, adopted a resolution providing for the creation of a series of Preferred Stock, par value $0.001 per share, of the Corporation known as Series C 6% Convertible Preferred Stock, which resolution is as follows:

RESOLVED, that the Corporation is hereby authorized to designate five hundred thousand (500,000) shares of Preferred Stock, par value $0.001 per share, of the Corporation as Series C 6% Convertible Preferred Stock having the rights and preferences as set forth on Schedule A attached hereto.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Designations to be duly executed in its corporate name on this 18 day of June, 2007.

Icuiti Corporation

By: /s/ Paul J. Travers
Paul J. Travers, President

Schedule A

Terms of Series C 6% Convertible Preferred Stock

(A) Voting Privileges.

(a) General. Each holder of Series C Preferred Stock shall have that number of votes on all matters submitted to the stockholders that is equal to the number of shares of Common Stock into which such holder's shares of Series C Preferred Stock are then convertible, as hereinafter provided. Except as otherwise provided herein, and except as otherwise required by agreement or law, the shares of Series C Preferred Stock and the shares of Common Stock shall vote as a single class on all matters submitted to the stockholders.

(b) No Cumulative Voting. No holder of shares of capital stock of the Corporation shall have any cumulative voting rights.

(B) Dividends.

The holders of outstanding Series C Preferred Stock shall be entitled to receive in any fiscal year, when, prior and in preference to any declaration or payment of any dividend (payable other than in Common Stock), on the Common Stock of the Corporation (but subject to the rights of the Series A Preferred Stock and the Series B Preferred Stock, if any), dividends in cash at the rate of $0.60 per share of Series C Preferred Stock per annum (as adjusted for any stock splits, stock dividends, recapitalizations and the like). Such dividend or distribution may be payable annually or otherwise as the Board of Directors may from time to time determine. Dividends or distributions (other than dividends payable solely in shares of Common Stock) may be paid upon shares of Common Stock in any fiscal year of the Corporation only if dividends shall have been paid on or declared and set apart for all shares of Series A Preferred Stock and Series B Preferred Stock for such year. No further dividends shall be paid to holders of shares of Series C Preferred Stock in excess of such annual rate in any fiscal year unless at the same time equivalent dividends are paid to holders of shares of Common Stock; provided that holders of shares of Series C Preferred Stock shall participate pro rata (on an as-if-converted basis) in any dividends paid on Common Stock, subject to any rights of the Series A Preferred stock and the Series B Preferred Stock. The right to receive such dividends on shares of Series C Stock shall be cumulative, but no undeclared or unpaid dividend shall bear or accrue interest.

Dividends on shares of capital stock of the Corporation shall be payable only out of funds legally available therefor.

(C) Other Terms of the Preferred Stock.

(a) Liquidation Preference.

(i) In the event of an involuntary or voluntary liquidation, dissolution or winding up of the Corporation at any time, subject to the rights of the holders of the Series A

Preferred Stock and the Series B Preferred Stock, the holders of shares of Series C Preferred Stock shall be entitled to receive out of the assets of the Corporation an amount equal to the sum of $10.00 per share (appropriately adjusted to reflect stock splits, stock dividends, reorganizations, consolidations and similar changes hereafter effected), respectively, plus unpaid dividends thereon, if any (the "Liquidation Preference"). In the event of either an involuntary or a voluntary liquidation, dissolution or winding up of the Corporation, payment of the Liquidation Preference to the holders of shares of Series C Preferred Stock shall be made prior and in preference to any payment or other distribution of assets to the holders of the Common Stock or any other class of shares of the Corporation ranking junior to the Series C Preferred Stock with respect to payment upon dissolution or liquidation of the Corporation.

(ii) Upon completion of the distribution required by subsection (a)(i) of this Article (C), the holders of the Series C Preferred Stock shall participate in the distribution of all of the remaining assets of this Corporation available for distribution to stockholders as if such shares of Series C Preferred Stock had been converted into Common Stock at the conversion rate then in effect.

(iii) For purposes of this Section, a liquidation, dissolution or winding up of the Corporation shall be deemed to be occasioned by, or to include (unless the holders of at least sixty-seven percent (67%) of the Series C Preferred Stock then outstanding, voting as a single class on an as-converted basis and not as separate series, shall determine otherwise), (A) the acquisition of the Corporation by another entity by means of any transaction or series of related transactions (including, without limitation, any reorganization, merger or consolidation) that results in the transfer of fifty percent (50%) or more of the outstanding voting power of the Corporation; or (B) a sale of all or substantially all of the assets of the Corporation. If the holders of Preferred Stock fail to give the Corporation notice of their determination that such transactions shall not be deemed a liquidation, dissolution or winding up of the Corporation two (2) days prior to the effective date of any such transaction, the provisions of subparagraph (b)(7) below hereof shall apply. The Corporation shall give each holder of record of Series C Preferred Stock written notice of such impending transaction not later than twenty (20) days prior to the stockholders' meeting of the Corporation called to approve such transaction, or twenty (20) days prior to the closing of such transaction, whichever is earlier, and shall also notify such holders in writing of the final approval of such transaction. The first of such notices shall describe the material terms and conditions of the transaction and of this subparagraph (a) (including, without limiting the generality of the foregoing, a description of the value of the consideration, if any, being offered to the holders of the Series C Preferred Stock in the transaction and the amount to which such holders would be entitled if such transaction were (as described above) to be deemed to be a liquidation, dissolution or winding up of the Corporation), and the Corporation shall thereafter give such holders prompt notice of any material changes to such terms and conditions. The transaction shall in no event take place sooner than twenty (20) days after the mailing by the Corporation of the first notice provided for herein or sooner than ten (10) days after the mailing by the Corporation of any notice of material changes

provided for herein; provided, however, that such periods may be reduced upon the written consent of the holders of sixty-seven percent (67%) of the Series C Preferred Stock.

(iv) In any of such events, if the consideration received by the Corporation is other than cash, its value will be deemed its fair market value. Any securities shall be valued as follows:

A. Securities not subject to investment letter or other similar restrictions on free marketability covered by (B) below:

(1) If traded on a securities exchange or through the Nasdaq National Market, the value shall be deemed to be the average of the closing prices of the securities on such exchange or system over the thirty (30) day period ending three (3) days prior to the closing;

(2) If actively traded over-the-counter, the value shall be deemed to be the average of the closing bid or sale prices (whichever is applicable) over the thirty (30) day period ending three (3) days prior to the closing; and

(3) If there is no active public market, the value shall be the fair market value thereof, as determined in good faith by the Board of Directors of the Corporation.

B. The method of valuation of securities subject to investment letter or other restrictions on free marketability (other than restrictions arising solely by virtue of a stockholder's status as an affiliate or former affiliate) shall be to make an appropriate discount from the market value determined as above in (A) (1), (2) or (3) to reflect the approximate fair market value thereof, as mutually determined by the Corporation and the holders of at least a majority of the voting power of all then outstanding shares of such Preferred Stock.

(v) In the event the requirements of this subsection 4(C)(a) are not complied with, this Corporation shall forthwith either:

A. cause such closing to be postponed until such time as the requirements of this Section 2 have been complied with; or

B. cancel such transaction, in which event the rights, preferences and privileges of the holders of the Series C Preferred Stock shall revert to and be the same as such rights, preferences and privileges existing immediately prior to the date of the first notice referred to in subsection E(a)(iii) hereof.

(vi) Nothing hereinabove set forth shall affect in any way the right of each holder of shares of Series C Preferred Stock to convert such shares at any time and from time to time in accordance with subparagraph (b) below.

(b) Conversion Right. At the option of the holders thereof, each share of Series C Preferred Stock shall be convertible, at the office of the Corporation (or at such other office or offices, if any, as the Board of Directors may designate), into such number of fully paid and nonassessable shares (calculated as to each conversion to the nearest 1/100th of a share) of Common Stock of the Corporation as is determined by dividing, $10.00 (the "Original Issue Price") by the Conversion Price applicable to such share determined as hereafter provided in effect on the date the certificate is surrendered for conversion. The initial Conversion Price per share for shares of Series C Preferred Stock shall be $0.3333 per share of Common Stock; provided, however, that the Conversion Price for the Series C Preferred Stock shall be subject to adjustment as hereinafter provided. The following provisions shall govern such right of conversion:

(i) In order to convert shares of Series C Preferred Stock into shares of Common Stock of the Corporation, the holder thereof shall surrender at any office hereinabove mentioned the certificate or certificates therefor, duly endorsed to the Corporation or in blank, and give written notice to the Corporation at such office that such holder elects to convert such shares. Shares of Series C Preferred Stock shall be deemed to have been converted immediately prior to the close of business on the day of the surrender of such shares for conversion as herein provided, and the person entitled to receive the shares of Common Stock of the Corporation issuable upon such conversion shall be treated for all purposes as the record holder of such shares of Common Stock at such time. As promptly as practicable on or after the conversion date, the Corporation shall issue and deliver or cause to be issued and delivered at such office a certificate or certificates for the number of shares of Common Stock of the Corporation issuable upon such conversion.

(ii) Excluding (a) options to purchase shares of Common Stock and the issuance of awards of Common Stock granted to employees, directors and consultants of the Corporation pursuant to key employee and consultant benefit plans adopted by the Corporation and except for shares of Common Stock issued upon the exercise of such options granted pursuant to such plans, (b) issuances of shares of Common Stock or warrants for the purchase of shares of Common Stock approved by the Board of Directors of the Corporation in connection with equipment lease or bank financing transactions, (c) issuances of shares of Common Stock on conversion of shares of the Series A Preferred Stock, shares of the Series B Preferred Stock or shares of the Series C Preferred Stock, (d) issuances of shares in connection with a firm commitment underwritten public offering, (e) dividends or distributions on Preferred Stock and (g) issuances of shares in connection with business combinations or corporate partnering agreements approved by the Corporation's Board of Directors, if on or before June 30, 2006 the Corporation shall issue or sell (in one or more transactions, whether or not related), shares of its Common Stock (or Convertible Securities, rights options of warrants convertible into or exercisable for shares of its Common Stock (except such as are excluded pursuant to the provisos of the following Subparagraph (a))) resulting in aggregate gross proceeds to the Corporation of $1,000,000 or more, for an average consideration per share less than the Initial Conversion Price per share, as adjusted pursuant to Subparagraphs (E)(b)(3) and (E)(b)(4), then the Conversion Price of the Series C

Preferred Stock shall be reduced to the average Price per Share of all shares of Common Stock so sold. The Average Price per Share shall mean the Total Consideration Received for such Shares, divided by the Total Consideration received for such shares (each determined in accordance with the further provisions of this Subparagraph (C)(b)(ii), calculated to the nearest cent, as follows:.

(a) In the case of the grant (whether directly or by assumption in a merger or otherwise) of any rights to subscribe for or to purchase, or any options for the purchase of, (i) Common Stock or (ii) any obligations or any shares of stock of the Corporation which are convertible into, or exchangeable for, Common Stock (any of such obligations or shares of stock being hereinafter called "Convertible Securities") whether or not such rights or options or the right to convert or exchange any such Convertible Securities are immediately exercisable, (x) the "Number of Shares" of Common Stock that are issued by the Corporation shall be deemed to be the total maximum number of shares of Common Stock issuable upon the exercise of such rights or options or upon the conversion or exchange of all such Convertible Securities and (y) the "Total Consideration Received" for such Common Stock shall be deemed to be (i) the total amount, if any, received or receivable by the Corporation as consideration for the granting of such rights or options, plus (ii) the minimum aggregate amount of additional consideration payable to the Corporation upon the exercise of such rights or options, plus, (iii) in the case of such rights or options which relate to Convertible Securities, the minimum aggregate amount of additional consideration, if any, payable upon the conversion or exchange of such Convertible Securities..

(b) In the case of the issuance or sale by the Corporation (whether directly or by assumption in a merger or otherwise) of any Convertible Securities (other than any such issue or sale of such Convertible Securities made upon exercise of any rights to subscribe for or to purchase or any option to purchase any such Convertible Securities for which adjustments of the Conversion Price have been or are to be made pursuant the preceding subparagraph (i), whether or not the rights to exchange or convert thereunder are immediately exercisable, the "Number of Shares" of Common Stock that shall be deemed to have been issued by the Corporation shall be the total maximum number of shares of Common Stock issuable upon the conversion or exchange of all such Convertible Securities and the Total Consideration Received for the Common Stock issuable upon such conversion or exchange shall be the total amount received or receivable by the Corporation as consideration for the issue or sale of such Convertible Securities, plus the minimum aggregate amount of additional consideration, if any, payable to the Corporation upon the conversion or exchange thereof

(c) In case any shares of Common Stock or Convertible Securities or any rights or options to purchase any such Common Stock or Convertible Securities shall be issued or sold for cash, the consideration received therefor shall be deemed to be the amount received by the Corporation therefor, without deducting therefrom any expenses incurred or any underwriting commissions, discounts or concessions paid or allowed by the Corporation in connection therewith. In case any shares of Common Stock or Convertible Securities or any rights or options to purchase any such Common Stock or Convertible Securities shall be

issued or sold for a consideration other than cash, the amount of the consideration other than cash received by the Corporation shall be deemed to be the fair value of such consideration as determined in good faith by the Board of Directors of the Corporation, , without deducting therefrom any expenses incurred or any underwriting commissions, discounts or concessions paid or allowed by the Corporation in connection therewith. In case any shares of Common Stock or Convertible Securities or any rights or options to purchase such Common Stock or Convertible Securities shall be issued in connection with any merger or consolidation in which the Corporation is the surviving corporation, the amount of consideration therefor shall be deemed to be the fair value as determined by the Board of Directors of the Corporation of such portion of the assets and business of the non-surviving corporation or corporations as such Board shall determine to be attributable to such Common Stock, Convertible Securities, rights or options, as the case may be. In the event of any consolidation or merger of the Corporation in which the Corporation is not the surviving corporation or in the event of any sale of all or substantially all of the assets of the Corporation for stock or other securities of any other corporation, the Corporation shall be deemed to have issued a number of shares of its Common Stock for stock or securities of the other corporation computed on the basis of the actual exchange ratio on which the transaction was predicated and for a consideration equal to the fair market value on the date of such transaction of such stock or securities of the other corporation, and if any such calculation results in adjustment of the Conversion Price, the determination of the number of shares of Common Stock issuable upon conversion immediately prior to such merger, conversion or sale, for purposes of subparagraph (7) below, shall be made after giving effect to such adjustment of the Conversion Price.

(d) In case the Corporation shall take a record of the holders of its Common Stock for the purpose of entitling them (i) to receive a dividend or other distribution payable in Common Stock or in Convertible Securities, or in any rights or options to purchase any Common Stock or Convertible Securities, or (ii) to subscribe for or purchase Common Stock or Convertible Securities, then such record date shall be deemed to be the date of the issue or sale of the shares of Common Stock deemed to have been issued or sold upon the declaration of such dividend or the making of such other distribution or the date of the granting of such rights of subscription or purchase, as the case may be.

(e) The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Corporation, and the disposition of any such shares shall be considered an issue or sale of Common Stock for the purpose of this subparagraph (b).

(3) In case the Corporation shall (i) declare a dividend upon the Common Stock payable in Common Stock (other than a dividend declared to effect a subdivision of the outstanding shares of Common Stock, as described in subparagraph (5) below) or Convertible Securities, or in any rights or options to purchase Common Stock or Convertible Securities, or (ii) declare any other dividend or make any other distribution upon the Common Stock payable otherwise than out of earnings or earned surplus, then thereafter each holder of shares of Series C Preferred Stock upon the conversion thereof will be entitled

to receive the number of shares of Common Stock into which such shares of Series C Preferred Stock, as the case may be, have been converted, and, in addition and without payment therefor, each dividend described in clause (i) above and each dividend or distribution described in clause (ii) above which such holder would have received by way of dividends or distributions if continuously since such holder became the record holder of such shares of Series C Preferred Stock, as the case may be, such holder (i) had been the record holder of the number of shares of Common Stock then received, and (ii) had retained all dividends or distributions in stock or securities (including Common Stock or Convertible Securities, and any rights or options to purchase any Common Stock or Convertible Securities) payable in respect of such Common Stock or in respect of any stock or securities paid as dividends or distributions and originating directly or indirectly from such Common Stock, other than such dividends and distributions which had previously been paid in respect of the Series C Preferred Stock and received by such holder. For the purposes of the foregoing a dividend or distribution other than in cash shall be considered payable out of earnings or earned surplus only to the extent that such earnings or earned surplus are charged an amount equal to the fair value of such dividend or distribution as determined by the Board of Directors of the Corporation.

(4) In case the Corporation shall at any time subdivide its outstanding shares of Common Stock into a greater number of shares, the Conversion Price in effect immediately prior to such subdivision shall be proportionately reduced, and conversely, in case the outstanding shares of Common Stock of the Corporation shall be combined into a smaller number of shares, the Conversion Price in effect immediately prior to such combination shall be proportionately increased.

(5) If (i) the purchase price provided for in any right or option referred to in clause (i) of subparagraph (2), or (ii) the additional consideration, if any, payable upon the conversion or exchange of Convertible Securities referred to in clause (i) or clause (ii) of subparagraph (3), or (iii) the rate at which any Convertible Securities referred to in clause (i) or clause (ii) of subparagraph (2) are convertible into or exchangeable for Common Stock, shall change at any time (other than under or by reason of provisions designed to protect against dilution), the Conversion Price then in effect hereunder shall forthwith be increased or decreased to such Conversion Price as would have been obtained had the adjustments made upon the issuance of such rights, options or Convertible Securities been made upon the basis of (a) the issuance of the number of shares of Common Stock theretofore actually delivered upon the exercise of such options or rights or upon the conversion or exchange of such Convertible Securities, and the total consideration received therefor, and (b) the issuance at the time of such change of any such options, rights, or Convertible Securities then still outstanding for the consideration, if any, received by the Corporation therefor and to be received on the basis of such changed price; and on the expiration of any such option or right or the termination of any such right to convert or exchange such Convertible Securities, the Conversion Price then in effect hereunder shall forthwith be increased to such Conversion Price as would have obtained had the adjustments made upon the issuance of such rights or options or Convertible Securities been made upon the basis of the issuance of the shares of Common Stock theretofore actually delivered (and the total consideration received therefor)

upon the exercise of such rights or options or upon the conversion or exchange of such Convertible Securities. If the purchase price provided for in any right or option referred to in clause (i) of subparagraph (2), or the rate at which any Convertible Securities referred to in clause (i) or clause (ii) of subparagraph (2) are convertible into or exchangeable for Common Stock, shall decrease at any time under or by reason of provisions with respect thereto designed to protect against dilution, then in case of the delivery of Common Stock upon the exercise of any such right or option or upon conversion or exchange of any such Convertible Security, the Conversion Price then in effect hereunder shall forthwith be decreased to such Conversion Price as would have obtained had the adjustments made upon the issuance of such right, option or Convertible Security been made upon the basis of the issuance of (and the total consideration received for) the shares of Common Stock delivered as aforesaid.

(6) If any capital reorganization or reclassification of the capital stock of the Corporation, or consolidation or merger of the Corporation with another corporation, or the sale of all or substantially all of its assets to another corporation shall be effected in such a way that holders of Common Stock shall be entitled to receive stock, securities or assets with respect to or in exchange for Common Stock, then, as a condition of such reorganization, reclassification, consolidation, merger or sale, and subject to subparagraph (a) above, lawful and adequate provision shall be made whereby the holders of Series C Preferred Stock shall thereafter have the right to receive upon the basis and upon the terms and conditions specified herein and in lieu of the shares of the Common Stock of the Corporation immediately theretofore receivable upon the conversion of Series C Preferred Stock, such shares of stock, securities or assets as may be issued or payable with respect to or in exchange for a number of outstanding shares of such Common Stock equal to the number of shares of such stock immediately theretofore receivable upon the conversion of Series C Preferred Stock, as the case may be, had such reorganization, reclassification, consolidation, merger or sale not taken place, plus all dividends unpaid and accumulated or accrued thereon to the date of such reorganization, reclassification, consolidation, merger or sale, and in any such case appropriate provision shall be made with respect to the rights and interests of the holders of Series C Preferred Stock and to the end that the provisions hereof (including without limitation provisions for adjustments of the Conversion Price and of the number of shares receivable upon the conversion of Series C Preferred Stock) shall thereafter be applicable, as nearly as may be in relation to any shares of stock, securities or assets thereafter receivable upon the conversion of Series C Preferred Stock. The Corporation shall not effect any such consolidation, merger or sale, unless prior to the consummation thereof the successor corporation (if other than the Corporation) resulting from such consolidation or merger or the corporation purchasing such assets shall assume by written instrument executed and mailed to the registered holders of Series C Preferred Stock, at the last addresses of such holders appearing on the books of the Corporation, the obligation to deliver to such holders such shares of stock, securities or assets as, in accordance with the foregoing provisions, such holders may be entitled to receive.

(7) Upon any adjustment of the Conversion Price, then and in each case the Corporation shall give written notice thereof, by first-class mail, postage prepaid, addressed to the registered holders of Series C Preferred Stock, at the addresses of such holders as

shown on the books of the Corporation, which notice shall state the Conversion Price resulting from such adjustment and the increase or decrease, if any, in the number of shares receivable at such price upon the conversion of Series C Preferred Stock, setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based.

(8) In case at any time:

(i) the Corporation shall declare any cash dividend on its Common Stock at a rate in excess of the rate of the last cash dividend theretofore paid;

(ii) the Corporation shall pay any dividend payable in stock upon its Common Stock or make any distribution (other than regular cash dividends) to the holders of its Common Stock;

(iii) the Corporation shall offer for subscription pro rata to the holders of its Common Stock any additional shares of stock of any class or other rights;

(iv) there shall be any capital reorganization, or reclassification of the capital stock of the Corporation, or consolidation or merger of the Corporation with, or sale of all or substantially all of its assets to, another corporation; or

(v) there shall be a voluntary or involuntary dissolution, liquidation or winding up of the Corporation;

then, in any one or more of said cases, the Corporation shall give written notice, by first-class mail, postage prepaid, addressed to the registered holders of Series C Preferred Stock at the addresses of such holders as shown on the books of the Corporation, of the date on which (a) the books of the Corporation shall close or a record shall be taken for such dividend, distribution or subscription rights, or (b) such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation or winding up shall take place, as the case may be. Such notice shall also specify the date as of which the holders of Common Stock of record shall participate in such dividend, distribution or subscription rights, or shall be entitled to exchange their Common Stock for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation, or winding up, as the case may be. Such written notice shall be given at least 20 days prior to the action in question and not less than 20 days prior to the record date or the date on which the Corporation's transfer books are closed in respect thereto.

(9) If any event occurs as to which in the opinion of the Board of Directors of the Corporation the other provisions of this paragraph (b) are not strictly applicable or if strictly applicable would not fairly protect the rights of the holders of Series C Preferred Stock in accordance with the essential intent and principles of such provisions, then the Board of Directors shall make an adjustment in the application of such provisions, in accordance with such essential intent and principles, so as to protect such rights as aforesaid.

(10) As used in this paragraph (b) the term "Common Stock" shall mean and include the Corporation's presently authorized Common Stock and shall also include any capital stock of any class of the Corporation hereafter authorized which shall not be limited to a fixed sum or percentage in respect of the rights of the holders thereof to participate in dividends or in the distribution of assets upon the voluntary or involuntary liquidation, dissolution or winding up of the Corporation; provided that the shares receivable pursuant to conversion of shares of Series A Preferred Stock, shares of Series B Preferred Stock and shares of Series C Preferred Stock shall include shares designated as Common Stock of the Corporation as of the date of issuance of such shares of Series A Preferred Stock, shares of Series B Preferred Stock or shares of Series C Preferred Stock , or, in case of any reclassification of the outstanding shares thereof, the stock, securities or assets provided for in subparagraph (7) above.

(11) No fractional shares of Common Stock shall be issued upon conversion, but, instead of any fraction of a share which would otherwise be issuable, the Corporation shall pay a cash adjustment in respect of such fraction in an amount equal to the same fraction of the market price per share of Common Stock as of the close of business on the day of conversion. "Market price" shall mean if the Common Stock is traded on a securities exchange or on the Nasdaq National Market or the Nasdaq SmallCap Market, the closing price of the Common Stock on such exchange or the Nasdaq National Market or the Nasdaq SmallCap Market, or, if the Common Stock is otherwise traded in the over-the-counter market, the closing bid price, in each case averaged over a period of 20 consecutive business days prior to the date as of which "market price" is being determined. If at any time the Common Stock is not traded on an exchange or the Nasdaq National Market or the Nasdaq SmallCap Market, or otherwise traded in the over-the-counter market, the "market price" shall be deemed to be the higher of (i) the book value thereof as determined by any firm of independent public accountants of recognized standing selected by the Board of Directors of the Corporation as of the last day of any month ending within 60 days preceding the date as of which the determination is to be made, or (ii) the fair value thereof determined in good faith by the Board of Directors of the Corporation as of a date which is within 15 days of the date as of which the determination is to be made.

(c) Mandatory Conversion. The Series C Preferred shall automatically be converted into shares of Common Stock of the Corporation immediately upon the earlier of (i) the close of business on the date specified by written consent or agreement of sixty-seven percent (67%) of the outstanding Series C Preferred Stock, voting as a single class on an as-converted basis, or (ii) the closing of the Corporation's sale of its Common Stock in a public offering pursuant to a registration statement on Form S-1 or Form SB-2 (or any then current forms similar thereto) under the Securities Act of 1933, as amended, in which the aggregate public offering price of the securities sold for cash by the Corporation in the offering, before deduction of underwriters' commissions and expenses, is at least $10,000,000. As used herein, the term "closing" shall mean the delivery by the Corporation to the underwriters of certificates representing the shares of Common Stock of the Corporation offered to the public against delivery to the Corporation by such underwriters of payment therefor.

D. **Option to Redeem**.

(a) At any time on or after July 1, 2007, the Company may state its intention to redeem any or all of the Series C Preferred Stock for a cash price equal to $10.00 plus all accrued plus unpaid dividends, by providing an irrevocable, written notice (the "**Redemption Notice**") to the Holder. The Redemption Notice shall state that the Company seeks to redeem all or a portion of the Series C Preferred Stock held by such Holder, specifying the number of shares to be redeemed, and shall set the date for the Company's (which date shall be not more than thirty (30) days after the date of such Redemption Notice

(b) The Holder shall have the right to convert after a Redemption Notice has been received but before actual redemption.

-END-

CERTIFICATE OF AMENDMENT
OF THE
CERTIFICATE OF INCORPORATION
OF
VICUITY CORPORATION

Under Section 242 of the General Corporation Law

The undersigned, being the President of Vicuity Corporation, does hereby certify as follows:

1. The name of the Corporation is Vicuity Corporation.

2. The name of the Corporation is hereby changed to **ICUITI CORPORATION**. Therefore, paragraph "FIRST" of the Certificate of Incorporation is hereby amended to read in its entirety as follows:

"FIRST: The name of the corporation is **ICUITI CORPORATION**."

3. The Certificate of Amendment was authorized by written consent of the Board of Directors followed by unanimous written consent of the stockholders in accordance with Sections 242 and 228 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, this Certificate has been subscribed this 16th day of December, 2004 by the undersigned who affirm that the statements made herein are true under the penalties of perjury.

/s/ Paul J. Travers
Paul J. Travers, President

CERTIFICATE OF AMENDMENT
OF CERTIFICATE OF INCORPORATION
OF
INTERACTIVE IMAGING SYSTEMS, INC.

INTERACTIVE IMAGING SYSTEMS, INC. a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, hereby certifies as follows:

1. The Certificate of Incorporation is hereby amended to change the name of the corporation in Paragraph FIRST to Vicuity Corporation. Paragraph FIRST shall read in its entirety as follows:

   FIRST: The name of the Corporation is Vicuity Corporation.

2. This amendment was duly adopted by action taken by the Board of Directors of the Corporation at a meeting followed by unanimous written consent of the stockholders in accordance with Sections 242 and 228 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said Interactive Imaging Systems, Inc. has caused this certificate to be signed by Paul J. Travers, its President, this 17th day of August, 2004.

INTERACTIVE IMAGING SYSTEMS, INC.

By: /s/ Paul J. Travers
Paul J. Travers, President

CERTIFICATE OF AMENDMENT
OF THE
CERTIFICATE OF INCORPORATION
OF
INTERACTIVE IMAGING SYSTEMS, INC.

Under Section 242 of the General Corporation Law

The undersigned, being the President of Interactive Imaging Systems, Inc., does hereby certify as follows:

1. The name of the Corporation is Interactive Imaging Systems, Inc. (the "Corporation").

2. The Restated Certificate of Incorporation was filed by the Delaware Secretary of State on November 20, 1997.

3. The Board of Directors of the Corporation by the unanimous written consent of its members, filed with the minutes of the Board adopted a resolution proposing and declaring advisable the following amendment to the Certificate of Incorporation:

RESOLVED, that the Certificate of Incorporation of Interactive Imaging Systems, Inc. be amended by changing Article 4 thereof so that, as amended, said Article shall be and read as follows:

"ARTICLE 4. The total number of shares of all classes of which the Corporation shall have authority to issue shall be 406,745,681 shares, consisting of (i) 725,000 shares of Series A Redeemable Preferred Stock, par value $.001 each (hereinafter called "Series A Preferred Stock"); (ii) 1,020,681 of Series B Convertible Preferred Stock, par value $0.001 each (hereinafter called "Series B Preferred Stock"); (iii) 5,000,000 shares of undesignated preferred stock, par value $.001 each (hereinafter called, collectively with the Series A Preferred Stock and the Series B Preferred Stock, the "Preferred Stock"), and (iv) 400,000,000 shares of common stock, par value $.001 each (hereinafter called "Common Stock").

Sections A and B of Article 4 constituting statements of the powers, designations, limitations, and restrictions of the classes of stock shall remain unchanged.

4. In lieu of a meeting and vote of stockholders, a majority of the stockholders have given written consent to said amendment in accordance with the provisions of Sections 228 of the General Corporation Law of the State of Delaware and written notice of the adoption of the amendment has been given as provided in Section 228 to every stockholder entitled to such notice.

IN WITNESS WHEREOF, this Certificate has been subscribed this 19th day of December, 2003 by the undersigned who affirm that the statements made herein are true under the penalties of perjury.

INTERACTIVE IMAGING SYSTEMS, INC.

By: /s/ Paul J. Travers
Paul J. Travers, President

CERTIFICATE OF AMENDMENT
OF THE
CERTIFICATE OF INCORPORATION
OF
INTERACTIVE IMAGING SYSTEMS, INC.

Under Section 242 of the General Corporation Law

The undersigned, being the President of Interactive Imaging Systems, Inc., does hereby certify as follows:

1. The name of the Corporation is Interactive Imaging Systems, Inc. (the "Corporation").

2. The Restated Certificate of Incorporation was filed by the Delaware Secretary of State on November 20, 1997.

3. The Board of Directors of the Corporation by the unanimous written consent of its members, filed with the minutes of the Board adopted a resolution proposing and declaring advisable the following amendment to the Certificate of Incorporation:

RESOLVED, that the Certificate of Incorporation of Interactive Imaging Systems, Inc. be amended by changing Article 4 thereof so that, as amended, said Article shall be and read as follows:

"ARTICLE 4. The total number of shares of all classes of which the Corporation shall have authority to issue shall be 206,745,681 shares, consisting of (i) 725,000 shares of Series A Redeemable Preferred Stock, par value $.001 each (hereinafter called "Series A Preferred Stock"); (ii) 1,020,681 of Series B Convertible Preferred Stock, par value $0.001 each (hereinafter called "Series B Preferred Stock"); (iii) 5,000,000 shares of undesignated preferred stock, par value $.001 each (hereinafter called, collectively with the Series A Preferred Stock and the Series B Preferred Stock, the "Preferred Stock"), and (iv) 200,000,000 shares of common stock, par value $.001 each (hereinafter called "Common Stock").

Sections A and B of Article 4 constituting statements of the powers, designations, limitations, and restrictions of the classes of stock shall remain unchanged.

4. In lieu of a meeting and vote of stockholders, a majority of the stockholders have given written consent to said amendment in accordance with the provisions of Sections 228 of the General Corporation Law of the State of Delaware and written notice of the adoption of the amendment has been given as provided in Section 228 to every stockholder entitled to such notice.

IN WITNESS WHEREOF, this Certificate has been subscribed this 11 day of October, 2002 by the undersigned who affirm that the statements made herein are true under the penalties of perjury.

INTERACTIVE IMAGING SYSTEMS, INC.

By: /s/ Paul J. Travers
Paul J. Travers, President

CERTIFICATE OF AMENDMENT
OF THE
CERTIFICATE OF INCORPORATION
OF
INTERACTIVE IMAGING SYSTEMS, INC.

INTERACTIVE IMAGING SYSTEMS, INC. a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Corporation"), does hereby certify that:

I. The amendment to the Corporation's Certificate of Incorporation set forth below was duly adopted in accordance with the provisions of Sections 242 and has been consented to in writing by the stockholders, and written notice has been given, in accordance with Section 228 General Corporation Law of the State of Delaware.

II. The first paragraph of Article 4 of the Corporation's Certificate of Incorporation is amended to read in its entirety as follows:

> ARTICLE 4. The total number of shares of all classes of which the Corporation shall have authority to issue shall be 106,745,681 shares, consisting of (i) 725,000 shares of Series A Redeemable Preferred Stock, par value $.001 each (hereinafter called "Series A Preferred Stock"); (ii) 1,020,681 of Series B Convertible Preferred Stock, par value $0.001 each (hereinafter called "Series B Preferred Stock"); (iii) 5,000,000 shares of undesignated preferred stock, par value $.001 each (hereinafter called, collectively with the Series A Preferred Stock and the Series B Preferred Stock, the "Preferred Stock"), and (iv) 100,000,000 shares of common stock, par value $.001 each (hereinafter called "Common Stock").

Sections A and B of Article 4 constituting statements of the powers, designations, limitations, and restrictions of the classes of stock shall remain unchanged.

IN WITNESS WHEREOF, Interactive Imaging Systems, Inc. has caused this certificate to be executed by Paul J. Travers, its President, on this 1st day of October, 2000.

/s/ Paul J. Travers
Paul J. Travers, President

STATE OF DELAWARE
CERTIFICATE FOR RENEWAL
AND REVIVAL OF CHARTER

Interactive Imaging Systems, Inc., a corporation organized under the laws of Delaware, the charter of which was voided for non-payment of taxes, now desires to procure a restoration, renewal and revival of its charter, and hereby certifies as follows:

1. The name of this corporation is Interactive Imaging Systems, Inc.
2. Its registered office in the State of Delaware is located at 2711 Centerville Rd, Suite 400, City of Wilmington, Zip Code 19808, County of New Castle the name and address of its registered agent is Corporation Service Company 2711 Centerville Rd, Suite 400, Wilmington, DE 19808.
3. The date of filing of the original Certificate of Incorporation in Delaware was 9/16/97.
4. The date when restoration, renewal, and revival of the charter of this company is to commence is the 29th day of February 2000, same being prior to the date of the expiration of the charter. This renewal and revival of the charter of this corporation is to be perpetual.
5. This corporation was duly organized and carried on the business authorized by its charter until the 1st day of March, 2000, at which time its charter became inoperative and void for non-payment of taxes and this certificate for renewal and revival is filed by authority of the duly elected directors of the corporation in accordance with the laws of the State of Delaware.

IN TESTIMONY WHEREOF, and in compliance with the provisions of Section 312 of the General Corporation Law of the State of Delaware, as amended, providing for the renewal, extension and restoration of charters, Paul J. Travers the last and acting authorized officer hereunto set his/her hand to this certificate this 5th day of October AD, 2000.

By: /s/ Paul J. Travers
Authorized Officer

Name: Paul J. Travers

Title: President

CERTIFICATE OF AMENDMENT
OF CERTIFICATE OF INCORPORATION
OF
KAOTECH CORPORATION

KAOTECH CORPORATION, a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, hereby certifies as follows:

1. The Certificate of Incorporation is hereby amended to change the name of the corporation in Paragraph FIRST to Interactive Imaging Systems, Inc. Paragraph FIRST shall read in its entirety as follows:

FIRST: The name of the Corporation is Interactive Imaging Systems, Inc.

2. This amendment was duly adopted by action taken by the Board of Directors of the Corporation at a meeting followed by Unanimous Written Consent of Stockholders of the Corporation in accordance with Sections 242 and 228 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said Kaotech Corporation has caused this certificate to be signed by Paul J. Travers, its President, this 12th day of March, 1996.

KAOTECH CORPORATION

By: /s/ Paul J. Travers
Paul J. Travers, President

RESTATED CERTIFICATE OF INCORPORATION

OF

KAOTECH CORPORATION

It is hereby certified that:

1. (a) The present name of the corporation (hereinafter called the "Corporation") is:

Kaotech Corporation

(b) The name under which the Corporation was originally incorporated is VR Acquisition Corp., and the date of filing the original certificate of incorporation of the corporation with the Secretary of State of the State of Delaware is September 16, 1997; and the date of filing of the certificate of amendment of the certificate of incorporation of the Corporation with the Secretary of State of the State of Delaware changing the name of the Corporation is September 25, 1997.

2. The provision of the certificate of incorporation of the Corporation as heretofore amended and/or supplemented, are hereby restated and integrated into the single instrument which is hereafter set forth, and which further amends such certificate of incorporation, and which is entitled Restated Certificate of Incorporation of Kaotech Corporation.

3. The Board of Directors of the corporation and the shareholders of the corporation have duly adopted this Restated Certificate of Incorporation pursuant to the provisions of Sections 242 & 245 of the General Corporation Law of the State of Delaware in the form set forth as follows:

RESTATED CERTIFICATE OF INCORPORATION

OF

KAOTECH CORPORATION

This is a restated certificate of incorporation, with amendments, duly adopted by the shareholders of the Corporation pursuant to the provisions of 242 & 245 of the General Corporation Law of the State of Delaware.

ARTICLE 1. The name of the Corporation is: Kaotech Corporation.

ARTICLE 2. The address of its registered office in the State of Delaware is 1013 Centre Road, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is Corporation Service Company.

ARTICLE 3. The nature of the business and purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

ARTICLE 4. The total number of shares of all classes of which the Corporation shall have authority to issue shall be 16,745,681 shares, consisting of (i) 725,000 of Series A Redeemable Preferred Stock, par value $0.001 each (hereinafter called "Series A Preferred Stock"), (ii) 1,020,681 of Series B Convertible Preferred Stock, par value $0.001 each (hereinafter called "Series B Preferred Stock"), (iii) 5,000,000 shares of undesignated preferred stock par value $0.001 each (hereinafter called, collectively with the Series A Preferred Stock and the Series B Preferred Stock, the "Preferred Stock") and (iv) 10,000,000 shares of common stock, par value $0.001 each (hereinafter called "Common Stock").

A. COMMON STOCK

The following provisions of this Part A of this Article 4 constitute a statement of the powers, designations, limitations and restrictions of and relating to the Common Stock.

(1) The Common Stock is junior to the Preferred Stock and is subject to all the powers, rights, privileges, preferences and priorities of the Preferred Stock as set forth herein.

(2) The common Stock shall have voting rights for the election of directors and for all other matters voted on by shareholders, each holder of Common Stock being entitled to one vote for each share thereof held of record by such holder, except as otherwise required by law.

(3) Each share of Common Stock is entitled to participate equally in such dividends as may be declared by the Board of Directors and, subject to the rights of the Preferred Stock, in any other distributions made by the Corporation.

B. PREFERRED STOCK

The following provisions of this Part B of this Article 4, consisting of §§1 — 10, constitute a statement of the powers, designations, limitations and restrictions of and relating to the Preferred Stock.

§1. Definitions. As used in this Article 4:

(a) the term "Capital Stock" shall mean and include Preferred Stock, Common Stock and all (if any) other Junior Stock;

(b) the term "Distributable Assets" shall mean, in relation to any voluntary or involuntary liquidation, dissolution or winding up of the Corporation at any particular time, all of the property and assets of the Corporation (whether from capital, surplus or earnings) available for distribution to the Corporation's shareholders upon such liquidation, dissolution or winding up of the corporation, calculated as though all subsidiaries of the Corporation had been liquidated and their assets distributed to the Corporation; and

(c) the term "Junior Stock" shall mean and include Common Stock and any other capital stock of the corporation of any class or of any series of any class which is junior to Preferred Stock as to the payment of dividends or as to distributions upon dissolution, liquidation, winding up or redemption.

(d) the term "Liquidation Value" shall mean, in relation to (i) any share of Series A Preferred Stock, $1.00 per share and (ii) any share of Series B Preferred Stock, $0.10 per share, subject in either case to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization affecting the Series A Preferred Stock or the Series B Preferred Stock (as the case may be), plus all dividends accrued pursuant to §2 hereof; and

(e) the term "Original Issue Date" shall mean, in relation to any share of Preferred Stock, the date on which such share was originally issued by the corporation to the original holder thereof; and

(f) except as used in §§6.05 and 6.06 of this Article 4 or unless the context otherwise requires, the term "distribution" shall mean (i) the declaration, payment or transfer of ash or other property of the corporation without consideration on or in respect of any Capital Stock of the Corporation, whether by way of dividend or otherwise or (ii) the purchase or redemption of shares of the Capital Stock of the Corporation for cash or property of the Corporation, including in the case of each of clauses (i) and (ii), any such declaration, payment, transfer, purchase or redemption by a subsidiary of the Corporation. Securities issued by the Corporation shall not be deemed property of the Corporation.

§2. Dividends on Preferred Stock.

§2.01. General. When and as declared by the Corporation's Board of Directors and to the extent permitted under the General Corporation Law of the State of Delaware, the Corporation will pay preferential dividends to the holders of the Preferred Stock as provided in this §2.

§2.02. Series A Preferred Stock.

(a) Dividends on each outstanding share of Series A. Preferred Stock (whether payable in cash or in stock) will accrue cumulatively on a daily basis during each fiscal quarter of the Corporation at the rate of 3% per annum on the Liquidation Value thereof, and will be payable on the last day of each fiscal quarter (each such date, a "Dividend Payment Date"). All dividends payable pursuant to this §2.02 shall be paid in additional shares of Series A Preferred Stock having an aggregate Liquidation Value equal to the aggregate amount of such accrued and unpaid dividends (a "PIK Dividend") on the last business day of each fiscal quarter. All shares of Series A Preferred Stock issued pursuant to a PIK dividend will hereupon be duly authorized, validly issued, fully paid and nonassessable. Each such PIK Dividend shall be made pro rata with respect to the outstanding shares of Series A Preferred Stock in accordance with the respective dividends then due and payable thereon. Dividends with respect to such additional shares of Series A Preferred Stock issued as s PIK Dividend shall accrue at the rates and on the other terms set forth in this §2.02.

(b) Dividends on each share of Series A Preferred Stock will accrue from and including the date of issuance of such share to and including the date on which the Liquidation Value (plus all accrued but unpaid dividends thereon) of such share is paid, whether or not they have been declared and whether or not there are profits, surplus or other funds of the Corporation legally available for the payment of dividends. The date on which the Corporation initially issues any share of Series A Preferred Stock will be deemed to be its "date of issuance", regardless of the number of times transfer of such share is made on the stock records maintained by or for the Corporation and regardless of the number of certificates which may be issued to evidence such share, provided that with respect to any share of Series A Preferred Stock issued pursuant to a PIK Dividend made pursuant to §2.02 (a) above, the first day of the fiscal quarter following the applicable Dividend Payment Date shall be deemed to be its "date of issuance" regardless of the number of times transfer of such share is made on the stock records maintained by or for the Corporation and regardless of the number of certificates which may be issued to evidence such share. Without the prior written consent of the holders of a majority of the then outstanding shares of Series A Preferred Stock, no dividends or other distributions will be paid, declared or set apart with respect to the Series B. Preferred Stock or Common Stock or any other shares of Junior Stock unless all accrued but unpaid dividends on the Series A Preferred Stock shall have been paid.

(c) If at any time the Corporation pays less than the total amount of dividends then accrued with respect to the Series A Preferred Stock, such payment will be distributed ratably among the holders of the Series A Preferred Stock based upon the aggregate accrued but unpaid dividends on the shares of Series A Preferred Stock held by each such holder.

§3. Voting Rights of Holders of Preferred Stock.

§3.01. Series A Preferred Stock. Except as otherwise provided by law or as set forth in §7 below, the holders of Series A Preferred Stock shall have no right to vote on any matter submitted to shareholders of the Corporation for vote, consent or approval.

§3.02 Series B Preferred Stock. Each Holder of Series B Preferred Stock shall be entitled to vote on all matters voted on by shareholders of the Corporation and shall have that number of votes equal to the maximum number of whole shares of Common Stock into which the shares of Series B Preferred Stock held by such holder could be converted pursuant to §6 hereof, determined (a) as of the record date fixed for determining shareholders entitled to vote or (b) if no record date is fixed, as of the date such vote is taken or written consent therefore is solicited by the Corporation's Board of Directors. Except as otherwise provided in this Article 3, or required by law, the holders of Series B Preferred Stock shall vote with holders of Common Stock as one class.

§4. Liquidation Rights of Preferred Stock.

§4.01. Liquidation Preference of Holders of Preferred Stock.

(a) Upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation (each such event being hereafter referred to as a "Liquidation"), the holders of Class A Preferred Stock will be entitled to be paid out of the Distributable Assets, before any payments shall be made to the holders of the Class B Preferred Stock or the Junior Stock, an amount in cash equal to the aggregate Liquidation Value (plus all accrued but unpaid dividends) of all shares of Class A Preferred Stock outstanding, and the holders of Class A Preferred Stock will not be entitled to any further payment. If, upon any Liquidation, the Corporation's Distributable Assets are insufficient to permit payment to the holders of the Class A Preferred Stock of the full amount to which they are entitled hereunder, then the entire Distributable Assets to be distributed will be distributed ratably among such holders based upon the aggregate Liquidation Value (plus all accrued but unpaid dividends of the Class A Preferred Stock held by each such holder. The Corporation will mail written notice of any Liquidation not less than 30 days prior to the payment date stated therein to each record holder of Class A Preferred Stock. The consolidation or merger of the Corporation into or with any other corporation or corporations, the sale or transfer by the Corporation of all or any substantial part of its assets, and the sale of at least a majority of the then outstanding shares of Common Stock of the Corporation will be deemed to be a Liquidation for purposes of this §4.01.

(b) After the payment of all preferential amounts required to be paid to the holders of Class A Preferred Stock and any other class or series of stock of the Corporation ranking on liquidation on a parity with the Class A Preferred Stock, the holders of Class B Preferred Stock will be entitled to be paid out of the Distributable Assets, before any payment shall be made to the holders of Junior Stock, an amount in cash equal to the aggregate Liquidation Value (plus all accrued but unpaid dividends) of all shares of Class B Preferred Stock outstanding, and the holders of Class B Preferred Stock will not be entitled to any further payment. If, upon any Liquidation, the Corporation's Distributable Assets are insufficient to permit payment to the holders of the Class B Preferred Stock of the full amount to which they

are entitled hereunder, then the entire assets to be distributed will be distributed ratably among such holders based upon the aggregate Liquidation Value (plus all accrued but unpaid dividends) of the Class B Preferred Stock held by each such holder. The Corporation will main written notice of any Liquidation not less than 30 days prior to the payment date stated therein to each record holder of Class B Preferred Stock.

§4.02. Non-Preferential Distributions. After the payment of (i) all preferential amounts required to be paid to the holders of Class B Preferred Stock and any other class or series of stock of the Corporation ranking on liquidation on a parity with the Class B Preferred Stock and (ii) all preferential amounts required to be paid to the holders of Class A Preferred Stock and any other class or series of stock of the Corporation ranking on a parity with the Class A Preferred Stock, the holders of Junior Stock then outstanding shall be entitled to receive the remaining assets of the Corporation available for distribution to its stockholders.

§4.03. Merger and Sale Treated as Liquidation. For all purposes of this §4, each of (i) the merger or consolidation of the Corporation with or into any other corporation or corporations or the merger or consolidation of any other corporation or corporations with or into the Corporation, except for the merger into the Corporation of any wholly-owned subsidiary of the Corporation, and (ii) the sale, transfer, lease or other disposition of all or substantially all of the property and assets of the Corporation or of any subsidiary or subsidiaries of the Corporation (if the assets of such subsidiary or subsidiaries represent 50% or more in value of the aggregate assets of the Corporation and all its subsidiaries), or the sale of a majority of the shares of voting common stock of any such subsidiary or subsidiaries, shall be deemed to be a liquidation or winding up of the Corporation within the meaning of this §4.

§5. Redemption of Series A. Preferred Stock.

5.01. Redemption at Option of Corporation. The Corporation may at any time redeem all or any portion of the Class A Preferred Stock then outstanding at a price per share equal to the Liquidation Value thereof. The Corporation will mail written notice of a redemption pursuant to this §5.01 to each record holder of Class A Preferred Stock not more than 60 nor less than 30 days prior to the date on which such redemption is to occur. Except as otherwise provided herein, the number of shares of Class A Preferred Stock to be redeemed from each holder thereof in redemptions pursuant to this §5.01 will be the number of shares of Class A Preferred Stock determined by multiplying the total number of shares of Class A Preferred Stock to be redeemed by a fraction, the numerator of which will be the total number of shares of Class A Preferred Stock then held by the holder and the denominator of which will be the total number of shares of Class A Preferred Stock then outstanding.

§5.02. Redemption at Option of Holders. By written notice to the Corporation (a "Redemption Notice"), a Special Majority of Series A Preferred Holders (as defined in §7.02(c)) may elect to require the Corporation to redeem, at any time or from time to time on or after November ___, 2007 and at the Liquidation Value all of the then outstanding shares of Series A Preferred Stock (subject to the right of any holder to decline participation in such redemption) or such portion thereof as may be specified in the related Redemption Notice. The Corporation will promptly give to all holders of record of Series A Preferred Stock written notice of its receipt of

any Redemption Notice and offer to them the options (i) to decline to participate in the proposed redemption or (ii), if their shares have not been included in the related Redemption Notice, the right to participate therein. Any holder who desires to exercise either such option shall have twenty (20) days to give written notice to the Corporation of such holder's election to do so. Upon receipt of a Redemption Notice, the Corporation shall, from funds legally available therefor, effect the redemption in full of the required number of shares of Series A Preferred Stock, at the Liquidation Value thereof, on such date (a "Redemption Date") on or after November 30, 2007 which is not more than ninety (90) days after the date of such Redemption Notice as the Corporation may specify by notice to the holders of record of Series A Preferred Stock.

§5.03. Allocation of Redemption Payments Among Holders of Series A Preferred Stock.

(a) Allocation. If, on any Redemption Date, the Corporation shall be legally prohibited from paying the Liquidation Value for each of the shares of Series A Preferred Stock which the Corporation shall have become obligated to redeem on such Redemption Date, then each holder of shares of Series A Preferred Stock to be redeemed on such Redemption Date shall have the right to have redeemed by the Corporation, on such Redemption Date, the largest whole number of shares of Series A Preferred stock which may be redeemed at the applicable Liquidation Value by payment by the Corporation to such holder of an amount equal to the product of (a) the Available Redemption Amount, multiplied by (b) the Allocation Fraction determined as at the relevant Redemption Date for all shares of Series A Preferred Stock held of record by such holder which the Corporation was (but for the provisions of this §5.03) obligated to redeem on such Redemption Date.

(b) Definitions. As used in this §5.03, the following terms shall have the meanings assigned to them below:

(i) "Allocation Fraction" shall mean, in relation to any particular holder of shares of Preferred Stock to be redeemed on any Redemption Date, a fraction (i) the numerator of which shall be equal to the number of shares of Preferred Stock held by such holder on the relevant Redemption Date, and (ii) the denominator of which shall be equal to the aggregate number of all shares of Preferred Stock to be redeemed (prior to effecting any allocation pursuant to §5.03 (a)) on such Redemption Date.

(ii) "Available Redemption Amount" shall mean, in relation to any Redemption Date, all property and assets of the Corporation legally available for the redemption of shares of Preferred Stock by the Corporation on such Redemption Date, calculated as though all subsidiaries of the Corporation had been liquidated and their assets distributed to the Corporation.

§5.04. Miscellaneous Provisions Applicable to Redemption of Series A Preferred Stock.

(a) Reduction of Capital. The Corporation shall, to the extent necessary to effect each and every redemption of shares of Preferred Stock required pursuant to §5.01 or §5.02 hereof, apply to each such redemption or redemptions such amount or amounts out of its

capital as may then be permitted by the laws of the State of Delaware, and shall all action, with respect to reduction of its capital or otherwise, required by the laws of the State of Delaware.

(b) Surrender of Shares of Series A Preferred Stock. On each Redemption Date, each holder of shares of Series A Preferred Stock to be redeemed on such Redemption Date shall surrender such holder's certificates for such shares to the Corporation in the manner and at the place designated by the Corporation (or if the Corporation shall not have made any such designations, at the chief executive offices of the Corporation) and shall thereupon be entitled to receive the applicable Liquidation Value for such shares. In case less than all of the shares represented by any such surrendered certificates are to be redeemed, a new certificate shall be issued by the Corporation representing the unredeemed shares of Series A Preferred Stock.

(c) Termination of Rights. If, on any applicable Redemption Date, the applicable Liquidation Value is either paid and delivered by the Corporation to the holder of any Series A Preferred Stock or made available by the Corporation for payment and delivery to such holder, but such holder fails to surrender its certificates or accept such payment and delivery, then, notwithstanding that the stock certificates representing any of the shares of Series A Preferred Stock to be redeemed shall have not been surrendered, the dividends with respect to such shares of Series A Preferred Stock shall cease to accrue after the applicable Redemption Date and all rights with respect to such shares shall forthwith, after the applicable Redemption Date, cease and terminate, except only the right to receive the applicable Liquidation Value without interest (but with any dividends comprising part of the Liquidation Value) upon surrender of their certificates therefore.

§5.05. Failure of Corporation to Redeem Series A Preferred Stock. If, on any Redemption Date, the Corporation shall fail or be unable, by reason of lack of funds legally available for such purpose or otherwise, to redeem all of the shares of Series A Preferred Stock required to be redeemed on such date, then the holders of the outstanding shares of Series A Preferred Stock, voting as a separate class, shall have the rights (a) to elect by written consent or at any meeting called for such purpose a number of directors of the Corporation such that the directors elected pursuant to this §5.05 shall constitute a majority of the Board of Directors of the Corporation immediately following such election and (b) to effect any amendment to the Corporation's by-laws (or resolution of the Corporation's Board of Directors) necessary for such purpose.

§6. Conversion. The holders of Preferred Stock shall have the conversion rights set forth in the following provisions of this §6.

§6.01. Right to Convert. Each share of Series B Preferred Stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share, at the office of the Corporation or any transfer agent for Preferred Stock or Common Stock, into fully paid and non-assessable shares of Common Stock, at the Conversion Ratio for such share of Series B Preferred Stock in effect at the time of conversion determined as provided in this §6. Each share of Series B Preferred Stock shall be convertible into the number of shares of Common Stock equal to the quotient (herein called the "Conversion Ratio") determined by dividing (a) the Initial

Conversion Price (as defined in §6.02 hereof) for such share of Series B Preferred Stock, by (b) the Conversion Price for such share of Series B Preferred Stock in effect at the time of conversion.

§6.02 Conversion Price. As used in this §6, (a) the term "Conversion Price" shall mean, in relation to any share of Series B Preferred Stock at any time, the Initial Conversion Price for such share at such time as adjusted from time to time pursuant to the provisions of this §6; and (b) the term "Initial Conversion Price" shall mean, in relation to each share of Series B. Preferred Stock, $0.10.

§6.03. Mechanics of Conversion.

(a) Exchange of Share Certificates. Before any holder of Series B Preferred Stock shall be entitled to convert such Series B. Preferred Stock into Common Stock, such holder shall surrender the stock certificate or certificates therefore, duly endorsed, at the office of the Corporation or of any transfer agent for Preferred Stock or Common Stock, accompanied by a written notice of its election to convert the same and of the number of shares of Series B Preferred Stock to be so converted. Upon receipt of such stock certificates and notice, the Corporation shall forthwith issue and deliver at such office to such holder of Series B Preferred Stock a stock certificate or certificates for the number of shares of Common Stock to which it shall be entitled pursuant to §6.01 and §6.02 hereof. The Corporation will also, upon such conversion and the issue and delivery of such stock certificate or certificates representing Common Stock, pay in shares of Common Stock (valued at the Common Stock's fair market value at the time of conversion, as determined on a reasonable basis and in good faith by the Board of Directors) all accrued and unpaid dividends computed to the effective date of conversion on the shares of Series B Preferred Stock so converted.

(b) Effective Date of Conversion. Each conversion shall be deemed to have been made immediately prior to the close of business of the Corporation on the date of the surrender to the Corporation of the shares of Series B Preferred Sock to be converted, and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock on such date.

§6.04. Adjustment for Stock Splits and Combinations. If the Corporation shall, at any time or from time to time after the Original Issue Date for any share of Series B Preferred Stock, effect a subdivision of the outstanding shares of Common Stock, the Conversion Price for such share of Series B Preferred Stock in effect immediately prior to such subdivision shall be proportionately decreased by multiplying (i) such Conversion Price, by (ii) a fraction:

(a) the numerator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to such subdivision; and

(b) the denominator of which shall be the total number of shares of Common Stock issued and outstanding immediately after such subdivision.

If the Corporation shall, at any time or from time to time after the Original Issue Date for any share of Series B Preferred Stock, effect any combination of the outstanding shares of Common Stock, the Conversion Price for such share of Series B Preferred Stock in effect immediately prior to such combination shall be proportionately increased by multiplying (iii) such Conversion Price, by (iv) a fraction:

(c) the numerator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to such combination; and

(d) the denominator of which shall be the total number of shares of Common Stock issued and outstanding immediately after such combination.

Any adjustment under this §6.04 shall become effective at the close of business on the date on which such subdivision or combination becomes effective.

§6.05. Adjustment for Certain Common Stock Dividends and Distributions. In the event the Corporation shall, at any time or from time to time after the Original Issue Date for any share of Series B Preferred Stock, make or issue, or fix a record date for the determination of holders of holders of Junior Stock entitled to receive, a dividend or other distribution payable in shares of Common Stock, then, and in each such event, the Conversion Price for such share of Series B Preferred Stock then in effect shall be decreased as of the time of such issuance or, in the event such a record date shall have been fixed, as of the close of business on such record date, by multiplying (i) the Conversion Price for such share of Series B Preferred Stock then in effect, by (ii) a fraction:

(a) the numerator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date; and

(b) the denominator of which shall be the sum of (1) the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, plus (2) the total number of shares of Common Stock issuable in payment of such dividend or distribution;

provided, however, that if such a record date shall have been fixed and such dividend is not fully paid, or such distribution is not fully made, on the date fixed therefore, then the Conversion Price shall be recomputed accordingly as of the close of business on such record date. In the event that any holder of shares of Series B Preferred Stock elects to convert any of such shares into Common Stock pursuant to the provisions of this §6 after any record date for determining holders of Junior Stock entitled to receive any dividend or other distribution payable in shares of Common Stock but prior to the date on which such dividend is paid, the Corporation may defer, until such dividend is paid, the issue to such holder of all of the additional shares of Common Stock but prior to the date on which such dividend is paid, the Corporation may defer, until such dividend is paid, the issue to such holder of all of the additional shares of Common Stock issuable to such holder upon such conversion solely by reason of the adjustment made to the Conversion Price of each such share of Series B Preferred Stock pursuant to this §6.05 on the

record date for such dividend; provided further, however, that the Corporation shall, promptly upon the request of such holder, issue to such holder a written certificate or other instrument evidencing such holder's right to receive such additional shares of Common Stock.

§6.06. Adjustment for Dividends and Distributions Payable in Other Securities. In the event the Corporation shall, at any time or from time to time after the Original Issue Date for any share of Series B Preferred Stock, make or issue, or fix a record date for the determination of holders of shares of Junior Stock entitled to receive, a dividend or other distribution payable in securities of the Corporation other than shares of Common Stock, then, and in each such event, provision shall be made by the Corporation so that the holders of shares of Series B Preferred Stock shall receive, upon conversion thereof, in addition to the number of shares of Common Stock receivable thereupon, the amount of securities of the Corporation which such holders would have received had their shares of Series B Preferred Stock been converted into Common Stock on the date of such event and had they thereafter, during the period from the date of such event to and including the conversion date, retained such securities receivable by them as aforesaid during such period, giving application to all adjustments called for during such period under this §6 hereof with respect to the rights of the holders of shares of Series B Preferred Stock.

§6.07. Adjustment for Reclassification; Exchange and Substitution. If the shares of Common Stock issuable upon the conversion of shares of Series B Preferred Stock shall be changed into the same or any different number of shares of any class or any series of any class of capital stock, whether by capital reorganization, reclassification or otherwise (other than a subdivision or combination of shares or a stock dividend provided for above, or a reorganization, merger, consolidation or sale of assets provided for in §6.08 hereof), then, and in each such event, the holder of shares of Series P Preferred Stock shall have the right thereafter to convert such sales of Series B Preferred Stock into the kind and amount of shares of stock and other securities and property receivable upon such reorganization, reclassification or other change by holders of the number of shares of Common Stock into which such shares of Series B Preferred Stock might have been converted immediately prior to such reorganization, reclassification or change, all subject to further adjustment as provided for in this §6.

§6.08. Reorganizations, Mergers, Consolidations or Sales of Assets. If, at any time or from time to time, there shall be a capital reorganization of Junior Stock (other than a subdivision, combination, reclassification or exchange of shares provided for elsewhere in the §6), or a merger or consolidation of the Corporation with or into another corporation, or the sale of all or substantially all of the Corporation's properties and assets to any other person, then, as a part of such reorganization, merger, consolidation or sale, provision shall be made by the Corporation so that the holders of shares of Series B Preferred Stock shall thereafter be entitled to receive, upon conversion of such shares of Series B Preferred Stock, the number of shares of stock or other securities or property of the Corporation, or of the successor corporation resulting from such merger or consolidation or sale, to which a holder of shares of Common Stock deliverable upon conversion of such shares of Series B Preferred Stock would have been entitled on such capital reorganization, merger, consolidation or sale. In any such case, appropriate adjustment shall be made in the application of the provisions of this §6.08 with respect to the rights of the holders of shares of Series B Preferred Stock after the reorganization, merger,

consolidation or sale to the end that the provisions of this §6 (including adjustment of the Conversion Price then in effect for each share of Series B Preferred Stock, and the number of shares issuable upon conversion of shares of Series B Preferred Stock) shall be applicable after that event in a manner as nearly equivalent as may be practicable.

§6.09. Sale of Shares Below Conversion Price.

(a) Reduction of Conversion Price. If (and on each occasion that) the Corporation shall, at any time or from time to time after the Original Issue Date for any share or Series B Preferred Stock, issue or sell or (as provided by this §6.09) be deemed to issue or sell Additional Shares of Common Stock (as defined in §6.09(g)), other than as a dividend or other distribution on any class of stock or upon a subdivision or combination of shares of Common Stock, for a consideration per share less than the then existing Conversion Price for such share of Series B Preferred Stock or (as the case may be) for no consideration, then (and in each such case) the then existing Conversion price for each share of Series B Preferred Stock shall be reduced, as of the opening of business on the date of such issuance or sale, to a new Conversion Price which shall be determined by multiplying the Conversion Price then in effect by a fraction:

(i) the numerator of which shall be (A) the number of shares of Common Stock outstanding immediately prior to the issuance of such Additional Shares of Common Stock, plus (B) the number of shares of Common Stock into which the outstanding shares of Series B Preferred Stock may then be converted plus (C) the number of shares of Common Stock which the consideration, if any, received by the Corporation for the total number of such Additional Shares of Common Stock so issued, would purchase at the Conversion Price in effect immediately prior to such issuance, and

(ii) the denominator of which shall be (A) the number of shares of Common Stock outstanding immediately prior to the issuance of such Additional Shares of Common Stock plus (B) the number of shares of Common Stock into which the outstanding shares of Series B Preferred Stock may then be converted plus (C) the number of such Additional Shares of Common Stock so issued.

(b) Determination of Consideration for Securities. For the purpose of making any adjustment in the Conversion Price for any shares of Series B Preferred Stock, the consideration received or deemed to be received by the Corporation for any issue or sale of securities shall:

(i) to the extent it consists of cash, be computed as the net amount of cash received by the Corporation after deduction of any expenses payable by the Corporation and also after deduction of any underwriting or similar commissions, compensations or concessions paid or allowed by the Corporation in connection with such issue or sale:

(ii) to the extent it consists of property other than cash, be computed at the fair market value of that property as determined in good faith and on a reasonable basis by the Board of Directors of the Corporation; and

(iii) if Convertible Securities (as defined in §6.09 (c) hereof) or rights, options or warrants to purchase either Additional Shares of Common Stock or Convertible Securities are issued or sold, the consideration therein shall, to the extent applicable, be determined under §§6.09(c) through 6.09(f) hereof.

(c) Common Stock Options and Warrants; Convertible Securities. For the purpose of making any adjustment to the Conversion Price for any share of Series B Preferred Stock, as provided in §6.09(a), if, at any time or from time to time after the Original Issue Date for such share of Series B Preferred Stock, the Corporation shall issue any rights, options or warrants for the purchase of, or stock or other securities convertible into or exchangeable for, Additional Shares of Common Stock (such convertible or exchangeable stock or securities being hereinafter referred to as "Convertible Securities"), then, in each case, if the Effective Price (as hereinafter defined) of such rights, options, warrants or Convertible Securities shall be less than the then existing Conversion Price for any shares of Series B Preferred stock, the Corporation shall be deemed (i) to have issued, at the time of the issuance of such rights, options warrants or Convertible Securities, the maximum number of Additional Shares of Common Stock issuable upon exercise, conversion or exchange thereof, and (ii) to have received as consideration for the issuance of such Additional Shares of Common Stock an amount equal to the sum of (A) total amount of the consideration, if any, received by the corporation for the issuance of such rights, options, warrants or Convertible Securities, plus (B) in the case of such rights, options or warrants, the minimum amount of consideration, if any, payable to the Corporation upon the exercise of such rights, options or warrants, or, in the case of Convertible Securities, the minimum amount of consideration, if any, payable to the Corporation upon the conversion or exchange of such Convertible Securities (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities). As used in this paragraph (c), the term "Effective Price" shall mean the quotient determined by dividing (X) the total of all of such consideration determined as provided by clause (ii) of the preceding sentence of this paragraph (c), by (Y) such maximum number of Additional Shares of Common Stock determined as provided by clause (i) of the preceding sentence of this paragraph (c). No further adjustment of the Conversion Price for any share of Series B Preferred Stock adjusted upon the issuance of such rights, options, warrants or Convertible Securities shall be made as a result of the actual issuance of Additional Shares of Common Stock on the exercise of any such rights, options warrants or the conversion or exchange of any such Convertible Securities.

(d) Expiration of Common Stock Options, Warrants and Conversion Rights. If any of the rights, options or warrants referred to in §6.09(c) or the conversion or exchange privilege represented by any Convertible Securities shall expire without having been exercised, the Conversion Price for any share of Series B Preferred Stock adjusted upon the issuance of such rights, options, warrants or Convertible Securities shall be readjusted to the Conversion Price which would have been in effect for such shares of Series B Preferred Stock had an adjustment been made on the basis that the only Additional Shares of Common stock deemed issued pursuant to §6.09(c) were the Additional Shares of Common stock. If any, actually issued, sold or transferred on the exercise of such rights, options, warrants or rights of conversion or exchange of such Convertible Securities, and such Additional Shares of Common Stock, if any, were issued or sold for an amount equal to the sum of (i) the consideration actually received by the Corporation upon such exercise (other than by cancellation of liabilities or

obligations evidenced by any such Convertible securities), plus (ii) in the case of such rights, options or warrants, the consideration, if any, actually received by the Corporation for the granting of all such rights, options or warrants, whether or not exercised, or, in the case of such Convertible Securities, the consideration received for issuing or selling the Convertible Securities actually converted or exchanged.

(e) Options and Warrants to Purchase Convertible Securities. For the purpose of making any adjustment to the Conversion Price for any shares of Series B Preferred Stock, as provided in §6.09(a), if, at any time or from time to time after the Original Issue Date for such shares of Series B Preferred Stock, the Corporation shall issue any rights, options or warrants for the purchase of Convertible Securities, then, in each case, in the Effective Price thereof (as hereinafter defined) is less than the Conversion Price then in effect for such shares of Series B Preferred Stock, the Corporation shall be deemed (i) to have issued at the time of the issuance of such rights, options or warrants the maximum number of Additional Shares of Common Stock issuable upon conversion or exchange of the total amount of Convertible Securities converted by such rights, options or warrants, and (ii) to have received as consideration for the issuance of such Additional Shares of Common Stock an amount equal to the sum of (A) the amount of consideration, if any, received by the Corporation for the issuance of such rights, options or warrants, plus (B) the minimum amounts of consideration, if any, payable to the corporation upon the exercise of such rights, options or warrants, plus (C) the minimum amount of consideration, if any, payable to the Corporation (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities) upon the conversion or exchange of such Convertible Securities. As used in this §6.09(c), the term "Effective Price" shall mean the quotient determined by dividing (X) the total amount of such consideration determined as provided by clause (ii) of the preceding sentence of this paragraph (e). No further adjustment of the Conversion Price for any shares of Series B Preferred Stock adjusted upon the issuance of such rights, options or warrants shall be made as a result of the actual issuance of the Convertible Securities upon the exercise of such rights, options or warrants or upon the actual issuance of Additional Shares of Common Stock upon the conversion or exchange of such Convertible Securities.

(f) Expiration of Options and Warrants to Purchase Convertible Securities. The provisions of §6.09(d) for the readjustment of the Conversion Price for any shares of Series B Preferred Stock upon the expiration of rights, options or warrants or the rights of conversion or exchange of Convertible Securities shall apply mutatis mutandis to the rights, options or warrants for the purchase of Convertible Securities referred to in §6.09(e).

(g) Additional Shares of Common Stock. As used in this §6.09, the term "Additional Shares of Common Stock" shall mean all shares of Common Stock issued or deemed (as provided by the terms and provisions of this §6.09) to be issued by the Corporation after the Original Issue Date for any share of Series B Preferred Stock, whether or not subsequently reacquired or retired by the Corporation, other than shares of Common Stock issued or issuable (i) upon conversion of shares of Series B Preferred Stock, or (ii) upon exercise of any warrant issued prior to or contemporaneously with the initial issue and sale by the Corporation of shares of Series B Preferred Stock or (iii) pursuant to any stock options granted by the Corporation's Board of Directors to any employee or consultant of the Corporation, provided that the aggregate

number of shares of Common Stock subject to and issued pursuant to such stock options, so long as any shares of Series B Preferred Stock shall be outstanding, shall not exceed 650,000, computed cumulatively from the initial Original Issue Date and including any options outstanding on such Original Issue Date but exclusive of shares subject to options which have expired tor been terminated without exercise and subject to proportionate adjustment in the case of any stock split of, stock dividend on, or reclassification or similar event involving the Common Stock.

§6.10. Certificate of Chief Financial Officer. In each case of an adjustment of readjustment of the Conversion Price for any shares of Series B Preferred Stock or an adjustment or readjustment of the number of shares of Common Stock or other securities issuable upon conversion or exchange of shares of Series B Preferred Stock, the Corporation shall cause the chief financial officer of the Corporation to compute such adjustment or readjustment in accordance with the Corporation's Restated Certificate of Incorporation and to prepare a certificate showing such adjustment or readjustment, and shall mail such certificate, by first class mail, postage prepaid, to each record holder of shares of Series B Preferred Stock at the holder's address as shown in the Corporation's books. The certificate shall set forth such adjustment or readjustment, showing in detail the facts upon which such adjustment or readjustment is based, including a statement of:: (i) the consideration received or deemed received for any Additional Shares of Common stock issued or sold or deemed to have been issued or sold; (ii) the Conversion Price or Conversion Prices at the time in effect for shares of Series B Preferred Stock; and (iii) the number of Additional Shares of Common Stock into which shares of Series B Preferred Stock could be converted at the Conversion Price at the time in effect for such shares of Series B Preferred Stock.

§6.11. Notices of Record Date. In the event of any taking by the Corporation of a record of the holders of any class of securities for the purpose of determining the holders thereof entitled to receive any dividend or other distribution, or the occurrence or intended or impending occurrence of any event described in §4.04 hereof, the Corporation shall give to each holder of shares of Series B Preferred Stock, at least forty-five (45) days prior to the date of the taking of such record or such event, as the case may be, a written notice specifying (i) in the case of the taking by the Corporation of a record for the purpose of making a dividend or distribution, the date on which such record is to be taken and a description of such dividend or distribution, or (ii) in the case of the occurrence or intended or impending occurrence of any event described in §4.04 hereof, the date on which such event is to occur, and the time, if any, that is to be fixed, as to when the holders of record of shares of Junior Stock (or other securities) shall be entitled to exchange their shares of Junior Stock (or other securities) shall be entitled to exchange their shares of Junior Stock (or other securities) for securities or other property deliverable upon the occurrence of such event.

§6.12. Automatic Conversion.

(a) Each share of Series B Preferred Stock shall automatically be converted into shares of Common Stock at the then effective Conversion Price for such share of Series B Preferred Stock, immediately upon the closing of the Corporation's Qualified Initial Public Offering. The term "Qualified Initial Public Offering" means an underwritten public

offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, covering the offer and sale of shares of Common Stock of the Corporation but only if (i) in the aggregate proceeds (before deduction of any underwriting discounts, commissions or expenses) received by the Corporation from such public offering, at the public offering price, shall equal or exceed $10,000,000; (ii) the public offering price per share of Common Stock of the Corporation in such public offering shall equal or exceed an amount equal $5.00 (as adjusted for stock splits, stock dividends, combinations and the like); and (iii) each of the underwriters participating in such public offering shall be obligated to buy on a "firm commitment" basis all shares of capital stock of the Corporation which such underwriters shall have agreed to distribute.

(b) Upon the occurrence of the closing of such Qualified Initial Public offering, all of the shares of Series B Preferred Stock then outstanding shall be converted, without any further action by the holders thereof, into shares of Common Stock. The holders of shares of Series B Preferred Stock so converted shall surrender the stock certificates therefore at the principal office of the Corporation or of any transfer agent for shares of Common Stock in exchange for shares of Common Stock. The Corporation shall, forthwith upon such surrender, issue to such holders a certificate or certificates representing the number of shares of Common Stock into which the shares of Series B Preferred Stock surrendered were convertible on the date on which such automatic conversion occurred. The Corporation will also, upon conversion of Series B Preferred Stock and the issue and delivery of the certificate or certificates representing Common Stock, pay in Common Stock (valued at the Common Stock's fair market value at the time of conversion, as determined on a reasonable basis and in good faith by the Board of Directors) all accrued and unpaid dividends, computed to the effective date of conversion, on the shares of Series b Preferred Stock converted into Common Stock.

§6.13. Fractional Shares. No financial shares of Common Stock shall be issued upon conversion of shares of Series B Preferred Stock. In lieu of any fractional shares to which any holder of shares of Series B Preferred Stock would otherwise be entitled, the Corporation shall pay cash equal to the product of such fraction multiplied by the fair market value of one share of the Corporation's Common Stock on the date of conversion, as determined in good faith and on a reasonable basis by the Board of Directors of the Corporation.

§6.14. Reservation of Stock Issuable Upon Conversion. The Corporation shall at all times reserve and keep available out of its authorized by unissued shares of Common Stock, solely for the purpose of effecting the conversion of shares of Series B Preferred Stock, such number of shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of Series B Preferred Stock, and, if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of Series B Preferred Stock, the Corporation will forthwith take such corporate action as may be necessary or appropriate to increase its authorized but unissued shares of Common Stock to such number of shares of Series B Preferred Stock as shall be sufficient for such purpose.

§6.15. Payment of Taxes. The Corporation will pay all taxes and other governmental charges that may be imposed in respect of the issue or delivery of shares of Common Stock upon

conversion of shares of Series B Preferred Stock, including, without limitation, any tax or other charge imposed in connection with any transfer involved in the issue and delivery of shares of Common Stock in a name other than that in which the shares of Series B Preferred Stock in a name other than that in which the shares of Series B Preferred Stock so converted were registered.

§6.16. No Impairment. The Corporation shall not amend its Restated Certificate of Incorporation or participate in any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, for the purpose of avoiding or seeking to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Corporation, but will at all times in good faith assist in carrying out all such action as may be reasonably necessary or appropriate in order to protect the conversion rights of holders of shares of Series B Preferred Stock against impairment.

§7. Protective Provisions.

§7.01 Action Requiring Affirmative Vote of Preferred Stock. So long as any shares of any series of Preferred Stock remain outstanding, the Corporation shall not, without the affirmative vote or written consent of a Special Majority of Series A Preferred Holders or Special Majority of Series B Preferred Holders (as the case may be), voting as a separate single class:

(a) amend, repeal, abolish or modify any term or provision of, or add any term or provision to, (i) any article of the Corporation's Restated Certificate of Incorporation, or (ii) the Corporation's By-laws, if any such action of the kind described in clause (i) or (ii) of this paragraph (a) would alter or change or otherwise affect in any adverse way any of the powers, designations, preferences, privileges or rights of the Series A Preferred Stock or Series B Preferred Stock (as the case may be) or any of the restrictions provided for the benefit of either such series of Preferred Stock; or

(b) increase the number of authorized shares of the Series A Preferred Stock or Series B Preferred Stock (as the case may be); or

(c) authorize, create or issue (i) any shares of any Senior Capital Stock (as defined in §7.02(a) hereof) of any class or of any series of any class, or (ii) any Senior Convertible Securities (as defined in §7.02(b) hereof); or

(d) decrease the total number of authorized shares of the Series A Preferred Stock or Series B Preferred Stock (as the case may be), except (i) in connection with and as and to the extent required by redemption of shares of Series A Preferred Stock upon the terms contained in §5 hereof, and (ii) in connection with and as and to the extent required by conversion of shares of Series B Preferred Stock upon the terms contained in §6 hereof; or

(e) redeem, purchase, acquire or retire any shares of Preferred Stock, except (i) in connection with and as and to the extent required by redemption of shares of Series A Preferred Stock upon the terms contained in §5 hereof, and (ii) in connection with and as and to

the extent required by conversion of shares of Series B Preferred Stock upon the terms contained in §6 hereof; or

(f) redeem, purchase, acquire or retire (or pay into or set aside for a sinking fund for such purpose) any shares of any Junior Stock of any class or any series of any class, except for such repurchases as (i) have been approved by the Corporation's Board of Directors and (ii) do not exceed, during any single fiscal year of the Corporation $100,000 in the aggregate; or

(g) declare or pay any dividends of any kind on any shares of Junior Stock or make any other distributions of any kind in respect of any shares of Junior Stock; or

(h) effect any merger, consolidation, sale or transfer transaction described in §4.04 hereof; or

(i) reclassify any shares of Junior Stock into shares of Senior Capital Stock of any class or of any series of any class or into any Senior Convertible Securities.

§7.02 Certain Additional Definitions. As used in this §7:

(a) the term "Senior Capital Stock" shall mean any class or any series of any class of the Capital Stock of the Corporation: (i) which shall be entitled, upon any distribution of any assets of the Corporation, whether by dividend or by liquidation or by redemption, to any preference ranking prior or superior to or on a parity with the Series A Preferred Stock or Series B Preferred Stock (as the case may be); or (ii) which shall be entitled, upon any redemption of any shares of such capital stock; whether at the option of the Corporation, at the option of the holders thereof, or upon the happening of any specified events, to any preference in redemption payments ranking prior or superior to or on a parity with the Series A Preferred Stock or Series B Preferred Stock (as the case may be); or (iii) the holders of which shall be or become entitled, at any time or upon the happening of any specified events or conditions, to more than one vote for each share of such capital stock held by such holders; or (iv) which shall be convertible into, or exchangeable for, whether at the option of the Corporation, at the option of the holders thereof, or upon the happening of any specified events or conditions, any shares of any other Senior Capital Stock or any shares of Preferred Stock;

(b) the term "Senior Convertible Securities" shall mean (i) any securities of the Corporation convertible into or exchangeable for or carrying any rights of any kind to acquire any shares of Senior Capital Stock of any class or of any series of any class; and (ii) any options, warrants or any other rights to acquire any Senior Capital Stock or any other Senior Convertible Securities; and

(c) the term "Special Majority of Series A Preferred Holders" shall mean any holder or holders of Series A Preferred Stock entitled to vote sixty percent (60%) or more of the maximum number of votes to which all holders of shares of Series A Preferred Stock are then entitled, and the term "Special Majority of Series B Preferred Holders" shall mean any holder or

holders of Series B Preferred Stock entitled to vote sixty percent (60%) or more of the maximum number of votes to which all holders of shares of Series B Preferred Stock are then entitled.

§8. Notices. Any notice or request required or permitted by the provisions of this Article 4 shall be deemed given to and received by the Corporation (i) when delivered in hand or by courier or telecopier, or (ii) on the third business day after the same has been deposited in the United States mail, certified or registered mail, return receipt requested, postage prepaid, and addressed to the Secretary of the Corporation at the chief executive office of the Corporation at, and shall be deemed given to and received by any holder of record of shares of Preferred Stock, (iii) when delivered in hand or by courier or telecopier, or (iv) on the third business day after the same has been deposited in the United States mail, certified or registered mail, return receipt requested, postage prepaid, and addressed to such holder of record at the address of such holder as it appears in the records of the Corporation at the time of mailing.

§9. Shareholder Lists. Upon written request of any holder or holders of shares of Preferred Stock holding in the aggregate more than ten percent (10%) of the shares of Preferred Stock then outstanding, the Corporation will promptly furnish to such holder or holders a list of the names, addresses and numbers of shares held by each holder of record of shares of Preferred Stock as shown by the records of the Corporation.

§10. Status of Converted or Redeemed Stock. In case any share of Preferred Stock shall be redeemed pursuant to §5 hereof or converted pursuant to §6 hereof, the shares so redeemed or converted shall be retired and not reissued.

§11. Undesignated Preferred Stock. The shares of undesignated Preferred Stock may be issued from time to time in one or more series. The Board of Directors is hereby authorized to establish and designate the different series and to fix and determine the voting powers, full or limited, or no voting powers, and such designations, preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions thereof, as shall be stated in a resolution or resolutions providing for the issue of such series adopted by the Board of Directors, which powers, preferences, rights, qualifications, limitations and restrictions need not be uniform among series. Any of the voting powers, designations, preferences, rights and qualifications, limitations or restrictions of any such series of stock may be made dependent upon facts ascertainable outside the resolution or resolutions providing for the issue of such stock adopted by the Board of Directors, provided that the manner in which such facts shall operate upon the voting powers, designations, preferences, rights and qualifications, limitations or restrictions of such series of stock is clearly and expressly set forth in the resolution or resolutions providing for the issue of such series adopted by the Board of Directors.

Any resolution or resolutions adopted by the Board of Directors pursuant to the authority vested in them by this Article Fourth shall be set forth in a certificate of designations along with the number of shares of stock of such series as to which the resolution or resolutions shall apply and such certificate shall be executed, acknowledged, filed, recorded, and shall become effective, in accordance with §103 of the General Corporation Law of the State of Delaware. Unless otherwise provided in any such resolution or resolutions, the number of shares of stock of any such series to which such resolution or resolutions apply may be increased (but not above

the total number of authorized shares of the class) or decreased (but not below the number of shares thereof then outstanding) by a certificate likewise executed, acknowledged, filed and recorded, setting forth a statement that a specified increase or decrease therein has been authorized and directed by a resolution or resolutions likewise adopted by the Board of Directors. In case the number of which shares shall be decreased, the number of shares so specified in the certificate shall resume the status which they had prior to the adoption of the first resolution or resolutions. When no shares of any such class or series are outstanding, either because none were issued or because none remain outstanding, a certificate setting forth a resolution or resolutions adopted by the Board of Directors that none of the authorized shares of such class or series are outstanding, and that none will be issued subject to the certificate of designations previously filed with respect to such class or series, may be executed, acknowledged, filed and recorded in the same manner as previously described and it shall have the effect of eliminating from the certificate of incorporation all matters set forth in the certificate of designations with respect to such class or series of stock. If no shares of any such class or series established by a resolution or resolutions adopted by the Board of Directors have been issued, the voting powers, designations, preferences and relative, participating, optional or other rights, if any, with the qualifications, limitations or restrictions thereof, may be amended by a resolution or resolutions adopted by the Board of Directors. In the event of any such amendment, a certificate which (1) states that no shares of such class or series have been issued, (2) sets forth the copy of the amending resolution or resolutions and (3) if the designation of such class or series is being changed, indicates the original designation and the new designation, shall be executed, acknowledged, filed, recorded, and shall become effective, in accordance with §103 of the General Corporation Law of the State of Delaware.

ARTICLE 5. The Corporation is to have perpetual existence.

ARTICLE 6. The private property of the shareholders shall not be subject to the payment of the Corporation debts to any extent whatever.

ARTICLE 7. The following provisions are inserted for the management of the business and for the conduct of the affairs of the Corporation and for defining and regulating the powers of the Corporation and its directors and shareholders and are in furtherance and not in limitation of the powers conferred upon the Corporation by statute:

(a) Subject only to the provisions of Article 3 hereof, the by-laws of the Corporation may fix and alter, or provide the manner for fixing and altering, the number of directors constituting the whole Board. In case of any vacancy on the Board of Directors or any increase in the number of directors constituting the whole Board, the vacancies shall be filled by the directors or by the shareholders at the time having voting power, as may be prescribed in this Restated Certificate of Incorporation and the by-laws. Directors need not be shareholders of the Corporation, and the election of directors need not be by ballot.

(b) The Board of Directors shall have the power and authority:

(1) to make, alter or repeal by-laws of the Corporation, subject only to such limitation, if any, as may be from time to time be imposed by this Restated Certificate of Incorporation, law or by the by-laws; and

(2) to the full extent permitted or not prohibited by law, and without the consent of or other action by the shareholders, to authorize or create mortgages, pledges or other liens or encumbrances upon any or all of the assets, real, personal or mixed, and franchises of the Corporation, including after-acquired property, and to exercise all of the powers of the Corporation in connection therewith; and

(3) subject to any provision of the by-laws or of any contract binding on the Corporation, to determine whether, to what extent, at what times and places and under what conditions and regulations the accounts, books and papers of the Corporation (other than the stock ledger), or any of them, shall be open to the inspection of the shareholders, and no shareholder shall have any right to inspect any account, book or paper of the Corporation except as conferred by statute or authorized by the by-laws, any contract binding on the Corporation or by the Board of Directors.

ARTICLE 8. Meetings of the shareholders may be held outside the State of Delaware, if the by-laws so provide. The books of the Corporation may be kept outside of the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the by-laws of the Corporation.

ARTICLE 9. The Corporation shall indemnify each director and officer of the Corporation, his heirs, executors and administrators, and may indemnify each employee and agent of the Corporation, his heirs, executors, administrators and all other persons whom the Corporation is authorized to indemnify under the provisions of the General Corporation Law of the State of Delaware, to the greatest extent permitted or provided by law (a) against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with any action, suit or proceeding, whether civil, criminal, administrative or investigative, or in connection with any appeal therein, or otherwise, and (b) against all expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of any action or suit by or in the right of the Corporation, or in connection with any appeal therein, or otherwise; and no provision of this Article 9 is intended to be construed as limiting, prohibiting, denying or abrogating any of the general or specific powers or rights conferred by the General Corporation Law of the State of Delaware upon the Corporation to furnish, or upon any court to award, such indemnification, or indemnification as otherwise authorized pursuant to the General Corporation Law of the State of Delaware or any other law now or hereafter in effect.

The Board of Directors of the Corporation may, in its discretion, authorize the Corporation to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or incurred by him in

any capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the foregoing paragraph of this Article 9.

ARTICLE 10. No director of the Corporation shall be personally liable to the Corporation or to any of its shareholders for monetary damages for breach of fiduciary duty as a director, notwithstanding any provision of law imposing such liability; provided, however, that to the extent required from time to time by applicable law, this Article 10 shall not eliminate or limit the liability of a director, to the extent such liability is provided by applicable law, (i) for any breach of the director's duty of loyalty to the Corporation or its shareholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of Title 8 of the Delaware Code, or (iv) for any transaction from which the director derived an improper personal benefit. No amendment to or repeal of this Article 10 shall apply to or have any effect on the liability or alleged liability of any director for or with respect to any acts or omissions of such director occurring prior to the effective date of such amendment or repeal.

ARTICLE 11. The Corporation reserves the right to amend, alter, change or repeal any provisions contained in this Restated Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon shareholders herein are granted subject to this reservation.

THE UNDERSIGNED, being the President of the Corporation does make this certificate, hereby declaring and certifying, under penalties of perjury, that this is the act and deed of the Corporation, duly adopted by its shareholders pursuant to §245 of the General Corporation Law of the State of Delaware, and the facts stated herein are true, and accordingly have hereunto set my hand this 20th day of November, 1997.

/s/ Paul Travers
President

Attest: /s/ John H. Chu
John H. Chu, Secretary

Exhibit 3.3

VR Acquisition Corp.

BY-LAWS

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VR Acquisition Corp.

BY-LAWS

Article I — General

1.1. Offices. The registered office shall be in the City of Wilmington, County of New Castle, State of Delaware. The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

1.2. Seal. The seal of the Corporation shall be in the form of a circle and shall have inscribed thereon the name of the Corporation, the year of its organization and the words "Corporate Seal, Delaware".

1.3. Fiscal Year. The fiscal year of the Corporation shall be the period from January 1 through December 31.

Article II — Stockholders

2.1. Place of Meetings. All meetings of the stockholders shall be held at the office of the Corporation in Rochester, NY except such meetings as the Board of Directors expressly determine shall be held elsewhere, in which case meetings may be held upon notice as hereinafter provided at such other place or places within or without the State of New York as the Board of Directors shall have determined and as shall be stated in such notice.

2.2. Annual Meeting. The annual meeting of the stockholders shall be held in the month of April each year on such date and at such time as the Board of Directors may determine. At each annual meeting the stockholders entitled to vote shall elect a Board of Directors by plurality vote by ballot, and they may transact such other corporate business as may properly be brought before the meeting. At the annual meeting any business may be transacted, irrespective of whether the notice calling such meeting shall have contained a reference thereto, except where notice is required by law, the Certificate of Incorporation, or these by-laws.

2.3. Quorum. At all meetings of the stockholders the holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum requisite for the transaction of business except as otherwise provided by law, by the Certificate of Incorporation or by these by-laws. If, however, such majority shall not be present or represented at any meeting of the

stockholders, the stockholders entitled to vote thereat, present in person or by proxy, by a majority vote, shall have power to adjourn the meeting from time to time without notice other than announcement at the meeting until the requisite amount of voting stock shall be present. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. At such adjourned meeting, at which the requisite amount of voting stock shall be represented, any business may be transacted which might have been transacted if the meeting had been held as originally called.

2.4. Right to Vote; Proxies. Each holder of a share or shares of capital stock of the Corporation having the right to vote at any meeting shall be entitled to one vote for each such share of stock held by him. Any stockholder entitled to vote at any meeting of stockholders may vote either in person or by proxy, but no proxy which is dated more than three years prior to the meeting at which it is offered shall confer the right to vote thereat unless the proxy provides that it shall be effective for a longer period. A proxy may be granted by a writing executed by the stockholder or his authorized officer, director, employee or agent or by transmission or authorization of transmission of a telegram, cablegram, or other means of electronic transmission to the person who will be the holder of the proxy or to a proxy solicitation firm, proxy support service organization or like agent duly authorized by the person who will be the holder of the proxy to receive such transmission, subject to the conditions set forth in Section 212 of the Delaware General Corporation Law, as it may be amended from time to time (the "Delaware GCL").

2.5. Voting. At all meetings of stockholders, except as otherwise expressly provided for by statute, the Certificate of Incorporation or these by-laws, (i) in all matters other than the election of directors, the affirmative vote of a majority of shares present in person or represented by proxy at the meeting and entitled to vote on such matter shall be the act of the stockholders and (ii) directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors. Except as otherwise expressly provided by law, the Certificate of Incorporation or these by-laws, at all meetings of stockholders the voting shall be by voice vote, but any stockholder qualified to vote on the matter in question may demand a stock vote, by shares of stock, upon such question, whereupon such stock vote shall be taken by ballot, each of which shall state the name of the stockholder voting and the number of shares voted by him,

and, if such ballot be cast by a proxy, it shall also state the name of the proxy.

2.6. Notice of Annual Meetings. Written notice of the annual meeting of the stockholders shall be mailed to each stockholder entitled to vote thereat at such address as appears on the stock books of the Corporation at least ten (10) days (and not more than sixty (60) days) prior to the meeting. It shall be the duty of every stockholder to furnish to the Secretary of the Corporation or to the transfer agent, if any, of the class of stock owned by him, his post-office address and to notify said Secretary or transfer agent of any change therein.

2.7. Stockholders' List. A complete list of the stockholders entitled to vote at any meeting of stockholders, arranged in alphabetical order and showing the address of each stockholder, and the number of shares registered in the name of each stockholder, shall be prepared by the Secretary and filed either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held, at least ten days before such meeting, and shall at all times during the usual hours for business, and during the whole time of said election, be open to the examination of any stockholder for a purpose germane to the meeting.

2.8. Special Meetings. Special meetings of the stockholders for any purpose or purposes, unless otherwise provided by statute, may be called by the Board of Directors, the Chairman of the Board, if any, the President or any Vice President.

2.9. Notice of Special Meetings. Written notice of a special meeting of stockholders, stating the time and place and object thereof shall be mailed, postage prepaid, not less than ten (10) nor more than sixty (60) days before such meeting, to each stockholder entitled to vote thereat, at such address as appears on the books of the Corporation. No business may be transacted at such meeting except that referred to in said notice, or in a supplemental notice given also in compliance with the provisions hereof, or such other business as may be germane or supplementary to that stated in said notice or notices.

2.10. Inspectors.

1 One or more inspectors may be appointed by the Board of Directors before or at any meeting of stockholders, or, if no such appointment shall have been made, the presiding officer may make such appointment at the meeting. At the meeting for which the inspector or inspectors are appointed, he or they shall open and close the polls, receive and take charge of the proxies and ballots, and decide all questions touching on the qualifications of voters, the validity of proxies and the acceptance and rejection of votes. If any inspector previously appointed shall fail to attend or refuse or be

unable to serve, the presiding officer shall appoint an inspector in his place.

2 At any time at which the Corporation has a class of voting stock that is: (i) listed on a national securities exchange, (ii) authorized for quotation on an inter-dealer quotation system of a registered national securities association, or (iii) held of record by more than 2,000 stockholders, the provisions of Section 231 of the Delaware GCL with respect to inspectors of election and voting procedures shall apply, in lieu of the provisions of paragraph (1) of this §2.10.

2.11. Stockholders' Consent in Lieu of Meeting. Unless otherwise provided in the Certificate of Incorporation, any action required by law to be taken at any annual or special meeting of stockholders of the Corporation, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. Every written consent shall bear the date of signature of each stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within sixty days of the earliest dated consent delivered in the manner required by this §2.11 to the Corporation, written consents signed by a sufficient number of stockholders to take action are delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

Article Ill — Directors

3.1. Number of Directors. Except as otherwise provided by law, the Certificate of Incorporation or these by-laws, the property and business

of the Corporation shall be managed by or under the direction of a board of not less than one nor more than thirteen directors. Within the limits specified, the number of directors shall be determined by resolution of the Board of Directors or by the stockholders at the annual meeting. Directors need not be stockholders, residents of Delaware or citizens of the United States. The directors shall be elected by ballot at the annual meeting of the stockholders and each director shall be elected to serve until his successor shall be elected and shall qualify or until his earlier resignation or removal; provided that in the event of failure to hold such meeting or to hold such election at such meeting, such election may be held at any special meeting of the stockholders called for that purpose. If the office of any director becomes vacant by reason of death, resignation, disqualification, removal, failure to elect, or otherwise, the remaining directors, although more or less than a quorum, by a majority vote of such remaining directors may elect a successor or successors who shall hold office for the unexpired term.

3.2. Change in Number of Directors; Vacancies. The maximum number of directors may be increased by an amendment to these by-laws adopted by a majority vote of the Board of Directors or by a majority vote of the capital stock having voting power, and if the number of directors is so increased by action of the Board of Directors or of the stockholders or otherwise, then the additional directors may be elected in the manner provided above for the filling of vacancies in the Board of Directors or at the annual meeting of stockholders or at a special meeting called for that purpose.

3.3. Resignation. Any director of this Corporation may resign at any time by giving written notice to the Chairman of the Board, if any, the President or the Secretary of the Corporation. Such resignation shall take effect at the time specified therein, at the time of receipt if no time is specified therein and at the time of acceptance if the effectiveness of such resignation is conditioned upon its acceptance. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

3.4. Removal. Any director or the entire Board of Directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors.

3.5. Place of Meetings and Books. The Board of Directors may hold their meetings and keep the books of the Corporation outside the State of Delaware, at such places as they may from time to time determine.

3.6. General Powers. In addition to the powers and authority expressly conferred upon them by these by-laws, the board may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these bylaws directed or required to be exercised or done by the stockholders.

3.7. Executive Committee. There may be an executive committee of one or more directors designated by resolution passed by a majority of the whole board. The act of a majority of the members of such committee shall be the act of the committee. Said committee may meet at stated times or on notice to all by any of their own number, and shall have and may exercise those powers of the Board of Directors in the management of the business affairs of the Company as are provided by law and may authorize the seal of the Corporation to be affixed to all papers which may require it. Vacancies in the membership of the committee shall be filled by the Board of Directors at a regular meeting or at a special meeting called for that purpose.

3.8. Other Committees. The Board of Directors may also designate one or more committees in addition to the executive committee, by resolution or resolutions passed by a majority of the whole board; such committee or committees shall consist of one or more directors of the Corporation, and to the extent provided in the resolution or resolutions designating them, shall have and may exercise specific powers of the Board of Directors in the management of the business and affairs of the Corporation to the extent permitted by statute and shall have power to authorize the seal of the Corporation to be affixed to all papers which may require it. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors.

3.9. Powers Denied to Committees. Committees of the Board of Directors shall not, in any event, have any power or authority to amend the Certificate of Incorporation (except that a committee may, to the

extent authorized in the resolution or resolutions providing for the issuance of shares adopted by the Board of Directors as provided in Section 151(a) of the Delaware GCL, fix the designations and any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the Corporation or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the same or any other class or classes of stock of the Corporation or fix the number of shares of any series of stock or authorize the increase or decrease of the shares of any series), adopt an agreement of merger or consolidation, recommend to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommend to the stockholders a dissolution of the Corporation or a revocation of a dissolution or to amend the by-laws of the Corporation. Further, no committee of the Board of Directors shall have the power or authority to declare a dividend, to authorize the issuance of stock or to adopt a certificate of ownership and merger pursuant to Section 253 of the Delaware GCL, unless the resolution or resolutions designating such committee expressly so provides.

3.10. Substitute Committee Member. In the absence or on the disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of such absent or disqualified member. Any committee shall keep regular minutes of its proceedings and report the same to the board as may be required by the board.

3.11. Compensation of Directors. The Board of Directors shall have the power to fix the compensation of directors and members of committees of the Board. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

3.12. Annual Meeting. The newly elected board may meet at such place and time as shall be fixed and announced by the presiding officer at the annual meeting of stockholders, for the purpose of organization or otherwise, and no further notice of such meeting shall be necessary to the newly elected directors in order legally to constitute the meeting, provided a quorum shall be present, or they may meet at such place and time as shall be stated in a notice given to such directors two (2) days prior to such meeting, or as shall be fixed by the consent in writing of all the directors.

3.13. Regular Meetings. Regular meetings of the board may be held without notice at such time and place as shall from time to time be determined

by the board.

3.14. Special Meetings. Special meetings of the board may be called by the Chairman of the Board, if any, or the President, on two (2) days notice to each director, or such shorter period of time before the meeting as will nonetheless be sufficient for the convenient assembly of the directors so notified; special meetings shall be called by the Secretary in like manner and on like notice, on the written request of two or more directors.

3.15. Quorum. At all meetings of the Board of Directors, a majority of the total number of directors shall be necessary and sufficient to constitute a quorum for the transaction of business, and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically permitted or provided by statute, or by the Certificate of Incorporation, or by these by-laws. If at any meeting of the board there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time until a quorum is obtained, and no further notice thereof need be given other than by announcement at said meeting which shall be so adjourned.

3.16. Telephonic Participation in Meetings. Members of the Board of Directors or any committee designated by such board may participate in a meeting of the board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this section shall constitute presence in person at such meeting.

3.17. Action by Consent. Unless otherwise restricted by the Certificate of Incorporation or these by-laws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if written consent thereto is signed by all members of the board or of such committee as the case may be and such written consent is filed with the minutes of proceedings of the board or committee.

Article IV — Officers

4.1. Selection; Statutory Officers. The officers of the Corporation shall be chosen by the Board of Directors. There shall be a President, a Secretary and a Treasurer, and there may be a Chairman of the Board of Directors, one or more Vice Presidents, one or more Assistant Secretaries, and one or more Assistant Treasurers, as the Board of Directors may elect. Any number of offices may be held by the same person, except that the offices of

President and Secretary shall not be held by the same person simultaneously.

4.2. Time of Election. The officers above named shall be chosen by the Board of Directors at its first meeting after each annual meeting of stockholders. None of said officers need be a director.

4.3. Additional Officers. The board may appoint such other officers and agents as it shall deem necessary, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the board.

4.4. Terms of Office. Each officer of the Corporation shall hold office until his successor is chosen and qualified, or until his earlier resignation or removal. Any officer elected or appointed by the Board of Directors may be removed at any time by the Board of Directors.

4.5. Compensation of Officers. The Board of Directors shall have power to fix the compensation of all officers of the Corporation. It may authorize any officer, upon whom the power of appointing subordinate officers may have been conferred, to fix the compensation of such subordinate officers.

4.6. Chairman of the Board. The Chairman of the Board of Directors shall preside at all meetings of the stockholders and directors, and shall have such other duties as may be assigned to him from time to time by the Board of Directors.

4.7. President. Unless the Board of Directors otherwise determines, the President shall be the chief executive officer and head of the Corporation. Unless there is a Chairman of the Board, the President shall preside at all meetings of directors and stockholders. Under the supervision of the Board of Directors and of the executive committee, the President shall have the general control and management of its business and affairs, subject, however, to the right of the Board of Directors and of the executive committee to confer any specific power, except such as may be by statute exclusively conferred on the President, upon any other officer or officers of the Corporation. The President shall perform and do all acts and things incident to the position of President and such other duties as may be assigned to him from time to time by the Board of Directors or the executive committee.

4.8. Vice-Presidents. The Vice-Presidents shall perform such of the duties of the President on behalf of the Corporation as may be respectively assigned to them from time to time by the Board of Directors or by the executive committee or by the President. The Board of Directors or the executive committee may designate one of the Vice-Presidents as the Executive Vice-President, and in the absence or inability of the President to act, such Executive Vice-President shall have and possess all of the powers and discharge all of the duties of the President, subject to the control of the board and of the executive committee.

4.9. Treasurer. The Treasurer shall have the care and custody of all the funds and securities of the Corporation which may come into his hands as Treasurer, and the power and authority to endorse checks, drafts and other instruments for the payment of money for deposit or collection when necessary or proper and to deposit the same to the credit of the Corporation in such bank or banks or depository as the Board of Directors or the executive committee, or the officers or agents to whom the Board of Directors or the executive committee may delegate such authority, may designate, and he may endorse all commercial documents requiring endorsements for or on behalf of the Corporation. He may sign all receipts and vouchers for the payments made to the Corporation. He shall render an account of his transactions to the Board of Directors or to the executive committee as often as the board or the committee shall require the same. He shall enter regularly in the books to be kept by him for that purpose full and adequate account of all moneys received and paid by him on account of the Corporation. He shall perform all acts incident to the position of Treasurer, subject to the control of the Board of Directors and of the executive committee. He shall when requested, pursuant to vote of the Board of Directors or the executive committee, give a bond to the Corporation conditioned for the faithful performance of his duties, the expense of which bond shall be borne by the Corporation.

4.10. Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors and of the stockholders; he shall attend to the giving and serving of all notices of the Corporation. Except as otherwise ordered by the Board of Directors or the executive committee, he shall attest the seal of the Corporation upon all contracts and instruments executed under such seal and shall affix the seal of the Corporation thereto and to all certificates of shares of capital stock of the Corporation. He shall have charge of the stock certificate book, transfer book and stock ledger, and such other books and papers as the Board of Directors or the executive committee may direct. He shall, in general, perform all the duties of Secretary, subject to the control of the Board of Directors and of the executive committee.

4.11. Assistant Secretary. The Board of Directors or any two of the officers of the Corporation acting jointly may appoint or remove one or more Assistant Secretaries of the Corporation. Any Assistant Secretary upon his appointment shall perform such duties of the Secretary, and also any and all such other duties as the executive committee or the Board of Directors or the President or the Executive Vice-President or the Treasurer or the Secretary may designate.

4.12. Assistant Treasurer. The Board of Directors or any two of the officers of the Corporation acting jointly may appoint or remove one or more Assistant Treasurers of the Corporation. Any Assistant Treasurer upon his appointment shall perform such of the duties of the Treasurer, and also any and all such other duties as the executive committee or the Board of Directors or the President or the Executive Vice-President or the Treasurer or the Secretary may

designate.

4.13. Subordinate Officers. The Board of Directors may select such subordinate officers as it may deem desirable. Each such officer shall hold office for such period, have such authority, and perform such duties as the Board of Directors may prescribe. The Board of Directors may, from time to time, authorize any officer to appoint and remove subordinate officers and to prescribe the powers and duties thereof.

Article V — Stock

5.1. Stock. Each stockholder shall be entitled to a certificate or certificates of stock of the Corporation in such form as the Board of Directors may from time to time prescribe. The certificates of stock of the Corporation shall be numbered and shall be entered in the books of the Corporation as they are issued. They shall certify the holder's name and number and class of shares and shall be signed by both of (i) either the President or a Vice-President, and (ii) any one of the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary, and shall be sealed with the corporate seal of the Corporation. If such certificate is countersigned (1) by a transfer agent other than the Corporation or its employee, or, (2) by a registrar other than the Corporation or its employee, the signature of the officers of the Corporation and the corporate seal may be facsimiles. In case any officer or officers who shall have signed, or whose facsimile signature or signatures shall have been used on, any such certificate or certificates shall cease to be such officer or officers of the Corporation, whether because of death, resignation or otherwise, before such certificate or certificates shall have been delivered by the Corporation, such certificate or certificates may nevertheless be adopted by the Corporation and be issued and delivered as though the person or persons who signed such certificate or certificates or whose facsimile signature shall have been used thereon had not ceased to be such officer or officers of the Corporation.

5.2. Fractional Share Interests. The Corporation may, but shall not be required to, issue fractions of a share. If the Corporation does not issue fractions of a share, it shall (i) arrange for the disposition of fractional interests by those entitled thereto, (ii) pay in cash the fair value of fractions of a share as of the time when those entitled to receive such fractions are determined, or (iii) issue scrip or warrants in registered or bearer form which shall entitle the holder to receive a certificate for a full share upon the surrender of such scrip or warrants aggregating a full share. A certificate for a fractional share shall, but scrip or warrants shall not unless otherwise provided therein, entitle the holder to exercise voting rights, to receive dividends thereon, and to participate in any of the assets of the Corporation in the event of liquidation. The Board of Directors may cause scrip or warrants to be issued subject to the conditions that they shall become void if not exchanged for certificates representing full shares before a specified

date, or subject to the conditions that the shares for which scrip or warrants are exchangeable may be sold by the Corporation and the proceeds thereof distributed to the holders of scrip or warrants, or subject to any other conditions which the Board of Directors may impose.

5.3. Transfers of Stock. Subject to any transfer restrictions then in force, the shares of stock of the Corporation shall be transferable only upon its books by the holders thereof in person or by their duly authorized attorneys or legal representatives and upon such transfer the old certificates shall be surrendered to the Corporation by the delivery thereof to the person in charge of the stock and transfer books and ledgers or to such other person as the directors may designate by whom they shall be cancelled and new certificates shall thereupon be issued. The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof and accordingly shall not be bound to recognize any equitable or other claim to or interest in such share on the part of any other person whether or not it shall have express or other notice thereof save as expressly provided by the laws of Delaware.

5.4. Record Date. For the purpose of determining the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or the allotment of any rights, or entitled to exercise any rights in respect of any change, conversion, or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty (60) days nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action. If no such record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held; the record date for determining stockholders entitled to express consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is necessary, shall be the day on which the first written consent is expressed; and the record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto. A determination of stockholders of record entitled to notice of or to vote at any meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

5.5. Transfer Agent and Registrar. The Board of Directors may appoint one or more transfer agents or transfer clerks and one or more registrars and may require all certificates of stock to bear the signature or signatures of any of them.

5.6. Dividends.

1. Power to Declare. Dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation and the laws of Delaware.

2. Reserves. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for such other purpose as the directors shall think conducive to the interest of the Corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

5.7. Lost, Stolen or Destroyed Certificates. No certificates for shares of stock of the Corporation shall be issued in place of any certificate alleged to have been lost, stolen or destroyed, except upon production of such evidence of the loss, theft or destruction and upon indemnification of the Corporation and its agents to such extent and in such manner as the Board of Directors may from time to time prescribe.

5.8. Inspection of Books. The stockholders of the Corporation, by a majority vote at any meeting of stockholders duly called, or in case the stockholders shall fail to act, the Board of Directors shall have power from time to time to determine whether and to what extent and at what times and places and under what conditions and regulations the accounts and books of the Corporation (other than the stock ledger) or any of them, shall be open to inspection of stockholders; and no stockholder shall have any right to inspect any account or book or document of the Corporation except as conferred by statute or authorized by the Board of Directors or by a resolution of the stockholders.

Article VI — Miscellaneous Management Provisions

6.1. Checks, Drafts and Notes. All checks, drafts or orders for the payment of money, and all notes and acceptances of the Corporation shall be signed by such officer or officers, agent or agents as the Board of Directors may designate.

6.2. Notices.

1. Notices to directors may, and notices to stockholders shall, be in writing and delivered personally or mailed to the directors or

stockholders at their addresses appearing on the books of the Corporation. Notice by mail shall be deemed to be given at the time when the same shall be mailed. Notice to directors may also be given by telegram, telecopy or orally, by telephone or in person.

2. Whenever any notice is required to be given under the provisions of the statutes or of the Certificate of Incorporation of the Corporation of the Corporation or of these by-laws, a written waiver of notice, signed by the person or persons entitled to said notice, whether before or after the time stated therein or the meeting or action to which such notice relates, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

6.3. Conflict of Interest. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the board of or committee thereof which authorized the contract or transaction, or solely because his or their votes are counted for such purpose, if: (i) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee and the board or committee in good faith authorizes the contract or transaction by the affirmative vote of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (ii) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders of the Corporation entitled to vote thereon, and the contract or transaction as specifically approved in good faith by vote of such stockholders; or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

6.4. Voting of Securities owned by this Corporation. Subject always to the specific directions of the Board of Directors, (i) any shares or other securities issued by any other Corporation and owned or controlled by this Corporation may be voted in person at any meeting of security holders of such other corporation by the President of this Corporation if he

is present at such meeting, or in his absence by the Treasurer of this Corporation if he is present at such meeting, and (ii) whenever, in the judgment of the President, it is desirable for this Corporation to execute a proxy or written consent in respect to any shares or other securities issued by any other Corporation and owned by this Corporation, such proxy or consent shall be executed in the name of this Corporation by the President, without the necessity of any authorization by the Board of Directors, affixation of corporate seal or countersignature or attestation by another officer, provided that if the President is unable to execute such proxy or consent by reason of sickness, absence from the United States or other similar cause, the Treasurer may execute such proxy or consent. Any person or persons designated in the manner above stated as the proxy or proxies of this Corporation shall have full right, power and authority to vote the shares or other securities issued by such other corporation and owned by this Corporation the same as such shares or other securities might be voted by this Corporation.

Article VII — Indemnification

7.1. **Right to Indemnification.** Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of being or having been a director or officer of the Corporation or serving or having served at the request of the Corporation as a director, trustee, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (an "Indemnitee"), whether the basis of such proceeding is alleged action or failure to act in an official capacity as a director, trustee, officer, employee or agent or in any other capacity while serving as a director, trustee, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than permitted prior thereto) (as used in this Article 7, the "Delaware Law"), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such Indemnitee in connection therewith and such indemnification shall continue as to an Indemnitee who has ceased to be a director, trustee, officer, employee or agent and shall inure to the benefit of the Indemnitee's heirs, executors and administrators; provided, however, that, except as provided in §7.2 hereof with respect to Proceedings to enforce rights to indemnification, the Corporation shall indemnify any such Indemnitee in connection with a Proceeding (or part thereof) initiated by such Indemnitee only if such Proceeding (or part thereof) was authorized by the board of directors of the Corporation. The right to indemnification conferred in this Article 7 shall be a contract right and shall include the right to be paid by the Corporation the expenses (including attorneys'

fees) incurred in defending any such Proceeding in advance of its final disposition (an "Advancement of Expenses"); provided, however, that, if the Delaware Law so requires, an Advancement of Expenses incurred by an Indemnitee shall be made only upon delivery to the Corporation of an undertaking (an "Undertaking"), by or on behalf of such Indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (a "Final Adjudication") that such Indemnitee is not entitled to be indemnified for such expenses under this Article 7 or otherwise.

7.2. **Right of Indemnitee to Bring Suit**. If a claim under §7.1 hereof is not paid in full by the Corporation within sixty days after a written claim has been received by the Corporation, except in the case of a claim for an Advancement of Expenses, in which case the applicable period shall be twenty days, the Indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an Advancement of Expenses pursuant to the terms of an Undertaking, the Indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In (i) any suit brought by the Indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the Indemnitee to enforce a right to an Advancement of Expenses) it shall be a defense that, and (ii) in any suit by the Corporation to recover an Advancement of Expenses pursuant to the terms of an Undertaking the Corporation shall be entitled to recover such expenses upon a Final Adjudication that, the Indemnitee has not met the applicable standard of conduct set forth in the Delaware Law. Neither the failure of the Corporation (including its board of directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the Indemnitee is proper in the circumstances because the Indemnitee has met the applicable standard of conduct set forth in the Delaware Law, nor an actual determination by the Corporation (including its board of directors, independent legal counsel, or its stockholders) that the Indemnitee has not met such applicable standard of conduct, shall create a presumption that the Indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the Indemnitee, be a defense to such suit. In any suit brought by the

Indemnitee to enforce a right to indemnification or to an Advancement of Expenses hereunder, or by the Corporation to recover an Advancement of Expenses pursuant to the terms of an Undertaking, the burden of proving that the Indemnitee is not entitled to be indemnified, or to such Advancement of Expenses, under this Article 7 or otherwise shall be on the Corporation.

7.3. Non-Exclusivity of Rights. The rights to indemnification and to the Advancement of Expenses conferred in this Article 7 shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, the Corporation's Certificate or Incorporation, by-law, agreement, vote of stockholders or disinterested directors or otherwise.

7.4. Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under this Article 7 or under the Delaware Law.

7.5. Indemnification of Employees and Agents of the Corporation. The Corporation may, to the extent authorized from time to time by the board of directors, grant rights to indemnification, and to the Advancement of Expenses, to any employee or agent of the Corporation to the fullest extent of the provisions of this Article 7 with respect to the indemnification and Advancement of Expenses of directors and officers of the Corporation.

Article VIII — Amendments

8.1. Amendments. The by-laws of the Corporation may be altered, amended or repealed at any meeting of the Board of Directors upon notice thereof in accordance with these by-laws, or at any meeting of the stockholders by the vote of the holders of the majority of the stock issued and outstanding and entitled to vote at such meeting, in accordance with the provisions of the Certificate of Incorporation of the Corporation and of the laws of Delaware.

Exhibit 10.1

Vuzix Corporation
Amended and Restated Stock Option Plan

1. Purpose

This Plan is intended to encourage ownership of Stock by officers, employees, directors, consultants and other key persons of the Company and its Affiliates and to provide additional incentives for them to promote the success of the Company's business. The Plan is intended to be an incentive stock option plan within the meaning of Section 422 of the Code but not all Options granted hereunder are required to be Incentive Options.

2. Definitions

As used in this Plan the following terms shall have the following meanings:

2.1. Act means the Securities Act of 1933, as amended.

2.2. Affiliate means a parent or subsidiary corporation of the Company, as defined in Sections 424(e) and (f), respectively, of the Code.

2.3. Board means the Company's Board of Directors.

2.4. Code means the Internal Revenue Code of 1986, as amended from time to time, or any statute successor thereto, and any regulations issued from time to time thereunder.

2.5. Committee means a committee appointed by the Board, responsible for the administration of the Plan, as provided in Section 5 of the Plan. For any period during which no such committee is in existence all authority and responsibility assigned the Committee under the Plan shall be exercised, if at all, by the Board.

2.6. Company means Vuzix Corporation (f/k/a Kaotech Corporation, Interactive Imaging Systems, Inc. and Icuiti Corporation), a corporation organized under the laws of the State of Delaware.

2.7. Employment Agreement means an agreement, if any, between the Company and an Optionee, setting forth, inter alia, conditions and restrictions upon the transfer of shares of Stock.

2.8. Fair Market Value means the value of a share of Stock on any date as determined by the Committee.

2.9. Grant Date means the date as of which an Option is granted, as determined under Section 7.

2.10. Incentive Option means an Option which by its terms is intended to be treated as an "incentive stock option" within the meaning of Section 422 of the Code.

2.11. Nonstatutory Option means any Option that is not an Incentive Option.

2.12. Option means an Option to purchase shares of Stock granted under the Plan including an Incentive Option and a Nonstatutory Option.

2.13. Option Agreement means a written agreement between the Company and an Optionee, setting forth the terms and conditions of an Option.

2.14. Option Price means the price paid by an Optionee for a share of Stock upon exercise of an Option.

2.15. Optionee means a person eligible to receive an Option, as provided in Section 6, to whom an Option shall have been granted under the Plan.

2.16. Plan means this Icuiti Corporation Amended and Restated Stock Option Plan, as amended from time to time, which amends and restates the 1997 Stock Option Plan of the Company, as amended, in its entirety.

2.17. Stock means common stock, par value $.001 per share, of the Company.

2.18. Stock Restriction Agreement means an agreement between the Company and the Optionee in such form as the Committee may prescribe in connection with the grant of any Option, setting forth certain restrictions upon the transfer of shares of Stock.

2.19. Ten Percent Owner means a person who owns, or is deemed within the meaning of Section 422(b)(6) of the Code to own, stock possessing more than 10% of the total combined voting power of all classes of stock of the Company (or any Affiliate). Whether a person is a Ten Percent Owner shall be determined with respect to each Option based on the facts existing immediately prior to the Grant Date of such Option.

3. Term of the Plan

Commencing upon the approval of the Plan by the Board, Options may be granted hereunder at any time until the Plan is terminated by the Board. Options granted prior to shareholder approval of the Plan are hereby expressly conditioned upon such approval, and shall be void ab initio in the event the shareholders of the Company shall fail to approve the Plan within twelve (12) months of the Board's approval of the Plan. No Incentive Options may be granted under the Plan after ten (10) years from the date the Plan is adopted by the Board or approved by the Company's shareholders, whichever is earlier.

4. Stock Subject to the Plan

At no time shall the number of shares of Stock then outstanding which are attributable to the exercise of Options granted under the Plan, plus the number of shares then issuable upon exercise of outstanding Options granted under the Plan, exceed 40,000,000 shares, subject, however, to the provisions of Section 17 of the Plan. Shares to be issued upon the exercise of Options granted under the Plan may be either authorized but unissued shares or shares held by the Company in its treasury. If any Option expires, terminates, or is canceled for any reason without having been exercised in full, the shares not purchased thereunder shall again be available for Options thereafter to be granted.

5. Administration

The Plan shall be administered by the Committee. Subject to the provisions of the Plan, the Committee shall have complete authority, in its discretion, to make or to select the manner of making the following determinations with respect to each Option to be granted by the Company in addition to any other determinations allowed the Committee under the Plan: (a) the employee or consultant to receive the Option; (b) whether the Option (if granted to an employee) will be an Incentive Option or Nonstatutory Option; (c) the time of granting the Option; (d) the number of shares subject to the Option; (e) the Option Price; (f) the Option period; (g) the Option exercise date or dates; and (h) the effect of termination of employment or other association with the Company and its Affiliates on the subsequent exercisability of the Option (subject to the Incentive Option requirements of Section 422 of the Code). In making such determinations, the Committee may take into account the nature of the services rendered by the respective employees and consultants, their present and potential contributions to the success of the Company and its subsidiaries, and such other factors as the Committee in its discretion shall deem relevant. Subject to the provisions of the Plan, the Committee shall also have complete authority to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, to determine the terms and provisions of the respective Option Agreements (which need not be identical), and to make all other determinations necessary or advisable for the administration of the Plan. The Committee's determinations made in good faith on matters referred to in this Plan shall be conclusive.

6. Eligibility

Options shall be granted only to full or part-time officers, employees, directors, consultants and other key persons (including prospective employees) of the Company and its Affiliates who are responsible for, or contribute to, the management, growth or profitability of the Company and its Affiliates as are selected from time to time by the Committee in its sole discretion.

7. Time of Granting Options

The granting of an Option shall take place only when an Option Agreement is duly executed and delivered by the Company to the Optionee. The granting of an Option shall take place at the time specified in the Option Agreement. Only if expressly so provided in the Option Agreement shall the Grant Date be the date on which an Option Agreement shall have been duly executed and delivered by the Company to the Optionee.

8. Option Price

The Option Price under each Incentive Option shall be not less than 100% of the Fair Market Value of Stock on the Grant Date, or not less than 110% of the Fair Market Value of Stock on the Grant Date if the Optionee is a Ten Percent Owner. The Option Price under each Nonstatutory Option shall not be so limited solely by reason of this Section 8. However, in the event that the Committee determines to grant a Nonstatutory Option with an Option Price per share of Stock that is less than the Fair Market Value per share of Stock at such time the Nonstatutory Option is granted, the Committee shall incorporate into the related Option Agreement such terms and conditions as it determines necessary to ensure that the Nonstatutory Option satisfies the conditions of paragraphs (2), (3), and (4) of Section 409A(a) of the Code.

9. Option Period

No Incentive Option may be exercised on or after the tenth anniversary of the Grant Date, or on or after the fifth anniversary of the Grant Date, if the Optionee is a Ten Percent Owner. The Option period under each Nonstatutory Option shall not be so limited solely by reason of this Section 9. An Option may be immediately exercisable or become exercisable in such installments, cumulative or noncumulative, as the Committee may determine. In the case of an Option not otherwise immediately exercisable in full the Committee may accelerate the exercisability of such Option in whole or in part at any time, provided the acceleration of the exercisability of any Incentive Option would not cause the Option to fail to comply with the provisions of Section 422 of the Code.

10. Limit on Incentive Option Characterization

An Incentive Option shall be considered to be an Incentive Option only to the extent that the number of shares of Stock for which the Option first becomes exercisable in a calendar year do not have an aggregate Fair Market Value (as of the date of the grant of the Option) in excess of the "current limit." The current limit for any Optionee for any calendar year shall be $100,000 minus the aggregate Fair Market Value at the date of grant of the number of shares of Stock available for purchase for the first time in the same year under each other Incentive Option previously granted to the Optionee under the Plan, and under each other incentive stock option previously granted to the Optionee under any other incentive stock option plan of the Company and its Affiliates, after December 31, 1986. Any shares of Stock which would cause the foregoing limit to be

violated shall be deemed to have been granted under a separate Nonstatutory Option, otherwise identical in its terms to those of the Incentive Option.

11. Exercise of Option

An Option may be exercised by the Optionee giving written notice, in the manner provided in Section 23, specifying the number of shares with respect to which the Option is then being exercised. The notice shall be accompanied by payment in the form of cash, or certified or bank check payable to the order of the Company in an amount equal to the Option Price of the shares to be purchased or, if the Committee had so authorized on the grant of any particular Option hereunder (and subject such conditions, if any, as the Committee may deem necessary to avoid adverse accounting effects to the Company) by delivery of that number of shares of Stock having a fair market value equal to the Option Price of the shares to be purchased. Receipt by the Company of such notice and payment shall constitute the exercise of the Option. Within 30 days thereafter, but subject to the remaining provisions of the Plan, the Company shall deliver or cause to be delivered to the Optionee or his agent a certificate or certificates for the number of shares then being purchased. Such shares shall be fully paid and nonassessable. Nothing herein shall be construed to preclude the Company from participating in a so-called "cashless exercise," provided the Optionee or other person exercising the Option and each other party involved in any such exercise shall comply with such procedures, and enter into such agreements, of indemnity or otherwise, as the Company shall specify.

12. Restrictions on Issue of Shares

12.1. Violation of Law. Notwithstanding any other provision of the Plan, if, at any time, in the reasonable opinion of the Company the issuance of shares of Stock covered by the exercise of any Option may constitute a violation of law, then the Company may delay such issuance and the delivery of a certificate for such shares until (i) approval shall have been obtained from such governmental agencies, other than the Securities and Exchange Commission, as may be required under any applicable law, rule, or regulation; and (ii) in the case where such issuance would constitute a violation of a law administered by or a regulation of the Securities and Exchange Commission, one of the following conditions shall have been satisfied:

(a) the shares with respect to which such Option has been exercised are at the time of the issue of such shares effectively registered under the Act; or

(b) the Company shall have received an opinion, in form and substance satisfactory to the Company, from the Company's legal counsel to the effect that the sale, transfer, assignment, pledge, encumbrance or other disposition of such Shares or such beneficial interest, as the case may be does not require registration under the Act or any applicable State securities laws.

The Company shall make all reasonable efforts to bring about the occurrence of said events.

12.2. Execution of Stock Restriction Agreement: Interpretation. Whenever shares are to be issued pursuant to an Option, the Company shall be under no obligation to issue such shares until such time, if ever, as the person who exercises such Option, in whole or in part, shall have executed and delivered to the Company the Stock Restriction Agreement specified by the Committee in connection with the grant of such Option, if any. In the event of any conflict between the provisions of this Plan and provisions of a Stock Restriction Agreement or Employment Agreement, the provisions of the Stock Restriction Agreement or Employment Agreement shall control, but insofar as possible the provisions of the Plan and any such Agreement shall be construed so as to give full force and effect to all such provisions.

12.3. Placement of Legends. Each certificate representing shares issued upon the exercise of an Option will bear restrictive legends which may refer to applicable restrictions under the Stock Restriction Agreement and Employment Agreement, if any.

13. Purchase for Investment; Subsequent Registration

13.1. Investment Representations. Unless the shares to be issued upon exercise of an Option granted under the Plan have been effectively registered under the Act, the Company shall be under no obligation to issue any shares covered by any Option unless the person who exercises such Option, in whole or in part, shall give a written representation to the Company which is satisfactory in form and substance to its counsel and upon which the Company may reasonably rely, that he or she is acquiring the shares issued pursuant to such exercise of the Option of his or her own account for the purpose of investment and not with a view to, or for sale in connection with the distribution of any such shares.

13.2. Registration. If the Company shall deem it necessary or desirable to register under the Act or other applicable statutes any shares with respect to which an Option shall have been granted, or to qualify any such shares for exemption from the Act or other applicable statutes, then the Company shall take such action at its own expense. The Company may require from each Option holder or each holder of shares of Stock acquired pursuant to the Plan, such information in writing for use in any registration statement, prospectus, preliminary prospectus or offering circular as is reasonably necessary for such purpose and may require reasonable indemnity to the Company and its officers and directors from such holder against all losses, claims, damage and liabilities arising from such use of the information so furnished and caused by any untrue statement of any material fact therein or caused by the omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made. In addition, the Company may require of any such person that he or she agree that, without the prior written consent of the Company or such managing underwriter, he or she will not sell, make any short sale of, loan, grant any option for the purchase of, pledge or otherwise encumber, or otherwise dispose of, any shares of Stock during the 180 day period commencing on the effective

date of the registration statement relating to such underwritten public offering of securities.

13.3. Placement of Legends: Stop Orders: etc. Each share of Stock issued pursuant to any Option granted under this Plan may bear a reference to the investment representation made in accordance with Section 13.1 in addition to any other applicable restriction under the Plan and the terms of the Option and to the fact that no registration statement has been filed with the Securities and Exchange Commission in respect to said Stock. All certificates for shares of Stock or other securities delivered under the Plan shall be subject to such stock-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of any stock exchange upon which the Stock is then listed, and any applicable Federal or state securities law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

14. Withholding; Notice of Disposition of Stock Prior to Expiration of Specified Holding Period

14.1. Tax Withholding. Whenever shares are to be issued in satisfaction of an Option granted hereunder, the Company shall have the right to require the Optionee to remit to the Company an amount sufficient to satisfy federal, state, local or other withholding tax requirements if and to the extent required by law (whether so required to secure for the Company an otherwise available tax deduction or otherwise) prior to the delivery of any certificate or certificates for such shares.

14.2. Notification of Disposition. Each person exercising any Incentive Option granted under the Plan shall be deemed to have covenanted with the Company to report to the Company any disposition of such shares prior to the expiration of the holding periods specified by Section 422(a)(1) of the Code and if and to the extent that the realization of income in such a disposition imposes upon the Company federal, state, local or other withholding tax requirements or any such withholding is required to secure for the Company an otherwise available tax deduction, to remit to the Company an amount in cash sufficient to satisfy those requirements.

15. Termination of Association with the Company

Unless the Committee shall provide otherwise in the grant of a particular Option under the Plan, if the Optionee's employment or other association with the Company is terminated, whether voluntarily or otherwise, the Option shall cease to be exercisable in any respect on the 30th day following such termination. Military or sick leave shall not be deemed a termination of employment or other association, provided that it does not exceed the longer of ninety (90) days or the period during which the absent Optionee's reemployment rights, if any, are guaranteed by statute or by contract.

16. Transferability of Options

Options shall not be transferable, other than by will or the laws of descent and distribution, and may be exercised during the life of the Optionee only by the Optionee.

17. Adjustments for Corporate Transactions

17.1. Stock Dividends, Etc. In the event of any stock dividend payable in Stock or any split-up or contra on in the number of shares of Stock after the date of the Option Agreement and prior to the exercise in full of the Option, the number of shares subject to such Option Agreement and the price to be paid for each share subject to the Option shall be proportionately adjusted.

17.2. Stock Reclassification. In the event of any reclassification or change of outstanding shares of Stock, shares of stock or other securities equivalent in kind and value to those shares an Optionee would have received if he or she had held the full number of shares of Stock subject to the Option immediately prior to such reclassification or change and had continued to hold those shares (together with all other shares, stock and securities thereafter issued in respect thereof) to the time of the exercise of the Option shall thereupon be subject to the Option.

17.3. Consolidation or Merger. Subject to the remainder of this Section 17.3, in the event of any consolidation or merger of the Company with or into another company or in case of any sale or conveyance to another company or entity of the property of the Company as a whole or substantially as a whole, shares of stock or other securities equivalent in kind and value to those shares and other securities an Optionee would have received if he or she had held the full number of shares of Stock remaining subject to the Option immediately prior to such consolidation, merger, sale or conveyance and had continued to hold those shares (together with all other shares, stock and securities thereafter issued in respect thereof) to the time of the exercise of the Option shall thereupon be subject to the Option. However, unless any Option Agreement shall provide different or additional terms, in any such transaction the Committee, in its discretion, may provide instead that any outstanding Option shall terminate, to the extent not exercised by the Optionee prior to termination, either (a) at the close of a period of not less than ten (10) days specified by the Committee and commencing on the Committee's delivery of written notice to the Optionee of its decision to terminate such Option without payment of consideration as provided in the following clause or (b) as of the date of the transaction, in consideration of the Company's payment to the Optionee of an amount of cash equal to the difference between the aggregate Fair Market Value of the shares of Stock for which the Option is then exercisable and the aggregate exercise price for such shares under the Option.

17.4. Dissolution or Liquidation. Upon dissolution or liquidation of the Company, the Option shall terminate, but the Optionee (if at the time in the employ of or otherwise associated with the Company or any of its Affiliates) shall have the right, immediately prior to such dissolution or liquidation, to exercise the Option to the extent exercisable on the date of such dissolution or liquidation.

17.5. Related Matters. Any adjustment required by this Section 17 shall be determined and made by the Committee. No fraction of a share shall be purchasable or deliverable upon exercise, but in the event any adjustment hereunder of the number of shares covered by the Option shall cause such number to include a fraction of a share, such number of shares shall be adjusted to the nearest smaller whole number of shares. In the event of changes in the outstanding Stock by reason of any stock dividend, split-up, contraction, reclassification, or change of outstanding shares of Stock of the nature contemplated by this Section 17, the number of shares of Stock available for the purposes of the Plan as stated in Section 4 shall be correspondingly adjusted.

18. Reservation of Stock

The Company shall at all times during the term of the Plan and any outstanding Options granted hereunder reserve or otherwise keep available such number of shares of Stock as will be sufficient to satisfy the requirements of the Plan (if then in effect) and such Options and shall pay all fees and expenses necessarily incurred by the Company in connection therewith.

19. Limitation of Rights in Stock; No Special Employment or Other Rights

The Optionee shall not be deemed for any purpose to be a stockholder of the Company with respect to any of the shares of Stock covered by an Option, except to the extent that the Option shall have been exercised with respect thereto and, in addition, a certificate shall have been issued therefor and delivered to the Optionee or his agent. Any Stock issued pursuant to the Option shall be subject to all restrictions upon the transfer thereof which may be now or hereafter imposed by the Certificate of Incorporation, the By-laws of the Company, the Stock Restriction Agreement and the Employment Agreement. Nothing contained in the Plan or in any Option shall confer upon any Optionee any right with respect to the continuation of his or her employment or other association with the Company (or any Affiliate), or interfere in any way with the right of the Company (or any Affiliate), subject to the terms of any separate employment or consulting agreement or provision of law or corporate articles or by-laws to the contrary, at any time to terminate such employment or consulting agreement or to increase or decrease the compensation of the Optionee from the rate in existence at the time of the grant of an Option.

20. Nonexclusivity of the Plan

Neither the adoption of the Plan by the Board nor the submission of the Plan to the shareholders of the Company shall be construed as creating any limitations on the power of the Board to adopt such other incentive arrangement as it may deem desirable, including without limitation, the granting of stock options other than under the Plan, and such arrangements may be either applicable generally or only in specific cases.

21. Terminations and Amendment of the Plan

The Board may at any time terminate the Plan or make such modifications of the Plan as it shall deem advisable. No termination or amendment of the Plan may, without the consent of the Optionee to whom any Option shall therefore have been granted, adversely affect the rights of such Optionee under such Option.

22. Notices and Other Communications

Any notice, demand, request or other communication hereunder to any party shall be deemed to be sufficient if contained in a written instrument delivered in person or sent by first class registered, certified or overnight mail, postage prepaid, or faxed with a confirmation copy by regular certified or overnight mail, addressed or faxed, as the case may be, (i) if to the Optionee, at his or her residence address last filed with the Company and (ii) if to the Company, at 75 Town Centre Drive, Rochester, NY 14623, Attn: Paul J. Travers, President and CEO, Fax Number: (585) 359-4172, or to such other address or fax number, as the case may be, as the addressee may have designated by notice to the addresser. All such notices, requests, demands and other communications shall be deemed to have been received: (i) in the case of personal delivery, on the date of such delivery; (ii) in the case of mailing, when received by the addressee; and (iii) in the case of facsimile transmission, when communicated by facsimile machine report.

23. Governing Law

The Plan and all Options and actions taken thereunder shall be governed, interpreted and enforced in accordance with the laws of the State of Delaware, without regard to the conflict of laws principles thereof. The following does not form part of this Plan but is included solely for information purposes:

* * * * * * *

Date of Board Approval: June 15, 2007

Date of Shareholder Approval: June 15, 2007

Exhibit 10.2

VUZIX CORPORATION

2009 STOCK PLAN

1. Purposes of the Plan. The purposes of this Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to Employees, Directors and Consultants and to promote the success of the Company's business. Options granted under the Plan may be Incentive Stock Options or Nonstatutory Stock Options, as determined by the Administrator at the time of grant. Stock Purchase Rights and Restricted Stock Units may also be granted under the Plan.

2. Definitions. As used herein, the following definitions shall apply:

(a) "Administrator" means the Board or any of its Committees as shall be administering the Plan in accordance with Section 4 hereof.

(b) "Applicable Laws" means the requirements relating to the administration of equity-based awards under U.S. state corporate laws, U.S. federal and state securities laws, the Code, any stock exchange or quotation system on which the Common Stock is listed or quoted and the applicable laws of any other country or jurisdiction where Awards are granted under the Plan.

(c) "Award" means, individually or collectively, a grant under the Plan of Options, Stock Purchase Rights, or Restricted Stock Units as the Administrator may determine.

(d) "Award Agreement" means the written or electronic agreement setting forth the terms and provisions applicable to each Award granted under the Plan, including an Option Agreement. The Award Agreement is subject to the terms and conditions of the Plan.

(e) "Board" means the Board of Directors of the Company.

(f) "Change in Control" means the occurrence of any of the following events:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities, except that any change in the beneficial ownership of the securities of the Company as a result of a private financing of the Company that is approved by the Board, shall not be deemed to be a Change in Control; or

(ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets; or

(iii) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to

represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

(g) "Code" means the Internal Revenue Code of 1986, as amended. Any reference to a section of the Code herein will be a reference to any successor or amended section of the Code.

(h) "Committee" means a committee of Directors or of other individuals satisfying Applicable Laws appointed by the Board in accordance with Section 4 hereof.

(i) "Common Stock" means the Common Stock of the Company.

(j) "Company" means Vuzix Corporation, a Delaware corporation.

(k) "Consultant" means, in relation to the Company, an individual or Consultant Company, other than an Employee or a Director, that: (i) is engaged to provide on a ongoing bona fide basis, consulting, technical, management or other services to the Company or to a Parent or Subsidiary of the Company, other than services provided in relation to a distribution of securities of the Company; (ii) provides the services under a written contract between the Company or the Parent or Subsidiary and the individual or the Consultant Company; (iii) in the reasonable opinion of the Company, spends or will spend a significant amount of time and attention on the affairs and business of the Company or a Parent or Subsidiary of the Company; and (iv) has a relationship with the Company or a Parent or Subsidiary of the Company that enables the individual to be knowledgeable about the business and affairs of the Company.

(l) "Consultant Company" means for an individual consultant, a company or partnership of which the individual is an employee, stockholder or partner.

(m) "Director" means a member of the Board.

(n) "Disability" means total and permanent disability as defined in Section 22(e)(3) of the Code.

(o) "Discounted Market Price" means the market price less the following maximum discounts based on closing price (and subject, not withstanding the application of any such maximum discount, to a minimum price per share of $0.05 and a minimum exercise price per warrant or incentive stock option, as the case may be, of $0.10): (i) up to $0.50 – 25%; (iii) $0.51 to $2.00 – 20%; and (iii) above $2.00 – 15%.

(p) "Employee" means any person, including officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. Neither service as a Director nor payment of a director's fee by the Company shall be sufficient to constitute "employment" by the Company.

(q) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(r) "Exchange Program" means a program under which (a) outstanding Awards are surrendered or cancelled in exchange for Awards of the same type (which may have lower exercise prices and different terms), Awards of a different type, and/or cash, and/or (b) the exercise price of an outstanding Award is reduced. The terms and conditions of any Exchange Program will be determined by the Administrator in its sole discretion.

(s) "Fair Market Value" means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the TSX Venture Exchange, the Nasdaq Global Market, the Nasdaq Global Select Market, or The Nasdaq Capital Market of The Nasdaq Stock Market, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system immediately prior to the time of determination, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable;

(ii) If the Common Stock is not listed on a stock exchange referred to in subsection (i) immediately above and is regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value shall be the mean between the high bid and low asked prices for the Common Stock on the day of determination; or

(iii) In the absence of an established market for the Common Stock, the Fair Market Value thereof shall be determined in good faith by the Administrator.

(t) "Incentive Stock Option" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code.

(u) "Insider" means:

(i) a Director or senior officer of the Company;

(ii) a Director or senior officer of a company that is an Insider or subsidiary of the Company;

(iii) a person that beneficially owns or controls, directly or indirectly, shares of Common Stock carrying more than 10% of the voting rights attached to all outstanding shares of Common Stock of the Company; or

(iv) the Company itself if it holds any of its own securities.

(v) "Investor Relations Activities" means any activities, by or on behalf of the Company or stockholder of the Company, that promote or reasonably could be expected to promote the purchase or sale of securities of the Company, but does not include:

(i) the dissemination of information provided, or records prepared, in the ordinary course of business of the Issuer (a) to promote the sale of products or services of the Company, or (b) to raise public awareness of the Company,

that cannot reasonably be considered to promote the purchase or sale of securities of the Company;

(ii) activities or communications necessary to comply with the requirements of: (a) applicable securities laws; (b) TSX Venture Exchange Requirements or the by-laws, rules or other regulatory instruments of any other self regulatory body or exchange having jurisdiction over the Company;

(iii) communications by a publisher of, or writer for, a newspaper, magazine or business or financial publication, that is of general and regular paid circulation, distributed only to subscribers to it for value or to purchasers of it, if: (a) the communication is only through the newspaper, magazine or publication, and (b) the publisher or writer receives no commission or other consideration other than for acting in the capacity of publisher or writer; or

(iv) activities or communications that may be otherwise specified by the TSX Venture Exchange.

(w) "Nonstatutory Stock Option" means an Option not intended to qualify as an Incentive Stock Option.

(x) "Option" means a stock option granted pursuant to the Plan.

(y) "Option Agreement" means a written or electronic agreement between the Company and an Optionee evidencing the terms and conditions of an individual Option grant. The Option Agreement is subject to the terms and conditions of the Plan.

(z) "Optioned Stock" means the Common Stock subject to an Award.

(aa) "Optionee" means the holder of an outstanding Option or Stock Purchase Right granted under the Plan.

(bb) "Parent" means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

(cc) "Participant" means the holder of an outstanding Award, including an Optionee.

(dd) "Plan" means this 2009 Stock Plan.

(ee) "Restricted Stock" means Shares issued pursuant to a Stock Purchase Right or Shares of restricted stock issued pursuant to an Option.

(ff) "Restricted Stock Purchase Agreement" means a written or electronic agreement between the Company and the Participant evidencing the terms and restrictions applying to Shares purchased under a Stock Purchase Right. The Restricted Stock Purchase Agreement is subject to the terms and conditions of the Plan and the notice of grant.

(gg) "Restricted Stock Unit" means a bookkeeping entry representing an amount equal to the Fair Market Value of one Share, granted pursuant to Section 12. Each Restricted Stock Unit represents an unfunded and unsecured obligation of the Company.

(hh) "Securities Act" means the Securities Act of 1933, as amended, plus any applicable foreign laws covering where the Company's stock is traded.

(ii) "Service Provider" means an Employee, Director or Consultant.

(jj) "Share" means a share of the Common Stock, as adjusted in accordance with Section 14 below.

(kk) "Stock Compensation Arrangement" means a stock option, stock option plan, employee stock purchase plan or any other compensation or incentive mechanism involving the issuance or potential issuance of securities of the Company to one or more service providers, including a purchase of shares of common stock from treasury which is financially assisted by the Company by way of a loan, guarantee or otherwise.

(ll) "Stock Purchase Right" means a right to purchase Common Stock pursuant to Section 11 below.

(mm) "Subsidiary" means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

(nn) "TSX Venture Exchange Requirements" means and includes the Articles, by-laws, policies, circulars, rules (including UMIR) guidelines, orders, notices, rulings, forms, decisions and regulations of the Exchange as from time to time enacted, any instructions, decisions and directions of a Regulation Services Provider or the TSX Venture Exchange (including those of any committee of the Exchange as appointed from time to time), the *Securities Act* (Alberta) and rules and regulations thereunder as amended, the *Securities Act* (British Columbia) and rules and regulations thereunder as amended and any policies, rules, orders, rulings, forms or regulations from time to time enacted by the Alberta Securities Commission or the British Columbia Securities Commission and all applicable provisions of the securities laws of any other jurisdiction.

3. Stock Subject to the Plan. Subject to the provisions of Section 14 of the Plan, the maximum aggregate number of Shares that may be subject to Awards and issued under the Plan is 30,000,000. The Shares may be authorized but unissued, or reacquired Common Stock.

If an Award expires or becomes unexercisable without having been exercised in full, or is surrendered pursuant to an Exchange Program, the unpurchased Shares that were subject thereto shall become available for future grant or sale under the Plan (unless the Plan has terminated). However, Shares that have actually been issued under the Plan, upon exercise of an Award, shall not be returned to the Plan and shall not become available for future distribution under the Plan, except that if unvested Shares of Restricted Stock or Shares acquired pursuant to Restricted Stock Units are forfeited to or repurchased by the Company, such Shares shall become available for future grant under the Plan.

4. Administration of the Plan.

(a) Administrator. The Plan shall be administered by the Board or a Committee appointed by the Board, which Committee shall be constituted to comply with Applicable Laws.

(b) Powers of the Administrator. Subject to the provisions of the Plan and, in the case of a Committee, the specific duties delegated by the Board to such Committee, and subject to the rules and policies of the stock exchange on which the Shares are listed and subject to the approval of any relevant authorities, the Administrator shall have the authority in its discretion:

(i) to determine the Fair Market Value subject to the rules and policies of the stock exchange on which the Shares are listed;

(ii) to select the Service Providers to whom Awards may from time to time be granted hereunder;

(iii) to determine the number of Shares to be covered by each such Award granted hereunder;

(iv) to approve forms of agreement for use under the Plan;

(v) to determine the terms and conditions of any Award granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Awards may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Award or the Common Stock relating thereto, based in each case on such factors as the Administrator, in its sole discretion, shall determine;

(vi) to institute an Exchange Program;

(vii) to prescribe, amend and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans established for the purpose of satisfying applicable foreign laws;

(viii) to allow Participants to satisfy withholding tax obligations by electing to have the Company withhold from the Shares to be issued upon exercise of an Award that number of Shares having a Fair Market Value equal to the minimum amount required to be withheld. The Fair Market Value of the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined. All elections by Participants to have Shares withheld for this purpose shall be made in such form and under such conditions as the Administrator may deem necessary or advisable; and

(ix) to construe and interpret the terms of the Plan and Awards granted pursuant to the Plan.

(c) Effect of Administrator's Decision. All decisions, determinations and interpretations of the Administrator shall be final and binding on all Participants.

5. Eligibility. Nonstatutory Stock Options, Stock Purchase Rights, and Restricted Stock Units may be granted to any Service Provider. Incentive Stock Options may be granted to Employees only.

6. Limitations.

(a) Limits on Awards. Notwithstanding any provision to the contrary, paragraphs, unless the Company obtains approval of disinterested holders of Shares of Common Stock in the manner prescribed by TSX Venture Exchange Policy 2.4 and any successor rule, policy or instrument thereto or the rules of the applicable stock exchange on which the Shares of Common Stock are then listed,

(i) the number of Shares of Common Stock reserved for issuance pursuant to Awards granted to Insiders under the Plan, together with shares of Common Stock issuable to Insiders under any other Stock Compensation Arrangement of the Company, shall at no time exceed 10% of the issued and outstanding Shares of Common Stock of the Company;

(ii) the Company shall not grant to Insiders under the Plan, together with stock options granted to Insiders under any other Stock Compensation Arrangement of the Company, in aggregate, within a 12 month period, a number of Awards exceeding 10% of the issued and outstanding Shares of Common Stock of the Company pursuant to the exercise of Awards; and

(iii) the Company shall not issue to any one individual, within a 12 month period, a number of shares exceeding 5% of the issued and outstanding Shares of Common Stock of the Company pursuant to the exercise of Awards granted under the Plan, together with Shares of Common Stock issuable to any individuals under any other Stock Compensation Arrangement of the Company.

(b) The Company shall not issue to any one Consultant, within a 12 month period, a number of shares exceeding 2% of the issued and outstanding Shares of Common Stock of the Company pursuant to the exercise of Awards granted under the Plan, together with Shares of Common Stock issuable to Consultants under any other Stock Compensation Arrangement of the Company.

(c) The Company shall not issue to an Employee conducting Investor Relations Activities, within a 12 month period, a number of shares exceeding an aggregate of 2% of the issued and outstanding Shares of Common Stock of the Company pursuant to the exercise of Awards granted under the Plan, together with Shares of Common Stock issuable to Employees conducting Investor Relations Activities under any other Stock Compensation Arrangement of the Company.

(d) Incentive Stock Option Limit. Each Option shall be designated in the Option Agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designation, to the extent that the aggregate Fair Market Value

of the Shares with respect to which Incentive Stock Options are exercisable for the first time by the Participant during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds $100,000, such Options shall be treated as Nonstatutory Stock Options. For purposes of this Section 6(d), Incentive Stock Options shall be taken into account in the order in which they were granted. The Fair Market Value of the Shares shall be determined as of the time the Option with respect to such Shares is granted.

(e) At-Will Employment. Neither the Plan nor any Award shall confer upon any Participant any right with respect to continuing the Participant's relationship as a Service Provider with the Company, nor shall it interfere in any way with his or her right or the Company's right to terminate such relationship at any time, with or without cause, and with or without notice.

7. Term of Plan. Subject to stockholder approval in accordance with Section 20, the Plan shall become effective upon its adoption by the Board. Unless sooner terminated under Section 16, it shall continue in effect for a term of ten (10) years from the later of (i) the effective date of the Plan, or (ii) stockholder approval of an increase in the number of Shares reserved for issuance under the Plan.

8. Term of Option. The term of each Option shall be stated in the Option Agreement; provided, however, that the term shall be no more than ten (10) years from the date of grant thereof. In the case of an Incentive Stock Option granted to an Participant who, at the time the Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Option shall be five (5) years from the date of grant or such shorter term as may be provided in the Option Agreement.

9. Option Exercise Price and Consideration.

(a) Exercise Price. The per share exercise price for the Shares to be issued upon exercise of an Option shall be such price as is determined by the Administrator, but shall be subject to the following:

(i) In the case of an Incentive Stock Option

(1) granted to an Employee who, at the time of grant of such Option, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant.

(2) granted to any other Employee, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant.

(ii) In the case of a Nonstatutory Stock Option

(1) granted to a Service Provider who, at the time of grant of such Option, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant.

(2) granted to any other Service Provider, the per Share exercise price shall be no less than 85% of the Fair Market Value per Share on the date of grant.

(iii) Notwithstanding the foregoing, Options may be granted with a per Share exercise price other than as required above in accordance with and pursuant to a transaction described in Section 424 of the Code.

(iv) Notwithstanding any provision to the contrary, the exercise price of any Option shall not be less than the Discounted Market Price as of the date of grant.

(v) No amendment which reduces the exercise price of an Option that is held by an Insider may be made unless the Company obtains approval of disinterested holders of Shares of Common Stock in the manner prescribed by TSX Venture Exchange Policy 2.4 and any successor rule, policy or instrument thereto or the rules of the applicable stock exchange on which the Shares of Common Stock are then listed.

(b) Forms of Consideration. The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall be determined by the Administrator (and, in the case of an Incentive Stock Option, shall be determined at the time of grant). Such consideration may consist of, without limitation, (1) cash, (2) check, or (3) any combination of the foregoing methods of payment. In making its determination as to the type of consideration to accept, the Administrator shall consider if acceptance of such consideration may be reasonably expected to benefit the Company.

10. Exercise of Option.

(a) Procedure for Exercise; Rights as a Stockholder. Any Award granted hereunder shall be exercisable according to the terms hereof at such times and under such conditions as determined by the Administrator and set forth in the Award Agreement. An Award may not be exercised for a fraction of a Share. Except in the case of Awards granted to officers, Directors and Consultants, Options shall become exercisable at a rate of no less than 20% per year over five (5) years from the date the Awards are granted.

An Option shall be deemed exercised when the Company receives (i) written or electronic notice of exercise (in accordance with the Option Agreement) from the person entitled to exercise the Option, and (ii) full payment for the Shares with respect to which the Option is exercised. Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Option Agreement and the Plan. Shares issued upon exercise of an Option shall be issued in the name of the Participant or, if requested by the Participant, in the name of the Participant and his or her spouse. Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer

agent of the Company), no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the Shares, notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such Shares promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 14 of the Plan.

Exercise of an Option in any manner shall result in a decrease in the number of Shares thereafter available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(b) Termination of Relationship as a Service Provider. If a Participant ceases to be a Service Provider, such Participant may exercise his or her Award within thirty (30) days of termination, or such longer period of time as specified in the Award Agreement, to the extent that the Award is vested on the date of termination (but in no event later than the expiration of the term of the Award as set forth in the Award Agreement). Unless the Administrator provides otherwise, if on the date of termination the Participant is not vested as to his or her entire Award, the Shares covered by the unvested portion of the Award shall revert to the Plan. If, after termination, the Participant does not exercise his or her Award within the time specified by the Administrator, the Award shall terminate, and the Shares covered by such Award shall revert to the Plan.

(c) Disability of Participant. If a Participant ceases to be a Service Provider as a result of the Participant's Disability, the Participant may exercise his or her Award within six (6) months of termination, or such longer period of time as specified in the Award Agreement, to the extent the Award is vested on the date of termination (but in no event later than the expiration of the term of such Award as set forth in the Award Agreement). Unless the Administrator provides otherwise, if on the date of termination the Participant is not vested as to his or her entire Award, the Shares covered by the unvested portion of the Award shall revert to the Plan. If, after termination, the Participant does not exercise his or her Award within the time specified herein, the Award shall terminate, and the Shares covered by such Award shall revert to the Plan.

(d) Death of Participant. If a Participant dies while a Service Provider, to the extent that the Award is vested on the date of death, the Award may be exercised within the earlier of (i) twelve (12) months following the Participant's death, or (ii) the expiration of the term of such Award as set forth in the Award Agreement by the Participant's designated beneficiary, provided such beneficiary has been designated prior to Participant's death in a form acceptable to the Administrator. If no such beneficiary has been designated by the Participant, then such Award may be exercised by the personal representative of the Participant's estate or by the person(s) to whom the Award is transferred pursuant to the Participant's will or in accordance with the laws of descent and distribution. If, at the time of death, the Participant is not vested as to his or her entire Award, the Shares covered by the unvested portion of the Award shall immediately revert to the Plan. If the Award is not so exercised within the time specified herein, the Award shall terminate, and the Shares covered by such Award shall revert to the Plan.

(e) Leaves of Absence.

(i) Unless the Administrator provides otherwise, vesting of Awards granted hereunder to officers and Directors shall be suspended during any unpaid leave of absence.

(ii) A Service Provider shall not cease to be an Employee in the case of (A) any leave of absence approved by the Company or (B) transfers between locations of the Company or between the Company, its Parent, any Subsidiary, or any successor.

(iii) For purposes of Incentive Stock Options, no such leave may exceed ninety (90) days, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, then three (3) months following the 91st day of such leave, any Incentive Stock Option held by the Participant shall cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonstatutory Stock Option.

11. Stock Purchase Rights.

(a) Rights to Purchase. Stock Purchase Rights may be issued either alone, in addition to, or in tandem with other awards granted under the Plan and/or cash awards made outside of the Plan. After the Administrator determines that it will offer Stock Purchase Rights under the Plan, it shall advise the offeree in writing or electronically of the terms, conditions and restrictions related to the offer, including the number of Shares that such person shall be entitled to purchase, the price to be paid, and the time within which such person must accept such offer. The offer shall be accepted by execution of a Restricted Stock Purchase Agreement in the form determined by the Administrator.

(b) Repurchase Option. Unless the Administrator determines otherwise, the Restricted Stock Purchase Agreement shall grant the Company a repurchase option exercisable within 90 days of the voluntary or involuntary termination of the Participant's service with the Company for any reason (including death or disability). Unless the Administrator provides otherwise, the purchase price for Shares repurchased pursuant to the Restricted Stock Purchase Agreement shall be the original price paid by the purchaser Participant and may be paid by cancellation of any indebtedness of the purchaser Participant to the Company. The repurchase option shall lapse at such rate as the Administrator may determine. Except with respect to Shares purchased by officers, Directors and Consultants, the repurchase option shall in no case lapse at a rate of less than 20% per year over five (5) years from the date of purchase.

(c) Other Provisions. The Restricted Stock Purchase Agreement shall contain such other terms, provisions and conditions not inconsistent with the Plan as may be determined by the Administrator in its sole discretion.

(d) Rights as a Stockholder. Once the Stock Purchase Right is exercised, the purchaser shall have rights equivalent to those of a stockholder and shall be a stockholder when his or her purchase is entered upon the records of the duly authorized transfer agent of the Company. No adjustment shall be made for a dividend or other right for which the record date is

prior to the date the Stock Purchase Right is exercised, except as provided in Section 14 of the Plan.

12. Restricted Stock Units.

(a) Grant. Restricted Stock Units may be granted at any time and from time to time as determined by the Administrator. Each Restricted Stock Unit grant will be evidenced by an Award Agreement that will specify such other terms and conditions as the Administrator, in its sole discretion, will determine, including all terms, conditions, and restrictions related to the grant, the number of Restricted Stock Units and the form of payout, which, subject to Section 12(d), may be left to the discretion of the Administrator.

(b) Vesting Criteria and Other Terms. The Administrator will set vesting criteria in its discretion, which, depending on the extent to which the criteria are met, will determine the number of Restricted Stock Units that will be paid out to the Participant. After the grant of Restricted Stock Units, the Administrator, in its sole discretion, may reduce or waive any restrictions for such Restricted Stock Units. Each Award of Restricted Stock Units will be evidenced by an Award Agreement that will specify the vesting criteria, and such other terms and conditions as the Administrator, in its sole discretion, will determine.

(c) Earning Restricted Stock Units. Upon meeting the applicable vesting criteria, the Participant will be entitled to receive a payout as specified in the Award Agreement. Notwithstanding the foregoing, at any time after the grant of Restricted Stock Units, the Administrator, in its sole discretion, may reduce or waive any vesting criteria that must be met to receive a payout.

(d) Form and Timing of Payment. Payment of earned Restricted Stock Units will be made as soon as practicable after the date(s) set forth in the Award Agreement. The Restricted Stock Units will be paid in Shares.

(e) Cancellation. On the date set forth in the Award Agreement, all unearned Restricted Stock Units will be forfeited to the Company.

13. Limited Transferability of Awards. Unless determined otherwise by the Administrator, Awards may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or the laws of descent and distribution, and may be exercised during the lifetime of the Participant, only by the Participant.

14. Adjustments; Dissolution or Liquidation; Merger or Change in Control.

(a) Adjustments. In the event that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, or other change in the corporate structure of the Company affecting the Shares occurs, the Administrator, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the Plan, shall adjust the number and class of Shares that may be delivered under the Plan and/or the number, class, and price of Shares covered by each outstanding Award.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Administrator shall notify each Participant as soon as practicable prior to the effective date of such proposed transaction. To the extent it has not been previously exercised, an Award will terminate immediately prior to the consummation of such proposed action.

(c) Merger or Change in Control. In the event of a merger of the Company with or into another corporation, or a Change in Control, each outstanding Award shall be assumed or an equivalent award substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. In the event that the successor corporation refuses to assume or substitute for the Award, the Participant will fully vest in and have the right to exercise all of his or her outstanding Options and Stock Purchase Rights, including Shares as to which such Awards would not otherwise be vested or exercisable, all restrictions on Restricted Stock will lapse, and all outstanding Restricted Stock Units will fully vest. If the successor corporation refuses to assume or substitute an Option or Stock Purchase Right in the event of a merger or Change in Control, the Administrator shall notify the Participant in writing or electronically that the Award shall be fully exercisable for a period of time as determined by the Administrator, and the Award shall terminate upon expiration of such period. For the purposes of this paragraph, the Award shall be considered assumed if, following the merger or Change in Control, the option or right confers the right to purchase or receive, for each Share subject to the Award immediately prior to the merger or Change in Control, the consideration (whether stock, cash, or other securities or property) received in the merger or Change in Control by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the merger or Change in Control is not solely free trading common stock (without resale restrictions) of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of the Award, for each Share subject to the Award, to be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of common stock in the merger or Change in Control.

15. Time of Granting Awards. The date of grant of an Award shall, for all purposes, be the date on which the Administrator makes the determination granting such Award, or such later date as is determined by the Administrator. Notice of the determination shall be given to each Service Provider to whom an Award is so granted within a reasonable time after the date of such grant.

16. Amendment and Termination of the Plan.

(a) Amendment and Termination. Subject to any necessary approvals by the TSX Venture Exchange and any other stock exchange on which the Shares are listed and other applicable regulatory authorities, the Board may at any time amend, alter, suspend or terminate the Plan.

(b) Stockholder Approval. The Board shall obtain stockholder approval of any Plan amendment to the extent necessary and desirable to comply with Applicable Laws and

the rules and the policies of the TSX Venture Exchange and other stock exchange on which the Shares are listed.

(c) Effect of Amendment or Termination. No amendment, alteration, suspension or termination of the Plan shall impair the rights of any Participant, unless mutually agreed otherwise between the Participant and the Administrator, which agreement must be in writing and signed by the Participant and the Company. Termination of the Plan shall not affect the Administrator's ability to exercise the powers granted to it hereunder with respect to Options granted under the Plan prior to the date of such termination.

17. Conditions Upon Issuance of Shares.

(a) Legal Compliance. Shares shall not be issued pursuant to the exercise of an Award unless the exercise of such Award and the issuance and delivery of such Shares shall comply with Applicable Laws and shall be further subject to the approval of counsel for the Company with respect to such compliance.

(b) Investment Representations. As a condition to the exercise of an Award, the Administrator may require the person exercising such Award to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

18. Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

19. Reservation of Shares. The Company, during the term of this Plan, shall at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

20. Stockholder Approval. The Plan shall be subject to approval by the stockholders of the Company within twelve (12) months after the date the Plan is adopted. Such stockholder approval shall be obtained in the degree and manner required under Applicable Laws.

21. Information to Participants. The Company shall provide to each Participant and to each individual who acquires Shares pursuant to the Plan, not less frequently than annually during the period such Participant has one or more Awards outstanding, and, in the case of an individual who acquires Shares pursuant to the Plan, during the period such individual owns such Shares, copies of annual financial statements. The Company shall not be required to provide such statements to key employees whose duties in connection with the Company assure their access to equivalent information.

Exhibit 10.4

VUZIX CORPORATION

2009 NON-EMPLOYEE DIRECTORS' STOCK OPTION PLAN

1. PURPOSES.

(a) Eligible Option Recipients. The persons eligible to receive Options (as defined herein) under the Plan are the Non-Employee Directors (as defined herein) of the Company (as defined herein).

(b) Available Options. The purpose of the Plan is to provide a means by which Non-Employee Directors may be given an opportunity to benefit from increases in value of the Common Stock through the granting of Nonstatutory Stock Options (as defined herein).

(c) General Purpose. Vuzix Corporation, by means of the Plan, seeks to retain the services of its Non-Employee Directors, to secure and retain the services of new Non-Employee Directors and to provide incentives for such persons to exert maximum efforts for the success of Vuzix Corporation and its Affiliates (as defined herein).

2. DEFINITIONS.

(a) "Accountant" means the independent public accountants of the Company.

(b) "Affiliate" means any parent corporation or subsidiary corporation of the Company, whether now or hereafter existing, as those terms are defined in Sections 424(e) and (f), respectively, of the Code.

(c) "Annual Grant" means an Option granted annually to a Non Employee Director who meets the specified criteria pursuant to subsection 6(b) of the Plan.

(d) "Annual Meeting" means the annual meeting of the stockholders of the Company.

(e) "Board" means the board of directors of the Company.

(f) "Change in Control" means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events after the IPO Date:

(i) any Exchange Act Person becomes the Owner, directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the combined voting power of the Company's then outstanding securities other than by virtue of a merger, consolidation or similar transaction;

(ii) there is consummated a merger, consolidation or similar transaction involving (directly or indirectly) the Company and, immediately after the consummation of such merger, consolidation or similar transaction, the stockholders of the Company immediately prior thereto

do not Own, directly or indirectly, outstanding voting securities representing more than fifty percent (50%) of the combined outstanding voting power of the surviving Entity in such merger, consolidation or similar transaction or more than fifty percent (50%) of the combined outstanding voting power of the parent of the surviving Entity in such merger, consolidation or similar transaction;

(iii) there is consummated a sale, lease, license or other disposition of all or substantially all of the consolidated assets of the Company and its Subsidiaries, other than a sale, lease, license or other disposition of all or substantially all of the consolidated assets of the Company and its Subsidiaries to an Entity, more than fifty percent (50%) of the combined voting power of the voting securities of which are Owned by stockholders of the Company in substantially the same proportions as their Ownership of the Company immediately prior to such sale, lease, license or other disposition; or

(iv) notwithstanding the foregoing or any other provision of this Plan, the definition of Change in Control (or any analogous term) in an individual written agreement between the Company or any Affiliate and the Optionholder shall supersede the foregoing definition with respect to Options subject to such agreement (it being understood, however, that if no definition of Change in Control or any analogous term is set forth in such an individual written agreement, the foregoing definition shall apply).

(g) " Common Stock" means the common stock, par value $0.01 per share, of the Company.

(h) "Code" means the Internal Revenue Code of 1986, as amended.

(i) "Company" means Vuzix Corporation, a Delaware corporation.

(j) "Consultant" means, in relation to the Company, an individual or Consultant Company, other than an Employee or a Director, that: (i) is engaged to provide on a ongoing bona fide basis, consulting, technical, management or other services to the Company or to an Affiliate of the Company, other than services provided in relation to a distribution of securities of the Company; (ii) provides the services under a written contract between the Company or the Affiliate and the individual or the Consultant Company; (iii) in the reasonable opinion of the Company, spends or will spend a significant amount of time and attention on the affairs and business of the Company or an Affiliate of the Company; and (iv) has a relationship with the Company or an Affiliate of the Company that enables the individual to be knowledgeable about the business and affairs of the Company.

(k) "Consultant Company" means for an individual consultant, a company or partnership of which the individual is an employee, stockholder or partner.

(l) "Continuous Service" means that the Optionholder's service with the Company or an Affiliate, whether as an Employee, Director or Consultant, is not interrupted or terminated. The Optionholder's Continuous Service shall not be deemed to have terminated merely because of a change in the capacity in which the Optionholder renders service to the Company or an Affiliate as a Director or a change in the entity for which the Optionholder renders such service, provided

that there is no interruption or termination of the Optionholder's Continuous Service. For example, a change in status from a Non-Employee Director of the Company to a Consultant of an Affiliate or an Employee of the Company will not constitute an interruption of Continuous Service. The Board, in its sole discretion, may determine whether Continuous Service shall be considered interrupted in the case of any leave of absence approved by that party, including sick leave, military leave or any other personal leave.

(m) "Director" means a member of the Board.

(n) "Disability" means the inability of a person, in the opinion of a qualified physician acceptable to the Company, to perform the major duties of that person's position with the Company or an Affiliate because of the sickness or injury of the person.

(o) "Discounted Market Price" means the market price less the following maximum discounts based on closing price (and subject, not withstanding the application of any such maximum discount, to a minimum price per share of $0.05 and a minimum exercise price per warrant or incentive stock option, as the case may be, of $0.10): (i) up to $0.50 – 25%; (iii) $0.51 to $2.00 – 20%; and (iii) above $2.00 – 15%.

(p) "Effective Date" means the date effective as of which the Plan is adopted by the Board.

(q) "Employee" means any person employed by the Company or an Affiliate. Mere service as a Director or payment of a director's fee by the Company or an Affiliate shall not be sufficient to constitute "employment" by the Company or an Affiliate.

(r) "Entity" means a corporation, partnership or other entity.

(s) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(t) "Exchange Act Person" means any natural person, Entity or "group" (within the meaning of Section 13(d) or 14(d) of the Exchange Act), except that "Exchange Act Person" shall not include (A) the Company or any Subsidiary of the Company, (B) any employee benefit plan of the Company or any Subsidiary of the Company or any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any Subsidiary of the Company, (C) an underwriter temporarily holding securities pursuant to an offering of such securities, or (D) an Entity Owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their Ownership of stock of the Company.

(u) "Fair Market Value" means, as of any date, the value of the Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the TSX Venture Exchange, the Nasdaq Global Market, the Nasdaq Global Select Market, or The Nasdaq Capital Market of The Nasdaq Stock Market, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system immediately prior to the time of

determination, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable;

(ii) If the Common Stock is not listed on a stock exchange referred to in subsection (i) immediately above and is regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value shall be the mean between the high bid and low asked prices for the Common Stock on the day of determination; or

(iii) In the absence of an established market for the Common Stock, the Fair Market Value thereof shall be determined in good faith by the Administrator.

(v) "Initial Grant" means an Option granted to a Non-Employee Director who meets the specified criteria pursuant to subsection 6(a) of the Plan.

(w) "Insider" means:

(i) a Director or senior Officer of the Company;

(ii) a Director or senior Officer of a company that is an Insider or Subsidiary of the Company;

(iii) a Person that beneficially owns or controls, directly or indirectly, shares of Common Stock carrying more than 10% of the voting rights attached to all outstanding shares of Common Stock of the Company; or

(iv) the Company itself if it holds any of its own securities.

(x) "IPO Date" means the date the Common Stock is first offered to the public under a registration statement declared effective under the Securities Act.

(y) "Non-Employee Director" means a Director who is not an Employee or Consultant of the Company or an Affiliate.

(z) "Nonstatutory Stock Option" means an Option not intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(aa) "Officer" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(bb) "Option" means a Nonstatutory Stock Option granted pursuant to the Plan.

(cc) "Option Agreement" means a written agreement between the Company and an Optionholder evidencing the terms and conditions of an individual Option grant. Each Option Agreement shall be subject to the terms and conditions of the Plan.

(dd) "Optionholder" means a person to whom an Option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.

(ee) "Own," "Owned," "Owner," "Ownership" A person or Entity shall be deemed to "Own," to have "Owned," to be the "Owner" of, or to have acquired/ "Ownership" of securities if such person or Entity, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares voting power, which includes the power to vote or to direct the voting, with respect to such securities.

(ff) "Plan" means this Vuzix Corporation 2009 Non-Employee Directors' Stock Option Plan.

(gg) "Rule 16n-3" means Rule 16b-3 promulgated under the Exchange Act or any successor to Rule 16b-3, as in effect from time to time.

(hh) "Securities Act" means the Securities Act of 1933, as amended.

(ii) "Stock Compensation Arrangement" means a stock option, stock option plan, employee stock purchase plan or any other compensation or incentive mechanism involving the issuance or potential issuance of securities of the Company to one or more service providers, including a purchase of shares of Common Stock from treasury which is financially assisted by the Company by way of a loan, guarantee or otherwise.

(jj) "Subsidiary" means, with respect to the Company, (i) any corporation of which more than fifty percent (50%) of the outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether, at the time, stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time, directly or indirectly, Owned by the Company, and (ii) any partnership in which the Company has a direct or indirect interest (whether in the form of voting or participation in profits or capital contribution) of more than fifty percent (50%).

3. ADMINISTRATION.

(a) Administration by Board. The Board shall administer the Plan. The Board may not delegate administration of the Plan to a committee.

(b) Powers of the Board. The Board shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine the provisions of each Option to the extent not specified in the Plan.

(ii) To construe and interpret the Plan and Options granted under it, and to establish, amend and revoke rules and regulations for its administration. The Board, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan or in any Option Agreement, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective.

(iii) To amend the Plan or an Option as provided in Section 12.

(iv) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company that are not in conflict with the provisions of the Plan.

(c) Effect of Board's Decision. All determinations, interpretations and constructions made by the Board in good faith shall not be subject to review by/ any person and shall be final, binding and conclusive on all persons.

4. SHARES SUBJECT TO THE PLAN.

(a) Share Reserve. Subject to the provisions of Section 11 relating to adjustments upon changes in the Common Stock, the Common Stock that may be issued pursuant to Options shall not exceed in the aggregate 8,000,000 shares of Common Stock.

(b) Reversion of Shares to the Share Reserve. If any Option shall for any reason expire or otherwise terminate, in whole or in part, without having been exercised in full, or if any shares of Common Stock issued to a Non-Employee Director pursuant to an Option are forfeited back to or repurchased by the Company because of or in connection with the failure to meet a contingency or condition required to vest such shares in the Non-Employee Director, the shares of Common Stock not acquired, forfeited or repurchased under such Stock Award shall revert to and again become available for issuance under the Plan.

(c) Source of Shares. The shares of Common Stock subject to the Plan may be unissued shares or reacquired shares, bought on the market or otherwise. If the aggregate number of shares of Common Stock issuable pursuant to Section 6(a) or (b) would exceed the number of shares remaining in the share reserve under Section 4(a) at such time of grant, then, in the absence of any Board action otherwise, a pro rata allocation of the shares of Common Stock available shall be made in as nearly a uniform manner as shall be practicable and equitable.

5. ELIGIBILITY.

(a) The Options as set forth in Section 6 automatically shall be granted under the Plan to all Non-Employee Directors.

6. NON-DISCRETIONARY GRANTS.

(a) Initial Grants. Without any further action of the Board, (i) each person who is or becomes a Non-Employee Director as of the Effective Date, and (ii) each person who, after the Effective Date, is elected or appointed for the first time to be a Non-Employee Director automatically shall, upon the Effective Date or the date of his or her initial election or appointment to be a Non-Employee Director, as applicable, be granted an Initial Grant to purchase 300,000 shares of Common Stock on the terms and conditions set forth herein.

(b) Annual Grants. Without any further action of the Board, on each January 1 (the "Annual Grant Date"), commencing on January 1, 2010, each person who is then a Non-Employee Director, automatically shall be granted an Annual Grant to purchase 150,000 shares of Common Stock on the terms and conditions set forth herein, provided, however, that the number of shares subject to an Annual Grant for a particular Non-Employee Director shall be reduced, on a pro rata basis, for each month such person did not serve as a Non-Employee Director during the twelve-month period from the prior Annual Grant Date (or from the Effective Date with respect to the first Annual Grant hereunder) until the current Annual Grant Date.

(c) Limits on Option Grants. Notwithstanding the foregoing paragraphs, unless the Company obtains approval of disinterested holders of shares of Common Stock in the manner prescribed by TSX Venture Exchange Policy 2.4 and any successor rule, policy or instrument thereto or the rules of the applicable stock exchange on which the shares of Common Stock are then listed,

(i) the number of shares of Common Stock reserved for issuance pursuant to Options granted to Insiders under the Plan, together with shares of Common Stock issuable to Insiders or Participants under any other Stock Compensation Arrangement of the Company, shall at no time exceed 10% of the issued and outstanding shares of Common Stock of the Company;

(ii) the Company shall not grant to Insiders under the Plan, together with stock options granted to Insiders under any other Stock Compensation Arrangement of the Company, in aggregate, within a 12 month period, a number of Options exceeding 10% of the issued and outstanding shares of Common Stock of the Company pursuant to the exercise of Awards;

(iii) the Company shall not issue to any one individual, within a 12 month period, a number of shares exceeding 5% of the issued and outstanding shares of Common Stock of the Company pursuant to the exercise of Options granted under the Plan, together with shares of Common Stock issuable to any individuals under any other Stock Compensation Arrangement of the Company; and

(iv) no amendment which reduces the exercise price of an Option that is held by an Insider.

7. OPTION PROVISIONS.

Each Option shall be in such form and shall contain such terms and conditions as required by the Plan. Each Option shall contain such additional terms and conditions, not inconsistent with the Plan, as the Board shall deem appropriate. Each Option shall include (through incorporation of provisions hereof by reference in the Option or otherwise) the substance of each of the following provisions:

(a) Term. The Option term shall be a maximum of ten (10) years from the date the Option is granted, provided that the Option term shall be reduced with respect to any Option as provided in Section 7(g), (i), and (j), covering cessation of Continuous Service by the Optionholder, disability of the Optionholder or death of the Optionholder.

(b) Exercise Price. The exercise price of each Option shall be one hundred percent (100%) of the Fair Market Value of the shares. Notwithstanding the foregoing, an Option may be granted with an exercise price lower than that set forth in the preceding sentence if such Option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 424(a) of the Code. Notwithstanding any provision to the contrary, the exercise price of any Option shall not be less than the Discounted Market Price as of the date of grant.

(c) Consideration. The purchase price of stock acquired pursuant to an Option may be paid, to the extent permitted by applicable statutes and regulations, in any combination of (i) cash or check, or (ii) pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board that, prior to the issuance of Common Stock, results in either the receipt of cash (or check) by the Company or the receipt of irrevocable instructions to pay the aggregate exercise price to the Company from the sales proceeds.

(d) Transferability. All benefits, rights and Options accruing to any Non-Employee Director in accordance with the terms and conditions of the Plan shall not be transferable or assignable unless specifically provided for herein. An Option is transferable by will or by the laws of descent and distribution. In addition, the Optionholder may, by delivering written notice to the Company, in a form satisfactory to the Company, designate a third party who, in the event of the death of the Optionholder, shall thereafter be entitled to exercise the Option.

(e) Vesting. Options shall vest as determined by the Board follows:

(i) Initial Grants: 1/2 of the shares of Common Stock covered by an Initial Grant shall be immediately vested upon grant and the remaining shares shall vest in equal monthly installments over twelve (12) months.

(ii) Annual Grants: 1/12th of the shares of Common Stock covered by an Annual Grant shall vest monthly over twelve (12) months.

(f) Early Exercise. The Option may, but need not, include a provision whereby the Optionholder may elect at any time before the Optionholder's Continuous Service terminates to exercise the Option as to any part or all of the shares of Common Stock subject to the Option prior to the full vesting of the Option. Any unvested shares of Common Stock so purchased may be subject to a repurchase option in favor of the Company or to any other restriction the Board determines to be appropriate.

(g) Termination of Continuous Service. In the event an Optionholder's Continuous Service terminates (other than upon the Optionholder's death or Disability), the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise it as of the date of termination) but only within such period of time ending on the earlier of (i) the date three (3) months following the termination of the Optionholder's Continuous Service, or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, after termination, the Optionholder does not exercise his or her Option within the time specified in the Option Agreement, the Option shall terminate.

(h) Extension of Termination Date. If the exercise of the Option following the termination of the Optionholder's Continuous Service (other than upon the Optionholder's death or Disability) would be prohibited at any time solely because the issuance of shares would violate the registration requirements under the Securities Act, then the Option shall terminate on the earlier of (i) the expiration of the term of the Option set forth in subsection 7(a) or (ii) the expiration of a period of three (3) months after the termination of the Optionholder's Continuous Service during which the exercise of the Option would not be in violation of such registration requirements.

(i) Disability of Optionholder. In the event an Optionholder's Continuous Service terminates as a result of the Optionholder's Disability, the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise it as of the date of termination), but only within such period of time ending on the earlier of (i) the date six (6) months following such termination or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, after termination, the Optionholder does not exercise his or her Option within the time specified herein, the Option shall terminate.

(j) Death of Optionholder. In the event (i) an Optionholder's Continuous Service terminates as a result of the Optionholder's death or (ii) the Optionholder dies within the three-month period after the termination of the Optionholder's Continuous Service for a reason other than death, then the Option may be exercised (to the extent the Optionholder was entitled to exercise the Option as of the date of death) by the Optionholder's estate, by a person who acquired the right to exercise the Option by bequest or inheritance or by a person designated to exercise the Option upon the Optionholder's death, but only within the period ending on the earlier of (i) one (1) year from the date of the Optionholder's death, or (ii) the expiration of the term of such Option as set forth in the Option Agreement. If, after death, the Option is not exercised within the time specified herein, the Option shall terminate.

8. COVENANTS OF THE COMPANY.

(a) Availability of Shares. During the terms of the Options, the Company shall keep available at all times the number of shares of Common Stock required to satisfy such Options.

(b) Securities Law Compliance. The Company shall seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to grant Options and to issue and sell shares of Common Stock upon exercise of the Options; provided, however, that this undertaking shall not require the Company to register under the Securities Act the Plan, any Option or any stock issued or issuable pursuant to any such Option. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority which counsel for the Company deems necessary for the lawful issuance and sale of stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell stock upon exercise of such Options unless and until such authority is obtained.

9. USE OF PROCEEDS FROM STOCK.

(a) Proceeds from the sale of stock pursuant to Options shall constitute general funds of the Company.

10. MISCELLANEOUS.

(a) Stockholder Rights. No Optionholder shall be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares subject to such Option unless and until such Optionholder has satisfied all requirements for exercise of the Option pursuant to its terms.

(b) No Service Rights. Nothing in the Plan or any instrument executed or Option granted pursuant thereto shall confer upon any Optionholder any right to continue to serve the Company as a Non-Employee Director or shall affect the right of the Company or an Affiliate to terminate (i) the employment of an Employee with or without notice and with or without cause, (ii) the service of a Consultant pursuant to the terms of such Consultant's agreement with the Company or an Affiliate or (iii) the service of a Director pursuant to the Bylaws of the Company or an Affiliate, and any applicable provisions of the corporate law of the state in which the Company or the Affiliate is incorporated, as the case may be.

(c) Investment Assurances. The Company may require an Optionholder, as a condition of exercising or acquiring stock under any Option, (i) to give written assurances satisfactory to the Company as to the Optionholder's knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters and that he or she is capable of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Option; and (ii) to give written assurances satisfactory to the Company stating that the Optionholder is acquiring the stock subject to the Option for the Optionholder's own account and not with any present intention of selling or otherwise distributing the stock. The foregoing requirements, and any assurances given pursuant to such requirements, shall be inoperative if (1) the issuance of the shares upon the exercise or acquisition of stock under the Option has been registered under a then currently effective registration statement under the Securities Act or (2) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then applicable securities laws. The Company may, upon advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the stock.

(d) Withholding Obligations. The Optionholder may satisfy any federal, state or local tax withholding obligation relating to the exercise or acquisition of stock under an Option by any of the following means (in addition to the Company's right to withhold from any compensation paid to the Optionholder by the Company) or by a combination of such means: (i) tendering a cash payment; (ii) authorizing the Company to withhold shares from the shares of the Common Stock otherwise issuable to the Optionholder as a result of the exercise or acquisition of stock under the Option, provided, however, that no shares of Common Stock are withheld with a value

exceeding the minimum amount of tax required to be withheld by law; or (iii) delivering to the Company owned and unencumbered shares of Common Stock.

(e) Lock-Up Period. Upon exercise of any Option, an Optionholder may not sell, dispose of, transfer, make any short sale of, grant any option for the purchase of, or enter into any hedging or similar transaction with the same economic effect as a sale, any shares of Common Stock or other securities of the Company held by the Optionholder, for a period of time specified by the managing underwriter(s) (not to exceed one hundred eighty (180) days) following the effective date of a registration statement of the Company filed under the Securities Act, other than a Form S-8 registration statement, (the "Lock Up Period"); provided, however, that nothing contained in this section shall prevent the exercise of a repurchase option, if any, in favor of the Company during the Lock Up Period. An Optionholder may be required to execute and deliver such other agreements as may be reasonably requested by the Company and/or the underwriter(s) that are consistent with the foregoing or that are necessary to give further effect thereto. In order to enforce the foregoing, the Company may impose stop-transfer instructions with respect to such shares of Common Stock until the end of such period. The underwriters of the Company's stock are intended third party beneficiaries of this Section 10(e) and shall have the right, power and authority to enforce the provisions hereof as though they were a party hereto.

11. ADJUSTMENTS UPON CHANGES IN COMMON STOCK.

(a) Capitalization Adjustments. If any change is made in the stock subject to the Plan, or subject to any Option, without the receipt of consideration by the Company (through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other transaction not involving the receipt of consideration by the Company), the Plan will be appropriately adjusted in the nature, class(es) and maximum number of securities subject both to the Plan pursuant to Section 4 and to the nondiscretionary Options specified in Section 6, and the outstanding Options will be appropriately adjusted in the nature, class(es) and number of securities and price per share of stock subject to such outstanding Options. The Board shall make such adjustments, and its determination shall be final, binding and conclusive. (The conversion of any convertible securities of the Company shall not be treated as a transaction "without receipt of consideration" by the Company.)

(b) Dissolution or Liquidation. In the event of a dissolution or liquidation of the Company, then all outstanding Options shall terminate immediately prior to such event.

(c) Change in Control. If a Change in Control occurs and as of, or within twelve (12) months after, the effective time of such Change in Control, an Optionholder's Continuous Service terminates, then his or her options will accelerate and become fully vested and immediately exercisable, unless the termination was a result of the Optionholder's resignation (other than any resignation contemplated by the terms of the Change in Control or required by the Company or the acquiring entity pursuant to the Change in Control).

(d) Parachute Payments. In the event that the acceleration of the vesting and exercisability of the Options provided for in subsection 11(c) and benefits otherwise payable to a Optionholder ("Payment") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Code, and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then such Payment shall be equal to the Reduced Amount. The "Reduced Amount" shall be either (x) the largest portion of the Payment that would result in no portion of the Payment being subject to the Excise Tax or (y) the largest portion, up to and including the total, of the Payment, whichever amount, after taking into account all applicable federal, state and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate), results in the Optionholder's receipt, on an after-tax basis, of the greater amount of the Payment notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. If a reduction in payments or benefits constituting "parachute payments" is necessary so that the Payment equals the Reduced Amount, reduction shall occur in the following order unless the Optionholder elects in writing a different order (provided, however, that such election shall be subject to Company approval if made on or after the effective date of the event that triggers the Payment): reduction of cash payments; cancellation of accelerated vesting of Options; reduction of employee benefits. In the event that acceleration of vesting of Option compensation is to be reduced, such acceleration of vesting shall be cancelled in the reverse order of the date of grant of the Optionholder's Options (i.e., earliest granted Option cancelled last) unless the Optionholder elects in writing a different order for cancellation.

The accounting firm engaged by the Company for general audit purposes as of the day prior to the effective date of the Change in Control shall perform the foregoing calculations. If the accounting firm so engaged by the Company is serving as accountant or auditor for the individual, entity or group effecting the Change in Control, the Company shall appoint a nationally recognized accounting firm to make the determinations required hereunder. The Company shall bear all expenses with respect to the determinations by such accounting firm required to be made hereunder.

The accounting firm engaged to make the determinations hereunder shall provide its calculations, together with detailed supporting documentation, to the Optionholder and the Company within fifteen (15) calendar days after the date on which the Optionholder's right to a Payment is triggered (if requested at that time by the Optionholder or the Company) or such other time as requested by the Optionholder or the Company. If the accounting firm determines that no Excise Tax is payable with respect to a Payment, either before or after the application of the Reduced Amount, it shall furnish the Optionholder and the Company with an opinion reasonably acceptable to the Optionholder that no Excise Tax will be imposed with respect to such Payment. Any good faith determinations of the accounting firm made hereunder shall be final, binding and conclusive upon the Optionholder and the Company.

12. AMENDMENT OF THE PLAN AND OPTIONS.

(a) Amendment of Plan. Subject to any necessary approvals by the TSX Venture Exchange or other regulatory body having jurisdiction over the securities of the Company, the Board at any time, and from time to time, may amend the Plan. However, except as provided in Section 11 relating to adjustments upon changes in Common Stock, no amendment shall be effective unless

approved by the stockholders of the Company to the extent stockholder approval is necessary to satisfy the requirements of Rule 16b-3 or any Nasdaq or securities exchange listing requirements.

(b) Stockholder Approval. The Board may, in its sole discretion, submit any other amendment to the Plan for stockholder approval.

(c) No Impairment of Rights. Rights under any Option granted before amendment of the Plan shall not be impaired by any amendment of the Plan unless (i) the Company requests the consent of the Optionholder and (ii) the Optionholder consents in writing.

(d) Amendment of Options. The Board at any time, and from time to time, may amend the terms of any one or more Options; provided, however, that the rights under any Option shall not be impaired by any such amendment unless (i) the Company requests the consent of the Optionholder and (ii) the Optionholder consents in writing.

13. TERMINATION OR SUSPENSION OF THE PLAN.

(a) Plan Term. Subject to any necessary approvals by the TSX Venture Exchange or other regulatory body having jurisdiction over the securities of the Company, the Board may suspend or terminate the Plan at any time. No Options may be granted under the Plan while the Plan is suspended or after it is terminated.

(b) No Impairment of Rights. Suspension or termination of the Plan shall not impair rights and obligations under any Option granted while the Plan is in effect except with the written consent of the Optionholder.

14. EFFECTIVE DATE OF PLAN.

(a) The Plan shall become effective on the date the Plan is adopted by the Board, but no Option shall be exercised unless and until the Plan has been approved by the stockholders of the Company, which approval shall be within twelve (12) months before or after the date the Plan is adopted by the Board.

15. CHOICE OF LAW.

(a) All questions concerning the construction, validity and interpretation of this Plan shall be governed by the law of the State of Delaware, without regard to such state's conflict of laws rules.

Exhibit 10.6

INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT (the "Agreement") is made and entered into as of _____ ___, 2007, by and between Vuzix Corporation (the "Company"), and _____ (the "Indemnitee").

RECITALS:

WHEREAS, the Board of Directors of the Company (the "Board of Directors") has reviewed and analyzed the protection from liability available to Directors and Officers of the Company and its subsidiaries under the Company's existing corporate documents, applicable law and liability insurance;

WHEREAS, the Board of Directors has determined that the risks of litigation and possible liability for Directors and Officers arising out of the performance of their duties have substantially increased, and that the protection offered by the Company's existing corporate documents, applicable law, and liability insurance is not sufficient to fully protect Directors and Officers from liability;

WHEREAS, the Board of Directors has determined that highly competent persons will be difficult to attract and retain as Directors and/or Officers unless they are adequately protected against liabilities incurred in performance of their duties in such capacity;

WHEREAS, the Board of Directors has determined that the use of indemnification agreements will allow the Company to offer some protection from liability to its Directors and Officers;

WHEREAS, the Indemnitee is a Director and/or Officer of the Company;

WHEREAS, Article Ten of the Company's Certificate of Incorporation and Article 6 of the Company's By-laws provide for indemnification of Directors and Officers acting on behalf of the Company; and

WHEREAS, Section 145 of the Delaware General Corporation Law (the "Statute") specifically provides that the indemnification provided by the Statute is not exclusive;

NOW THEREFORE, in consideration of the Indemnitee's past and continued services to the Company, the mutual agreements and covenants contained herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Indemnification. The Company agree to indemnify the Indemnitee to the fullest extent now or hereafter permitted by applicable law (including, without limitation, the indemnification permitted by the Statute) in the event that the Indemnitee was or is made or is threatened to be made a party to or a witness in any threatened, pending or completed action, suit, proceeding or appeal, whether civil, criminal, administrative or investigative, by reason of

the fact that the Indemnitee was or is a Director and/or Officer of the Company or any of its subsidiaries, partnerships, joint ventures, trusts, or other enterprises, both as to any action or inaction in his official capacity and as to any action or inaction by him in another capacity (including his service as an officer or director of another entity,, where he acts or acted in that capacity at the Company's request), against all reasonable expenses (including attorneys' fees and disbursements), judgments, fines (including excise taxes and penalties) and amounts paid in settlement actually and reasonably incurred by the Indemnitee in connection with such action, suit, proceeding or appeal. This Agreement is intended to cover all actions, suits, proceedings and appeals arising out of or connected with the Indemnitee's service as a Director and/or Officer of the Company and Indemnitee's service in another capacity at the request or direction of the Company which are currently pending or threatened or which arise in the future, even if the Indemnitee is no longer a Director and/or Officer or is no longer serving in such other capacity when such action, suit, proceeding or appeal arises or is threatened.

2. Advance Payment of Expenses. Expenses incurred by the Indemnitee in connection with any action, suit, proceeding or appeal, as described herein, shall be paid by the Company in advance of the final disposition of such action, suit, proceeding or appeal within thirty (30) days of Company's receipt of any invoice for reasonable and actual expenses incurred by Indemnitee; provided however, Indemnitee has within fifteen (15) days after the Company's request, executed a written agreement reasonably satisfactory to the Company's counsel to repay all such amounts it if is ultimately determined that he is not entitled to be indemnified by the Company under applicable law.

3. Changes in the Law; Partial Indemnification.

(a) In the event of any changes after the date of this Agreement in any applicable law, statute or rule (including judicial interpretation thereof) which expand the right of the Company to indemnify its Directors and Officers, the Indemnitee's rights and the Company's obligations under this Agreement shall be expanded to include such changes in applicable law, statute or rule. In the event of any changes in any applicable law, statute or rule (including judicial interpretation thereof) which narrow the right of the Company to indemnify its Directors and Officers, such changes, to the extent not otherwise required by such law, statute or rule to be applied to this Agreement, shall have no effect on this Agreement or the parties' rights and obligations hereunder.

(b) The indemnification provided by this Agreement shall not be deemed exclusive of any rights to which the Indemnitee may be entitled under the Company's Certificate of Incorporation, its By-laws, any agreement, any vote of shareholders or Directors, applicable law or otherwise, both as to action or inaction in the Indemnitee's official capacity and as to his action or his inaction in another capacity while holding such directorship or office, where he acts or acted in that capacity at the Company's request.

(c) If the Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the expenses, judgments, fines or penalties actually or reasonable incurred by the Indemnitee in the preparation, investigation defense, appeal or settlement of any civil or criminal action, suit, proceeding or appeal, but not,

however, for the total amount thereof, the Company shall nevertheless indemnify the Indemnitee for the portion of such expenses, judgments, fines or penalties to which the Indemnitee is entitled.

4. Contribution. If the indemnification provided in Section 1 hereof may not be paid to the Indemnitee under applicable law, then in any threatened, pending or completed action, suit, proceeding or appeal in which the Company is jointly liable with the Indemnitee, the Company shall contribute to the amount of reasonable expenses (including attorneys' fees and disbursements), judgments, fines (including expense taxes and penalties) and amounts paid in settlement actually and reasonably incurred and paid or payable by the Indemnitee in such proportion as is appropriate to reflect (a) the relative benefits received by the Company on the one hand and the Indemnitee on the other hand from the transaction from which such action, suit, proceeding or appeal arise, and (b) the relative fault of the Company on the one hand and of the Indemnitee on the other in connection with the events which resulted in such expenses, judgments, fines or settlement amounts, as well as any other relevant equitable considerations. The relative fault of the Company on the one hand and of the Indemnitee on the other shall be determined by reference to, among other things, the parties' relative intent, knowledge, access to information and opportunity to correct or prevent the circumstances resulting in such expenses, judgments, fines or settlement amounts. The Company agrees that it would not be just and equitable if contribution pursuant to this Section 4 were determined by pro rata allocation or any other method of allocation which does not take account of the foregoing equitable considerations.

5. Exclusions.

(a) The Company shall not be liable to make any payment hereunder (whether in the nature of indemnification or contribution) to the extent payment is actually made to the Indemnitee under an insurance policy (an "Insurance Policy") or any other method outside of this Agreement. Before payment is reasonably expected to be made under an Insurance Policy or such other method, if the Indemnitee is required to pay any amount that the Company would otherwise be obligated to pay except for the exclusion in this subparagraph (a), the Company shall promptly advance the amount the Indemnitee is required to pay for which the Company would otherwise be liable hereunder. In the event that the Company makes any advance to the Indemnitee under this subparagraph (a), the Indemnitee shall promptly execute an assignment, in a form reasonably satisfactory to the Company's counsel, under which the funds the Indemnitee later receives under such Insurance Policy or such other method are assigned to the Company in an amount not to exceed the amount which the Company advanced pursuant to this subparagraph (a).

(b) The Company shall not be liable hereunder for any amounts paid in settlement of a proceedings effected without its prior written consent, which shall not be unreasonably withheld.

6. Term. All obligations of the Company contained herein shall continue during the period the Indemnitee is a Director and/or Officer of the Company or any of its subsidiaries, partnerships, joint ventures, trusts or other enterprises and shall continue thereafter (a) until

both parties agree in writing to terminate this Agreement, or (b) as long as the Indemnitee remains subject to any possible claim or threatened, pending or completed action, suit, proceeding or appeal, whether civil, criminal, administrative or investigative, arising out of the Indemnitee's service as a Director or Officer or in any other capacity in which he served at the Company's request while a Director or Officer.

7. Enforcement. In the event the Indemnitee is required to bring any action to enforce rights or to collect funds due under this Agreement and is successful in such action, the Company shall reimburse the Indemnitee for all of the Indemnitee's reasonable expenses (including attorneys' fees and disbursements) in bringing and pursuing such action. The burden of proving that indemnification or advancement of expenses are not reasonable shall be on the Company.

8. Obligations of the Indemnitee.

(a) Promptly after receipt by the Indemnitee of notice of the commencement of any action, suit, proceeding or appeal in which the Indemnitee is made or is threatened to be made a part or a witness, the Indemnitee shall notify the Company in writing of the commencement of such action, suit, proceeding or appeal, but the Indemnitee's failure to notify the Company shall not relieve the Company from any obligation to indemnify or advance expenses to the Indemnitee under this Agreement, except to the extent such delay in providing notice has caused actual material damages to the Company through prejudice to the Company's rights or its ability to defend the action, suit, proceeding or appeal.

(b) The Indemnitee shall reimburse the Company for all or an appropriate portion of the expenses advanced to the Indemnitee pursuant to Section 2 above if it is finally judicially adjudicated that the Indemnitee is not entitled to be indemnified, or not entitled to be fully indemnified because of indemnification in the particular circumstances is not permitted under applicable law.

(c) The Indemnitee shall not settle any claim or action in any manner which would impose on the Company any penalty, constraint, or obligation to hold harmless or indemnify the Indemnitee pursuant to this Agreement without the Company's prior written consent, which shall not be unreasonably withheld.

9. Defense of Claim.

(a) Except as otherwise provided below, in the case of any action, suit, proceeding or appeal commenced against the Indemnitee, the Company shall be entitled to participate therein at its own expense and, to the extent that it may wish, to assume the defense thereof. If the Company wishes to assume the defense of any action, suit, proceeding or appeal hereunder, the Company must give written notice to the Indemnitee of such assumption of defense and of its choice of counsel. Such choice of counsel must be approved in writing by the Indemnitee in his sole discretion, which will not be unreasonably withheld, before the Company's assumption of defense hereunder may proceed. After notice from the Company to Indemnitee of its election to assume the defense of any action, suit, proceeding or appeal and the Indemnitee's approval of the

Company's choice of counsel, the Company shall not be obligated to the Indemnitee under this Agreement for any legal or other expenses subsequently incurred by the Indemnitee in connection with the defense thereof other than reasonable costs of investigation, travel and lodging expenses arising out of the Indemnitee's participation in such action, suit, proceeding or appeal, except as otherwise provided herein. The Indemnitee shall have the right to employ the Indemnitee's own counsel in such action, suit, proceeding or appeal, but the fees and expenses of such counsel incurred after notice from the Company to the Indemnitee of its assumption of the defense thereof shall be a the Indemnitee's expense (i) unless the employment of such counsel has been requested by the Indemnitee and authorized in writing by the Company, or (ii) unless the Company shall have employed counsel to assume the defense of such action, suit, proceeding or appeal, in which case the reasonable fees and expenses of the Indemnitee's counsel shall be at the expense of the Company, or (iii) unless counsel for the Indemnitee shall have provided a written opinion to Company in accordance with applicable standards of professional conduct that there may be a conflict of interest between the Company and the Indemnitee in the defense of such action, suit, proceeding or appeal; and (iv) except for reasonable costs and expenses for counsel for Indemnitee to monitor proceedings (provided, however, that such counsel for will not appear as counsel of record in any such proceeding).

(b) In the event that counsel for the Indemnitee concludes that there may be a conflict of interest between the Company and the Indemnitee in the defense of an action, suit, proceeding or appeal, (i) the Company shall not have the right to assume and direct the defense of such action, suit, proceeding or appeal on behalf of the Indemnitee, and (ii) the Company shall indemnify the Indemnitee for all reasonable legal fees and other reasonable expenses, but the Company shall not be liable for any settlement or negotiated disposition of such action, suit, proceeding or appeal or any part thereof effected without the written consent of the Company, which shall not be unreasonably withheld.

10. Severability. If any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Agreement.

11. Notices. Any notices or other communications required or desired hereunder shall be written and shall be given by (a) certified mail, return receipt requested, (b) overnight courier service, or (c) personal delivery. Such notice or communication shall be deemed to be given upon receipt or on the date of courier or personal delivery, as applicable, and shall be given at the following addresses:

the Company: Vuzix Corporation
75 Town Centre Drive
Rochester, NY 14623
Attn: Chief Financial Officer

Indemnitee: _____

_____

_____

_____

or to such other address as either party may specify by written notice to the other party.

12. Miscellaneous.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware.

(b) This Agreement shall be binding upon the Indemnitee, his heirs, personal representatives and permitted assigns, and upon the Company, its successors and assigns. This Agreement shall inure to the benefit of the Indemnitee, his heirs, personal representatives and permitted assigns, and to the benefit of the Company, its successors and assigns. No assignment of this Agreement or of any duty or obligation hereunder shall be made by the Indemnitee without the prior written consent of the Company, which shall not be unreasonably withheld.

(c) This Agreement supersedes any other oral or written agreements between the Company and the Indemnitee which would restrict or lessen any of the rights granted to the Indemnitee hereunder.

(d) No amendment, modification, termination or claimed waiver of any of the provisions hereof shall be valid unless in writing and signed by the party or an authorized representative of the party against whom such modification is sought to be enforced.

IN WITNESS WHEREOF, the parties hereto have executed this Indemnification Agreement as of the date first above written.

VUZIX CORPORATION

By: _____
Name: _____
Title: _____

INDEMNITEE:

_____
Name:

Exhibit 10.7

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is made as of this 1st day of August , 2007 between Icuiti Corporation, a Delaware corporation with its principal office at 75 Town Centre Drive, Rochester, New York, 14623 (the "Company") and Paul Travers, having an address at 91 Boughton Hill Road, Honeoye Falls, New York (the "Executive").

WHEREAS, the parties hereto wish to enter into an employment agreement to employ the Executive as the Company's President and Chief Executive Officer and to set forth certain additional agreements between the Executive and the Company.

NOW, THEREFORE, in consideration of the mutual covenants and representations contained herein, the parties hereto agree as follows:

1. Employment Period.

The Company hereby employs the Executive, and the Executive hereby accepts employment with the Company, on the terms and conditions contained in this Agreement. .

2. Duties and Status.

(a) Engagement. The Company hereby engages the Executive as the Company's President and Chief Executive Officer, on the terms and conditions set forth in this Agreement; it being understood that Executive's service as an officer of the Corporation is subject to his election and reelection as such by the Company's Board of Directors (the "Board"); provided, however, that if Executive is not so reelected, he may terminate his employment with the Company for "good reason" in accordance with the provisions of Section 4(c) of this Agreement.

(b) Duties. During the Employment Period, the Executive shall exercise such authority, perform such executive duties and functions and discharge such responsibilities as are consistent with the position held by him, including those commensurate duties assigned to him by Board. During the Employment Period, the Executive shall devote his full business time, skill and efforts to the business of the Company. Notwithstanding the foregoing, the Executive may make and manage passive personal business investments and engage in personal business activities, provided that such activities do not either interfere with the business of the Company or affect his ability to render the services to the Company required of him under this Agreement. Executive may serve in any capacity with any civic, educational or charitable organization, or any trade association, without seeking or obtaining approval by the Board, provided such activities and service do not materially interfere or conflict with the performance of his duties hereunder. Executive may serve on the Board of Directors of any entity, whether or not for profit, provided that such service is permitted by policies and procedures approved by the Board or is specifically approved by the Board; it being understood that any fees or other

compensation received for such service shall be retained by the Executive, without any oblation to account therefor to the Company.

3. Compensation and Benefits.

(a) Salary. During the Employment Period, the Company shall pay to the Executive, as compensation for the performance of his duties and obligations under this Agreement, a base salary (which shall be paid in accordance with the normal payroll practices of the Company) (the "Base Salary"), as follows:

(i) Executive's Base Salary shall initially be at the rate of $200,000.00 per annum,

(ii) On or before the date upon which the initial offering of shares of the common stock of the Company to the public, (the "IPO"), the Executive's then existing Base Salary shall be increased by to $300,000 or such greater amount as shall be determined by the Board, from the Base Salary in effect immediately preceding the effectiveness of the IPO.

(iii) Executive's Base Salary may be increased by the Board at any time. Executives' Base Salary may not be decreased from the amount in effect at any time without the consent of the Executive.

(iv) Executive's base salary shall be subject to review each year for possible increase by the Board of Directors in its sole discretion.

(b) Bonuses.

(i) During the Employment Period, the Board may, at its sole discretion, but shall not be obligated to, award Executive such periodic, annual or other bonuses as it shall determine. The foregoing does not constitute an agreement or representation by the Company that the Executive will be considered for or awarded any bonus.

(ii) During the Employment Period, the Executive shall participate in all bonus plans established by the Board for senior executives, on a basis that is consistent with the level of participation by other senior executives of the Company. Such bonus plans shall in all cases have reasonably achievable objectives that are agreed to in advance by the Executive and the Board, acting in each case in good faith.

(c) Equity Participation.

(i) During the Employment Period, the Executive shall retain all rights, in accordance with the terms of each respective award, under stock options outstanding and held by the Executive on the date of this Agreement.

(ii) In addition to the options described in the foregoing clause (i), the Board in its sole discretion may determine to grant the Executive additional awards under any other stock option or equity based incentive compensation plan or arrangement adopted by the Company during the Employment Period for which the Company's senior executives are eligible. The level of the Executive's participation in any such plan or arrangement, if any, shall be determined by the Board in its sole discretion.

(iii) To the greatest extent permissible in accordance with applicable IRS regulations, options to acquire Company stock which may be granted to the Executive shall be in the form of qualified options. Any options which cannot be granted in the form of qualified options will be granted to the Executive as non-qualified options.

(d) Other Benefits. During the Employment Period, the Executive shall be entitled to participate in all of the employee benefit plans, programs and arrangements of the Company in effect during the Employment Period which are generally available to senior executives of the Company. Such participation shall be subject to and on a basis consistent with the terms, conditions and overall administration of such plans, programs and arrangements. In addition, during the Employment Period, the Executive shall be entitled to fringe benefits and perquisites comparable to those of other senior executives of the Company. Such fringe benefits shall include, but not be limited to, 4 weeks of vacation pay per year, to be used in accordance with the Company's vacation pay policy for senior executives.

(e) Automobile Allowance. During the Employment Period, the Company will reimburse the Executive for the costs of an automobile at the rate of $750.00 per month.

(f) Business Expenses. During the Employment Period, the Company shall promptly pay or reimburse the Executive for all actual, reasonable and customary expenses incurred by the Executive in the course of his employment including but not limited to travel, entertainment, subscriptions and dues associated with the Executive's membership in professional, business and civic organizations; provided that such expenses are incurred and accounted for in accordance with the Company's policies as then in effect.

4. Term and Termination of Employment.

(a) Executive's employment with the Corporation shall continue until terminated by either Executive or the Company, with the consequences of any such termination being as set forth in the following provisions of this Agreement. The period commencing on the date of this Agreement and ending on the effective date of such termination is referred to in this Agreement as the "Employment Period".

(b) Termination for Cause. The Company may terminate the Executive's employment hereunder for cause. For purposes of this Agreement and subject to the

Executive's opportunity to cure as provided in Section 4(d) hereof, the Company shall have "cause" to terminate the Executive's employment hereunder if such termination shall be the result of the Executive's:

(i) willfully engaging in conduct which is materially injurious to the Company;

(ii) willful fraud or material dishonesty in connection with his performance hereunder;

(iii) deliberate or intentional failure to substantially perform his duties hereunder that results in material harm to the Company; or

(iv) the conviction for, or plea of nolo contendere to a charge of, commission of a felony.

(c) Termination for Good Reason. The Executive shall have the right at any time to terminate his employment with the Company for "good reason". For purposes of this Agreement and subject to the Company's opportunity to cure as provided in Section 4(d) hereof, the Executive shall have "good reason" to terminate his employment hereunder in the following cases:

(i) a material diminution during the Employment Period in the Executive's duties, responsibilities, position, office or title as set forth in Section 2 hereof;

(ii) a breach by the Company of the compensation and benefits provisions set forth in Section 3 hereof;

(iii) a material breach by the Company of any of the terms of this Agreement, other than as specifically provided herein; or

(iv) the relocation of Executive's principal place of business at the request of the Company beyond 30 miles from its current location

(d) Notice and Opportunity to Cure. Notwithstanding the foregoing, the Company may not terminate the Executive's employment for "cause" pursuant to Section 4(b)(i), Section 4(b)(ii) or Section 4(b)(iii),,and the Executive may not terminate his employment for "good reason" unless (1) the party seeking to terminate the Executive's employment shall have first provided the other party with written notice of the intended termination and the reason for such termination ("breach") and (2) if such breach is susceptible of cure or remedy, a period of thirty (30) days shall have elapsed between the delivery of such notice and the termination of this Agreement without the breaching party having, in the reasonable opinion of the party alleging a breach, effectively cured or remedied such breach.

(e) Termination Upon Death or Permanent and Total Disability. The Employment Period shall be terminated by the death of the Executive. The Employment Period may be terminated by the Board of Directors if the Executive shall be rendered incapable of performing his duties to the Company by reason of any medically determined physical or mental impairment that can be expected to result in death or that can reasonably be expected to last for a period of either (i) six or more consecutive months from the first date of the Executive's absence due to the disability or (ii) nine months during any twelve-month period (a "Permanent and Total Disability"). If the Employment Period is terminated by reason of Permanent and Total Disability of the Executive, the Company shall give 30 days' advance written notice to that effect to the Executive.

5. Consequences of Termination.

(a) Without Cause or for Good Reason. In the event of a termination of the Executive's employment during the Employment Period (i) by the Company other than for "cause" (as provided for in Section 4(b) hereof), (ii) by the Executive for "good reason" (as provided for in Section 4(c) hereof) or (iii) due to death or disability (as provided for in Section 4(e) hereof) the Company shall pay the Executive and provide him with the following:

(i) Payments.

(A) Salary. The Executive's then current base salary payable for the Non-Compete Period (as defined in Section 8 hereof); plus

(B) Bonuses The entire bonus that would have been payable pursuant to any agreement, understanding, arrangement or plan ("Bonus Arrangement") in which Executive is entitled to participate in accordance with the provisions of Section 3(b) for the year in which the termination of his employment occurred as if he had been employed for the entire year, provided that, in the opinion of the Board the Executive is likely to have met any bonus plan goals for the relevant period had he not been terminated; plus

(C) Earned but Unpaid Amounts. Any previously earned but unpaid salary through the Executive's final date of employment with the Company, and any previously earned but unpaid bonus amounts pursuant to any Bonus Arrangement for any completed fiscal year prior to the date of the Executive's termination of employment.

Payments of the amounts described above will be made in accordance with the timetable and schedule contemplated for such payments, as though such termination had not occurred.

As a condition to its obligation to make any of the payments required of it under this Section 5(a), the Company, in its sole discretion, may require Executive to execute a

release, in such form as it may reasonably require, releasing the Company and its officers, directors, employees, and agents, from any and all claims and causes of action, including, but not limited to those arising form Executive's employment and the termination of his employment with the Company.

(ii) Equity. Any existing stock options, restricted stock grants, stock appreciation rights and other similar awards outstanding at the date of termination shall immediately vest and will, in all other respects, continue to be governed by, and continued in accordance with, their applicable plan and grant documents; provided, however, that the period during which any options or right relating to such grants may be exercised by Executive shall be the longer of the date specified in such grants or the date that is thirty (30) days after the end of the Non-Compete Period (as defined in Section 8 of this Agreement). If the extension of any such exercise period shall cause any Incentive Stock Option (as defined in Section 422 of the Internal Revenue Code of 1954, as amended) (an "ISO") to cease be treated as an ISO, then the Executive shall have the right to elect whether to treat such stock option as a non-qualified stock option having the extended exercise period provided for in this Section or to continue to treat such stock option as an ISO having the original expiration date.

(iii) Other Benefits. Continued coverage under all health, life, disability and similar employee benefit plans and programs of the Company on the same basis as the Executive was entitled to participate immediately prior to such termination for the Non-Compete Period; provided that the Executive's continued participation is possible under the general terms and provisions of such plans and programs. In the event that the Executive's participation in any such plan or program is barred, the Company shall arrange to provide the Executive with benefits substantially similar to those which the Executive would otherwise have been entitled to receive under such plans and programs from which his continued participation is barred. If Executive is covered under substitute benefit plans of another employer prior to the expiration of the Non-Compete Period, the Company will no longer be required to continue the respective coverage described in this Section 5(a)(iii).

` (b) Other Termination of Employment. In the event that the Executive's employment with the Company is terminated during the Employment Period (i) by the Company for "cause" (as provided for in Section 4(b) hereof),or (ii) by the Executive other than for "good reason" (as provided for in Section 4(c) hereof) (except as otherwise provided in Section 6(c)(i)), the Company shall pay the Executive (or his legal representative) any earned but unpaid salary and annual bonus amounts for any completed fiscal year prior to the date of the Executive's termination of employment, but only to the extent such amounts are payable in accordance with the terms of any such plan, through the Executive's final date of employment with the Company, and the Company shall have no further obligations to the Executive.

(c) Withholding of Taxes. All payments required to be made by the Company to the Executive under this Agreement shall be subject to the withholding of such amounts, if any, relating to tax, social security, excise tax and other payroll deductions as

the Company may reasonably determine it should withhold pursuant to any applicable law or regulation.

(d) No Other Obligations. The benefits payable to the Executive under this Agreement are not in lieu of any benefits payable under any employee benefit plan, program or arrangement of the Company, except as provided specifically herein, and upon termination the Executive will receive such benefits or payments, if any, as he may be entitled to receive pursuant to the terms of such plans, programs and arrangements. Except for the obligations of the Company provided by the foregoing and this Section 5, the Company shall have no further obligations to the Executive upon his termination of employment.

(e) No Mitigation or Offset. If the Executive's employment is terminated pursuant to the provisions of Sections 4(b), 4(c) or 4(e), the Executive shall not be required to mitigate the damages provided by this Section 5 by seeking substitute employment or otherwise.

6. Change of Control.

(a) Definition. For purposes of this agreement, a "Change of Control" shall mean:

(i) the approval by the stockholders of the Company, and the completion of the transaction resulting from such approval, of (A) the sale or other disposition of all or substantially all the assets of the Company or (B) a complete liquidation or dissolution of the Company;

(ii) The sale, in a single transaction or in a series of related transactions, of all or substantially all of the outstanding shares of the capital stock of the Company; (iii) the approval by the stockholders of the Company, and the completion of the transaction resulting from such approval, of a merger, consolidation, reorganization or similar corporate transaction, whether or not the Company is the surviving corporation in such transaction, in which the outstanding shares of common stock of the Company are converted into (A) shares of stock of another company, other than a conversion into shares of voting common stock of the successor corporation (or a holding company thereof) representing fifty percent (50%) or more of the voting power of all capital stock thereof outstanding immediately after the merger or consolidation or (B) other securities (of either the Company of another company) or cash or other property;

(iv) pursuant to an affirmative vote of a holder or holders of seventy five percent (75%) of the capital stock of the Company entitled to vote on such a matter, the removal of a majority of the individuals who are at that time members of the Board of Directors; or

(v) the acquisition by any entity or individual of one hundred percent of the capital stock of the Company.

Notwithstanding the foregoing, it is understood by the parties to this Agreement that a "Change of Control" shall not include any transaction the purpose of which is to reorganize the Company's corporate structure, reincorporate the Company in another jurisdiction or undertake any other action which does not materially affect the ownership and control of the Company at the time of such transaction.

(b) Vesting of options upon a Change of Control. Notwithstanding anything to the contrary in any stock option contract between the Company and the Executive or in any stock option plan or similar plan of the Company, upon the occurrence of a Change of Control, all options held by the Executive which shall not yet have vested will vest and become immediately exercisable. After such a Change of Control, the Executive's options shall remain exercisable for the period remaining under the relevant stock option contract and shall not have a shortened period of exercisability as a result of the Change of Control, except for statutory stock options which shall, at the election of the Executive made at the time of the Change of Control, (i) expire 90 days after his termination (or 1 year if the Executive's termination results from his death or permanent and total disability) or (ii) be converted into non-qualified stock options expiring at the end of the entire term of such option under the relevant stock option contract.

(c) Severance upon a Change of Control.

(i) If the Executive's employment is terminated within one year of a Change of Control for any reason other than by the Company for "cause", or if tbe Executive elects to terminate his employment by Company (whether or not for "good reason") after the expiration of 120 days after and on or before the two-year anniversary date of the Change of Control, the Executive shall be entitled to the payments described in the preceding Section 5(a), except that the Non-Compete Period (as defined in Section 8 hereof) applicable for the purposes of Sections 5(a) and 8 hereof shall be doubled and all payments and benefits that are stated as a function of the Non-Compete Period shall be adjusted accordingly.

(ii) If the Executive's employment is terminated within one year of a Change of Control for any reason other than by the Company for "cause", the Executive shall be not be required to mitigate the damages provided by this Section 6 of this Agreement by seeking substitute employment or otherwise and there shall be no offset by the Executive with respect to the payments and benefits set forth in this Section 6 of this Agreement, except as otherwise qualified in Section 5(a)(iii).

7. Indemnification and Insurance.

(a) Indemnification. The Company shall, to the fullest extent permitted by law and by its Certificate of Incorporation and Bylaws, indemnify Executive and hold him harmless for any acts or decisions made by him in good faith while performing his duties pursuant to this Agreement. The Company shall advance to Executive all costs and expenses incurred by him in connection with any such proceeding or claim within 20

days after receiving written notice requesting such an advance. Such notice shall include, to the extent required by applicable law, an undertaking by Executive to repay the amount advanced if he ultimately is determined not to be entitled to indemnification against such costs and expenses. The indemnification provided for in this Section 7(a) shall be in addition to, and not in diminution of, any indemnification to which the Executive may be entitled pursuant any other Agreement between him and the Company and, if this Agreement shall conflict with any others such agreement, then the provisions that provide the Executive with the greater rights to indemnification shall control.

(b) Directors and Officers Liability Insurance. On or before the effective date of the IPO, the Company (which, for these purposes, shall include any successor company), shall obtain and maintain in effect during the Employment Period and thereafter for the statute of limitations applicable to any claim that could be made against the Executive for actions or failure to act during the Employment Period a policy of directors' and officers' liability insurance providing coverage to Executive to the extent that it provides such coverage for any other senior executive officer or director.

8. Restrictive Covenants.

(a) Obligations of the Parties. In the event that the Executive's employment with the Company is terminated for any reason (would this still applied if fired for cause?) (the effective date of such termination being referred to as the "Termination Date"), the Executive and the Company shall negotiate in good faith the terms and conditions under which the Executive may seek future employment. If a good faith agreement thereon cannot be reached, the terms of this Section 8 shall govern. In any event,

i. For up to a 4 month period after the Termination Date, Executive will cooperate with and assist the Company to make a smooth transition in management and, if requested by the Company, will be available to consult during regular business hours at mutually agreed upon times.

ii. After the Termination Date, Executive will provide such information as the Company may reasonably request with respect to any matter that relates to the Company or its business in which the Executive was involved while employed by Company.

iii. After the Termination Date, Executive will assist and cooperate with Company in connection with the defense or prosecution of any claim that may be made by or against the Company or any affiliate that relates to any matter in which Executive was involved or as to which Executive has knowledge, including providing testimony in any proceeding before any arbitral, administrative, judicial, legislative or other body or agency.

iv. Executive shall be entitled to reimbursement for all properly documented expenses incurred in connection with rendering services under this Section,

including, but not limited to, reimbursement for all reasonable travel, lodging, meal expenses, and legal fees, and Executive shall be entitled to a per diem amount for his services equal to 1.5 times his then most recent annualized Base Salary under this Agreement, divided by 240 (business days).

(b) Non-Compete Covenant. Subject to 8(a) herein, the Executive covenants and agrees that for the period of twenty-four (24) months from the date the Executive is no longer an employee of the Company (the "Non-Compete Period") for any reason other than because of a termination by the Executive for "good reason" or a termination by the Company without cause, the Executive will not, directly or indirectly, compete with the Company by carrying on anywhere in the United States of America (the "Territory") a line of business substantially similar to the business and activities of the Company as conducted at the time of termination (the "Business"). All of the foregoing of this Section 8(b) shall be qualified by Section 6(c) of this Agreement. For the avoidance of doubt, if there has been a Change of Control, the term "Business" shall not include the business of the acquiring entity involved in such Change of Control, except to the extent that the business of such entity is the same or substantially the same business as that conducted by the Company immediately prior to such Change of Control. Executive shall continue to be bound by the restrictions and obligations arising under this Section 8 for the duration of the Non-Compete Period, notwithstanding the fact that such Non-Compete Period shall extend beyond the Term of this Agreement.

(c) Definition of Compete. For purposes of this Agreement, the term "compete" shall mean (a) calling on, soliciting or taking away, as a client or customer any individual, partnership, corporation or association that was a client or customer of the Company during the 12-calendar month period immediately preceding any such act for the purpose of competing with the Company; (b) hiring, soliciting, taking away or attempting to hire, solicit or take away any employee of the Company either on behalf of himself or any other person or entity for the purpose of competing with the Company; or (c) for the period of this Agreement, entering into or attempting to enter into any business offering goods and services which are substantially similar to or competing in any way with the goods and services which are then being offered by the Company.

(d) Direct or Indirect Competition. For purposes of this Agreement, the words "directly or indirectly" as they modify the word "compete" shall mean: (a) acting as an agent, representative, consultant, officer, director, independent contractor or employee of any entity or enterprise, which is competing (as defined in Section 2, above) with the Business; (b) participating in any such competing entity or enterprise, or the Affiliate of such entity or enterprise, as an owner, partner, limited partner, joint venturer, creditor or stockholder (except as a stockholder holding less than a five percent interest in a corporation whose shares are actively traded on a regional or a national securities exchanged or in the over-the-counter market); or (c) communicating to any such competing entity or enterprise the names or addresses or any other information concerning any past, present or identified prospective client or customer of the Company or any entity having title to the goodwill of the Company with respect to the Business.

(e) Confidential Data. For purposes of this Agreement, "Trade Secrets" shall mean any scientific or technical information, design, process, procedure, formula or improvement, or any portion or phase thereof, whether or not patentable, that is owned by, or that has, at the time of determination of its status, been used by the Company and that is not generally known to competitors of the Company, and information concerning proposed new products, software and marketing processes, market feasibility studies, and proposed or existing marketing techniques or plans relating to the Business that are not generally known to competitors of the Company. The term "Confidential Information" shall mean any data or information, other than Trade Secrets, that is owned by, or that has, at the time of termination of its status, been used by the Company relating to the Business and is not generally known to competitors of the Company, including, but not limited to, Proprietary Customer Information (as defined below), information relating to the Business, the identity of suppliers, customers, subscribers, advertisers, sales methodology, software and information about the personnel of the Company. The term "Proprietary Customer Information" shall mean all information concerning the identity and purchasing habits of customers of the Company with respect to the Business to the extent that such information is a valuable component of the Business and is not generally ascertainable by parties unaffiliated with the Company. The terms Trade Secrets, Confidential Information and Proprietary Customer Information are hereinafter sometimes collectively referred to as "Confidential Data."

The Executive agrees that, during the period set forth in 8(b), above, and thereafter for so long as such information remains Confidential Data, he will keep confidential and not directly or indirectly divulge, furnish, make accessible to anyone or appropriate for his own use any Confidential Information, and that at no time will he or it divulge, furnish and make accessible to anyone or appropriate for his own use any Trade Secrets. Executive further acknowledges and agrees that the Company has a legitimate interest in protecting Proprietary Customer Information from misappropriation or diversion by Executive or any competitor. Executive hereby acknowledges and agrees that the prohibitions against disclosure of Confidential Data recited herein are in addition to, and not in lieu of, any rights or remedies which the Company may have available pursuant to the laws of any jurisdiction or at common law to prevent the disclosure of trade secrets and other confidential proprietary data, and the enforcement by the Company of their rights and remedies pursuant to this Agreement shall not be construed as a waiver of any other rights or available remedies which it may possess in law or equity absent this Agreement.

(f) Reasonableness of Restrictions. Executive recognizes that the territorial and time limitations set forth in Section 8(b), above, are reasonable, not burdensome and are properly required by law for the adequate protection of the Company, and in the event that such territorial or time limitations are deemed to be unreasonable by a court of competent jurisdiction, then Executive agrees and submits to the reduction of either said territorial or time limitation, or both, to such an area or period as said court shall deem reasonable.

(g) Injunctive Relief. Executive acknowledges that Executive's expertise in the Business is of a special, unique, unusual, extraordinary and intellectual character, which gives said expertise a peculiar value, and that a breach of the provisions of this Agreement cannot be reasonably or adequately compensated in damages in an action at law and that such breach will cause the Company irreparable injury and damage. Executive further acknowledges that Executive possesses unique skills, knowledge and ability and that competition in violation of this Agreement would be extremely detrimental to the Company. By reason thereof, Executive agrees that the Company shall be entitled, in addition to any other remedies they may have under this Agreement or otherwise, to temporary, preliminary and/or permanent injunctive and other equitable relief to prevent or curtail any breach of this Agreement, without proof of actual damages that have been or may be caused to the Company by such breach or threatened breach; provided, however, that no specification in this Agreement of a specific legal or equitable remedy shall be construed as a waiver or prohibition against the pursuing of other legal or equitable remedies in the event of a breach.

(h) Meaning of "Company". For purposes of this Section 8, the term "Company" shall mean the Company and/or any present or future subsidiary, parent or affiliate.

9. Notices.

All notices, requests and other communications pursuant to this Agreement shall be in writing and shall be deemed to have been duly given, if delivered in person or by courier, telegraphed, telexed or by facsimile transmission or sent by express, registered or certified mail, postage prepaid, addressed as follows:

If to the Executive:

Paul Travers
91 Boughton Hill Road
Honeoye Falls, New York 14472

If to the Company:

Icuiti Corporation
75 Town Centre Drive
Rochester, New York, 14623
Attn: Chief Financial Officer

Either party may, by written notice to the other, change the address to which notices to such party are to be delivered or mailed.

10. Arbitration.

Except as specifically provided herein, any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a single arbitrator in the State of New York, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction. The Company shall bear the expense of any such arbitration proceeding and shall reimburse the Executive for all of his reasonable costs and expenses relating to such arbitration proceeding, including, without limitation, reasonable attorneys' fees and expenses; provided, however, that if the Company shall prevail in any such proceeding then the Executive shall reimbursement for all expenses paid by the Company on his behalf in connection with such proceeding..

11. Waiver of Breach.

Any waiver of any breach of this Agreement shall not be construed to be a continuing waiver or consent to any subsequent breach on the part either of the Executive or of the Company.

12. Non-Assignment; Successors.

Neither party hereto may assign his or its rights or delegate his or its duties under this Agreement without the prior written consent of the other party; provided, however, that the parties hereto hereby agree in advance that (i) this Agreement may be assigned to, and shall inure to the benefit of and be binding upon, the successors and assigns of the Company upon any sale of all or substantially all of the Company's assets, or upon any merger, consolidation or reorganization of the Company with or into any other corporation, all as though such successors and assigns of the Company and their respective successors and assigns were the Company; and (ii) this Agreement shall inure to the benefit of and be binding upon the heirs, assigns or designees of the Executive to the extent of any payments which may become due to them hereunder. For avoidance of doubt, all payments due or to become due from the Company to Executive pursuant to the terms of this Agreement shall continue to be made after the death of the Executive. As used in this Agreement, the term "Company" shall be deemed to refer to any such successor or assign of the Company referred to in the preceding sentence.

13. Severability.

To the extent any provision of this Agreement or portion thereof shall be invalid or unenforceable, it shall be considered deleted therefrom and the remainder of such provision and of this Agreement shall be unaffected and shall continue in full force and effect.

14. Captions. Captions and headings in this Agreement are for convenience of reference only and do not constitute a part of the Agreement.

15. Counterparts.

This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

16. Governing Law.

This Agreement shall be construed, interpreted and enforced in accordance with the laws of the State of New York, without giving effect to the choice of law principles thereof.

17. Survivability.

Any covenant or agreement of the parties which by its term contemplates performance after the Expiration of this Agreement shall survive and remain in full force and effect notwithstanding the fact that the Employment Period has lapsed or that this Agreement or Executive's employment hereunder, has been terminated.

18. Entire Agreement.

This Agreement constitutes the entire agreement by the Company and the Executive with respect to the subject matter hereof and except as specifically provided herein, supersedes any and all prior agreements or understandings between the Executive and the Company with respect to the subject matter hereof, whether written or oral. This Agreement may be amended or modified only by a written instrument executed by the Executive and the Company.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

EXECUTIVE:

/s/ Paul Travers
Paul Travers

ICUITI CORPORATION

By: /s/ Grant Russell
Name: Grant Russell
Title: Executive Vice President and
Chief Financial Officer

Exhibit 10.8

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is made as of this 1st day of August , 2007 between Vuzix Corporation, a Delaware corporation with its principal office at 75 Town Centre Drive, Rochester, New York, 14623 (the "Company") and Grant Russell, having an address at 11775 Chateau Wynd, Delta, British Columbia, Canada VYE 3C9 (the "Executive").

WHEREAS, the parties hereto wish to enter into an employment agreement to employ the Executive as the Company's President and Chief Executive Officer and to set forth certain additional agreements between the Executive and the Company.

NOW, THEREFORE, in consideration of the mutual covenants and representations contained herein, the parties hereto agree as follows:

1. Employment Period.

The Company hereby employs the Executive, and the Executive hereby accepts employment with the Company, on the terms and conditions contained in this Agreement.

2. Duties and Status.

(a) Engagement. The Company hereby engages the Executive as the Company's Chief Financial Officer, on the terms and conditions set forth in this Agreement; it being understood that Executive's service as an officer of the Corporation is subject to his election and reelection as such by the Company's Board of Directors (the "Board"); provided, however, that if Executive is not so reelected, he may terminate his employment with the Company for "good reason" in accordance with the provisions of Section 4(c) of this Agreement.

(b) Duties. During the Employment Period, the Executive shall exercise such authority, perform such executive duties and functions and discharge such responsibilities as are consistent with the position held by him, including those commensurate duties assigned to him by Board. During the Employment Period, the Executive shall devote his full business time, skill and efforts to the business of the Company. Notwithstanding the foregoing, the Executive may make and manage passive personal business investments and engage in personal business activities, provided that such activities do not either interfere with the business of the Company or affect his ability to render the services to the Company required of him under this Agreement. Executive may serve in any capacity with any civic, educational or charitable organization, or any trade association, without seeking or obtaining approval by the Board, provided such activities and service do not materially interfere or conflict with the performance of his duties hereunder. Executive may serve on the Board of Directors of any entity, whether or not for profit, provided that such service is permitted by policies and procedures approved by the Board or is specifically approved by the Board; it being understood that any fees or other

compensation received for such service shall be retained by the Executive, without any oblation to account therefor to the Company.

3. Compensation and Benefits.

(a) Salary. During the Employment Period, the Company shall pay to the Executive, as compensation for the performance of his duties and obligations under this Agreement, a base salary (which shall be paid in accordance with the normal payroll practices of the Company) (the "Base Salary"), as follows:

(i) Executive's Base Salary shall initially be at the rate of $175,000.00 per annum,

(ii) On or before the date upon which the initial offering of shares of the common stock of the Company to the public, (the "IPO"), the Executive's then existing Base Salary shall be increased by to $275,000 or such greater amount as shall be determined by the Board, from the Base Salary in effect immediately preceding the effectiveness of the IPO.

(iii) Executive's Base Salary may be increased by the Board at any time. Executives' Base Salary may not be decreased from the amount in effect at any time without the consent of the Executive.

(iv) Executive's base salary shall be subject to review each year for possible increase by the Board of Directors in its sole discretion.

(b) Bonuses.

(i) During the Employment Period, the Board may, at its sole discretion, but shall not be obligated to, award Executive such periodic, annual or other bonuses as it shall determine. The foregoing does not constitute an agreement or representation by the Company that the Executive will be considered for or awarded any bonus.

(ii) During the Employment Period, the Executive shall participate in all bonus plans established by the Board for senior executives, on a basis that is consistent with the level of participation by other senior executives of the Company. Such bonus plans shall in all cases have reasonably achievable objectives that are agreed to in advance by the Executive and the Board, acting in each case in good faith.

(c) Equity Participation.

(i) During the Employment Period, the Executive shall retain all rights, in accordance with the terms of each respective award, under stock options outstanding and held by the Executive on the date of this Agreement.

(ii) In addition to the options described in the foregoing clause (i), the Board in its sole discretion may determine to grant the Executive additional awards under any other stock option or equity based incentive compensation plan or arrangement adopted by the Company during the Employment Period for which the Company's senior executives are eligible. The level of the Executive's participation in any such plan or arrangement, if any, shall be determined by the Board in its sole discretion.

(iii) To the greatest extent permissible in accordance with applicable IRS regulations, options to acquire Company stock which may be granted to the Executive shall be in the form of qualified options. Any options which cannot be granted in the form of qualified options will be granted to the Executive as non-qualified options.

(d) Other Benefits. During the Employment Period, the Executive shall be entitled to participate in all of the employee benefit plans, programs and arrangements of the Company in effect during the Employment Period which are generally available to senior executives of the Company. Such participation shall be subject to and on a basis consistent with the terms, conditions and overall administration of such plans, programs and arrangements. In addition, during the Employment Period, the Executive shall be entitled to fringe benefits and perquisites comparable to those of other senior executives of the Company. Such fringe benefits shall include, but not be limited to, 4 weeks of vacation pay per year, to be used in accordance with the Company's vacation pay policy for senior executives.

(e) Automobile Allowance. During the Employment Period, the Company will, at the option of Executive, either (i) reimburse the Executive for the costs of an automobile at the rate of $750.00 per month or (ii) bear all expenses associated with the rental by Executive of an automobile for his use while in Rochester, New York, for the purpose of providing the services required of him pursuant to this Agreement.

(f) Business Expenses. During the Employment Period, the Company shall promptly pay or reimburse the Executive for all actual, reasonable and customary expenses incurred by the Executive in the course of his employment including but not limited to travel, entertainment, subscriptions and dues associated with the Executive's membership in professional, business and civic organizations; provided that such expenses are incurred and accounted for in accordance with the Company's policies as then in effect.

(g) Travel Reimbursement. Reimbursement for the cost of travel to and from Rochester, New York, for the purpose of providing the services required of him pursuant to this Agreement

4. Term and Termination of Employment.

(a) Executive's employment with the Corporation shall continue until terminated by either Executive or the Company, with the consequences of any such

termination being as set forth in the following provisions of this Agreement. The period commencing on the date of this Agreement and ending on the effective date of such termination is referred to in this Agreement as the "Employment Period".

(b) Termination for Cause. The Company may terminate the Executive's employment hereunder for cause. For purposes of this Agreement and subject to the Executive's opportunity to cure as provided in Section 4(d) hereof, the Company shall have "cause" to terminate the Executive's employment hereunder if such termination shall be the result of the Executive's:

(i) willfully engaging in conduct which is materially injurious to the Company;

(ii) willful fraud or material dishonesty in connection with his performance hereunder;

(iii) deliberate or intentional failure to substantially perform his duties hereunder that results in material harm to the Company; or

(iv) the conviction for, or plea of nolo contendere to a charge of, commission of a felony.

(c) Termination for Good Reason. The Executive shall have the right at any time to terminate his employment with the Company for "good reason". For purposes of this Agreement and subject to the Company's opportunity to cure as provided in Section 4(d) hereof, the Executive shall have "good reason" to terminate his employment hereunder in the following cases:

(i) a material diminution during the Employment Period in the Executive's duties, responsibilities, position, office or title as set forth in Section 2 hereof;

(ii) a breach by the Company of the compensation and benefits provisions set forth in Section 3 hereof;

(iii) a material breach by the Company of any of the terms of this Agreement, other than as specifically provided herein; or

(iv) the relocation of Executive's principal place of business at the request of the Company beyond 30 miles from its current location

(d) Notice and Opportunity to Cure. Notwithstanding the foregoing, the Company may not terminate the Executive's employment for "cause" pursuant to Section 4(b)(i), Section 4(b)(ii) or Section 4(b)(iii),,and the Executive may not terminate his employment for "good reason" unless (1) the party seeking to terminate the Executive's employment shall have first provided the other party with written notice of the intended

termination and the reason for such termination ("breach") and (2) if such breach is susceptible of cure or remedy, a period of thirty (30) days shall have elapsed between the delivery of such notice and the termination of this Agreement without the breaching party having, in the reasonable opinion of the party alleging a breach, effectively cured or remedied such breach.

(e) Termination Upon Death or Permanent and Total Disability. The Employment Period shall be terminated by the death of the Executive. The Employment Period may be terminated by the Board of Directors if the Executive shall be rendered incapable of performing his duties to the Company by reason of any medically determined physical or mental impairment that can be expected to result in death or that can reasonably be expected to last for a period of either (i) six or more consecutive months from the first date of the Executive's absence due to the disability or (ii) nine months during any twelve-month period (a "Permanent and Total Disability"). If the Employment Period is terminated by reason of Permanent and Total Disability of the Executive, the Company shall give 30 days' advance written notice to that effect to the Executive.

5. Consequences of Termination.

(a) Without Cause or for Good Reason. In the event of a termination of the Executive's employment during the Employment Period (i) by the Company other than for "cause" (as provided for in Section 4(b) hereof), (ii) by the Executive for "good reason" (as provided for in Section 4(c) hereof) or (iii) due to death or disability (as provided for in Section 4(e) hereof) the Company shall pay the Executive and provide him with the following:

(i) Payments.

(A) Salary. The Executive's then current base salary payable for the Non-Compete Period (as defined in Section 8 hereof); plus

(B) Bonuses The entire bonus that would have been payable pursuant to any agreement, understanding, arrangement or plan ("Bonus Arrangement") in which Executive is entitled to participate in accordance with the provisions of Section 3(b) for the year in which the termination of his employment occurred as if he had been employed for the entire year, provided that, in the opinion of the Board the Executive is likely to have met any bonus plan goals for the relevant period had he not been terminated; plus

(C) Earned but Unpaid Amounts. Any previously earned but unpaid salary through the Executive's final date of employment with the Company, and any previously earned but unpaid bonus amounts pursuant to any Bonus Arrangement for any completed fiscal year prior to the date of the Executive's termination of employment.

Payments of the amounts described above will be made in accordance with the timetable and schedule contemplated for such payments, as though such termination had not occurred.

As a condition to its obligation to make any of the payments required of it under this Section 5(a), the Company, in its sole discretion, may require Executive to execute a release, in such form as it may reasonably require, releasing the Company and its officers, directors, employees, and agents, from any and all claims and causes of action, including, but not limited to those arising form Executive's employment and the termination of his employment with the Company.

(ii) Equity. Any existing stock options, restricted stock grants, stock appreciation rights and other similar awards outstanding at the date of termination shall immediately vest and will, in all other respects, continue to be governed by, and continued in accordance with, their applicable plan and grant documents; provided, however, that the period during which any options or right relating to such grants may be exercised by Executive shall be the longer of the date specified in such grants or the date that is thirty (30) days after the end of the Non-Compete Period (as defined in Section 8 of this Agreement). If the extension of any such exercise period shall cause any Incentive Stock Option (as defined in Section 422 of the Internal Revenue Code of 1954, as amended) (an "ISO") to cease be treated as an ISO, then the Executive shall have the right to elect whether to treat such stock option as a non-qualified stock option having the extended exercise period provided for in this Section or to continue to treat such stock option as an ISO having the original expiration date.

(iii) Other Benefits. Continued coverage under all health, life, disability and similar employee benefit plans and programs of the Company on the same basis as the Executive was entitled to participate immediately prior to such termination for the Non-Compete Period; provided that the Executive's continued participation is possible under the general terms and provisions of such plans and programs. In the event that the Executive's participation in any such plan or program is barred, the Company shall arrange to provide the Executive with benefits substantially similar to those which the Executive would otherwise have been entitled to receive under such plans and programs from which his continued participation is barred. If Executive is covered under substitute benefit plans of another employer prior to the expiration of the Non-Compete Period, the Company will no longer be required to continue the respective coverage described in this Section 5(a)(iii).

(b) Other Termination of Employment. In the event that the Executive's employment with the Company is terminated during the Employment Period (i) by the Company for "cause" (as provided for in Section 4(b) hereof),or (ii) by the Executive other than for "good reason" (as provided for in Section 4(c) hereof) (except as otherwise provided in Section 6(c)(i)), the Company shall pay the Executive (or his legal representative) any earned but unpaid salary and annual bonus amounts for any completed fiscal year prior to the date of the Executive's termination of employment, but only to the extent such amounts are payable in accordance with the terms of any such

plan, through the Executive's final date of employment with the Company, and the Company shall have no further obligations to the Executive.

(c) Withholding of Taxes. All payments required to be made by the Company to the Executive under this Agreement shall be subject to the withholding of such amounts, if any, relating to tax, social security, excise tax and other payroll deductions as the Company may reasonably determine it should withhold pursuant to any applicable law or regulation.

(d) No Other Obligations. The benefits payable to the Executive under this Agreement are not in lieu of any benefits payable under any employee benefit plan, program or arrangement of the Company, except as provided specifically herein, and upon termination the Executive will receive such benefits or payments, if any, as he may be entitled to receive pursuant to the terms of such plans, programs and arrangements. Except for the obligations of the Company provided by the foregoing and this Section 5, the Company shall have no further obligations to the Executive upon his termination of employment.

(e) No Mitigation or Offset. If the Executive's employment is terminated pursuant to the provisions of Sections 4(b), 4(c) or 4(e), the Executive shall not be required to mitigate the damages provided by this Section 5 by seeking substitute employment or otherwise.

6. Change of Control.

(a) Definition. For purposes of this agreement, a "Change of Control" shall mean:

(i) the approval by the stockholders of the Company, and the completion of the transaction resulting from such approval, of (A) the sale or other disposition of all or substantially all the assets of the Company or (B) a complete liquidation or dissolution of the Company;

(ii) The sale, in a single transaction or in a series of related transactions, of all or substantially all of the outstanding shares of the capital stock of the Company;

(iii) the approval by the stockholders of the Company, and the completion of the transaction resulting from such approval, of a merger, consolidation, reorganization or similar corporate transaction, whether or not the Company is the surviving corporation in such transaction, in which the outstanding shares of common stock of the Company are converted into (A) shares of stock of another company, other than a conversion into shares of voting common stock of the successor corporation (or a holding company thereof) representing fifty percent (50%) or more of the voting power of all capital stock thereof outstanding immediately after the merger or consolidation or (B) other securities (of either the Company of another company) or cash or other property;

(iv) pursuant to an affirmative vote of a holder or holders of seventy five percent (75%) of the capital stock of the Company entitled to vote on such a matter, the removal of a majority of the individuals who are at that time members of the Board of Directors; or

(v) the acquisition by any entity or individual of one hundred percent of the capital stock of the Company.

Notwithstanding the foregoing, it is understood by the parties to this Agreement that a "Change of Control" shall not include any transaction the purpose of which is to reorganize the Company's corporate structure, reincorporate the Company in another jurisdiction or undertake any other action which does not materially affect the ownership and control of the Company at the time of such transaction.

(b) Vesting of options upon a Change of Control. Notwithstanding anything to the contrary in any stock option contract between the Company and the Executive or in any stock option plan or similar plan of the Company, upon the occurrence of a Change of Control, all options held by the Executive which shall not yet have vested will vest and become immediately exercisable. After such a Change of Control, the Executive's options shall remain exercisable for the period remaining under the relevant stock option contract and shall not have a shortened period of exercisability as a result of the Change of Control, except for statutory stock options which shall, at the election of the Executive made at the time of the Change of Control, (i) expire 90 days after his termination (or 1 year if the Executive's termination results from his death or permanent and total disability) or (ii) be converted into non-qualified stock options expiring at the end of the entire term of such option under the relevant stock option contract.

(c) Severance upon a Change of Control.

(i) If the Executive's employment is terminated within one year of a Change of Control for any reason other than by the Company for "cause", or if tbe Executive elects to terminate his employment by Company (whether or not for "good reason") after the expiration of 120 days after and on or before the two-year anniversary date of the Change of Control, the Executive shall be entitled to the payments described in the preceding Section 5(a), except that the Non-Compete Period (as defined in Section 8 hereof) applicable for the purposes of Sections 5(a) and 8 hereof shall be doubled and all payments and benefits that are stated as a function of the Non-Compete Period shall be adjusted accordingly.

(ii) If the Executive's employment is terminated within one year of a Change of Control for any reason other than by the Company for "cause", the Executive shall be not be required to mitigate the damages provided by this Section 6 of this Agreement by seeking substitute employment or otherwise and there shall be no offset by the Executive with respect to the payments and benefits set forth in this Section 6 of this Agreement, except as otherwise qualified in Section 5(a)(iii).

7. Indemnification and Insurance.

(a) Indemnification. The Company shall, to the fullest extent permitted by law and by its Certificate of Incorporation and Bylaws, indemnify Executive and hold him harmless for any acts or decisions made by him in good faith while performing his duties pursuant to this Agreement. The Company shall advance to Executive all costs and expenses incurred by him in connection with any such proceeding or claim within 20 days after receiving written notice requesting such an advance. Such notice shall include, to the extent required by applicable law, an undertaking by Executive to repay the amount advanced if he ultimately is determined not to be entitled to indemnification against such costs and expenses. The indemnification provided for in this Section 7(a) shall be in addition to, and not in diminution of, any indemnification to which the Executive may be entitled pursuant any other Agreement between him and the Company and, if this Agreement shall conflict with any others such agreement, then the provisions that provide the Executive with the greater rights to indemnification shall control.

(b) Directors and Officers Liability Insurance. On or before the effective date of the IPO, the Company (which, for these purposes, shall include any successor company), shall obtain and maintain in effect during the Employment Period and thereafter for the statute of limitations applicable to any claim that could be made against the Executive for actions or failure to act during the Employment Period a policy of directors' and officers' liability insurance providing coverage to Executive to the extent that it provides such coverage for any other senior executive officer or director.

8. Restrictive Covenants.

(a) Obligations of the Parties. In the event that the Executive's employment with the Company is terminated for any reason (the effective date of such termination being referred to as the "Termination Date"), the Executive and the Company shall negotiate in good faith the terms and conditions under which the Executive may seek future employment. If a good faith agreement thereon cannot be reached, the terms of this Section 8 shall govern. In any event,

i. For up to a 4 month period after the Termination Date, Executive will cooperate with and assist the Company to make a smooth transition in management and, if requested by the Company, will be available to consult during regular business hours at mutually agreed upon times.

ii. After the Termination Date, Executive will provide such information as the Company may reasonably request with respect to any matter that relates to the Company or its business in which the Executive was involved while employed by Company.

iii. After the Termination Date, Executive will assist and cooperate with Company in connection with the defense or prosecution of any claim that may be

made by or against the Company or any affiliate that relates to any matter in which Executive was involved or as to which Executive has knowledge, including providing testimony in any proceeding before any arbitral, administrative, judicial, legislative or other body or agency.

iv. Executive shall be entitled to reimbursement for all properly documented expenses incurred in connection with rendering services under this Section, including, but not limited to, reimbursement for all reasonable travel, lodging, meal expenses, and legal fees, and Executive shall be entitled to a per diem amount for his services equal to 1.5 times his then most recent annualized Base Salary under this Agreement, divided by 240 (business days).

(b) Non-Compete Covenant. Subject to 8(a) herein, the Executive covenants and agrees that for the period of twenty-four (24) months from the date the Executive is no longer an employee of the Company (the "Non-Compete Period") for any reason other than because of a termination by the Executive for "good reason" or a termination by the Company without cause, the Executive will not, directly or indirectly, compete with the Company by carrying on anywhere in the United States of America (the "Territory") a line of business substantially similar to the business and activities of the Company as conducted at the time of termination (the "Business"). All of the foregoing of this Section 8(b) shall be qualified by Section 6(c) of this Agreement. For the avoidance of doubt, if there has been a Change of Control, the term "Business" shall not include the business of the acquiring entity involved in such Change of Control, except to the extent that the business of such entity is the same or substantially the same business as that conducted by the Company immediately prior to such Change of Control. Executive shall continue to be bound by the restrictions and obligations arising under this Section 8 for the duration of the Non-Compete Period, notwithstanding the fact that such Non-Compete Period shall extend beyond the Term of this Agreement.

(c) Definition of Compete. For purposes of this Agreement, the term "compete" shall mean (a) calling on, soliciting or taking away, as a client or customer any individual, partnership, corporation or association that was a client or customer of the Company during the 12-calendar month period immediately preceding any such act for the purpose of competing with the Company; (b) hiring, soliciting, taking away or attempting to hire, solicit or take away any employee of the Company either on behalf of himself or any other person or entity for the purpose of competing with the Company; or (c) for the period of this Agreement, entering into or attempting to enter into any business offering goods and services which are substantially similar to or competing in any way with the goods and services which are then being offered by the Company.

(d) Direct or Indirect Competition. For purposes of this Agreement, the words "directly or indirectly" as they modify the word "compete" shall mean: (a) acting as an agent, representative, consultant, officer, director, independent contractor or employee of any entity or enterprise, which is competing (as defined in Section 2, above) with the Business; (b) participating in any such competing entity or enterprise, or the Affiliate of such entity or enterprise, as an owner, partner, limited partner, joint venturer,

creditor or stockholder (except as a stockholder holding less than a five percent interest in a corporation whose shares are actively traded on a regional or a national securities exchanged or in the over-the-counter market); or (c) communicating to any such competing entity or enterprise the names or addresses or any other information concerning any past, present or identified prospective client or customer of the Company or any entity having title to the goodwill of the Company with respect to the Business..

(e) Confidential Data. For purposes of this Agreement,"Trade Secrets" shall mean any scientific or technical information, design, process, procedure, formula or improvement, or any portion or phase thereof, whether or not patentable, that is owned by, or that has, at the time of determination of its status, been used by the Company and that is not generally known to competitors of the Company, and information concerning proposed new products, software and marketing processes, market feasibility studies, and proposed or existing marketing techniques or plans relating to the Business that are not generally known to competitors of the Company. The term "Confidential Information" shall mean any data or information, other than Trade Secrets, that is owned by, or that has, at the time of termination of its status, been used by the Company relating to the Business and is not generally known to competitors of the Company, including, but not limited to, Proprietary Customer Information (as defined below), information relating to the Business, the identity of suppliers, customers, subscribers, advertisers, sales methodology, software and information about the personnel of the Company. The term "Proprietary Customer Information" shall mean all information concerning the identity and purchasing habits of customers of the Company with respect to the Business to the extent that such information is a valuable component of the Business and is not generally ascertainable by parties unaffiliated with the Company. The terms Trade Secrets, Confidential Information and Proprietary Customer Information are hereinafter sometimes collectively referred to as "Confidential Data."

The Executive agrees that, during the period set forth in 8(b), above, and thereafter for so long as such information remains Confidential Data, he will keep confidential and not directly or indirectly divulge, furnish, make accessible to anyone or appropriate for his own use any Confidential Information, and that at no time will he or it divulge, furnish and make accessible to anyone or appropriate for his own use any Trade Secrets. Executive further acknowledges and agrees that the Company has a legitimate interest in protecting Proprietary Customer Information from misappropriation or diversion by Executive or any competitor. Executive hereby acknowledges and agrees that the prohibitions against disclosure of Confidential Data recited herein are in addition to, and not in lieu of, any rights or remedies which the Company may have available pursuant to the laws of any jurisdiction or at common law to prevent the disclosure of trade secrets and other confidential proprietary data, and the enforcement by the Company of their rights and remedies pursuant to this Agreement shall not be construed as a waiver of any other rights or available remedies which it may possess in law or equity absent this Agreement.

(f) Reasonableness of Restrictions. Executive recognizes that the territorial and time limitations set forth in Section 8(b), above, are reasonable, not burdensome and

are properly required by law for the adequate protection of the Company, and in the event that such territorial or time limitations are deemed to be unreasonable by a court of competent jurisdiction, then Executive agrees and submits to the reduction of either said territorial or time limitation, or both, to such an area or period as said court shall deem reasonable.

(g) Injunctive Relief. Executive acknowledges that Executive's expertise in the Business is of a special, unique, unusual, extraordinary and intellectual character, which gives said expertise a peculiar value, and that a breach of the provisions of this Agreement cannot be reasonably or adequately compensated in damages in an action at law and that such breach will cause the Company irreparable injury and damage. Executive further acknowledges that Executive possesses unique skills, knowledge and ability and that competition in violation of this Agreement would be extremely detrimental to the Company. By reason thereof, Executive agrees that the Company shall be entitled, in addition to any other remedies they may have under this Agreement or otherwise, to temporary, preliminary and/or permanent injunctive and other equitable relief to prevent or curtail any breach of this Agreement, without proof of actual damages that have been or may be caused to the Company by such breach or threatened breach; provided, however, that no specification in this Agreement of a specific legal or equitable remedy shall be construed as a waiver or prohibition against the pursuing of other legal or equitable remedies in the event of a breach.

(h) Meaning of "Company". For purposes of this Section 8, the term "Company" shall mean the Company and/or any present or future subsidiary, parent or affiliate.

9. Notices.

All notices, requests and other communications pursuant to this Agreement shall be in writing and shall be deemed to have been duly given, if delivered in person or by courier, telegraphed, telexed or by facsimile transmission or sent by express, registered or certified mail, postage prepaid, addressed as follows:

If to the Executive:

Grant Russell
11775 Chateau Wynd
Delta, British Columbia, Canada VYE 3C9

If to the Company:

Vuzix Corporation
75 Town Centre Drive
Rochester, New York, 14623
Attn: Chief Financial Officer

Either party may, by written notice to the other, change the address to which notices to such party are to be delivered or mailed.

10. Arbitration.

Except as specifically provided herein, any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a single arbitrator in the State of New York, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction. The Company shall bear the expense of any such arbitration proceeding and shall reimburse the Executive for all of his reasonable costs and expenses relating to such arbitration proceeding, including, without limitation, reasonable attorneys' fees and expenses; provided, however, that if the Company shall prevail in any such proceeding then the Executive shall reimbursement for all expenses paid by the Company on his behalf in connection with such proceeding..

11. Waiver of Breach.

Any waiver of any breach of this Agreement shall not be construed to be a continuing waiver or consent to any subsequent breach on the part either of the Executive or of the Company.

12. Non-Assignment; Successors.

Neither party hereto may assign his or its rights or delegate his or its duties under this Agreement without the prior written consent of the other party; provided, however, that the parties hereto hereby agree in advance that (i) this Agreement may be assigned to, and shall inure to the benefit of and be binding upon, the successors and assigns of the Company upon any sale of all or substantially all of the Company's assets, or upon any merger, consolidation or reorganization of the Company with or into any other corporation, all as though such successors and assigns of the Company and their respective successors and assigns were the Company; and (ii) this Agreement shall inure to the benefit of and be binding upon the heirs, assigns or designees of the Executive to the extent of any payments which may become due to them hereunder. For avoidance of doubt, all payments due or to become due from the Company to Executive pursuant to the terms of this Agreement shall continue to be made after the death of the Executive. As used in this Agreement, the term "Company" shall be deemed to refer to any such successor or assign of the Company referred to in the preceding sentence.

13. Severability.

To the extent any provision of this Agreement or portion thereof shall be invalid or unenforceable, it shall be considered deleted therefrom and the remainder of such provision and of this Agreement shall be unaffected and shall continue in full force and effect.

14. Captions. Captions and headings in this Agreement are for convenience of reference only and do not constitute a part of the Agreement.

15. Counterparts.

This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

16. Governing Law.

This Agreement shall be construed, interpreted and enforced in accordance with the laws of the State of New York, without giving effect to the choice of law principles thereof.

17. Survivability.

Any covenant or agreement of the parties which by its term contemplates performance after the Expiration of this Agreement shall survive and remain in full force and effect notwithstanding the fact that the Employment Period has lapsed or that this Agreement or Executive's employment hereunder, has been terminated.

18. Entire Agreement.

This Agreement constitutes the entire agreement by the Company and the Executive with respect to the subject matter hereof and except as specifically provided herein, supersedes any and all prior agreements or understandings between the Executive and the Company with respect to the subject matter hereof, whether written or oral. This Agreement may be amended or modified only by a written instrument executed by the Executive and the Company.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

EXECUTIVE:

/s/ Grant Russell
Grant Russell

ICUITI CORPORATION

By: /s/ Paul Travers
Name: Paul Travers
Title: President and Chief Executive Officer

Exhibit 10.9

SHAREHOLDERS' AGREEMENT

THIS SHAREHOLDERS AGREEMENT (this "Agreement") is made and entered into as of October 11, 2000, by and between Interactive Imaging Systems, Inc., a Delaware corporation (the "Company") and certain Shareholders in the Company, each of whom will execute a counterpart signature page of this Agreement (collectively, the "Shareholders" and each individually, a "Shareholder").

RECITALS:

Each of the Shareholders has agreed to certain restrictions on the. transfer of the Company's $.001 par value Common Stock and in return, the Company has agreed to grant certain registration rights with respect to the shares of the Company's Common Stock that are issued to each Shareholder, subject to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises hereinafter set forth, the parties hereto agree as follows:

1. TRANSFER LIMITATION

1.1 Rationale. The Shareholders and the Company believe it to be in their best interests to impose certain restrictions on the transfer or other disposition of the Common Stock in order to provide for continuity in the control and management of the Company and to prevent the Common Stock from becoming owned by persons or entities whose purposes and interests would not be in the best interests of the Company, its business and the Shareholders.

1.2 Dispositions Restricted. Prior to October 11, 2002, no Shareholder shall make or suffer to be made any sale, gift, pledge, mortgage, encumbrance, distribution, transfer, assignment, hypothecation or disposition of any kind (a "Disposition") of any of his or her shares of Common Stock without first obtaining the consent of the Board of Directors of the Company; except that no such consent shall be required in the case of a Disposition to another then-current Shareholder. The Company shall not suffer or permit any Disposition, except as may be expressly permitted under this Agreement. The foregoing restrictions on Dispositions shall automatically terminate on the earlier to occur of: (a) October 11, 2002; (b) the closing of the first public offering by the Company of shares of Common Stock of the Company registered under the Securities Act of 1933, as amended; or (c) the closing of the sale of the majority of the Company's Common Stock or assets to a third party.

1.3 Legend. During the term of the foregoing restrictions on Dispositions, there shall be placed upon every certificate representing the Common Stock the following legend: This certificate and the shares represented hereby are subject to, and transfer of such shares is restricted by, the provisions of an agreement among the issuing Company and certain of its shareholders dated October 11, 2000, and any amendments thereto, a copy of which agreement is on file at the principal office of the Company. Upon expiration of the foregoing restrictions on Dispositions, each Shareholder may request the Company to issue a new certificate representing the Common Stock, owned by such

Shareholder without the foregoing legend.

2. REGISTRATION RIGHTS

2.1 Certain Definitions. For purposes of this Agreement:

(a) Registration. The terms "register," "registered," and "registration" refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act of 1933, as amended (the "Securities Act"), including Regulation S-B thereunder, if available, and the declaration or ordering of effectiveness of such registration statement.

(b) Registrable Securities. The term "Registrable Securities" means: (1) all of the shares of Common Stock of the Company held by the Shareholders as of October 11, 2000; (2) all shares of Common Stock of the Company issued following an exercise of a stock option granted pursuant to the 1997 Stock Option. Plan of the Company; and (3) any shares of Common Stock of the Company issued as (or issuable upon the conversion or exercise of any warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, all such shares of Common Stock described in clauses (1) and (2) of this subsection (b); excluding in all cases, however, any Registrable Securities sold by a person in a transaction which violates Section 1 or in which rights under this Section 2 are not assigned in accordance with Section 3 of this Agreement.

(c) Registrable Securities Then Outstanding. The number of shares of "Registrable Securities then outstanding" shall mean the number of shares of Common Stock which are Registrable Securities and are then-issued and outstanding.

(d) Holder. The term "Holder" means any person owning of record Registrable. Securities that have not been sold to the public or sold pursuant to Rule 144 promulgated under the Securities Act or any assignee of record of such Registrable Securities to whom rights under this Section 2 have been duly assigned in accordance with this Agreement.

(e) SEC. The term "SEC" or "Commission" means the U.S. Securities and Exchange Commission.

2..2 Piggyback Registrations. The Company shall notify all Holders of Registrable Securities in writing at least thirty (30) days prior to filing any registration statement under the Securities Act for purposes of effecting a public offering of securities of the Company (including, but not limited to, registration statements relating to secondary offerings of securities of the Company, but excluding registration statements relating to the Company's initial public offering) and will afford each such Holder an opportunity to include in such registration statement all or any part of the Registrable Securities then held by such Holder. Each Holder desiring to include in any such registration statement all or any part of the Registrable Securities held by such Holder shall, within twenty (20) days after receipt of the above-described notice from the Company, so notify the Company in writing, and in such notice shall inform the Company of the number of Registrable Securities such Holder wishes to include in such registration statement. If a Holder decides not to include all of its Registrable Securities in any registration statement thereafter filed by the Company, such Holder shall nevertheless continue to have the right to include any Registrable Securities in any subsequent registration statement or registration statements as may be filed by the Company with respect to offerings of its securities, all upon the terms and conditions set forth herein.

(a) Underwriting. If a registration statement under which the Company gives notice under this Section 2.2 is for an underwritten offering, then the Company shall so advise the Holders of Registrable Securities. In such event, the right of any such Holder's Registrable Securities to be included in a registration pursuant to this Section 2.2 shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their Registrable Securities through such underwriting shall enter into an underwriting agreement in customary form with the managing underwriter or underwriter(s) selected for such underwriting. Notwithstanding any other provision of this Agreement, if the managing underwriter determine(s) in good faith that marketing factors require a limitation of the number of shares to be underwritten, then the managing underwriter(s) may exclude shares (including Registrable Securities) from the registration and the underwriting, and the number of shares that may be included in the registration and the underwriting shall be allocated, first, to the Company; second to holders of the Company's Preferred Stock (or Registrable Securities issuable upon conversion of such Preferred Stock), if any; third to the holders of "registrable securities," as that term is defined in, and pursuant to, that certain Registration Rights Agreement, dated as of October 11, 2000, by and among the Company and certain investors in the Company; and fourth to the Holders requesting inclusion of their Registrable Securities in such registration statement pursuant to this Section 2.2 on a pro rata basis based on the total number of Registrable Securities held by each such Holder. If any Holder disapproves of the terms of any such underwriting, such Holder may elect to withdraw therefrom by written notice to the Company and the underwriter, delivered at least ten (10) business days prior to the effective date of the registration statement. Any Registrable Securities excluded or withdrawn from such underwriting shall be excluded and withdrawn from the registration, but such Holder shall nevertheless continue to have the right to include any Registrable Securities in any subsequent registration statement or registration statements as may be filed by the Company with respect to offerings of its securities, all upon the terms and conditions set forth *herein.* For any Holder which is a partnership or corporation, the partners, retired partners and shareholders of such Holder, or the estates and family members of any such partners and retired partners and any trusts for the benefit of any of the foregoing persons shall be deemed to be a single "Holder", and any pro rata

reduction with respect to such "Holder" shall be based upon the aggregate amount of shares carrying registration rights owned by all entities and individuals included in such "Holder," as defined in this sentence.

(b) Expenses. The Company shall bear and pay all expenses, other than underwriting discounts and commissions, incurred in connection with registrations, filings or qualifications pursuant to Sections 2.2 and 2.3, including (without limitation) all registration, filing and qualification fees, printers' and accounting fees, fees and disbursements of counsel for the Company and the reasonable fees and disbursements of one counsel for the selling Holders selected by those Holders with a majority of the Registrable Securities included in the registration.

2.3 Obligations of the Company. Whenever required to effect the registration of any Registrable Securities under this Agreement, the Company shall, as expeditiously as commercially reasonable:

(a) Furnish to the Holders and to the underwriters, if any, such number of copies of the registration statement, prospectus, and preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of the Registrable Securities owned by them that are included in such registration.

(b) Use its commercially reasonable efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

(c) Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing.

(d) Use its reasonable best efforts either to (i) cause all the Registrable Securities covered by any registration statement to be listed on a recognized stock market or exchange in the United States or in Canada, if the listing of such Registrable Securities is then permitted under the rules of such market or exchange, or (ii) secure the quotation of the Registrable Securities on the OTC Bulletin Board.

2.4 Furnish Information. It shall be a condition precedent to the obligations of the Company to take any action pursuant to Sections 2.2 and 2.3 that the selling Holders shall furnish to the Company such information regarding themselves, the Registrable Securities held by them, and the intended method of disposition of such securities as shall be reasonably required to timely effect the registration of their Registrable Securities.

2.5 Delay of Registration. No Holder shall have any right to obtain or

seek an injunction restraining or otherwise delaying any such registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 2.

2.6 Indemnification. With respect to Registrable Securities that are included in a registration statement under Section 2.2:

(a) By the Company. To the extent permitted by law, the Company will indemnify and hold harmless each Holder, the partners, officers, directors of each Holder, any underwriter (as defined in the Securities Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Securities Exchange Act of 1934, as amended (the "1934 Act"), against any expenses, losses, claims, damages, or liabilities (joint or several) (or actions in respect thereof) to which they may become subject under the Securities Act, the 1934 Act or other federal or state law, insofar as such expenses, losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "Violation"):

(i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, preliminary prospectus, final prospectus, offering circular or other document contained therein or any amendments or supplements thereto;

(ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or

(iii) any violation or alleged violation by the Company of the Securities Act, the 1934 Act, any federal or state securities law or any rule or regulation promulgated under the Securities Act, the 1934 Act or any federal or state securities law in connection with the offering covered by such registration statement; and the Company will reimburse each such Holder, partner, officer, director, underwriter or controlling person for any legal or other expenses reasonably incurred by them, as incurred, in connection with investigating, defending or settling any such loss, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this subsection 2.6(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable in any such case for any such loss, claim, damage, liability or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by such Holder or its agent, partner, officer, director, underwriter or controlling person of such Holder.

(b) By Selling Holders. To the extent permitted by law, each selling Holder will indemnify and hold harmless the Company, each of its directors, each of its officers who have signed the registration statement, each person, if any, who controls the Company within the meaning of the Securities Act, any underwriter and any other Holder selling securities under such registration statement or any of such other Holder's partners, directors or officers or

any person who controls such Holder within the meaning of the Securities Act or the 1934 Act, against any losses, claims, damages or liabilities (joint or several) to which the Company or any such director, officer, controlling person, underwriter or other such Holder, partner or director, officer or controlling person of such other Holder may become subject under the Securities Act, the 1934 Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder or its agent expressly for use in connection with such registration; and each such Holder will reimburse any legal or other expenses reasonably incurred by the Company or any such director, officer, controlling person, underwriter or other Holder, partner, officer, director or controlling person of such other Holder in connection with investigating, defending or settling any such loss, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this subsection 2.6(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; and provided, further, that the total amounts payable in indemnity by a Holder under this Section 2.6(b) in respect of any Violation shall not exceed the net proceeds received by such Holder in the registered offering out of which such Violation arises.

(c) Notice. Promptly after receipt by an indemnified party under this Section 2.6 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 2.6, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party shall have the right to retain its own counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential conflict of interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section 2.6, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 2.6.

(d) Defect Eliminated in Final Prospectus. The foregoing indemnity agreements of the Company and Holders are subject to the condition that, insofar as they relate to any Violation made in a preliminary prospectus but which Violation is eliminated or remedied in the amended prospectus on file with the SEC at the time the registration statement in question becomes effective or the amended prospectus filed with the SEC pursuant to SEC Rule 424(b) (the "Final Prospectus), such indemnity agreement shall not inure to the benefit of any person if a copy of the Final Prospectus was furnished to the indemnified party and was not furnished to the person asserting the loss, liability, claim or damage at or prior to the time such action is required by the Securities Act.

(e) Contribution. In order to provide for just and equitable contribution to joint liability under the Securities Act in any case in which either (i) any Holder exercising rights under this Agreement, or any controlling person of any such Holder, makes a claim for indemnification pursuant to this Section 2.6 but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case notwithstanding the fact that this Section 2.6 provides for indemnification in such case, or (ii) contribution under the Securities Act may be required on the part of any such selling Holder or any such controlling person in circumstances for which indemnification is provided under this Section 2.6; then, and in each such case, the Company and such Holder will contribute to the aggregate losses, claims, damages or liabilities to which they may be subject (after contribution from others) in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the statements or omissions that resulted in such expense, loss, claim, damage or liability in such proportion as is appropriate to reflect the relative fault of each such party in connection with such statements or omissions as well as .any other relevant considerations; provided, however, that, in any such case, (A) the total amounts payable in contribution by any Holder under this Section 2.6(e) shall not exceed the net proceeds received by such Holder in the registered offering out of which such responsibility arises; and (B) no person or entity guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any person or entity who was not guilty of such fraudulent misrepresentation.

(f) Survival. The obligations of the Company and Holders under this Section 2.6 shall survive the completion of any offering of Registrable Securities in a registration statement, and otherwise.

2.7 "Market Stand-Off Agreement. Each Holder hereby agrees that it shall not, to the extent requested by the Company or an underwriter of securities of the Company, sell or otherwise transfer or dispose of any Registrable Securities or any shares of capital stock of the Company then owned by such Holder (other than to donees or partners of the Holder who agree to be similarly bound) for up to one hundred eighty (180) days following the effective date of any registration statement (other than a registration statement relating to any employee benefit plan or to any acquisition, merger, consolidation or other corporate reorganization) of the Company filed under the Securities Act (whether filed pursuant to the provisions of this Agreement or otherwise); provided, however, that:

(a) such agreement shall not apply to shares of capital stock of the Company sold pursuant to such registration statement;

(b) all executive officers and directors of the Company then holding Common Stock of the Company enter into a similar agreement, and any other stockholder of the Company then-owning at least two percent (2%) of the shares of the Company's Common Stock on a fully-diluted basis, also enters into a similar agreement; and

(c) in an offering other than the Company's initial public offering, such

agreement shall apply only for a period of 90 days from the effective date of the registration statement filed under the Securities Act with respect thereto.

In order to enforce the foregoing covenant, the Company shall have the right to place restrictive legends on the certificates representing the shares subject to this Section and to impose stop transfer instructions with respect to the shares of stock of each Holder (and the shares or securities of every other person subject to the foregoing restriction) until the end of such period.

2.8 Rule 144 Reporting. With a view to making available the benefits of certain rules and regulations of the Commission which may at any time permit the sale of the Registrable Securities to the public without registration, after such time as a public market exists for the Common Stock of the Company, the Company agrees to:

(a) Make and keep public information available, as those terms are understood and defined in Rule 144 under the Securities Act, at all times after the effective date of the first registration under the Securities Act filed by the Company for an offering of its securities to the general public;

(b) File with the Commission in a timely manner all reports and other documents required of the Company under the Securities Act and the 1934 Act (at any time after it has become subject to such reporting requirements); and

(c) So long as a Holder owns any Registrable Securities, to furnish to the Holder forthwith upon request a written statement by the Company as to its compliance with the reporting requirements of said Rule 144 (at any time after 90 days after the effective date of the first registration statement filed by the Company for an offering of its securities to the general public), of the Securities Act and the 1934 Act (at any time after it has become subject to the reporting requirements of the 1934 Act), a copy of the most recent annual or quarterly report of the Company, and such other reports and documents of the Company as a Holder may reasonably request in availing itself of any rule or regulation of the Commission allowing a Holder to sell any such securities without registration (at any time after the Company has become subject to the reporting requirements of the 1934 Act).

3. ASSIGNMENT

Notwithstanding anything herein to the contrary, the registration rights of a Holder under Section 2 hereof may be assigned by a Holder only to a party who acquires all of the shares of Registrable Securities of such Holder in a transaction allowed pursuant to the terms of Section 1, if then applicable; provided, however that no party may be assigned any of the foregoing rights unless the Company is given written notice by the assigning party at the time of such assignment stating the name and address of the assignee and identifying the securities of the Company as to which the rights in question are being assigned; and provided, further that any such assignee shall receive such assigned rights subject to all the terms and conditions of this Agreement, including without limitation the provisions of this Section 3.

4. GENERAL PROVISIONS

4.1 Amendment of Rights. Any provision of this Agreement may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and Holders of a majority of all Registrable Securities then outstanding. Any amendment or waiver effected in accordance with this Section 4.1 shall be binding upon each Holder, each permitted successor or assignee of such Holder and the Company

4.2 Governing Law. The internal laws of the State of Delaware (irrespective if its conflict of law principles) will govern the validity of this Agreement, the construction of its terms, and the interpretation and enforcement of the rights and duties of the parties hereto.

4.3 Severability. If any provision of this Agreement, or the application thereof, will for any reason and to any extent be invalid or unenforceable, the remainder of this Agreement and application of such provision to other persons or circumstances will be interpreted so as reasonably to effect the intent of the parties hereto. The parties further agree to replace such void or unenforceable provision of this Agreement with a valid and enforceable provision that will achieve, to the extent possible, the economic, business and other purposes of the void or unenforceable provision.

4.4 Counterparts. This Agreement may be executed in any number of counterparts, each of which will be an original as regards any party whose signature appears thereon and all of which together will constitute one and the same instrument. This Agreement will become binding when one or more counterparts hereof, individually or taken together, will bear the signatures of all parties reflected hereon as signatories. Facsimile copies of such counterparts are acceptable.

4.5 Notices. Any notice or other communication required or permitted to be given under this Agreement will be in writing, will be delivered personally, by registered or certified mail, postage prepaid, by confirmed facsimile or by nationally recognized courier service, and will be deemed given upon delivery, if delivered personally, or five days after deposit in the mail, if mailed, or upon receipt if delivered by confirmed facsimile or nationally recognized courier service to the following addresses:

(i) If to Company:
Interactive Imaging Systems, Inc.
2166 Brighton-Henrietta Townline Road
Rochester, New York 14623
Facsimile: (716) 240-8003
Attention: Paul J. Travers, President

With a copy to:
Steven R. Gersz, Esq.
Underberg & Kessler LLP
1800. Chase Square
Rochester, New York 14604

Facsimile: (716) 258-2821

(ii) If to Shareholders:

To the addresses set forth on the counterpart signature pages hereto or to such other address as a party may have furnished to the other parties in writing pursuant to this Section 4.5.

4.6 Absence of Third Party Beneficiary Rights. No provisions of this Agreement are intended, nor will be interpreted, to provide or create any third party beneficiary rights or any other rights of any kind in any client, customer, affiliate, stockholder, partner or any party hereto or any other person or entity unless specifically provided otherwise herein, and, except as so provided, all provisions hereof will be solely between the parties to this Agreement.

4.7 Entire Agreement. This Agreement constitutes the entire understanding and agreement of the parties hereto with respect to the shares of the Common Stock in the Company, and, except for the Stock Redemption and Purchase Agreement, dated December 3, 1998, by and among the Company and certain shareholders of the Company, supersedes all prior and contemporaneous agreements or understandings, inducements or conditions, express or implied, written or oral, between the parties. Such superseded agreements shall include but not be limited to the Kaotech Corporation Shareholders Agreement, dated as of November 20, 1997 and, upon the closing of a private placement offering by the Company in the minimum aggregate amount of $750,000 at a minimum valuation for the Company of $2,500,000, both the Voting Agreement by and among Paul J. Travers, Lee Martin and the Company, dated December 3, 1998 and the Cross Purchase Agreement by and between Kopin Corporation, certain other shareholders in the Company, Lee Martin and the Company, dated December 3, 1998. If the closing of the private placement offering contemplated in the preceding sentence does not occur, then the rights and obligations of the parties to both the Voting and Cross Purchase Agreements dated. December 3, 1998 shall remain in full force and effect. The express terms hereof control and supersede any course of performance or usage of the trade inconsistent with any of the terms hereof.

4.8 Termination. The Company will have no obligations pursuant to Section 2.2 with respect to any Holder if, (i) in the opinion of counsel to the Company, all Registrable Securities held by such Holder may be sold in a three-month period without registration under the Securities Act pursuant to Rule 144 promulgated under the Securities Act or otherwise; or (ii) if all Registrable Securities held by such Holder have been registered and sold to the public or sold pursuant to Rule 144 promulgated under the Securities Act and/or have been transferred or sold in a transaction in which registration rights hereunder have not been assigned in accordance with this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, unless otherwise indicated, effective as of the date and year first above written.

INTERACTIVE IMAGING SYSTEMS, INC.

By: /s/ Paul J. Travers
Name: Paul J. Travers
Title: President

[Remainder of page intentionally left blank]

Shareholders Agreement
Counterpart Signature Page

The undersigned, being a Shareholder of Common Stock in the Company, executes and agrees to be bound by and obtain the benefits of, the Shareholders Agreement dated as of October 11, 2000.

SHAREHOLDER

Signature: _____

Print Name: _____

Address: _____

_____

_____

Date:

[Counterpart signature page to the Shareholders Agreement]

Exhibit 10.10

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (this "Agreement") is made and entered into as of October 11, 2000, by and between Interactive Imaging Systems, Inc., a Delaware corporation (the "Company") and certain of the shareholders in the Company who become a party to this Agreement, each of whom will acquire Common Stock in the Company on or after October 11, 2000, pursuant to one or more offerings by the Company (collectively, the "Investors" and each individually, an "Investor).

RECITALS:

A. Certain Investors and the Company have entered into Subscription Agreements pursuant to which such Investors have purchased shares of the Company's $.001 par value Common Stock at U.S. $.50 per share (the "Subscription Agreements").

B. Each of the Investors has agreed to certain restrictions on the transfer of the Common Stock and in return, the Company has agreed to grant certain registration rights with respect to the shares of the Company's Common Stock that are issued to the Investors, subject to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises hereinafter set forth, the parties hereto agree as follows:

1. TRANSFER LIMITATION

1.1 Rationale. The Investors and the Company believe it to be in their best interests to impose certain restrictions on the transfer or other disposition of the Common Stock in order to provide for continuity in the control and management of the Company and to prevent the Common Stock from becoming owned by persons or entities whose purposes and interests would not be in the best interests of the Company, its business and the shareholders of the Company.

1.2 Dispositions Restricted. Prior to October 11, 2002, no Investor shall make or suffer to be made any sale, gift, pledge, mortgage, encumbrance, distribution, transfer, assignment, hypothecation or disposition of any kind (a "Disposition") of any of his shares of Common Stock without first obtaining the consent of the Board of Directors of the Company; except that no such consent shall be required in the case of a Disposition to another then current shareholder of the Company. The Company shall not suffer or permit any Disposition, except as may be expressly permitted under this Agreement. The foregoing restrictions on Dispositions shall automatically terminate on the earlier to occur of: (a) October 11, 2002; (b) the closing of the first public offering by the Company of shares of Common Stock of the Company registered under the Securities Act of 1933, as amended; or (c) the closing of the sale of the majority of the Company's Common Stock or assets to a third party.

1.3 Legend. During the term of the foregoing restrictions on Dispositions, there shall be placed upon every certificate representing the Common Stock the following legend:

> This certificate and the shares represented hereby are subject to, and transfer of such shares is restricted by, the provisions of an agreement among the issuing Company and

certain of its shareholders dated as of October 11, 2000, and any amendments thereto, a copy of which agreement is on file at the principal office of the Company.

Upon expiration of the foregoing restrictions on Dispositions, each Investor may request the Company to issue a new certificate representing the Common Stock without the foregoing legend.

2. REGISTRATION RIGHTS

2.1 Certain Definitions. For purposes of this Agreement:

(a) Registration. The terms "register", "registered", and "registration" refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act of 1933, as amended (the "Securities Act"), including Regulation S-B thereunder, if available, and the declaration or ordering of effectiveness of such registration statement.

(b) Registrable Securities. The term "Registrable Securities" means: (1) all the shares of Common Stock of the Company held by the Investors and (2) any shares of Common Stock of the Company issued as (or issuable upon the conversion or exercise of any warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, all such shares of Common Stock described in clause (1); excluding in all cases, however, any Registrable Securities sold by a person in a transaction which violates Section 1 or in which rights under this Section 2 are not assigned in accordance with Section 3 of this Agreement.

(c) Registrable Securities Then Outstanding. The number of shares of "Registrable Securities then outstanding" shall mean the number of shares of Common Stock which are Registrable Securities and are then issued and outstanding.

(d) Holder. The term "Holder" means any person owning of record Registrable Securities that have not been sold to the public or sold pursuant to Rule 144 promulgated under the Securities Act or any assignee of record of such Registrable Securities to whom rights under this Section 2 have been duly assigned in accordance with this Agreement.

(e) SEC. The term "SEC" or "Commission" means the U.S. Securities and Exchange Commission.

2.2 Demand for Registration. If, at any one time after October 11, 2002 (i) the Company shall not then have its Common Stock listed for trading on a recognized stock market or exchange in the United States or Canada or on the OTC Bulletin Board, and (ii) the Company shall receive a written request from Holders of Registrable Securities requesting that the Company file a registration statement covering Registrable Securities owned by them and constituting at least a majority of the Registrable Securities then outstanding, then the Company shall (x) give all other Holders written notice of such request, and (y) use commercially reasonable efforts to file, within one hundred twenty (120) days of receipt of such request, a registration statement covering all Registrable Securities which the Holders request to be registered prior to the date of the initial filing of the registration statement.

2.3 Obligations of the Company. Whenever required to effect the registration of any Registrable Securities under this Agreement, the Company shall, as expeditiously as commercially reasonable:

(a) Furnish to the Holders and to the underwriters, if any, such number of copies of the registration statement, prospectus, and preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of the Registrable Securities owned by them that are included in such registration.

(b) Use its commercially reasonable efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

(c) Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing.

(d) Use its reasonable best efforts either to (i) cause all the Registrable Securities covered by any registration statement to be listed on a recognized stock market or exchange in the United States or in Canada, if the listing of such Registrable Securities is then permitted under the rules of such market or exchange, or (ii) secure the quotation of the Registrable Securities on the OTC Bulletin Board.

2.4 Furnish Information. It shall be a condition precedent to the obligations of the Company to take any action pursuant to Sections 2.2 and 2.3 that the selling Holders shall furnish to the Company such information regarding themselves, the Registrable Securities held by them, and the intended method of disposition of such securities as shall be reasonably required to timely effect the registration of their Registrable Securities.

2.5 Delay of Registration. No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any such registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 2.

2.6 Indemnification. With respect to Registrable Securities that are included in a registration statement under Section 2.2:

(a) By the Company. To the extent permitted by law, the Company will indemnify and hold harmless each Holder, the partners, officers, directors of each Holder, any underwriter (as defined in the Securities Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Securities Exchange Act of 1934, as amended (the "1934 Act"), against any expenses, losses, claims, damages, or liabilities (joint or several) (or actions in respect thereof) to which they may become subject under the Securities Act, the 1934 Act or other federal or state law, insofar as such expenses, losses, claims, damages, or

liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "Violation"):

(i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, preliminary prospectus, final prospectus, offering circular or other document contained therein or any amendments or supplements thereto;

(ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or

(iii) any violation or alleged violation by the Company of the Securities Act, the 1934 Act, any federal or state securities law or any rule or regulation promulgated under the Securities Act, the 1934 Act or any federal or state securities law in connection with the offering covered by such registration statement; and the Company will reimburse each such Holder, partner, officer, director, underwriter or controlling person for any legal or other expenses reasonably incurred by them, as incurred, in connection with investigating, defending or settling any such loss, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this subsection 2.6(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable in any such case for any such loss, claim, damage, liability or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by such Holder or its agent, partner, officer, director, underwriter or controlling person of such Holder.

(b) By Selling Holders. To the extent permitted by law, each selling Holder will indemnify and hold harmless the Company, each of its directors, each of its officers who have signed the registration statement, each person, if any, who controls the Company within the meaning of the Securities Act, any underwriter and any other Holder selling securities under such registration statement or any of such other Holders partners, directors or officers or any person who controls such Holder within the meaning of the Securities Act or the 1934 Act, against any losses, claims, damages or liabilities (joint or several) to which the Company or any such director, officer, controlling person, underwriter or other such Holder, partner or director, officer or controlling person of such other Holder may become subject under the Securities Act, the 1934 Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder or its agent expressly for use in connection with such registration; and each such Holder will reimburse any legal or other expenses reasonably incurred by the Company or any such director, officer, controlling person, underwriter or other Holder, partner, officer, director or controlling person of such other Holder in connection with investigating, defending or settling any such loss, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this subsection 2.6(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the

Holder, which consent shall not be unreasonably withheld; and provided, further, that the total amounts payable in indemnity by a Holder under this Section 2.6(b) in respect of any Violation shall not exceed the net proceeds received by such Holder in the registered offering out of which such Violation arises.

(c) Notice. Promptly after receipt by an indemnified party under this Section 2.6 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 2.6, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party shall have the right to retain its own counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential conflict of interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section 2.6, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 2.6.

(d) Defect Eliminated in Final Prospectus. The foregoing indemnity agreements of the Company and Holders are subject to the condition that, insofar as they relate to any Violation made in a preliminary prospectus but which Violation is eliminated or remedied in the amended prospectus on file with the SEC at the time the registration statement in question becomes effective or the amended prospectus filed with the SEC pursuant to SEC Rule 424(b) (the "Final Prospectus"), such indemnity agreement shall not inure to the benefit of any person if a copy of the Final Prospectus was furnished to the indemnified party and was not furnished to the person asserting the loss, liability, claim or damage at or prior to the time such action is required by the Securities Act.

(e) Contribution. In order to provide for just and equitable contribution to joint liability under the Securities Act in any case in which either (i) any Holder exercising rights under this Agreement, or any controlling person of any such Holder, makes a claim for indemnification pursuant to this Section 2.6 but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case notwithstanding the fact that this Section 2.6 provides for indemnification in such case, or (ii) contribution under the Securities Act may be required on the part of any such selling Holder or any such controlling person in circumstances for which indemnification is provided under this Section 2.6; then, and in each such case, the Company and such Holder will contribute to the aggregate losses, claims, damages or liabilities to which they may be subject (after contribution from others) in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the statements or omissions that resulted in such expense, loss, claim, damage or liability in such proportion as is appropriate to reflect the relative fault of each such party in connection with such statements or omissions as well as any other relevant considerations; provided, however, that, in any such case, (A) the total amounts payable in contribution by any Holder under this

Section 2.6(e) shall not exceed the net proceeds received by such Holder in the registered offering out of which such responsibility arises; and (B) no person or entity guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any person or entity who was not guilty of such fraudulent misrepresentation.

(f) Survival. The obligations of the Company and Holders under this Section 2.6 shall survive the completion of any offering of Registrable Securities in a registration statement, and otherwise.

2.7 Market Stand-Off' Agreement. Each Holder hereby agrees that it shall not, to the extent requested by the Company or an underwriter of securities of the Company, sell or otherwise transfer or dispose of any Registrable Securities or any shares of capital stock of the Company then owned by such Holder (other than to donees or partners of the Holder who agree to be similarly bound) for up to one hundred eighty (180) days following the effective date of any registration statement (other than a registration statement relating to any employee benefit plan or to any acquisition, merger, consolidation or other corporate reorganization) of the Company filed under the Securities Act (whether filed pursuant to the provisions of this Agreement or otherwise); provided, however, that:

(a) such agreement shall not apply to shares of capital stock of the Company sold pursuant to such registration statement;

(b) all executive officers and directors of the Company then holding Common Stock of the Company enter into a similar agreement, and any other stockholder of the Company then-owning at least two percent (2%) of the shares of the Company's Common Stock on a fully-diluted basis, also enters into a similar agreement; and

(c) in an offering other than the Company's initial public offering, such agreement shall apply only for a period of 90 days from the effective date of the registration statement filed under the Securities Act with respect thereto.

In order to enforce the foregoing covenant, the Company shall have the right to place restrictive legends on the certificates representing the shares subject to this Section and to impose stop transfer instructions with respect to the shares of stock of each Holder (and the shares or securities of every other person subject to the foregoing restriction) until the end of such period.

2.8 Rule 144 Reporting. With a view to making available the benefits of certain rules and regulations of the Commission which may at any time permit the sale of the Registrable Securities to the public without registration, after such time as a public market exists for the Common Stock of the Company, the Company agrees to:

(a) Make and keep public information available, as those terms are understood and defined in Rule 144 under the Securities Act, at all times after the effective date of the first registration under the Securities Act filed by the Company for an offering of its securities to the general public;

(b) File with the Commission in a timely manner all reports and other documents required of the Company under the Securities Act and the 1934 Act (at any time after it has become subject to such reporting requirements); and

(c) So long as a Holder owns any Registrable Securities, to furnish to the Holder forthwith upon request a written statement by the Company as to its compliance with the reporting requirements of said Rule 144 (at any time after 90 days after the effective date of the first registration statement filed by the Company for an offering of its securities to the general public), of the Securities Act and the 1934 Act (at any time after it has become subject to the reporting requirements of the 1934 Act), a copy of the most recent annual or quarterly report of the Company, and such other reports and documents of the Company as a Holder may reasonably request in availing itself of any rule or regulation of the Commission allowing a Holder to sell any such securities without registration (at any time after the Company has become subject to the reporting requirements of the 1934 Act).

2.9 Expenses of Registration. The Company shall bear and pay all expenses, other than underwriting discounts and commissions, incurred in connection with registrations, filings or qualifications pursuant to Sections 2.2 and 2.3, including (without limitation) all registration, filing and qualification fees, printers' and accounting fees, fees and disbursements of counsel for the Company and the reasonable fees and disbursements of one counsel for the selling Holders selected by those Holders with a majority of the Registrable Securities included in the registration.

3. ASSIGNMENT

Notwithstanding anything herein to any the contrary, the registration rights of a Holder under Section 2 hereof may be assigned by a Holder only to a party who acquires all of the shares of Registrable Securities of such Holder in a transaction allowed pursuant to the terms of Section 1, if then applicable; provided, however that no party may be assigned any of the foregoing rights unless the Company is given written notice by the assigning party at the time of such assignment stating the name and address of the assignee and identifying the securities of the Company as to which the rights in question are being assigned; and provided, further that any such assignee shall receive such assigned rights subject to all the terms and conditions of this Agreement, including without limitation the provisions of this Section 3.

4. GENERAL PROVISIONS

4.1 Amendment of Rights. Any provision of this Agreement may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and Holders of a majority of all Registrable Securities then outstanding. Any amendment or waiver effected in accordance with this Section 4.1 shall be binding upon each Holder, each permitted successor or assignee of such Holder and the Company.

4.2 Governing Law. The internal laws of the State of Delaware (irrespective of its conflict of law principles) will govern the validity of this Agreement, the construction of its terms, and the interpretation and enforcement of the rights and duties of the parties hereto.

4.3 Severability. If any provision of this Agreement, or the application thereof, will for any reason and to any extent be invalid or unenforceable, the remainder of this Agreement and application of such provision to other persons or circumstances will be interpreted so as reasonably to effect the intent of the parties hereto. The parties further agree to replace such void or unenforceable provision of this Agreement with a valid and enforceable provision that will achieve, to the extent possible, the economic, business and

other purposes of the void or unenforceable provision.

4.4 Counterparts. This Agreement may be executed in any number of counterparts, each of which will be an original as regards any party whose signature appears thereon and all of which together will constitute one and the same instrument. This Agreement will become binding when one or more counterparts hereof, individually or taken together, will bear the signatures of all parties reflected hereon as signatories. Facsimile copies of such counterparts are acceptable.

4.5 Notices. Any notice or other communication required or permitted to be given under this Agreement will be in writing, will be delivered personally, by registered or certified mail, postage prepaid, by confirmed facsimile or by nationally recognized courier service, and will be deemed given upon delivery, if delivered personally, or five days after deposit in the mails, if mailed, or upon receipt if delivered by confirmed facsimile or nationally recognized courier service to the following addresses:

(i) If to Company:
Interactive Imaging Systems, Inc.
2166 Brighton-Henrietta Townline Road
Rochester, New York 14623
Facsimile: (716) 240-8003
Attention: Paul J. Travers, President

With a copy to:
Steven R. Gersz, Esq.
Underberg & Kessler LLP
1800 Chase Square
Rochester, New York 14604
Facsimile: (716) 258-2821

(ii) If to Investors:

To the addresses set forth on the counterpart signature pages hereto or to such other address as a party may have furnished to the other parties in writing pursuant to this Section 4.5.

4.6 Absence of Third Party Beneficiary Rights. No provisions of this Agreement are intended, nor will be interpreted, to provide or create any third party beneficiary rights or any other rights of any kind in any client, customer, affiliate, stockholder, partner or any party hereto or any other person or entity unless specifically provided otherwise herein, and, except as so provided, all provisions hereof will be personal solely between the parties to this Agreement.

4.7 Entire Agreement. This Agreement constitutes the entire understanding and agreement of the parties hereto with respect to the subject matter hereof and supersedes all prior and contemporaneous agreements or understandings, inducements or conditions, express or implied, written or oral, between the parties. The express terms hereof control and supersede any course of performance or usage of the trade inconsistent with any of the terms hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the date and year first above written.

INTERACTIVE IMAGING SYSTEMS, INC.

By: /s/ Paul J. Travers
Name: Paul J. Travers
Title: President

Registration Rights Agreement
Counterpart Signature Page

The undersigned, being a subscriber for shares of Common Stock in the Company, executes and agrees to be bound by and obtain the benefits of, the Registration Rights Agreement dated as of October 11, 2000; provided, however, that the Registration Rights Agreement shall not be effective as to any subscriber whose subscription is not accepted by the Company.

INVESTOR:

Signature: _____

Print Name: _____

Address: _____

_____

_____

Date:

Exhibit 10.11

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT dated as of June ___, 2005 (the *"Agreement"),* is entered into by and among Icuiti Corporation, a Delaware corporation (the *"Company"),* and the holders (the *"Investors")* of the Company's capital stock and Warrants set forth on the signature page hereof. Capitalized terms not defined herein shall have the meanings ascribed to them in the Subscription Agreement (as hereinafter defined).

WHEREAS, simultaneously with the execution and delivery of this Agreement, the Investors are agreeing to purchase from the Company, pursuant to certain Subscription Agreements dated as of the same date as the date hereof among them and the Company, (the *"Subscription Agreements")* certain Units, each consisting of one share of the Company's Series C 6% Convertible Preferred Stock *("Series C Preferred Stock")* that is convertible into shares of the Company's $.001 par value Common Stock *("Common Stock")* and eight (8) warrants (the *"Warrants"),* each of which entitles the holder to purchase one share of Common Stock at a purchase price of $.01 per share; and

WHEREAS, the Company desires to grant to the Investors the registration rights set forth herein with respect to the shares of Common Stock issuable upon conversion of the Series C Preferred Stock (the *"Conversion Shares"),* and the shares of Common Stock issuable upon exercise of the Warrants (the *"Warrant Shares")* and the shares of Common Stock issued as a dividend or other distribution with respect to the Conversion Shares or the Warrant Shares, Escrow Shares (the *"Distribution Shares")* (all the shares of the Series C Preferred Stock, the Conversion Shares, the Warrant Shares and the Distribution Shares, collectively and interchangeably, are referred to herein as the *"Securities").*

NOW, THEREFORE, the parties hereto mutually agree as follows:

1. CERTAIN DEFINITIONS

As used herein the term *"Registrable Security"* means the Conversion Shares, the Warrant Shares and the Distribution Shares, until (i) the Registration Statement (as defined below) has been declared effective by the Securities and Exchange Commission (the *"Commission"),* and all Securities have been disposed of pursuant to the Registration Statement, (ii) all Securities have been sold under circumstances under which all of the applicable conditions of Rule 144 *("Rule 144")* (or any similar provision then in force) under the Securities Act of 1933, as amended (the *"Securities Act")* are met, or (iii) such time as, in the opinion of counsel to the Company reasonably satisfactory to the Investors and upon delivery to the Investors of such

executed opinion, all Securities may be sold without any time, volume or manner limitations pursuant to Rule 144 (or any similar provision then in effect). In the event of any merger, reorganization, consolidation, recapitalization or other change in corporate structure affecting the Common Stock, such adjustment shall be deemed to be made in the definition of "Registrable Security" as is appropriate in order to prevent any dilution or enlargement of the rights granted pursuant to this Agreement. As used herein the term *"Holder"* means any Person owning or having the right to acquire Registrable Securities or any assignee thereof in accordance with Section 10 hereof As used herein *"Trading Day"* shall mean any business day on which the market on which the Common Stock trades is open for business.

2. RESTRICTIONS ON TRANSFER

Each of the Investors acknowledges and understands that prior to the registration of the Securities as provided herein, the Securities are "restricted securities" as defined in Rule 144. Each of the Investors understands that no disposition or transfer of the Securities may be made by any of the Investors in the absence of (i) an opinion of counsel to such Investor, in form and substance reasonably satisfactory to the Company, that such transfer may be made without registration under the Securities Act or (ii) such registration.

3. COMPLIANCE WITH REPORTING REQUIREMENTS

At any time from and after Company is required to file reports and other documents with the Commission pursuant to Section 13 or 15(d) under the Securities Exchange Act of 1934 (the *"Exchange Act"),* with a view to making available to the Investors the benefits of Rule 144 or any other similar rule or regulation of the Commission that may at any time permit the holders of the Securities to sell securities of the Company to the public pursuant to Rule 144, the Company agrees to:

(a) comply with the provisions of paragraph (c)(1) of Rule 144;

(b) file with the Commission in a timely manner all reports and other documents required to be filed with the Commission pursuant to Section 13 or 15(d) under the Exchange Act by companies subject to either of such sections, irrespective of whether the Company is then subject to such reporting requirements; and

(c) Upon request by any Holder or the Company's transfer agent, the Company shall provide an opinion of counsel, which opinion shall be reasonably acceptable to the Holder and/or the Company's transfer agent, that such Holder has complied with the applicable conditions of Rule 144 (or any similar provision then in force).

4. REGISTRATION RIGHTS WITH RESPECT TO THE REGISTRABLE SECURITIES

If, at any time any Registrable Securities are not at the time covered by any

effective Registration Statement, the Company shall determine to register under the Securities Act of 1933, as amended (the *"Securities Ace')* any of its shares of the Common Stock (other than its initial registered offering of shares to the public, or in connection with a merger or other business combination transaction that has been consented to in writing by holders of the Series A Preferred Stock, or pursuant to Form S-8), it shall send to each Holder written notice of such determination and, if within 20 days after receipt of such notice, such Holder shall so request in writing, the Company shall its best efforts to include in such registration statement all or any part of the Registrable Securities that such Holder requests to be registered. Notwithstanding the foregoing, if, in connection with any offering involving an underwriting of the Common Stock to by issued by the Company, the managing underwriter shall impose a limitation on the number of shares of the Common Stock that may be included in any such registration statement because, in such underwriter's judgment, such limitation is necessary based on market conditions: (a) the Company may exclude, to the extent so advised by the underwriters, the Registrable Securities from the underwriting, it being understood that the Registrable Securities will be excluded from such underwriting prior to the exclusion from such offering of any securities with respect to which piggyback registration rights have been granted prior to the date of this Agreement. If the underwriters do not entirely exclude the Registrable Securities from such offering, the Company shall be obligated to include in such registration statement, with respect to the requesting Holder, only an amount of Registrable Securities equal to the product of (i) the number of Registrable Securities that remain available for registration after the underwriter's cutback and (ii) such Holder's percentage of ownership of all the Registrable Securities then outstanding (on an as- converted basis) (the *"Registrable Percentage").* If any Holder disapproves of the terms of any underwriting referred to in this paragraph, it may elect to withdraw therefrom by written notice to the Company and the underwriter.

5. COOPERATION WITH COMPANY

Each Holder will cooperate with the Company in all respects in connection with this Agreement, including timely supplying all information reasonably requested by the Company (which shall include all information regarding such Holder and proposed manner of sale of the Registrable Securities required to be disclosed in any Registration Statement) and executing and returning all documents reasonably requested in connection with the registration and sale of the Registrable Securities and entering into and performing its obligations under any underwriting agreement, if the offering is an underwritten offering, in usual and customary form, with the managing underwriter or underwriters of such underwritten offering. Nothing in this Agreement shall obligate any Holder to consent to be named as an underwriter in any Registration Statement. The obligation of the Company to register the Registrable Securities shall be absolute and unconditional as to those Registrable Securities which the Commission will permit to be registered without naming any Holder as underwriters.

6. REGISTRATION PROCEDURES

If and whenever and so long as the Company is required by any of the provisions of this Agreement to effect the registration of any of the Registrable Securities under the Securities Act, the Company shall (except as otherwise provided in this Agreement), as expeditiously as possible, subject to the Holders' assistance and cooperation as reasonably required with respect to each Registration Statement:

(a) (i) prepare and file with the Commission such amendments and supplements to the Registration Statement and the prospectus used in connection therewith as may be necessary to keep such Registration Statement effective and to comply with the provisions of the Securities Act with respect to the sale or other disposition of all Registrable Securities covered by such Registration Statement whenever any of the Holder shall desire to sell or otherwise dispose of the same (including prospectus supplements with respect to the sales of Registrable Securities from time to time in connection with a registration statement pursuant to Rule 415 promulgated under the Securities Act) and (ii) take all lawful action such that each of (A) the Registration Statement and any amendment thereto does not, when it becomes effective, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading and (B) the prospectus forming part of the Registration Statement, and any amendment or supplement thereto, does not at any time during the Registration Period include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(b) prior to the filing with the Commission of any Registration Statement (including any amendments thereto) and the distribution or delivery of any prospectus (including any supplements thereto), provide draft copies thereof to the Holders as required by Section 4(c) and reflect in such documents all such comments as the Holders (and their counsel) reasonably may propose and at the Holders sole cost; (ii) furnish to each of the Holders such numbers of copies of a prospectus including a preliminary prospectus or any amendment or supplement to any prospectus, as applicable, in conformity with the requirements of the Securities Act, and such other documents, as any of the Holders may reasonably request in order to facilitate the public sale or other disposition of the Registrable Securities owned by such Holder; and (iii) provide to the Holders copies of any comments and communications from the Commission relating to the Registration Statement, if lawful to do so;

(c) register and qualify the Registrable Securities covered by the Registration Statement under such other securities or blue sky laws of such jurisdictions as any of the Holders shall reasonably request (subject to the limitations set forth in Section 4(c) above), and do any and all other acts and things which may be reasonably necessary or advisable to enable such Holder to consummate the public sale or other disposition in such jurisdiction of the Registrable Securities owned by

such Holder;

(d) list such Registrable Securities on the markets where the Common Stock of the Company is listed as of the effective date of the Registration Statement, if the listing of such. Registrable Securities is then permitted under the rules of such markets;

(e) notify the Holders at any time when a prospectus relating thereto covered by the Registration Statement is required to be delivered under the Securities Act, of the happening of any event of which it has knowledge as a result of which the prospectus included in the Registration Statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing, and the Company shall prepare and file a curative amendment under Section 6(a) as quickly as reasonably possible and during such period, the Holders shall not make any sales of Registrable Securities pursuant to the Registration Statement;

(f) after becoming aware of such event, notify each of the Holders who holds Registrable Securities being sold (or, in the event of an underwritten offering, the managing underwriters) of the issuance by the Commission of any stop order or other suspension of the effectiveness of the Registration Statement at the earliest possible time and take all lawful action to effect the withdrawal, rescission or removal of such stop order or other suspension;

(g) cooperate with the Holders to facilitate the timely preparation and delivery of certificates for the Registrable Securities to be offered pursuant to the Registration Statement and enable such certificates for the Registrable Securities to be in such denominations or amounts, as the case may be, as any of the Holders reasonably may request and registered in such names as any of the Holders may request; and, within three Trading Days after a Registration Statement which includes Registrable Securities is declared effective by the Commission, deliver and cause legal counsel selected by the Company to deliver to the transfer agent for the Registrable Securities (with copies to the Holders) an appropriate instruction and, to the extent necessary, an opinion of such counsel;

(h) take all such other lawful actions reasonably necessary to expedite and facilitate the disposition by the Holders of their Registrable Securities in accordance with the intended methods therefor provided in the prospectus which are customary for issuers to perform under the circumstances;

(i) in the event of an underwritten offering, promptly include or incorporate in a prospectus supplement or post-effective amendment to the Registration Statement such information as the managers reasonably agree should be included therein and to which the Company does not reasonably object and make all required filings of such prospectus supplement or post-effective amendment as soon as practicable after it is notified of the matters to be included or incorporated in such

prospectus supplement or post-effective amendment; and

(j) maintain a transfer agent and registrar for the Common Stock.

7. INDEMNIFICATION

(a) To the maximum extent permitted by law, the Company agrees to indemnify and hold harmless each of the Holders, each person, if any, who controls any of the Holders within the meaning of the Securities Act, and each director, officer, shareholder, employee, agent, representative, accountant or attorney of the foregoing (each of such indemnified parties, a *"Distribution· Investor")* against any losses, claims, damages or liabilities, joint or several (which shall, for all purposes of this Agreement, include, but not be limited to, all reasonable costs of defense and investigation and all reasonable attorneys' fees and expenses), to which the Distributing Investor may become subject, under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any Registration Statement, or any related final prospectus or amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that the Company will not be liable in any such case to the extent, and only to the extent, that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such Registration Statement, preliminary prospectus, final prospectus or amendment or supplement thereto in reliance upon, and in conformity with, written information furnished to the Company by the Distributing Investor, its counsel, or affiliates, specifically for use in the preparation thereof or (ii) by such Distributing Investor's failure to deliver to the purchaser a copy of the most recent prospectus (including any amendments or supplements thereto). This indemnity agreement will be in addition to any liability which the Company may otherwise have.

(b) To the maximum extent permitted by law, each Distributing Investor agrees that it will indemnify and hold harmless the Company, and each officer and director of the Company or person, if any, who controls the Company within the meaning of the Securities Act, against any losses, claims, damages or liabilities (which shall, for all purposes of this Agreement, include, but not be limited to, all reasonable costs of defense and investigation and all reasonable attorneys' fees and expenses) to which the Company or any such officer, director or controlling person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any Registration Statement, or any related final prospectus or amendment or supplement thereto, or arise out of or are based upon the omission or the alleged omission to state therein a material fact required to be stated therein or necessary to make the

statements therein not misleading, but in each case only to the extent that such untrue statement or alleged untrue statement or omission or alleged omission was made in such Registration Statement, final prospectus or amendment or supplement thereto in reliance upon, and in conformity with, written information furnished to the Company by such Distributing Investor, its counsel or affiliates, specifically for use in the preparation thereof. This indemnity agreement will be in addition to any liability which the Distributing Investor may otherwise have under this Agreement. Notwithstanding anything to the contrary herein, the Distributing Investor shall be liable under this Section 7(b) for only that amount as does not exceed the net proceeds to such Distributing Investor as a result of the sale of Registrable Securities pursuant to the Registration Statement.

(c) Promptly after receipt by an indemnified party under this Section 7 of notice of the commencement of any action against such indemnified party, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section 7, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party will not relieve the indemnifying party from any liability which it may have to any indemnified party except to the extent the failure of the indemnified party to provide such written notification actually prejudices the ability of the indemnifying party to defend such action. In case any such action is brought against any indemnified party, and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate in, and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, assume the defense thereof, subject to the provisions herein stated and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party under this Section 7 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation, unless the indemnifying party shall not pursue the action to its final conclusion. The indemnified parties shall have the right to employ one or more separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall not be at the expense of the indemnifying party if the indemnifying party has assumed the defense of the action with counsel reasonably satisfactory to the indemnified party unless (i) the employment of such counsel has been specifically authorized in writing by the indemnifying party, or (ii) the named parties to any such action (including any interpleaded parties) include both the indemnified party and the indemnifying party and the indemnified party shall have been advised by its counsel that there may be one or more legal defenses available to the indemnifying party different from or in conflict with any legal defenses which may be available to the indemnified party or any other indemnified party (in which case the indemnifying party shall not have the right to assume the defense of such action on behalf of such indemnified party, it being understood, however, that the indemnifying party shall, in connection with any one such action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable only

for the reasonable fees and expenses of one separate firm of attorneys for the indemnified party, which firm shall be designated in writing by the indemnified party). No settlement of any action against an indemnified party shall be made without the prior written consent of the indemnified party, which consent shall not be unreasonably withheld so long as such settlement includes a full release of claims against the indemnified party.

All fees and expenses of the indemnified party (including reasonable costs of defense and investigation in a manner not inconsistent with this Section and all reasonable attorneys' fees and expenses) shall be paid to the indemnified party, as incurred, within 10 Trading Days of written notice thereof to the indemnifying party; provided, that the indemnifying party may require such indemnified party to undertake to reimburse all such fees and expenses to the extent it is finally judicially determined that such indemnified party is not entitled to indemnification hereunder.

8. CONTRIBUTION

In order to provide for just and equitable contribution under the Securities Act in any case in which (i) the indemnified party makes a claim for indemnification pursuant to Section 7 hereof but is judicially determined (by the entry of a formal judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case notwithstanding the fact that the express provisions of Section 7 hereof provide for indemnification in such case, or (ii) contribution under the Securities Act may be required on the part of any indemnified party, then the Company and the applicable Distributing Investor shall contribute to the aggregate losses, claims, damages or liabilities to which they may be subject (which shall, for all purposes of this Agreement, include, but not be limited to, all reasonable costs of defense and investigation and all reasonable attorneys' fees and expenses), in either such case (after contribution from others) on the basis of relative fault as well as any other relevant equitable considerations. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand or the applicable Distributing Investor on the other hand, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Distributing Investor agree that it would not be just and equitable if contribution pursuant to this Section 8 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in this Section 8. The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this Section 8 shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

Notwithstanding any other provision of this Section 8, in no event shall (i) any of the Distributing Investors be required to undertake liability to any person under this Section 8 for any amounts in excess of the dollar amount of the proceeds received by such Distributing Investor from the sale of such Distributing Investor's Registrable Securities (after deducting any fees, discounts and commissions applicable thereto) pursuant to any Registration Statement under which such Registrable Securities are registered under the Securities Act and (ii) any underwriter be required to undertake liability to any person hereunder for any amounts in excess of the aggregate discount, commission or other compensation payable to such underwriter with respect to the Registrable Securities underwritten by it and distributed pursuant to such Registration Statement.

9. NOTICES

Any notice required or permitted hereunder shall be given in writing (unless otherwise specified herein) and shall be effective upon personal delivery, via facsimile (upon receipt of confirmation of error-free transmission and mailing a copy of such confirmation, postage prepaid by certified mail, return receipt requested) or two business days following deposit of such notice with an internationally recognized courier service, with postage prepaid and addressed to each of the other parties thereunto entitled at the following addresses, or at such other addresses as a party may designate by five days advance written notice to each of the other parties hereto.

Company:	Icuiti Corporation. 22166 Brighton-Henrietta Townline Road Suite B Rochester, New York 14634 Attention: President Tel: 585-240-8000 Facsimile: 585-240-8003
with a copy to:	
	Boylan, Brown, Code, Vigdor & Wilson, LLP 2400 Chase Squire Rochester, NY 14604 Attention: Robert F. Mechur, Esq. Tel: 585-232-5300 Facsimile: 585-238-9022
Investors:	At the address and facsimile set forth on the signature page hereof

10. ASSIGNMENT

The registration rights granted to any Holder under this Agreement may be transferred or assigned provided the transferee is bound by the terms of this Agreement and the Company is given written notice of such transfer or assignment.

11. ADDITIONAL COVENANTS OF THE COMPANY

For so long as it shall be required to maintain the effectiveness of the Registration Statement, it shall file all reports and information required to be filed by it with the Commission in a timely manner and take all such other action so as to maintain such eligibility for the use of the applicable form.

12. CONFLICTING AGREEMENTS

The Company shall not enter into any agreement with respect to its securities that is inconsistent with the rights granted to the Holders in this Agreement or otherwise prevents the Company from complying with all of its obligations hereunder without the prior written approval of the holders of at least a majority of the Registrable Securities.

13. GOVERNING LAW; JURISDICTION

This Agreement shall be governed by and interpreted in accordance with the laws of the State of New York, without regard to its principles of conflict of laws. Any action or proceeding seeking to enforce any provision of or based on any right arising out of, this Agreement may be brought against any party in the federal courts of New York or the state courts of the State of New York, in each case sitting in Monroe County, New York, and each of the parties consents to the jurisdiction of such courts and hereby waives, to the maximum extent permitted by law, any objection, including any objections based on *forum non conveniens*, to the bringing of any such proceeding in such jurisdictions.

14. MISCELLANEOUS

(a) Entire Agreement. This Agreement supersedes all prior agreements and understandings among the parties hereto with respect to the subject matter hereof. This Agreement, together with the other Subscription Agreements and all other documents referred to or incorporated therein, constitutes the entire agreement among the parties hereto with respect to the subject matters hereof and thereof, and supersedes all prior agreements and understandings, whether written or oral, among the parties with respect to such subject matters.

(b) Amendments. This Agreement may not be amended except by an instrument in writing signed by the party to be charged with enforcement.

(c) Waiver. No waiver of any provision of this Agreement shall be deemed a waiver of any other provisions or shall a waiver of the performance of a provision in one or more instances be deemed a waiver of future performance thereof

(d) Construction. This Agreement has been entered into freely by

each of the parties, following consultation with their respective counsel, and shall be interpreted fairly in accordance with its respective terms, without any construction in favor of or against either party.

(e) Binding Effect of Agreement. This Agreement shall inure to the benefit of, and be binding upon the successors and assigns of each of the parties hereto, including any transferees of the Securities.

(f) Severability. If any provision of this Agreement shall be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this Agreement or the validity or unenforceability of this Agreement in any other jurisdiction.

(g) Attorneys' Fees. If any action should arise between the parties hereto to enforce or interpret the provisions of this Agreement, the prevailing party in such action shall be reimbursed for all reasonable expenses incurred in connection with such action, including reasonable attorneys' fees.

(h) Headings. The headings of this Agreement are for convenience of reference only and shall not form part of, or affect the interpretation of this Agreement.

15. COUNTERPARTS

This Agreement may be signed in one or more counterparts, each of which shall be deemed an original and all of which, when taken together, will be deemed to constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Registration Rights Agreement to be duly executed, on this _____ day of June, 2005.

ICUITI CORPORATION

By: /s/ Paul J. Travers
Name: Paul J. Travers
Title: President

INVESTOR: _____

Print Name: _____
Address: _ _____

_____ _____

Telephone:
Facsimile:

Exhibit 10.13

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER REGULATION D PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"). THIS WARRANT SHALL NOT CONSTITUTE AN OFFER TO SELL NOR A SOLICITATION OF AN OFFER TO BUY THE SECURITIES IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION WOULD BE UNLAWFUL. THE SECURITIES ARE "RESTRICTED" AND MAY NOT BE RESOLD OR TRANSFERRED EXCEPT AS PERMITTED UNDER THE ACT PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM.

Issue Date:

WARRANT

To Purchase One Million (1,000,000) Shares of $0.001 Par Value Common Stock ("Common Stock") of ICUITI CORPORATION

THIS CERTIFIES that, for value received, New Light Industries, Ltd (the "Investor") is entitled, upon the terms and subject to the conditions hereinafter set forth, at any time on or after the Issue Date and on or prior to 8:00 p.m. New York City Time on December 31, 2015 (the "Termination Date"), but not thereafter, to subscribe for and purchase from ICUITI CORPORATION, a Delaware corporation (the "Company"), One Million shares of Common Stock (the "Warrant Shares") of the Company at an Exercise Price per share equal to $0.01 per share (as adjusted from time to time pursuant to the terms hereof, the "Exercise Price"). This Warrant is being issued in connection with the Technology Purchase and Royalty Agreement dated December 23, 2005 (the "Technology Agreement") entered into between the Company and the Investor.

1. Title of Warrant. This Warrant and the rights hereunder may not be transferred by the Investor, without the prior written consent of the Company. In the event the Company shall consent to such a transfer, then the Holder shall surrender this Warrant in person or by duly authorized attorney at the office of the Company, together with (a) the Assignment Form annexed hereto properly endorsed, and (b) any other documentation reasonably necessary to satisfy the Company that such transfer is in compliance with all applicable securities laws. The Company may withhold its consent for any reason or for no reason. The term "Holder" shall refer to the Investor or any subsequent transferee of this Warrant.

2. Authorization of Shares. The Company covenants that all shares of Common Stock which may be issued upon the exercise of rights represented by this Warrant will, upon exercise of the rights represented by this Warrant and payment of the Exercise Price as set forth herein will be duly authorized, validly issued, fully paid and non-assessable and free from all taxes, liens and charges in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue or otherwise specified herein).

3. Exercise of Warrant.

(a) The Holder may exercise this Warrant as to 250,000 shares of Common Stock on or after the Issue Date, as to an additional 250,000 shares of Common Stock on or after January 1, 2007, as to an additional 250,000 shares of Common Stock on or after January 1, 2008 and as to all of the shares of Common Stock that are the subject of this Warrant on and after January 1, 2009. Subject to the foregoing sentence, the Holder may exercise this Warrant, in whole or in part, at any time on or prior to the Termination Date and from time to time, by delivering to the offices of the Company or any transfer agent for the Common Stock this Warrant, together with a Notice of Exercise in the form annexed hereto specifying the number of Warrant Shares with respect to which this Warrant is being exercised, together with payment to the Company of the Exercise Price therefor.

(b) In the event that the Warrant is not exercised in full, the number of Warrant Shares shall be reduced by the number of such Warrant Shares for which this Warrant is exercised and/or surrendered, and the Company, at its expense, shall within ten (10) calendar days issue and deliver to the Holder a new Warrant of like tenor in the name of the Holder or as the Holder (upon payment by Holder of any applicable transfer taxes) may request, reflecting such adjusted Warrant Shares.

(c) The Company shall use its best efforts to deliver the certificates for shares of Common Stock purchased hereunder to the Holder hereof within ten (10) calendar days after the date on which this Warrant shall have been exercised as aforesaid. The Holder may withdraw its Notice of Exercise at any time if the Company fails to deliver within ten (10) calendar days the relevant certificates to the Holder as provided in this Agreement.

(d) Cashless Exercise. Notwithstanding the foregoing provision regarding payment of the Exercise Price in cash, the Holder may elect to receive a reduced number of Warrant Shares in lieu of tendering the Exercise Price in cash. In such case, the number of Warrant Shares to be issued to the Holder shall be computed using the following formula:

$$X = \frac{Y \times (A-B)}{A}$$

where: X = the number of Warrant Shares to be issued to the Holder;
Y = the number of Warrant Shares to then be exercised under this Warrant Certificate;
A = the Market Value (defined below) of one share of Common Stock; and B = the Exercise Price.

(e) As used herein, “Market Value” refers to the closing price of the Common Stock (as reported by Bloomberg, L.P.) on the day before the Notice of Exercise and this Warrant are duly surrendered to the Company for a full or partial exercise hereof. Notwithstanding the foregoing definition, if the Common Stock is not listed on a national securities exchange or quoted in the Nasdaq System at the time said Notice of Exercise is submitted to the Company in the foregoing manner, the Market Value of the Common Stock shall be as reasonably determined in good faith by the Board of Directors of the Company unless the Company shall become subject to a merger, acquisition, or other consolidation pursuant to which the Company

is not the surviving entity, in which case the Market Value of the Common Stock shall be deemed to be the value received by the Company's common shareholders pursuant to the Company's acquisition (subject to Section 12 below).

(f) Change in Control Transaction. If at any time there occurs any Change in Control Transaction, then the Holder shall be deemed to have exercised the entirety of this Warrant immediately prior to the effectiveness of such Change in Control Transaction becoming effective or immediately prior to the applicable record date thereof, if earlier (notwithstanding any restrictions imposed upon the ability of the Holder to do so), and the Holder shall be entitled to receive upon or after such change in control becoming effective, and upon payment of the Exercise Price then in effect, the number of shares or other securities of the Company, the number of shares or other securities of any other entity and/or any other property which would have been received by the Holder for the shares of stock subject to this Warrant had this Warrant been exercised immediately prior to such Change in Control Transaction becoming effective or immediately prior to the applicable record date thereof, if earlier. "Change in Control Transaction" shall mean the occurrence of (x) any consolidation or merger of the Company with or into any other corporation or other entity or person (whether or not the Company is the surviving corporation) (excluding a consolidation or merger in connection with a corporate reorganization in which the ultimate beneficial owners of the Company before and after such transaction are the same), or (y) any other corporate reorganization or transaction or series of related transactions in which in excess of 50% of the Company's voting power is transferred through a merger, consolidation or similar transaction, or (z) the liquidation or distribution to shareholders of the Company of all or substantially all of the Company's assets, or any sale or transfer of all or substantially all of the Company's assets.

4. No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. In lieu of issuance of a fractional share upon any exercise hereunder, the Company will either round up to the nearest whole number of shares or pay the cash value of that fractional share calculated on the basis of the Fair Market Value (as defined below).

5. Charges, Taxes and Expenses. Issuance of certificates for shares of Common Stock upon the exercise of this Warrant shall be made without charge to the Holder hereof for any issue or transfer tax or other incidental expense in respect of the issuance of such certificate, all of which taxes and expenses shall be paid by the Company, and such certificates shall be issued in the name of the Holder of this Warrant or in such name or names as may be directed by the Holder of this Warrant; provided, however, that in the event certificates for shares of Common Stock are to be issued in a name other than the name of the Holder of this Warrant, this Warrant when surrendered for exercise shall be accompanied by the Assignment Form attached hereto duly executed by the Holder hereof; and provided, further, that the Company shall not be required to pay any tax or taxes which may be payable in respect of any transfer involved in the issuance of any Warrant certificates or any certificates for the Warrant Shares other than the issuance of a Warrant Certificate to the Holder in connection with the Holder's surrender of a Warrant Certificate upon the exercise of all or less than all of the Warrants evidenced thereby.

6. Closing of Books. The Company will at no time close its shareholder books or records in any manner which interferes with the timely exercise of this Warrant.

7. No Rights as Shareholder until Exercise. Subject to Section 12 of this Warrant and the provisions of any other written agreement between the Company and the Investor, the Investor shall not be entitled to vote or receive dividends or be deemed the holder of Warrant Shares or any other securities of the Company that may at any time be issuable on the exercise hereof for any purpose, nor shall anything contained herein be construed to confer upon the Investor, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action (whether upon any recapitalization, issuance of stock, reclassification of stock, change of par value, or change of stock to no par value, consolidation, merger, conveyance or otherwise) or to receive notice of meetings, or to receive dividends or subscription rights or otherwise until the Warrant shall have been exercised as provided herein. However, at the time of the exercise of this Warrant pursuant to Section 3 hereof, the Warrant Shares so purchased hereunder shall be deemed to be issued to such Holder as the record owner of such shares as of the close of business on the date on which this Warrant shall have been exercised.

8. Assignment and Transfer of Warrant. If permitted by the Company, in its sole discretion, this Warrant may be assigned by the surrender of this Warrant and the Assignment Form annexed hereto duly executed at the office of the Company (or such other office or agency of the Company or its transfer agent as the Company may designate by notice in writing to the registered Holder hereof at the address of such Holder appearing on the books of the Company); provided, however, that this Warrant may not in any event be resold or otherwise transferred except (i) in a transaction registered under the Securities Act of 1933, as amended (the "Act"), or (ii) in a transaction pursuant to an exemption, if available, from registration under the Act and whereby, if reasonably requested by the Company, an opinion of counsel reasonably satisfactory to the Company is obtained by the Holder of this Warrant to the effect that the transaction is so exempt. If this Warrant is permitted to be and is duly assigned in accordance with the terms hereof, then the Company agrees, upon the request of the assignee, to amend or supplement promptly any effective registration statement covering the Warrant Shares so that the direct assignee of the original holder is added as a selling stockholder thereunder.

9. Loss, Theft, Destruction or Mutilation of Warrant; Exchange. The Company represents warrants and covenants that (a) upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of any Warrant or stock certificate representing the Warrant Shares, and in case of loss, theft or destruction, of indemnity reasonably satisfactory to it, and (b) upon surrender and cancellation of such Warrant or stock certificate, if mutilated, the Company will make and deliver a new Warrant or stock certificate of like tenor and dated as of such cancellation, in lieu of this Warrant or stock certificate; provided, that the Company may make a reasonable charge therefor. This Warrant is exchangeable at any time for an equal aggregate number of Warrants of different denominations, as requested by the holder surrendering the same, or in such denominations as may be requested by the Holder following determination of the Exercise Price. The Company may impose a reasonable service charge for such registration or transfer, exchange or reissuance.

10. Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall be a Saturday, Sunday or a

legal holiday, then such action may be taken or such right may be exercised on the next succeeding day not a legal holiday.

11. Specific Enforcement. The Company and the Holder acknowledge and agree that irreparable damage would occur in the event that any of the provisions of this Warrant were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent or cure breaches of the provisions of this Warrant and to enforce specifically the terms and provisions hereof, this being in addition to any other remedy to which either of them may be entitled by law or equity.

12. Adjustments of Exercise Price and Number of Warrant Shares. The number of and kind of securities purchasable upon exercise of this Warrant and the Exercise Price shall be subject to adjustment from time to time as set forth in this Section 12.

(a)Subdivisions, Combinations, Stock Dividends and other Issuances. If the Company shall, at any time while this Warrant is outstanding, (A) pay a stock dividend or otherwise make a distribution or distributions on any equity securities (including instruments or securities convertible into or exchangeable for such equity securities) in shares of Common Stock, (B) subdivide outstanding shares of Common Stock into a larger number of shares, or (C) combine outstanding Common Stock into a smaller number of shares, then the Exercise Price shall be multiplied by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding before such event and the denominator of which shall be the number of shares of Common Stock outstanding after such event. Any adjustment made pursuant to this Section 12(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision or combination. The number of shares which may be purchased hereunder shall be increased proportionately to any reduction in Exercise Price pursuant to this paragraph 12(a), so that after such adjustments the aggregate Exercise Price payable hereunder for the increased number of shares shall be the same as the aggregate Exercise Price in effect just prior to such adjustments.

(b) Other Distributions. If at any time after the date hereof the Company distributes to holders of its Common Stock, other than as part of its dissolution, liquidation or the winding up of its affairs, any shares of its capital stock, any evidence of indebtedness or any of its assets (other than Common Stock), then the number of Warrant Shares for which this Warrant is exercisable shall be increased to equal: (i) the number of Warrant Shares for which this Warrant is exercisable immediately prior to such event, (ii) multiplied by a fraction, (A) the numerator of which shall be the Fair Market Value (as defined below) per share of Common Stock on the record date for the dividend or distribution, and (B) the denominator of which shall be the Fair Market Value price per share of Common Stock on the record date for the dividend or distribution minus the amount allocable to one share of Common Stock of the value (as jointly determined in good faith by the Board of Directors of the Company and the Holder) of any and all such evidences of indebtedness, shares of capital stock, other securities or property, so distributed. For purposes of this Warrant, “Fair Market Value” shall equal the average closing price of the Common Stock for the 5 Trading Days preceding the date of determination or, if the Common Stock is not listed or admitted to trading on a national securities exchange or quoted in the Nasdaq System, and the average price cannot be determined as contemplated above, the Fair

Market Value of the Common Stock shall be as reasonably determined in good faith by the Company's Board of Directors . The Exercise Price shall be reduced to equal: (i) the Exercise Price in effect immediately before the occurrence of any event (ii) multiplied by a fraction, (A) the numerator of which is the number of Warrant Shares for which this Warrant is exercisable immediately before the adjustment, and (B) the denominator of which is the number of Warrant Shares for which this Warrant is exercisable immediately after the adjustment.

(c) Reclassification, etc. If at any time after the date hereof there shall be are organization or reclassification of the securities as to which purchase rights under this Warrant exist into the same or a different number of securities of any other class or classes, then the Holder shall thereafter be entitled to receive upon exercise of this Warrant, during the period specified herein and upon payment of the Exercise Price then in effect, the number of shares or other securities or property resulting from such reorganization or reclassification, which would have been received by the Holder for the shares of stock subject to this Warrant had this Warrant at such time been exercised.

(d) Exercise Price Adjustment. In the event of any adjustment in the number of Warrant Shares issuable hereunder upon exercise, the Exercise Price shall be inversely proportionately increased or decreased as the case may be, such that aggregate purchase price for Warrant Shares upon full exercise of this Warrant shall remain the same. Similarly, in the event of any adjustment in the Exercise Price, the number of Warrant Shares issuable hereunder upon exercise shall be inversely proportionately increased or decreased as the case may be, such that the aggregate purchase price for Warrant Shares upon full exercise of this Warrant shall remain the same.

13. Notice of Adjustment; Notice of Events. (i) Whenever the number of Warrant Shares or number or kind of securities or other property purchasable upon the exercise of this Warrant or the Exercise Price is adjusted, the Company shall promptly mail to the Holder of this Warrant a notice setting forth the number of Warrant Shares (and other securities or property) purchasable upon the exercise of this Warrant and the Exercise Price of such Warrant Shares after such adjustment and setting forth the computation of such adjustment and a brief statement of the facts requiring such adjustment. (ii) If: (A) the Company shall declare a dividend (or any other distribution) on its Common Stock; or (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of its Common Stock; or (C) the Company shall authorize the granting to all holders of the Common Stock rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights; or (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock of the Company, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property; or (E) the Company shall authorize the voluntary dissolution, liquidation or winding up of the affairs of the Company, then the Company shall cause to be mailed to each Warrant holder at their last addresses as they shall appear upon the Warrant register of the Company, at least 20 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale,

transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer, share exchange, dissolution, liquidation or winding up.

14. Authorized Shares. The Company covenants that during the period the Warrant is outstanding and exercisable, it will reserve from its authorized and unissued Common Stock a sufficient number of shares to provide for the issuance of the Warrant Shares upon the exercise of any and all purchase rights under this Warrant. The Company further covenants that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for the Warrant Shares upon the exercise of the purchase rights under this Warrant. The Company will take all such reasonable action as may be necessary to assure that such Warrant Shares may be issued as provided herein without violation of any applicable law, regulation, or rule of any applicable market or exchange.

15. Authorization of Warrant and Warrant Shares. The Company has all necessary corporate power and authority to issue and sell the Warrant and the Warrant Shares (together, the "Securities"). The issuance, sale and delivery of the Warrant in accordance herein and the issuance and delivery of the Warrant Shares upon exercise of the Warrant have been duly authorized by all necessary corporate action on the part of the Company. Sufficient authorized but unissued shares of Common Stock have been reserved by appropriate corporate action in connection with the prospective exercise of the Warrant at the applicable exercise price. The Warrant Shares, when issued, sold and delivered upon exercise of the Warrant will be duly and validly issued, fully paid, non- assessable and are not subject to preemptive rights or other preferential rights in any present or future stockholders of the Company, will not be subject to any lien, and will not conflict with any provision of any agreement or instrument to which the Company is a party or by which it or its property is bound.

16. Securities Representations of Investor: In connection with the acquisition of the Warrant by Holder and the acquisition of the Warrant Shares upon the exercise of the Warrant, Investor represents to the Company that:

(a) The Investor is an "accredited investor" as that term is defined in Rule 501 promulgated by the Securities and Exchange Commission (the "SEC") pursuant to the Securities Act of 1933, as amended.

(b) The Securities are being acquired for the Investor's own account, for investment and not with a view to, or for resale in connection with, any distribution thereof within the meaning of the Securities Act or the securities laws of any state applicable to the Investor. The Investor understands that the Securities have not been registered under the Securities Act by reason of their issuance in a transaction exempt from the registration and prospectus delivery requirements of the Securities Act pursuant to Section 4(2) thereof, which exemption depends upon, among other things, the bona fide nature of the Investor's investment intent expressed herein, that Investor has no present intention of registering the Securities, and that the Securities must be held by the Investor indefinitely unless a subsequent disposition thereof is registered under the Securities Act or is exempt from registration.

(c) During the negotiation of the transactions contemplated herein, the Investor and its representatives have been afforded full and free access to corporate books, documents, and other information concerning the Buyer and to its offices and facilities, have been afforded an opportunity to ask such questions of the Buyer and its officers, employees, agents, accountants, and representatives concerning the Buyer's business, operations, financial condition, assets, liabilities, and other relevant matters as they have deemed necessary or desirable, and have been given all such information as has been requested, in order to evaluate the merits and risks of the prospective investments contemplated herein.

(d) The Investor and its representatives have been solely responsible for the Investor's own "due diligence" investigation of the Buyer and its management and business, for its own analysis of the merits and risks of this investment, and for its own analysis of the fairness and desirability of the terms of the investment. The Investor has such knowledge and experience in financial and business matters that the Investor is capable of evaluating the merits and risks of acquiring the Securities pursuant to the terms of this Agreement and of protecting Investor's interests in connection therewith.

(e) The Investor is able to bear the economic risk of the purchase of the Securities pursuant to the terms of this Agreement, including a complete loss of the Investor's investment in the Securities.

(f) The Securities are transferable only pursuant to (1) public offerings registered under the Securities Act, (2) Rule 144 or Rule 144A promulgated under the Securities Act (or any similar rule or rules then in force) if such rule is available, (3) upon satisfaction of the conditions specified in Section 8,8.8 or (4) any other legally available means of transfer.

(g) Legend. Each certificate or instrument representing the Securities shall be imprinted with a legend in substantially the following form. The securities represented hereby have not been registered under the Securities Act of 1933, as amended. The transfer of the securities represented by this certificate is subject to the conditions specified in the Rights Agreement, dated as of December 21, 2005, as amended and modified from time to time, between the issuer (the *"Company")* and certain investors, as amended and modified from time to time. A copy of such Agreement will be furnished by the Company to the holder hereof upon written request and without charge.

(h) In connection with the transfer of any of the Securities (other than a transfer described in Section (f)(1) above), the holder thereof shall deliver written notice to the Company describing in reasonable detail the transfer or proposed transfer, together with an opinion of legal counsel which (to the Company's reasonable satisfaction) is knowledgeable in securities law matters to the effect that such transfer of the Securities may be effected without registration of the Securities under the Securities Act. In addition, if the holder of the Securities delivers to the Company an opinion of such counsel that no subsequent transfer of such Securities shall require registration under the Securities Act, the Company shall promptly upon such contemplated transfer deliver new certificates for such Securities which do not bear the Securities Act legend set forth in Section (g). If the Company is not required to deliver new certificates for such Securities not bearing such legend, the holder thereof shall not transfer the same until the prospective transferee has confirmed to the Company in writing its agreement to

be bound by the conditions contained in this Section (h).

17. Compliance with Securities Laws

(a) The Holder hereof acknowledges that the Warrant Shares acquired upon the exercise of this Warrant, if not registered (or if no exemption from registration exists), will have restrictions upon resale imposed by state and federal securities laws. Each certificate representing the Warrant Shares issued to the Holder upon exercise (if not registered, for resale or otherwise, or if no exemption from registration exists) will bear substantially the following legend:

> THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED, TRANSFERRED, SOLD OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS.

(b) Without limiting the Investor's right to transfer, assign or otherwise convey the Warrant or Warrant Shares in compliance with all applicable securities laws, the Investor of this Warrant, by acceptance hereof, acknowledges that this Warrant and the Warrant Shares to be issued upon exercise hereof are being acquired solely for the Investor's own account and not as a nominee for any other party, and that the Investor will not offer, sell or otherwise dispose of this Warrant or any Warrant Shares to be issued upon exercise hereof except under circumstances that will not result in a violation of applicable federal and state securities laws.

18. Miscellaneous.

(a) Issue Date; Choice of Law; Venue; Jurisdiction. The provisions of this Warrant shall be construed and shall be given effect in all respects as if it had been issued and delivered by the Company on the date hereof. This Warrant shall be binding upon any successors or assigns of the Company. This Warrant will be construed and enforced in accordance with and governed by the laws of the State of New York, except for matters arising under the Act, without reference to principles of conflicts of law. Each of the parties consents to the exclusive jurisdiction of the Federal and State Courts sitting in the County of Monroe in the State of New York in connection with any dispute arising under this Warrant and hereby waives, to the maximum extent permitted by law, any objection, including any objection based on *forum non*

conveniens, to the bringing of any such proceeding in such jurisdiction. Each party hereby agrees that if the other party to this Warrant obtains a judgment against it in such a proceeding, the party which obtained such judgment may enforce same by summary judgment in the courts of any country having jurisdiction over the party against whom such judgment was obtained, and each party hereby waives any defenses available to it under local law and agrees to the enforcement of such a judgment. Each party to this Warrant irrevocably consents to the service of process in any such proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to such party at its address in accordance with Section 18(c). Nothing herein shall affect the right of any party to serve process in any other manner permitted by law.

(b) Modification and Waiver. This Warrant and any provisions hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of the same is sought. Any amendment effected in accordance with this paragraph shall be binding upon the Investor, each future Holder of this Warrant and the Company. No waivers of, or exceptions to, any term, condition or provision of this Warrant, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such term, condition or provision.

(c) Notices. Any notice, request or other document required or permitted to be given or delivered to the Investor or future Holders hereof or the Company shall be personally delivered or shall be sent by certified or registered mail, postage prepaid, to the Investor or each such Holder at its address as shown on the books of the Company or to the Company at the address set forth in the Technology Agreement. All notices under this Warrant shall be deemed to have been given when received. A party may from time to time change the address to which notices to it are to be delivered or mailed hereunder by notice given in accordance with the provisions of this Section 18(c)

(d) Severability. Whenever possible, each provision of this Warrant shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Warrant is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of any other provision of this Warrant in such jurisdiction or affect the validity, legality or enforceability of any provision in any other jurisdiction, but this Warrant shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

(e) No Impairment. The Company will not, by amendment of its Certificate of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the Holder against impairment. Without limiting the generality of the foregoing, the Company (a) will not increase the par value of any Warrant Shares above the amount payable therefor on such exercise, and (b) will take all such action as may be reasonably necessary or appropriate in order that the Company may validly and legally issue fully paid and non-assessable Warrant Shares on the exercise of this Warrant.

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its officers thereunto duly authorized.

ICUITI CORPORATION

By: /s/ Paul J. Travers
Name: Paul J. Travers
Title: President

NOTICE OF EXERCISE

TO: ICUITI CORPORATION

(1) The undersigned hereby elects to exercise the attached Warrant for and to purchase thereunder, shares of Common Stock, [and herewith makes payment therefor of] or [and elects to utilize the cashless exercise provisions of Section 3(b) of this Warrant, resulting in shares of Common Stock issuable hereunder].

(2) Please issue a certificate or certificates representing said shares of Common Stock in the name of the undersigned or in such other name as is specified below (please provide a Taxpayer ID if being registered in another name):

(Name) _____

(Address)

_____

_____ (Tax ID #)

(3) Please issue a new Warrant for the unexercised portion of the attached Warrant _____ remaining Warrants after this exercise) in the name of the undersigned or in such other name as is specified below):

_____

(Name)

_____ _____

(Date) (Signature)

_____

(Address)

_____ Dated:

Signature

ASSIGNMENT FORM

(To assign the foregoing warrant, execute
this form and supply required information.
Do not use this form to exercise the warrant.)

FOR VALUE RECEIVED, the foregoing Warrant and all rights evidenced thereby are hereby assigned to whose address is

_____

Dated:

Holder's Signature: Holder's Address:

Signature Guaranteed: _____

NOTE: The signature to this Assignment Form must correspond with the name as it appears on the face of the Warrant, without alteration or enlargement or any change whatsoever, and must be guaranteed by a bank or trust company. Officers of corporations and those acting in an fiduciary or other representative capacity should file proper evidence of authority to assign the foregoing Warrant.

Exhibit 10.14

RIGHTS AGREEMENT

THIS RIGHTS AGREEMENT (this "Agreement") dated as of December 23, 2005, is by and among Icuiti Corporation., a Delaware corporation (the "Company") and New Light Industries, Ltd. the holders of a Warrant to purchase shares of the Common Stock of the Company ("New Light"), a Washington state corporation. The names and addresses of the parties to this Agreement are set forth on Schedule I hereto.

WHEREAS, New Light is acquiring a Warrant (the :"Warrant") entitling it to purchase up to 1,000,000 shares of the Company's Common Stock, in connection with a Technology Purchase and Royalty Agreement between the Company and New Light of even date herewith (the "Technology Agreement"); and

WHEREAS, in order to induce New Light to enter into the Technology Agreement, the parties desire to enter into this Agreement.

NOW, THEREFORE, in consideration of the foregoing, the mutual promises and agreements set forth below, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. CERTAIN DEFINITIONS

As used in this Agreement, the following terms have the following respective meetings:

"Affiliate" means any Person who, directly or indirectly controls, is controlled by, or is under common control with any other Person; provided, that Persons shall not be deemed Affiliates based solely upon those Persons having made investments in the same entity.

"Board" means the board of directors of the Company as constituted from time to time.

"Common Stock" means the Common Stock, $.001 par value, of the Company, as constituted as of the date of this Agreement.

"Warrant Shares" means shares of Common Stock issued or issuable upon exercise of the Warrant.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder, all as the same shall be in effect from time to time.

"Form S-3" means Form S-3 promulgated by the SEC, or any successor or similar form so promulgated.

"Holder" means any Person owning or having the right to acquire Registrable Securities or any assignee thereof in accordance with Section 2.09 hereof

"Initial Public Offering" means the Company's first firm commitment underwritten public offering of its Common Stock under the Securities Act.

"Person" means an individual, corporation, partnership, limited liability company, joint venture, trust, or unincorporated organization, or a government or any agency or political subdivision thereof, and "Persons" means any two or more of any of the foregoing.

"Warrant Holders" means the holders the Warrant from time to time.

"Qualified Public Offering" means a firm commitment underwritten public offering of shares of Common Stock in which (x) the aggregate gross proceeds from such offering to the Company shall be at least $20,000,000.

The terms "register," "registered" and "registration" refer to a registration effected by preparing and filing a registration statement or similar document in compliance with the Act, and the declaration or ordering of effectiveness of such registration statement or document.

"Registrable Securities" means the Warrant Shares and any shares of Common Stock of the Company issued as (or issuable upon the conversion or exercise of any warrant, right or other security that is issued as) a dividend or other distribution with respect to, or in exchange for, or in replacement of, the Warrant Shares; provided, however, that "Registrable Securities" shall not include any shares sold or otherwise transferred by a Person in a transaction in which such Person's rights under Article 2 are not assigned as permitted by Section 2(g) of this Agreement. When reference is made in this Agreement to a request or consent of holders of a certain percentage of Registrable Securities, the determination of such percentage shall include shares of Common Stock issuable upon conversion or exercise of the Warrant.

"SEC" means the Securities and Exchange Commission or any other federal agency at the time administering the Securities Act and the Exchange Act.

"Securities" means the Warrant and the Warrant Shares.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder, all as the same shall be in effect from time to time.

2. REGISTRATION RIGHTS

(a) Company Registration.

Notice of Company Registration. If, at any time or from time to time, the Company proposes to register (including for this purpose a registration effected by the Company for stockholders other than the Holders) any of its capital stock or other securities under the Securities Act in connection with the public offering of such securities (other than (i) a registration statement on Form S-4 relating solely to a transaction under Rule 145 of the Securities Act, (ii) a registration statement on Form S-8 relating to employee stock option or purchase plans, (iii) a registration statement on any successor to such Forms S-4 and S-8) or (iv) a registration statement relating to the Company's Initial Public Offering, the Company shall notify each Holder in writing at least thirty (30) days prior to the filing of any such registration and will afford each such Holder an opportunity to include in such registration statement all or part of such Registrable Securities held by such Holder. Upon the written request of each Holder given within twenty (20) days after receipt of such notice from the

Company in accordance with Section 5(a), the Company shall, subject to the other provisions of this Section 2(a), use its best efforts to cause to be registered under the Securities Act all of the Registrable Securities that each such Holder has requested to be registered.

Right to Terminate Registration. The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 2(a) prior to the effectiveness of such registration whether or not any Holder has elected to include securities in such registration. The expenses of such withdrawn registration shall be borne by the Company in accordance with Section 2(d) hereof.

Underwriting Requirements. In connection with any offering involving an underwriting of shares of the Company's capital stock, the Company shall not be required under this Section 2(a) to include any of the Holders' securities in such underwriting unless they accept the terms of the underwriting reasonably agreed upon between the Company and the underwriters selected by it (or by other Persons entitled to select the underwriters) and enter into an underwriting agreement in customary form with an underwriter or underwriters selected by the Company. In the event that the underwriters advise the Company that marketing factors require a limitation of the number of shares to be underwritten, the Company and its underwriters shall allocate the number of shares requested to be registered by each of the holders thereof as follows: (i) first, to the Company; (ii) second, to the holders of the class of security to be included in such registration statement that have been granted registration rights prior to the date of this Agreement, (iii) third, persons who are officers or directors of the Company who are holders of the class of security to be included in such registration statement (iv) fourth, to Holders of Registrable Securities that have elected to participate in such offering, *pro rata* according to the number of Registrable Securities held by each such Holder; and (v) fifth, to the extent additional securities may be included in such offering, to those holders of securities that may be offered as part of the registration who are seeking to participate in such registration, in amounts to be determined in the discretion of the Board. If any Holder disapproves of the terms of any such underwriting, such Holder may elect to withdraw therefrom by written notice to the Company and the underwriter, delivered no later than ten (10) business days prior to the effective date of the registration statement.

(b) Obligations of the Company. Whenever required under this Article 2 to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably practicable: prepare and file with the SEC a registration statement with respect to such Registrable Securities and use its best efforts to cause such registration statement to become effective, and keep such registration statement effective for a period of up to two years or, if earlier, until the distribution contemplated in the registration statement has been completed; prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement; furnish to the Holders such numbers of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them; use best efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders, provided that the

Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions, unless the Company is already subject to service in such jurisdiction and except as may be required under the Securities Act; in the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter of such offering; immediately notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the-statements therein not misleading in the light of the circumstances then existing; cause all such Registrable Securities registered pursuant hereunder to be listed on each securities exchange on which similar securities issued by the Company are then listed; provide a transfer agent and registrar for all Registrable Securities registered pursuant hereunder and a CUSIP number for all such Registrable Securities, in each case not later than the effective date of such registration; use its best efforts to furnish, on the date that such Registrable Securities are delivered to the underwriters for sale, if such securities are being sold through underwriters, (i) an opinion, dated as of such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering, addressed to the underwriters, if any, and (ii) a letter dated as of such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering addressed to the underwriters; and in connection with the registration of any Registrable Securities, prior to the filing of such registration statement, make available for inspection by each Holder selling Registrable Securities in such registration, any underwriter participating in any distribution pursuant to such registration statement, and any attorney, accountant or other agent retained by such seller or underwriter, a copy of the registration statement, all pertinent financial and other records, pertinent corporate documents and properties of the Company, and cause the Company's officers, directors and employees to supply all information reasonably requested by any such seller, underwriter, attorney, accountant or agent in connection with such registration statement and provide each holder and its counsel with the opportunity to participate in the preparation of the registration statement.

(c) Information from Holder. It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Article 2 with respect to the Registrable Securities of any selling Holder that such Holder shall furnish to the Company such information regarding itself, the Registrable Securities held by it, and the intended method of disposition of such securities as shall be required to effect the registration of such Holder's Registrable Securities.

(d) Expenses of Registration. All expenses (other than underwriting discounts and commissions) incurred in connection with registrations, filings or qualifications pursuant to Sections 2(a), 2(b) and 2(c), including, without limitation, all registration, filing and qualification fees, printers' and accounting fees, fees and disbursements of counsel for the Company and the reasonable fees and disbursements of one counsel for the selling Holders shall be borne by the Company.

(e) Indemnification; Contribution.

In the event of a registration of any of the Registrable Securities under the Securities Act pursuant to this Article 2, the Company will indemnify and hold harmless each seller of such Registrable Securities thereunder, each underwriter of such Registrable Securities thereunder and each other Person, if any, who controls such seller or underwriter within the meaning of the Securities Act, against any losses, claims, damages or liabilities, joint or several, to which such seller, underwriter or controlling Person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon (i) any untrue statement or alleged untrue statement of any material fact contained in any registration statement under which such Registrable Securities were registered under the Securities Act pursuant to this Article II, any preliminary prospectus or final prospectus contained therein, or any amendment or supplement thereof, (ii) the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any federal, state or other securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any federal or state securities law in connection with the offering covered by such registration statement and the Company will reimburse each such seller, each such underwriter and each such controlling Person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action, including amounts paid in settlement thereof; provided, however, that the Company will not be liable in any such case if and to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission which occurs in reliance upon or in connection with written information furnished expressly for use in connection with such registration by any such seller, any such underwriter or any such controlling Person.

In the event of a registration of any of the Registrable Securities under the Securities Act pursuant to this Article 2, each seller of such Registrable Securities thereunder, severally and not jointly, will indemnify and hold harmless the Company, each Person, if any, who controls the Company within the meaning of the Securities Act, each officer of the Company who signs the registration statement, each director of the Company, each underwriter and each Person who controls any underwriter within the meaning of the Securities Act, against all losses, claims, damages or liabilities, joint or several, to which the Company or such officer, director, underwriter or controlling Person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the registration statement under which such Registrable Securities were registered under the Securities Act pursuant to this Article 2, any preliminary prospectus or final prospectus contained therein, or any amendment or supplement thereof, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse the Company and each such officer, director, underwriter and controlling Person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action, provided, however, that such seller will be liable hereunder in any such case if and only to the extent that any such loss, claim, damage or

liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon or in connection with written information furnished by such seller expressly for use in connection with such registration, and provided, further, however, that the liability of each seller hereunder shall be limited to the proportion of any such loss, claim, damage, liability or expense which is equal to the proportion that the public offering price of the shares sold by such seller under such registration statement bears to the total public offering price of all securities sold thereunder, but not in any event to exceed the net proceeds received by such seller from the sale of Registrable Securities covered by such registration statement.

Promptly after receipt by an indemnified party hereunder of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against an indemnifying party hereunder, notify the indemnifying party in writing thereof, but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to such indemnified party other than under this Section 2(e) and shall only relieve it from any liability which it may have to such indemnified party under this Section 2(e) if and to the extent the indemnifying party is prejudiced by such omission. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate in and, to the extent it shall wish, to assume and undertake the defense thereof with counsel reasonably satisfactory to such indemnified party, and, after notice from the indemnifying party to such indemnified party of its election so to assume and undertake the defense thereof, the indemnifying party shall not be liable to such indemnified party under this Section 2(e) for any legal expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation and of liaison with counsel so selected, provided, however, that, if the defendants in any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that there may be reasonable defenses available to it which are different from or additional to those available to the indemnifying party or if the interests of the indemnified party reasonably may be deemed to conflict with the interests of the indemnifying party, the indemnified party shall have the right to select a separate counsel and to assume such legal defenses and otherwise to participate in the defense of such action, with the expenses and fees of such separate counsel and other expenses related to such participation to be reimbursed by the indemnifying party as incurred. The indemnifying party shall not be liable to indemnify any indemnified party for any settlement of any action effected without the indemnifying party's consent (which consent shall not be unreasonably withheld or delayed). The indemnifying party shall not, except with the approval of each party being indemnified under this Section 2(e)(iii), consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving of the claimant or the plaintiff to the parties being so indemnified of a release from all liability in respect to such claim or litigation.

In order to provide for just and equitable contribution to joint liability under the Securities Act in any case in which either (i) any holder of Registrable Securities exercising rights under this Agreement, or any controlling Person of any such holder, makes a claim for indemnification pursuant to this Section 2(e) but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to

appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case notwithstanding the fact that this Section 2.05 provides for indemnification in such case, or (ii) contribution under the Securities Act may be required on the part of any such selling holder or any such controlling Person in circumstances for which indemnification is otherwise required under this Section 2(e); then, and in each such case, the Company and such holder will contribute to the aggregate losses, claims, damages or liabilities to which they may be subject (after contribution from others) in such proportion as is appropriate to reflect the relative fault of the Company on the one hand and of the holder of Registrable Securities on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations or, if the allocation provided herein is not permitted by applicable law, in such proportion as shall be appropriate to reflect the relative benefits received by the Company and any holder of Registrable Securities from the offering of the securities covered by such registration statement. The relative fault of the Company on the one hand and of the holder of Registrable Securities on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand or by the holder of Registrable Securities on the other, and each party's relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission; provided, however, that, in any such case, (A) no such holder will be required to contribute any amount in excess of the public offering price of all such Registrable Securities offered by it pursuant to such registration statement, but not in any event to exceed the net proceeds received by such seller from the sale of Registrable Securities covered by such registration statement; and (B) no Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

The obligations of the Company and Holders under this Section 2(e) shall survive the completion of any offering of Registrable Securities in a registration statement under this Article 2 and shall survive the termination of this Agreement.

(f) Reports Under the Exchange Act. With a view to making available to the Holders the benefits of Rule 144 promulgated under the Securities Act and any other rule or regulation of the SEC that may at any time permit a Holder to sell securities of the Company to the public without registration, the Company agrees that after the Company is subject to the reporting requirements of the Exchange Act it will use its best efforts to:

(i) make and keep public information available, as those terms are understood and defined in SEC Rule 144;

(ii) file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act; and

(iii) furnish to any Holder, so long as the Holder owns any Registrable Securities, forthwith upon request (a) a written statement by the Company that it has complied with the reporting requirements of SEC Rule 144, the Securities Act and the Exchange Act (at any time after it has become subject to such reporting

requirements), (b) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (c) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the SEC that permits the selling of any such securities without registration or pursuant to such form.

(g) Assignment of Registration Rights. The rights to cause the Company to register Registrable Securities pursuant to this Article 2 may be assigned (but only with all related obligations) by a Holder to a transferee or assignee of such Registrable Securities, provided that: (A)- the Company is, within a reasonable time after such transfer, furnished with written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned; (B) such transferee or assignee agrees in writing to be bound by and subject to the terms and conditions of this Agreement; and (C) such assignment shall be effective only if immediately following such transfer the further disposition of such securities by the transferee or assignee is restricted under the Securities Act.

(h) "Market Stand-Off" Agreement. Each Holder hereby agrees that it will not, without the prior written consent of the managing underwriter, during the period commencing on the date of the final prospectus relating to the Initial Public Offering and ending on the date specified by the Company and the managing underwriter (such period not to exceed one (1) year, (i) lend, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock (whether such shares or any such securities are then owned by the Holder or are thereafter acquired), or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise. The foregoing provisions of this Section 2(h) shall (a) apply only to the Initial Public Offering, (b) not apply to the sale of any shares to an underwriter pursuant to an underwriting agreement, and (c) apply to the Holders only if all officers and directors and greater than one percent (1%) stockholders of the Company enter into similar agreements, and if any of the provisions of such agreements are waived or terminated with respect to any of such persons, the foregoing provisions shall be waived or terminated with respect to each Holder to the same extent. In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to the Registrable Securities of each Holder (and the shares or securities of every other Person subject to the foregoing restriction) until the end of such period.

(i) Termination of Registration Rights. The Company shall have no obligation to include Registrable Securities in a Company-initiated registration filed after the earlier to occur of (a) the fifth anniversary of the Company's Initial Public Offering (such fifth anniversary, the "Fifth Anniversary Date") or (b) all Registrable Securities of the Holders are eligible for sale without restriction under Rule 144(k).

3. RIGHT OF FIRST REFUSAL

(a) Restrictions on Transfer. New Light may not transfer any of the Securities without first complying with this section; provided, however, that New Light shall be permitted to transfer the Securities to its shareholder, provided that the transferee delivers to the Company a written instrument agreeing to be bound by the terms of this Agreement.

(b) Notice of Proposed Transfer. If New Light desires to transfer any of the Securities in any transaction, it shall first deliver written notice of his, her or its desire to do so (the "Notice") to the Company, in the manner prescribed in this Agreement. The Notice must specify: (a) the name and address of the party to which New Light proposes to sell or otherwise dispose of the Securities (the "Offeror"), (b) the Securities it proposes to sell or otherwise dispose of (the "Offered Securities"), (c) the consideration per Warrant or share of Common Stock to be delivered to New Light for the proposed sale, transfer or disposition, and (d) all other material terms and conditions of the proposed transaction.

(c) The Company shall have the first option to purchase all or any part of the Securities for the consideration per share and on the terms and conditions specified in the Notice. Such option shall be exercised by delivery by the Company of written notice to New Light (the "Company Notice") within 15 days after receipt of the Notice from New Light. The Company shall deliver copies of such Company Notice to the Founder.

(d) The closing of the purchase of the Offered Securities shall take place at the offices of the Company no later than five days after the date of the Company Notice. The Company shall not have any right to purchase any of the Offered Securities hereunder unless the Company exercises their option to purchase all of the Offered Securities

(e) To the extent that the consideration proposed to be paid by the Offeror for the Offered Securities consists of property other than cash or a promissory note, the consideration required to be paid by the Company exercising their options under this section may consist of cash equal to the value of such property, as determined in good faith by agreement of New Light and the Company.

(f) In the event the Company does not exercise its option in full within such time periods specified in this section with respect to all of the Offered Securities, the Company shall provide notice of such decision (the "Non-Exercise Notice").

(g) The closing of the purchase of the Remaining Securities shall take place no later than five days after the expiration of the latest 15-day period specified in Section 3(f).

(h) Notwithstanding the foregoing, in the event the Company does not purchase all of the Offered Securities within the time periods prescribed by this section, New Light may sell any or all of the Offered Securities only upon the same terms set forth in the Notice within 30 days after the expiration of the last 15-day notice period. If such transaction is not consummated within such 30-day period, then New Light must again comply with this section.

4. GENERAL PROVISIONS

(a) Notices. Unless otherwise provided, any notice required or permitted under this

Agreement shall be given in writing and shall be deemed given effectively upon personal delivery to the party to be notified or upon delivery by confirmed facsimile-transmission, internationally-recognized overnight courier service, or by registered or certified U.S. mail postage prepaid and addressed to the party to be notified at the address indicated for such party on the signature page hereof, or at such other address as such party may designate by ten days' advance written notice to the other parties.

(b) Entire Agreement. This Agreement constitutes the full and entire understanding and agreement among the parties with regard to the subjects hereof and thereof.

(c) Amendment and Waiver. This Agreement may not be amended or waived except in a writing executed by the Company and New Light/

(d) Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision shall be excluded from this Agreement and the balance of the Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

(e) Successors and Assigns. Except as otherwise provided herein, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties (including transferees of any shares of Registrable Securities). Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

(f) Governing Law. This Agreement shall be governed by and construed under the internal laws of the State of New York, without regard to conflicts of law rules of such state.

(g) Expenses. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the substantially prevailing party shall be entitled to reasonable attorneys' fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled.

(h) Counterparts; Execution by Facsimile. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may be executed by facsimile signature(s) which shall be binding on the party delivering same, to be followed by delivery of originally executed signature pages.

(i) Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

IN WITNESS WHEREOF, the parties have executed this Rights Agreement as of the date first above written.

ICUITI CORPORATION

By: /s/ Paul J. Travers
Name: Paul J. Travers
Title: President

NEW LIGHT INDUSTRIES, LTD.

By: /s/ Steve McGrew
Name: Steve McGrew
Title: President

Exhibit 10.15

AGENCY AGREEMENT — PRIVATE PLACEMENT

THIS AGREEMENT dated for reference June 29, 2007, is made

BETWEEN

ICUITI CORPORATION, 75 Town Centre Drive, Rochester, New York, 14623 U.S.A. Fax: 585.240.8003

(the "Issuer");

AND

CANACCORD CAPITAL CORPORATION, #2200-609 Granville Street, Vancouver, BC V7Y 1H2, Fax: 604.643.7733

(the "Agent").

WHEREAS:

A. The Issuer wishes to privately place with purchasers a minimum of 2,500,000 Shares and a maximum of 4,375,000 Shares at a price of $1.60 per Share;

B. The Issuer wishes to appoint the Agent to distribute the Shares, and the Agent is willing to accept such appointment on the terms and conditions of this Agreement;

THE PARTIES to this Agreement therefore agree:

1. DEFINITIONS

In this Agreement and the Recitals hereto:

(a) "Accredited Investor" means an "accredited investor" as defined in Rule 501(a) of Regulation D;

(b) "Administration Fee" means the fee payable to the Agent by the Issuer in connection with the Agent's services in connection with the administration and co-ordination of the Private Placement;

(c) "Agent's Fee" means the fee which is set out in this Agreement and which is payable by the Issuer to the Agent in consideration of the services performed by the Agent under this Agreement;

(d) "Agent's Warrants" means the non-transferable share purchase warrants of the Issuer which will be issued as part of the Agent's Fee and the Administration Fee and which have the terms provided in this Agreement and the certificates representing such share purchase warrants;

(e) "Agent's Warrant Shares" means the previously unissued Common Shares which will be issued upon the exercise of the Agent's Warrants;

(f) "Applicable Legislation" means the securities acts in the Selling Provinces, together with all the regulations and rules made and promulgated thereunder and all administrative policy statements, instruments, blanket orders and rulings, notices and administrative directions issued by the Commissions;

(g) "Closing" means completion of the issuance of Shares pursuant to this Agreement and the Subscription Agreements;

(h) "Closing Date" means each day on which Shares are issued to the Purchasers;

(i) "Commissions" means the securities commission or equivalent regulatory authority in the Selling Provinces;

(j) "Common Shares" means the $.001 par value common stock of the Issuer, after giving effect to the consolidation referred to in Section 10.1(e) of this Agreement;

(k) "Corporate Finance Shares" means the previously unissued Common Shares which will be issued in consideration of the corporate finance and structuring services provided by the Agent;

(l) "Directed Selling Efforts" means "directed selling efforts" as defined in Rule 902(c) of Regulation S;

(m) "Exemptions" means the exemptions from the prospectus requirements of the Applicable Legislation and exemptions from registration under the U.S. Securities Act and as set forth the in the Subscription Agreement;

(n) "Foreign Private Issuer" means "foreign private issuer" as defined in Rule 405 promulgated under the U.S. Securities Act;

(o) "Final Closing" means the final Closing of the Private Placement;

(p) "Financial Statements" means the unaudited financial statements of the Issuer as at May 31, 2007 and the audited financial statements of the Issuer for the fiscal year ended December 31, 2006;

(q) "First Closing" means the first Closing of the Private Placement;

(r) "Material Adverse Effect" means any event, change or effect that, individually or when taken together with any related events, is or is reasonably likely to be materially adverse to the business, prospects, operations, condition (financial or otherwise) or liabilities of the Issuer or to the value or price of any Securities of the Issuer;

(s) "Material Change" has the meaning defined in the Applicable Legislation;

(t) "Material Fact" has the meaning defined in the Applicable Legislation;

(u) "Private Placement" means the offering of the Shares on the terms and conditions of this Agreement;

(v) "Purchasers" means the purchasers of the Shares pursuant to the Private Placement;

(w) "Registrable Securities" means the Shares and the Agent's Warrant Shares until all Shares and Agent's Warrant Shares (i) have been disposed of pursuant to the registration statement described in Section 14.1, (ii) have been sold under circumstances under which all of the applicable conditions of Rule 144 (or any similar provision then in force) under the U.S. Securities Act are met, (iii) have been otherwise transferred to persons who may trade such Securities without restriction under the U.S. Securities Act, and the Issuer has delivered a new certificate or other evidence of ownership for such Securities not bearing a restrictive legend or and/or (iv) in the opinion of counsel to the Issuer, may be sold without any time, volume or manner limitations pursuant to Rule 144(k) (or any similar provision then in effect) under the U.S. Securities Act. In the event of any merger, reorganization, consolidation, recapitalization or other change in corporate structure affecting the Shares and Agent's Warrant Shares, such adjustment shall be deemed to be made in the definition of "Registrable Security" as is appropriate in order to prevent any dilution or enlargement of the registration rights granted pursuant to this Agreement;

(x) "Regulation D" means Regulation D promulgated under the U.S. Securities Act;

(y) "Regulation S" means Regulation S promulgated under the U.S. Securities Act;

(z) "Regulatory Authorities" means the Commissions;

(aa) "Securities" means the Shares, the Agent's Warrants, the Agent's Warrant Shares, the Corporate Finance Shares;

(bb) "Selling Provinces" means the Provinces of Canada;

(cc) "Shares" means the previously unissued Common Shares that are contemplated to be issued pursuant to this Agreement, other than the Agent's Warrant Shares;

(dd) "Subscription Agreement" means the form of subscription agreement prepared in connection with this Private Placement and approved by the Issuer and the Agent;

(ee) "Subsidiaries" has the meaning ascribed thereto in Delaware General Corporate Law;

(ff) "U.S. Affiliate" has the meaning in paragraph 6.3(a);

(gg) "U.S. Person" means "U.S. Person" as defined in Rule 902(k) of Regulation S; and

(hh) "U.S. Securities Act" means the United States Securities Act of 1933, as amended.

2. CURRENCY

Unless otherwise specified, all references to "$" or currency in this Agreement is reference to US dollars.

3. APPOINTMENT OF AGENT

The Issuer appoints the Agent as its exclusive agent and the Agent accepts the appointment and agrees to act as the exclusive agent of the Issuer to use its commercially reasonable efforts to find and introduce to the Issuer potential purchasers to purchase a minimum of 2,500,000 Shares and a maximum of 4,375,000 Shares, at a price of $1.60 per Share, by way of private placement under the Exemptions.

4. AGENT'S FEE AND CORPORATE FINANCE SHARES

In consideration of the services performed by the Agent under this Agreement, the Issuer agrees to pay to the Agent on each Closing an Agent's Fee consisting of:

(a) a cash payment equal to 7% of the gross proceeds received by the Issuer from the sale of the Shares on such Closing which will be paid in lawful U.S. currency; and

(b) that number of Agent's Warrants which is equal to 10.0% of the number of Shares sold on such Closing.

4.2 The Issuer will also pay the Agent an Administration Fee, at the First Closing, consisting of $2,600 and the issuance of 4,062 Agent's Warrants,

4.3 The right to purchase an Agent's Warrant Share under an Agent's Warrant may be exercised at any time until the close of business on the day which is 24 months from the date such Agent's Warrant was issued to the initial holder.

4.4 Each Agent's Warrant will entitle the holder, on exercise, to purchase one Agent's Warrant Share at a price of $1.60 per Agent's Warrant Share.

4.5 The Agent's Warrants will be non-transferable.

4.6 The certificates representing the Agent's Warrants will, among other things, include provisions for the appropriate adjustment in the class, number and price of the Agent's Warrant Shares issued upon exercise of the Agent's Warrants upon the occurrence of certain events, including any subdivision, consolidation or reclassification of the Issuer's common shares, the payment of stock dividends and the amalgamation of the Issuer.

4.7 The issue of the Agent's Warrants will not restrict or prevent the Issuer from obtaining any other financing, or from issuing additional securities or rights, during the period within which the Agent's Warrants may be exercised.

4.8 The Issuer will issue to the Agent on the First Closing that number of Corporate Finance Shares equal to the 1% of the Issuer's issued and outstanding common shares as of the completion of the First Closing.

4.9 On Closings after the First Closing, the Issuer will issue to the Agent that number of Corporate Finance Shares equal to 1% of the Issuer's issued and outstanding common shares as of the completion of such Closing less the number of Corporate Finance Shares previously issued to the Agent.

5. OFFERING RESTRICTIONS

5.1 The Agent covenants and agrees that it and, if applicable, the U.S. Affiliate, will only solicit subscriptions for Shares and sell the Shares in accordance with the terms and conditions of this Agreement and in compliance with the Applicable Legislation and U.S. securities laws, to persons who represent themselves as being:

(a) a resident in one of the Selling Provinces who meets the requirement of one of the Exemptions;

(b) an Accredited Investor (and the Agent and the U.S. Affiliate, after customary inquiry and investigation, have no reason to believe otherwise) if a U.S. Person or a person in the United States in accordance with Section 6 of this Agreement; or

(c) a resident of a jurisdiction outside of Canada and the United States for whom an Exemption is available for the sale of Shares to such person and in compliance with the securities laws applicable to such resident or jurisdiction.

5.2 The Agent covenants and agrees with the Issuer that it will:

(a) conduct all activities in connection with the Private Placement and the sale of the Shares, in compliance with this Agreement and all Applicable Legislation, Exchange Policies and applicable U.S. securities laws; and

(b) not advertise the proposed offering or sale of the Shares in printed public media, radio, television or telecommunications, including electronic display.

5.3 No selling or promotional expenses will be paid or incurred in connection with the Private Placement, except for professional services or for services performed by a registered dealer.

6. U.S. LAW

6.1 The Issuer represents, warrants, covenants and agrees that:

(a) it is not, as a result of the sale of the Securities will not be, and agrees to use its best efforts not to become, at any time prior to the expiration of three years after the Closing Day, an "investment company" as defined in the United States *Investment Company Act of 1940*, as amended;

(b) during the period in which the Shares are offered for sale or during the term of the Agent's Warrants, neither it nor any of its affiliates, nor any person acting on their behalf (other than the Agent, its respective affiliates or any person acting on their behalf, in respect of which no representation is made) has made or will make any Directed Selling Efforts in the United States or has taken or will take any action in violation of Regulation M under the United States *Securities Exchange Act of 1934*, as amended, the "1934 Act"), with respect to distributions under Regulation S, or has taken or will take any action that would cause the exemption from registration under Rule 506 of Regulation D or Regulation S to be unavailable for offers and sales of the Securities, pursuant to this Agreement;

(c) none of the Issuer, any of its affiliates or any person acting on its or their behalf (other than the Agent, the U.S. Affiliate, their respective affiliates or any person acting on their behalf, in respect of which no representation is made) has offered or will offer to sell, or has solicited or will solicit offers to buy, any of the Securities in the United States by means of any form of general solicitation or general advertising, which includes any advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over radio or television, or any seminar or meeting whose attendees had been invited by general solicitation or general advertising, or in any manner involving a public offering within the meaning of Section 4(2) of the U.S. Securities Act;

(d) the Issuer has not, for a period of six months prior to the commencement of the offering of Securities, sold, offered for sale or solicited any offer to buy any of its securities and will not sell, offer for sale or solicit any offer to buy any of its securities, in a manner that would be integrated with the offer and sale of the Securities and would cause the exemption from registration set forth in Rule 506 of Regulation D to become unavailable with respect to the offer and sale of the Shares in the United States or to or for the benefit or account of U.S. Persons;

(e) neither the Issuer nor any of its predecessors or affiliates has been subject to any order, judgment, or decree of any court of competent jurisdiction temporarily, preliminarily or permanently enjoining such person for failure to comply with Rule 503 of Regulation D;

(f) the Issuer covenants and agrees with the Agent to execute or procure the execution of all documents and to use its commercially reasonable efforts to take or cause to be taken both before each Closing, all such steps as may be reasonably necessary or desirable to establish, to the reasonable satisfaction of counsel for the Agent and counsel for the Issuer, any and all legal requirements to enable the Agent to offer the Shares for sale in the United States under Rule 506 of

Regulation D in accordance with this Agreement and the applicable exemption from registration under applicable state securities laws; and

(g) except with respect to offers or sales of Shares to Accredited Investors in reliance upon an exemption from registration under Rule 506 of Regulation D, neither the Issuer nor any of its affiliates, nor any person acting on their behalf (other than the Agent, the U.S. Affiliate, their respective affiliates or any person acting on their behalf, in respect of which no representation is made), has made in a transaction that would be integrated with the offer and sale of the Securities or will make:

(i) any offer to sell, or any solicitation of an offer to buy, any Shares to or for the benefit or account of a U.S. Person, or a person in the United States; or

(ii) any sale of Shares unless, at the time the buy order was or will have been originated, the purchaser is:

(A) outside the United States; or

(B) the Issuer, its affiliates, and any person acting on their behalf reasonably believe that the purchaser is outside the United States.

6.2 Except as otherwise provided in this Section 6, the Agent agrees with the Issuer that with respect to each offer and sale of the Shares they will offer the Shares only in accordance with Rule 903 of Regulation S and accordingly neither the Agent, its affiliates, nor any person acting on their behalf has made or will make (except as permitted by Section 6.3):

(a) any offer to sell, or any solicitation of an offer to buy, Shares to any U.S. Person, to any person purchasing for the benefit or account of a U.S. Person, or any person in the United States;

(b) any sale of Securities unless, at the time the buy order was or will have been originated the Purchaser is:

(i) outside the United States; or

(ii) the Agent, its affiliates and any person acting on their behalf reasonably believe that the Subscriber is outside the United States; nor

(c) any Directed Selling Efforts in the United States with respect to the Securities.

6.3 The Agent acknowledges that the Shares have not been registered under the U.S. Securities Act and may not be offered or sold, with respect to offers and sales to or for the benefit or account of U.S. Persons, except pursuant to Rule 506 of Regulation D. Accordingly, the Agent, on its own behalf and on behalf of its affiliates, represents, warrants and covenants to the Issuer that, with respect to each offer or sale of Shares to or for the benefit or account of U.S. Persons, they have offered and sold, and will offer and sell, securities to Purchasers in the United States only in the following manner:

(a) the Agent will offer the Shares in the United States only through a broker dealer registered pursuant to Section 15(b) of the 1934 Act and in good standing with the National Association of Securities Dealers Inc. ("U.S. Affiliate"), solely to Accredited Investors, and only in states of the United States where such broker-dealer is registered, or otherwise exempt from registration;

(b) no form of general solicitation or general advertising (as those terms are used in Regulation D) or any manner involving a public offering within the meaning of Section 4(2) of the U.S. Securities Act has been or will be used by the Agent, the U.S. Affiliate, their affiliates or anyone acting on their behalf, including advertisements, articles, notices or other communications published in any newspaper, magazine, or similar media or broadcast over radio or television, or any seminar or meeting whose attendees had been invited by general solicitation or general advertising, in connection with the offer or sale of the Shares to U.S. Persons;

(c) any offer, sale or solicitation of an offer to buy the Shares that has been made or will be made to U.S. Persons was or will be made only to Accredited Investors, and in transactions that are exempt from registration under applicable state securities laws and require no filings or actions pre-offer or pre-sale except as otherwise agreed by the Issuer;

(d) it has not entered and will not enter into any contractual arrangement with respect to the distribution of the Securities, except with its affiliates, any selling group members or with the prior written consent of the Issuer and it shall use its commercially reasonable efforts to ensure the each selling group member complies with the applicable provisions of this Section 6;

(e) all offers of Shares in the United States or to or for the benefit or account of a U.S. Person have been and will be made through a U.S. Affiliate and all sales of the Shares in the United States or to or for the benefit or account of a U.S. Person will be made by the Issuer to Accredited Investors designated by the U.S. Affiliate or by the Agent acting through a U.S. Affiliate;

(f) immediately prior to soliciting any Purchaser that is in the United States or for the benefit or account of a U.S. Person, the Agent, the U.S. Affiliate, their respective affiliates, and any person acting on their behalf, had or will have had, as the case may be, reasonable grounds to believe and did or will, as the case may be, believe that each such Purchaser was or is an Accredited Investor, and at the time of completion of each sale to or for the benefit or account of a U.S. Person or a person in the United States, the Agent, the U.S. Affiliate, their respective affiliates, and any person acting on their behalf will have reasonable grounds to believe and will believe, that each Purchaser designated by such Agent or the U.S. Affiliate to purchase Shares from the Issuer is an Accredited Investor;

(g) on each Closing, the Agent together with the U.S. Affiliate, will provide a certificate, substantially in the form of Appendix I, relating to the manner of the

offer and sale of the Shares in the United States and to or for the benefit or account of U.S. Persons, or a written confirmation that it did not sell any Shares in the United States or to or for the benefit or account of U.S. Persons or arrange for any purchasers that are in the United States or are U.S. Persons;

(h) neither the Agent, the U.S. Affiliate, their respective affiliates, or any person acting on their behalf, has taken or will take, directly or indirectly, any action in violation of Regulation M under the 1934 Act in connection with the offer and sale of the Securities;

(i) prior to completion of any sale of Shares to a person in the United States or to a U.S. Person, the Agent shall cause each such Purchaser of Shares to execute an agreement in the form agreed upon by the Agent and the Issuer;

(j) the Agent shall give the Issuer reasonable notice of the U.S. jurisdictions in which it proposes to offer and sell the Shares, so as to assist the Issuer in satisfying its obligations under Paragraph 6.1(f) and to permit the Issuer to timely submit any and all filings required of the U.S. Securities Act and applicable state laws;

(k) the representations and warranties and covenants of the Agent contained in this Section 6 shall be true and correct as of the Closing, with the same force and effect as if then made by the Agent.

7. SUBSCRIPTIONS

7.1 The Agent will obtain from each Purchaser introduced by the Agent, and deliver to the Issuer, on or before each Closing duly completed and signed Subscription Agreements and executed by the Purchaser.

8. FILINGS WITH THE COMMISSIONS AND US SECURITIES AND EXCHANGE COMMISSION

8.1 Within 10 days of each Closing of the Private Placement, the Issuer will:

(a) file with the Commissions any report required to be filed by the Applicable Legislation in connection with the Private Placement, in the required form; and

(b) provide the Agent's solicitor with copies of the report or reports.

8.2 The Issuer will, within 15 days after the first sale of Shares in the United States pursuant to the Private Placement, prepare and file with the United States Securities and Exchange Commission a notice on Form D with respect to the Shares being offered in the Private Placement and will file all amendments required to be filed as a result of subsequent sales of Shares in the United States. The Issuer shall also prepare and file within prescribed time periods any notices required to be filed with state securities authorities under applicable blue sky laws in connection with the sale of the Shares in the Private Placement.

9. CLOSINGS

9.1 In this Section:

(a) "Certificates" means the certificates representing the Shares, Agent's Warrants and Corporate Finance Shares to be issued on a Closing in the names and denominations reasonably requested by the Agent or the Purchasers, as the case may be; and

(b) "Proceeds" means the gross proceeds of the sale of Shares on a Closing, less:

(i) any portion of the Agent's Fee which is payable in cash;

(ii) the reasonable expenses of the Agent in connection with the Private Placement which have not been paid by the Issuer; and

(iii) on the First Closing, the Administration Fee;

(iv) any amount paid directly to the Issuer by purchasers in connection with the Private Placement.

9.2 The Issuer and the Agent will cause the Closing to take place in one or more closings, however, the Final Closing will not occur after August 10, 2007 without the prior consent of the Issuer and the Agent.

9.3 The Issuer will, on each Closing, issue and deliver the Certificates to the Agent, or at the Agent's request, to the Purchasers, against payment of the Proceeds.

9.4 If the Issuer has satisfied all of its material obligations under this Agreement, the Agent will, on each Closing, pay the Proceeds to the Issuer against delivery of the Certificates.

9.5 The Issuer will endorse the Certificates, and, upon issuance, the certificates representing the Agent's Warrant Shares with such legends as required by the Applicable Legislation and the U.S. Securities Act.

10. CONDITIONS OF CLOSINGS

10.1 The obligations of the Agent on each Closing will be conditional upon the following:

(a) the Issuer will have delivered to the Agent and its solicitor a favourable opinion of the Issuer's US and Canadian solicitors dated as of the date of such Closing, in a form reasonably acceptable to the Agent and its solicitor as to all legal matters reasonably requested by the Agent relating to the Issuer and the creation, issuance and sale of the Securities;

(b) the Issuer will have delivered to the Agent and its solicitor such certificates of its officers other documents relating to the Private Placement or the affairs of the Issuer as the Agent or its solicitor may reasonably request;

(c) each representation and warranty of the Issuer which is contained in this Agreement continues to be true, and the Issuer has performed or complied with all of its covenants, agreements and obligations under this Agreement;

(d) the completion of due diligence satisfactory to the Agent, on the Issuer, the Issuer's management, business, assets and technology; and

(e) the Issuer has completed a consolidation of its common shares on a 7 old for 1 new basis;

10.2 Each Closing and the obligations of the Issuer and the Agent to complete the issue and sale of the Securities are subject to:

(a) receipt of all required regulatory approval for or acceptance of the Private Placement; and

(b) the removal or partial revocation of any cease trading order or trading suspension made by any competent authority to the extent necessary to complete the Private Placement.

11. TERMINATION

11.1 The Agent may terminate its obligations under this Agreement by notice in writing to the Issuer at any time before the Final Closing if:

(a) an adverse Material Change, or an adverse change in a Material Fact relating to any of the Securities, occurs or is announced by the Issuer;

(b) there is an event, accident, governmental law or regulation or other occurrence of any nature which, in the opinion of the Agent, acting reasonably, seriously affects or will seriously affect the financial markets, or the business of the Issuer or its subsidiaries or the ability of the Agent to perform its obligations under this Agreement, or a Purchaser's decision to purchase the Shares;

(c) following a consideration of the history, business, products, property or affairs of the Issuer or its principals and promoters, or of the state of the financial markets in general, or the state of the market for the Issuer's securities in particular, the Agent determines, in its sole discretion, that it is not in the interest of the Purchasers to complete the purchase and sale of the Shares;

(d) the Securities cannot, in the opinion of the Agent, acting reasonably, be marketed due to the state of the financial markets, or the market for the Shares in particular;

(e) an enquiry or investigation (whether formal or informal) in relation to the Issuer, or the Issuer's directors, officers or promoters, is commenced or threatened by an officer or official of any competent authority;

(f) any order to cease, halt or suspend trading (including an order prohibiting communications with persons in order to obtain expressions of interest) in the securities of the Issuer prohibiting or restricting the Private Placement is made by a competent regulatory authority and that order is still in effect;

(g) the Issuer is in breach of any material term of this Agreement; or

(h) any of the representations or warranties made by the Issuer in this Agreement is false or has become false.

12. WARRANTIES, REPRESENTATIONS AND COVENANTS

12.1 The Issuer warrants and represents to and covenants with the Agent that:

(a) the Issuer has no Subsidiaries;

(b) the Issuer is a valid and subsisting corporation duly incorporated and in good standing under the laws of the jurisdiction in which it is incorporated, continued or amalgamated;

(c) the Issuer is duly registered and licenced to carry on business in the jurisdictions in which it carries on business or owns property where so required by the laws of that jurisdiction and are not otherwise precluded from carrying on business or owning property in such jurisdictions by any other commitment, agreement or document, except to the extent that the failure to so register or become licensed would not have a Material Adverse Effect;

(d) the Issuer has full corporate power and authority to carry on its business as now carried on by it and to undertake the Private Placement and this Agreement has been, or will be by the First Closing, duly authorized by all necessary corporate action on the part of the Issuer;

(e) all of the material transactions of the Issuer have been promptly and properly recorded or filed in its books or records and its minute books or records contain all records of the meetings and proceedings of its directors, shareholders, and other committees, if any, since conception;

(f) as of the date hereof, the authorized capital of the Issuer consists of (a) 400,000,000 shares of Common Stock, $.001 par value per share, of which 21,658,507 shares are issued and outstanding and (b) 6,745,681 shares of Preferred Stock, $.001 par value per share, of which (i) 725,000 shares are designated as Series A Redeemable Preferred Stock, of which zero (0) shares are issued and outstanding, (ii) 1,020,681 shares are designated as Series B Convertible Preferred Stock, of which zero (0) shares are issued and outstanding, and (iii) 500,000 shares are designated as Series C 6% Convertible Preferred Stock, of which 168,500 shares are issued and outstanding and, except as set out in Schedule “A” hereto, no person has any right, agreement or option, present or

future, contingent or absolute, or any right capable of becoming such a right, agreement or option, for the issue or allotment of any unissued shares in the capital of the Issuer or its subsidiary or any other security convertible into or exchangeable for any such shares, or to require the Issuer or its subsidiary to purchase, redeem or otherwise acquire any of the issued and outstanding shares in its capital;

(g) the Issuer will reserve or set aside sufficient shares in its treasury to issue the Shares, the Agent's Warrant Shares and the Corporate Finance Shares and all such shares will be duly and validly issued as fully paid and non-assessable shares in the capital of the Issuer and upon due exercise of the Agent's Warrants, the Agent's Warrant Shares will be duly and validly issued as fully paid and non-assessable shares in the capital of the Issuer;

(h) except for such securities, liens and encumbrances reflected in the Financial Statements and in the due diligence materials provided to the Agent, the Issuer is the legal and beneficial owner of and has good and marketable title to the properties, business and assets or the interests in the properties, business or assets referred to in any materials provided to the Agent, all agreements by which the Issuer holds an interest in a property, business or assets are in good standing according to their terms and the properties are in good standing under the applicable laws of the jurisdictions in which they are situated and all filings and commitments required to maintain the properties or assets in good standing have been properly recorded and filed in a timely manner with the appropriate regulatory body , except to the extent that the failure to do any of the foregoing would not have a Material Adverse Effect;

(i) all financial, marketing, sales and operational information provided to the Agent in writing do not contain any misrepresentations (as such term is defined in the Applicable Legislation) and are accurate in all material respects;

(j) the Subscription Agreement and all other written representations made by the Issuer to a Purchaser or potential Purchaser in connection with the Private Placement were accurate in all material respects and did not omit any material fact, the omission of which will make such representations materially misleading or incorrect;

(k) the Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles, present fairly, in all material respects, the financial position and all material liabilities (accrued, absolute, contingent or otherwise) of the Issuer as of the date thereof, and there have been no adverse material changes in the financial position of the Issuer since the date thereof and the business of the Issuer has been carried on in the usual and ordinary course consistent with past practice since the date thereof;

(l) the auditors of the Issuer who audited the Financial Statements of the Issuer for the most recent financial year-end and who provided their audit report thereon are

independent public accountants and there has never been any material disagreement with the present auditors of the Issuer;

(m) the Issuer has complied and will comply fully with the requirements of all applicable corporate and securities laws and administrative policies and directions, including, without limitation, the Applicable Legislation and the U.S. Securities Act in relation to the issue of its securities and in all matters relating to the Private Placement;

(n) the Issuer is in compliance with all applicable laws, regulations and statutes (including all environmental laws and regulations) in the jurisdictions in which it carries on business and which may materially affect the Issuer, has not received a notice of non-compliance, nor know of, nor have reasonable grounds to know of, any facts that could give rise to a notice of non-compliance with any such laws, regulations and statutes, and is not aware of any pending change or contemplated change to any applicable law or regulation or governmental position that would materially affect the business of the Issuer or the business or legal environment under which the Issuer operates;

(o) there is not presently any Material Change or change in any Material Fact relating to the Issuer which has not been fully disclosed to the Agent ;

(p) the issue and sale of the Securities by the Issuer and the Agent does not and will not conflict with, and does not and will not result in a breach of, or constitute a default under (A) any statute, rule or regulation applicable to the Issuer including, without limitation, the Applicable Legislation and the U.S. Securities Act; (B) the constituting documents, by-laws or resolutions of the Issuer which are in effect at the date hereof; (C) any agreement, debt instrument, mortgage, note, indenture, instrument, lease or other document to which the Issuer is a party or by which it is bound; or (D) any judgment, decree or order binding the Issuer or the property or assets of the Issuer;

(q) the Issuer is not a party to any actions, suits or proceedings which could materially affect its business or financial condition, and to the best of the Issuer's knowledge no such actions, suits or proceedings are contemplated or have been threatened;

(r) there are no judgments against the Issuer which are unsatisfied, nor are there any consent decrees or injunctions to which the Issuer is subject;

(s) no order prohibiting the sale of the securities of the Issuer has been issued to and is outstanding against the Issuer or its directors, officers or promoters or against any other companies that have common directors, officers or promoters and no investigations or proceedings for such purposes are pending or threatened;

(t) the Issuer has filed all federal, state, local and foreign tax returns which are required to be filed, or has requested extensions thereof, and has paid all taxes required to be paid by it and any other assessment, fine or penalty levied against

it, or any amounts due and payable to any governmental authority, to the extent that any of the foregoing is due and payable;

(u) the Issuer has established on its books and records reserves which are adequate for the payment of all taxes not yet due and payable and there are no liens for taxes on the assets of the Issuer except for taxes not yet due, and there are no audits of any of the tax returns of the Issuer which are known by the Issuer's management to be pending, and there are no claims which have been or may be asserted relating to any such tax returns which, if determined adversely, would result in the assertion by any governmental agency of any deficiency which would have a material adverse effect on the properties, business or assets of the Issuer;

(v) the Issuer owns or possesses adequate rights to use all material patents, trademarks, service marks, trade names, copyrights, trade secrets, information, proprietary rights and other intellectual property necessary for the business of the Issuer now conducted and proposed to be conducted, without any conflict with or infringement of the rights of others.;

(w) the Issuer has received no communication alleging that the Issuer has violated or, by conducting its business as proposed, would violate any of the patents, trademarks, service marks, trade names, copyrights or trade secrets or other proprietary rights of any other person or entity;

(x) except as set out in Schedule "B", the Issuer does not have any loans or other indebtedness outstanding which has been made to any of its shareholders, officers, directors or employees, past or present, or any person not dealing at "arm's length" (as such term is used in the *Income Tax Act* (Canada);

(y) in respect of both the hardware equipment and software components of the information management and computers systems (collectively, the "Systems") of the Issuer:

(i) the Systems have been maintained and supported in accordance with prudent industry practices;

(ii) there is an appropriate disaster recovery plan in place in respect of such Systems;

(iii) appropriate controls are in place to control access and security to such Systems and there are appropriate firewalls and virus protection programs in place;

(iv) all software being used is supported by valid licences and all licences in respect of such software are in good standing in all material respects and not in default in any respect; and

(v) all related data, content and programs are backed-up regularly with copies stored safely and securely off-site;

(z) other than the Agent, no person, firm or corporation acting or purporting to act at the request of the Issuer is entitled to any brokerage, agency or finder's fee in connection with the transactions described herein; and

(aa) the warranties and representations in this Section are true and correct and will remain so as of the Final Closing.

12.2 The Agent warrants and represents to the Issuer that:

(a) it is a valid and subsisting corporation under the law of the jurisdiction in which it was incorporated;

(b) it is duly registered under the Applicable Legislation;

(c) it will not advertise the offering;

(d) it will market and sell the Shares in compliance with the Applicable Legislation, the U.S. Securities Act and this Agreement.

13. EXPENSES OF AGENT

13.1 The Issuer will pay all of the reasonable expenses of the Private Placement and all the expenses reasonably incurred by the Agent in connection with the Private Placement, including, without limitation, the reasonable fees and expenses of the solicitor for the Agent.

13.2 The Issuer will pay the expenses referred to in the previous Subsection even if the transactions contemplated by this Agreement are not completed or this Agreement is terminated, unless the failure of acceptance or completion or the termination is the result of a breach of this Agreement by the Agent.

13.3 The Agent may, from time to time, render accounts for its expenses in connection with the Private Placement to the Issuer for payment on or before the dates set out in the accounts.

13.4 The Issuer authorizes the Agent to deduct its reasonable expenses in connection with Private Placement from the proceeds of the Private Placement and any advance payments made by the Issuer, including expenses for which an account has not yet been rendered. The Agent will provide a reconciliation letter outlining deductions from proceeds of any expenses.

14. INITIAL PUBLIC OFFERING, EXCHANGE LISTING AND REGISTRATION STATEMENT

14.1 If, at any time any Registrable Securities are not at the time covered by any effective registration statement, and at such time the Issuer shall determine to register under the U.S. Securities Act any of its shares of the Common Stock (other than its initial registered offering of shares to the public, or in connection with a merger or other business combination transaction that has been consented to in writing by holders of the Series A Preferred Stock, or pursuant to Form S-8), the Issuer covenants that it shall send to each holder of Shares (the "Holder") written

notice of such determination and, if within 20 days after receipt of such notice, such Holder shall so request in writing, the Issuer shall its best efforts to include in such registration statement all or any part of the Registrable Securities that such Holder requests to be registered. Notwithstanding the foregoing, if, in connection with any offering involving an underwriting of Common Shares to be issued by the Issuer, the managing underwriter shall impose a limitation on the number of shares of the Common Shares that may be included in any such registration statement because, in such underwriter's judgment, such limitation is necessary based on market conditions: (a) the Issuer may exclude, to the extent so advised by the underwriters, the Registrable Securities from the underwriting, it being understood that the Registrable Securities will be excluded from such underwriting prior to the exclusion from such offering of any securities with respect to which piggyback registration rights have been granted prior to the date of this Agreement. If the underwriters do not entirely exclude the Registrable Securities from such offering, the Issuer shall be obligated to include in such registration statement, with respect to the requesting Holder, only an amount of Registrable Securities equal to the product of (i) the number of Registrable Securities that remain available for registration after the underwriter's cutback and (ii) such Holder's percentage of ownership of all the Registrable Securities then outstanding (the **"*Registrable Percentage*"**). If any Holder disapproves of the terms of any underwriting referred to in this paragraph, it may elect to withdraw therefrom by written notice to the Issuer and the underwriter.

14.2 Each Holder will cooperate with the Issuer in all respects in connection with this Agreement, including timely supplying all information reasonably requested by the Issuer (which shall include all information regarding such Holder and proposed manner of sale of the Registrable Securities required to be disclosed in any Registration Statement) and executing and returning all documents reasonably requested in connection with the registration and sale of the Registrable Securities and entering into and performing its obligations under any underwriting agreement, if the offering is an underwritten offering, in usual and customary form, with the managing underwriter or underwriters of such underwritten offering. Nothing in this Agreement shall obligate any Holder to consent to be named as an underwriter in any Registration Statement. The obligation of the Issuer to register the Registrable Securities shall be absolute and unconditional as to those Registrable Securities which the United States Securities and Exchange Commission will permit to be registered without naming any Holder as underwriters.

14.3 In conjunction with any initial public offering or listing of its securities on a recognized stock exchange, the Issuer covenants that it will use its commercially reasonable efforts to ensure that Shares held by Canadian Purchasers will be free of any resale restrictions under Canadian securities laws upon the completion of the initial public offering or stock exchange listing.

15. INDEMNITY

15.1 The Issuer (the "Indemnitor") hereby agrees to indemnify and hold the Agent, and its affiliates, and each of their directors, officers, employees and agents (hereinafter referred to as the "Personnel") harmless from and against any and all expenses, losses (other than loss of profits), fees, claims, actions (including shareholder actions, derivative actions or otherwise), damages, obligations, or liabilities, whether joint or several, and the reasonable fees and expenses of their counsel, that may be incurred in advising with respect to and/or defending any actual or threatened claims, actions, suits, investigations or proceedings to which the Agent

and/or its Personnel may become subject or otherwise involved in any capacity under any statute or common law, or otherwise insofar as such expenses, losses, claims, damages, liabilities or actions arise out of or are based, directly or indirectly, upon the performance of professional services rendered to the Indemnitor by the Agent and its Personnel hereunder, or otherwise in connection with the matters referred to in this Agreement (including the aggregate amount paid in reasonable settlement of any such actions, suits, investigations, proceedings or claims that may be made against the Agent and/or its Personnel, provided that the Indemnitor has agreed to such settlement), provided, however, that this indemnity shall not apply to the extent that a court of competent jurisdiction in a final judgment that has become non-appealable shall determine that:

(a) the Agent and/or its Personnel have been negligent, have exercised bad faith, have contravened any applicable law or have committed wilful misconduct or any fraudulent act in the course of such performance; and

(b) the expenses, losses, claims, damages or liabilities, as to which indemnification is claimed, were directly caused by the negligence, bad faith, wilful misconduct or fraud referred to in 15.1(a).

15.2 Without limiting the generality of the foregoing, this indemnity shall apply to all expenses (including reasonable legal expenses), losses, claims and liabilities (excluding lost profits) that the Agent may incur as a result of any action or litigation that may be threatened or brought against the Agent.

15.3 If for any reason (other than the occurrence of any of the events itemized in 15.1(a) and 15.1(b) above), the foregoing indemnification is unavailable to the Agent or any Personnel or insufficient to hold the Agent or any Personnel harmless, then the Indemnitor shall contribute to the amount paid or payable by the Agent or any Personnel as a result of such expense, loss, claim, damage or liability in such proportion as is appropriate to reflect not only the relative benefits received by the Indemnitor on the one hand and the Agent or any Personnel on the other hand but also the relative fault of the Indemnitor and the Agent or any Personnel, as well as any relevant equitable considerations; provided that the Indemnitor shall in any event contribute to the amount paid or payable by the Agent or any Personnel as a result of such expense, loss, claim, damage or liability and any excess of such amount over the amount of the fees received by the Agent hereunder.

15.4 The Indemnitor agrees that in case any legal proceeding shall be brought against the Indemnitor and/or the Agent by any governmental commission or regulatory authority or any stock exchange or other entity having regulatory authority, either domestic or foreign, or shall investigate the Indemnitor and/or the Agent, and/or any Personnel of the Agent shall be required to testify in connection therewith or shall be required to respond to procedures designed to discover information regarding, in connection with, or by reason of the performance of professional services rendered to the Indemnitor by the Agent, the Agent shall have the right to employ its own counsel in connection therewith provided the Agent acts reasonably in selecting such counsel, and the reasonable fees and expenses of such counsel as well as the reasonable costs and out-of-pocket expenses incurred by their Personnel in connection therewith shall be paid by the Indemnitor as they occur.

15.5 Promptly after receipt of notice of the commencement of any legal proceeding against the Agent or any of the Agent's Personnel or after receipt of notice of the commencement or any investigation, which is based, directly or indirectly, upon any matter in respect of which indemnification may be sought from the Indemnitor, the Agent will notify the Indemnitor in writing of the commencement thereof and, throughout the course thereof, will provide copies of all relevant documentation to the Indemnitor, will keep the Indemnitor advised of the progress thereof and will discuss with the Indemnitor all significant actions proposed. However, the failure by the Agent to notify the Indemnitor will not relieve the Indemnitor of its obligations to indemnify the Agent and/or any Personnel. The Indemnitor shall, on behalf of itself and the Agent and/or any Personnel, as applicable, be entitled to (but not required) to assume the defence of any suit brought to enforce such legal proceeding; provided, however, that the defence shall be conducted through legal counsel acceptable to the Agent and/or any Personnel, as applicable, acting reasonably, that no settlement of any such legal proceeding may be made by the Indemnitor without the prior written consent of the Agent and/or any Personnel, as applicable, and none of the Agent and/or any Personnel, as applicable, shall be liable for any settlement of any such legal proceeding unless it has consented in writing to such settlement, such consent not to be unreasonably withheld.

15.6 The Agent and/or Personnel may retain counsel to separately represent it in the defence of a legal proceeding or investigation, which shall be at the Indemnitor's reasonable expense, if (i) the Indemnitor agrees to separate representation or (ii) the Agent or any of the Personnel, as the case may be, is advised by counsel, in writing, acting reasonably, that there is an actual or potential conflict in the Indemnitor's (on the one hand) and the Agent's or Personnel's (on the other hand) respective interest or additional defences are available to the Agent or Personnel, which makes representation by the same counsel inappropriate.

15.7 The indemnity and contribution obligations of the Indemnitor shall be in addition to any liability which the Indemnitor may otherwise have, shall extend upon the same terms and conditions to the Personnel of the Agent and shall be binding upon and inure to the benefit of any successors, assigns, heirs and personal representatives of the Indemnitor, the Agent and any of the Personnel of the Agent. The foregoing provisions shall survive the completion of professional services rendered under this Agreement or any termination of this Agreement.

16. ASSIGNMENT AND SELLING GROUP PARTICIPATION

16.1 The Agent will not assign this Agreement or any of its rights under this Agreement or, with respect to the Securities, enter into any agreement in the nature of an option or a sub-option unless and until, for each intended transaction, the Agent has obtained the consent of the Issuer, and any required notice has been given to and accepted by the Regulatory Authorities.

16.2 The Agent may offer selling group participation in the normal course of the brokerage business to selling groups of other licensed dealers, brokers and investments dealers, who may or who may not be offered part of the Agent's Fee. The Agent will use its commercially reasonable efforts to cause members of its selling group, if any, to ensure they comply with the terms of this Agreement otherwise applicable to the Agent.

17. NOTICE

17.1 Any notice under this Agreement will be given in writing and must be delivered, sent by facsimile transmission or mailed by prepaid post and addressed to the party to which notice is to be given at the following address (or at another address designated by the party in writing):

If to the Agent:

Canaccord Capital Corporation
P.O. Box 10337, Pacific Centre
2200-609 Granville Street,
Vancouver, B.C. V7Y 1H2
Attention: David Rentz, Senior Vice President, Investment Banking
Fax: 604.643.7733

If to the Issuer:

Icuiti Corporation
75 Town Centre Drive,
Rochester, New York,
14623 U.S.A.
Attention: Grant Russell, Chief Financial Officer
Fax: 585.240.8003

17.2 If notice is sent by facsimile transmission or is delivered during normal business hours, it will be deemed to have been given at the time of transmission or delivery, otherwise, if not transmitted or delivered during normal business hours, it will be deemed to have been given the next business day.

17.3 If notice is mailed, it will be deemed to have been received 48 hours following the date of mailing of the notice.

17.4 If there is an interruption in normal mail service due to strike, labour unrest or other cause at or prior to the time a notice is mailed the notice will be sent by facsimile transmission or will be delivered.

18. TIME

Time is of the essence of this Agreement and will be calculated in accordance with the provisions of the *Interpretation Act* (Ontario).

19. SURVIVAL OF REPRESENTATIONS AND WARRANTIES

The representations, warranties, covenants and indemnities of the Issuer and the Agent contained in this Agreement will survive the Final Closing.

20. LANGUAGE

This Agreement is to be read with all changes in gender or number as required by the context.

21. ENUREMENT

This Agreement enures to the benefit of and is binding on the parties to this Agreement and their successors and permitted assigns.

22. HEADINGS

The headings in this Agreement are for convenience of reference only and do not affect the interpretation of this Agreement.

23. ENGAGEMENT LETTER

The terms of this Agreement constitutes the entire agreement and supersedes any other previous agreement between the parties with respect to the Private Placement. The Agent and the Issuer agree that the terms and conditions contained in the Engagement Letter dated March 19, 2007 with respect to the Issuer's initial public offering and stock exchange listing remain in force and effect between the parties.

24. COUNTERPARTS

This Agreement may be executed in two or more counterparts and may be delivered by facsimile transmission, each of which will be deemed to be an original and all of which will constitute one agreement, effective as of the reference date given above.

25. LAW

This Agreement is governed by the law of Ontario, and the parties hereto irrevocably attorn and submit to the jurisdiction of the courts of City of Toronto in the Province of Ontario with respect to any dispute related to this Agreement.

This document was executed and delivered as of the date given above:

ICUITI CORPORATION

Per: /s/ Paul J. Travers
Authorized Signatory

Per: /s/ Grant Russell
Authorized Signatory

CANACCORD CAPITAL CORPORATION

Per: _____
Authorized Signatory

c/s }

Per: _____
Authorized Signatory

I/We have the authority to bind the corporation

APPENDIX I

AGENT'S CERTIFICATE

In connection with the private placement in the United States of Shares of Icuiti Corporation (the "Issuer") pursuant to the Agency Agreement dated for reference June ●, 2007, among the Issuer and the Agent named therein (the "Agency Agreement"), the undersigned Agent and ●, as the U.S. Affiliate, do hereby certify as follows:

(a) the Shares have been offered and sold in the United States or to or for the benefit or account of U.S. Persons only through the U.S. Affiliate, which was on the dates of such offers and sales, and is on the date hereof, a duly registered broker or dealer pursuant to Section 15(b) of the 1934 Act and under the securities laws of each state in which such offers and sales were made (unless exempted from the respective state's broker-dealer registration requirements) and was and is a member in good standing with the National Association of Securities Dealers, Inc.

(b) all offers and sales of Shares in the United States or to or for the benefit or account of U.S. Persons have been effected through the U.S. Affiliate in accordance with all applicable federal and states laws and regulations governing the registration and conduct of securities brokers and dealers;

(c) each offeree that was in the United States or for the benefit or account of a U.S. Person was provided with a copy of the Subscription Agreement relating to the offering of the Shares;

(d) immediately prior to transmitting the Subscription Agreement to such offerees, we had reasonable grounds to believe and did believe that each such offeree was an Accredited Investor and, on the date hereof, we have reasonable grounds to believe and do believe that each person in the United States and each U.S. Person that we have arranged to purchase Shares from the Issuer is an Accredited Investor;

(e) no form of general solicitation or general advertising (as those terms are used in Regulation D) was used by us, including any advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over radio or television, or any seminar or meeting whose attendees had been invited by general solicitation or general advertising, in connection with the offer or sale of the Shares in the United States;

(f) the offering of the Securities has been conducted in accordance with the terms of the Agency Agreement; and

(g) prior to any sale of Shares in the United States or to or for the benefit or account of a U.S. Person we caused purchaser to execute a Subscription Agreement, including the Certification of U.S. Purchaser contained therein.

Terms used in this certificate have the meanings given to them in the Agency Agreement unless otherwise defined herein.

Dated this _____ day of _____, 2007.

CANACCORD CAPITAL CORPORATION

By: _____
Name:
Title:

[US AFFILIATE]

By: _____
Name:
Title:

Schedule A

Existing Dilution

Stock Options granted and outstanding	1,802,283
Warrants outstanding	432,647
Series C Preferred convertible into Common	722,143
Debt convertible in to Common	429,177
Total dilution	3,392,250

Schedule B

Loans or other indebtedness outstanding which has bee mat to any of its shareholders, officers, directors or employees, past or present, or any person not dealing at “arm’s length” (as such term is used in the *Income Tax Act* (Canada)):

1. Paul Churnetski:

    a. 2002 Secured Non-Recourse Promissory Note Given to the Company for original principal amount of $93,740

2. Grant Russell:

    a. 2002 Secured Non-Recourse Promissory Note Given to the Company for original principal amount of $58,377.51

3. Steve Ward:

    a. 2002 Secured Non-Recourse Promissory Note Given to the Company for original principal amount of $15,724.16

4. Craig Travers:

    a. 2002 Secured Non-Recourse Promissory Note Given to the Company for original principal amount of $31,448.28

Exhibit 10.16

WARRANT CERTIFICATE

THE WARRANTS REPRESENTED BY THIS WARRANT CERTIFICATE MAY NOT BE EXERCISED BY ANY PERSON OTHER THAN THE REGISTERED HOLDER.

UNLESS PERMITTED UNDER CANADIAN SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS FOUR MONTHS AND A DAY AFTER THE LATER OF: (I) JUNE 29, 2007; AND (II) THE DATE THE ISSUER BECAME A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY.

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER REGULATION D PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"). THIS WARRANT SHALL NOT CONSTITUTE AN OFFER TO SELL NOR A SOLICITATION OF AN OFFER TO BUY THE SECURITIES IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION WOULD BE UNLAWFUL. THE SECURITIES ARE "RESTRICTED" AND MAY NOT BE RESOLD OR TRANSFERRED EXCEPT AS PERMITTED UNDER THE ACT PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM.

VOID AFTER 5:00 P.M. (TORONTO TIME) ON THE EXPIRATION DATE (AS DEFINED BELOW).

ICUITI CORPORATION

(Incorporated under the laws of the State of Delaware)

NON-TRANSFERABLE WARRANTS TO PURCHASE COMMON SHARES

CERTIFICATE NO.: W-2007-___ **_____WARRANTS**

THIS IS TO CERTIFY that _____ (the "**Holder**") is the registered holder of_____ non-transferable warrants (each a "**Warrant**") of **Icuiti Corporation** (the "**Corporation**"). Each Warrant entitles the Holder to purchase from the Corporation, subject to the terms and conditions set forth in this Warrant Certificate, one share of common stock in the capital of the Corporation (each, a "**Common Share**") in the capital of the Corporation at an exercise price of $1.60 per Common Share (the "**Exercise Price**"). The number of Common Shares which the Holder is entitled to acquire upon exercise of these Warrants is subject to adjustment as hereinafter provided. The Warrants shall become wholly void and the unexercised portion of the subscription rights represented hereby will expire and terminate at 5:00 p.m. (Toronto time) (the "**Expiration Time**") on June 29, 2009 (the "**Expiration Date**").

1. At any time or times prior to the Expiration Time on the Expiration Date, the Holder may exercise all or any number of Warrants represented hereby, by delivering to the Corporation at its principal office at 75 Town Centre Drive, Rochester, New York, 14623, U.S.A. facsimile: (585) 240-8003, a duly completed and executed exercise notice in the form attached as Schedule "A" hereto (the "**Exercise Notice**") evidencing the election (which on delivery to the Corporation shall be irrevocable) of the Holder to exercise the number of Warrants set forth in the Exercise Notice and a certified cheque or bank draft in lawful money of the United States of America payable to the Corporation for the aggregate Exercise Price of all Warrants being exercised. If the Holder is not exercising all Warrants represented by this Warrant Certificate, the Holder shall be entitled to receive a Warrant certificate representing the number of Warrants which is the difference between the number of Warrants represented by this Warrant Certificate and the number of Warrants being so exercised.

   To the extent that the Warrants represented by this Warrant Certificate confer the right to acquire a fraction of a Common Share, such right may be exercised in respect of such fraction only in combination with one or more Warrants which in the aggregate entitle the Holder to acquire a whole number of Common Shares.

No fractional Common Share will be issued upon the exercise of any Warrant and the Holder will not be entitled to any cash payment as compensation in lieu of a fractional Common Share.

2. The Holder shall be deemed to have become the holder of record of Common Shares on the date (the "**Exercise Date**") on which the Corporation has received both a duly completed Exercise Notice and payment in full in respect of the Common Shares; provided, however, that if such date is not a business day then the Common Shares shall be deemed to have been issued and the Holder shall be deemed to have become the holder of record of the Common Shares on the next following business day. Within three business days of the Exercise Date, the Corporation shall issue and deliver (or cause to be delivered) to the Holder, by registered mail to the Holder's address specified in the register of the Corporation, a certificate for the appropriate number of Common Shares.

3. The Corporation hereby covenants and agrees with the Holder that:

   (a) each Common Share issued upon the due exercise of each Warrant will, upon issuance, be fully paid and non-assessable and free and clear of any lien, claim, charge or encumbrance and at all times the Corporation will have authorized and reserved for issuance a sufficient number of Common Shares to provide for the exercise of the Warrants;

   (b) except as expressly provided herein, this Warrant Certificate shall not entitle the Holder to any rights as a shareholder of the Corporation including, without limitation, any voting rights;

   (c) it will use commercially reasonable efforts at all times prior to the Expiration Date to maintain its corporate existence;

   (d) if required, it will give written notice of the issue of Common Shares pursuant to the exercise of the Warrants to the securities regulatory authority in the jurisdiction in which the Holder is resident; and

   (e) it will perform and carry out all acts and things required to be done by it as provided for herein.

4. (a) If, prior to the Expiration Time on the Expiration Date, the Corporation,

      (i) subdivides, redivides, combines or consolidates its then outstanding Common Shares into a greater or lesser number of Common Shares, or

      (ii) distributes Common Shares or securities exchangeable or convertible for Common Shares by way of stock dividend or otherwise (other than as a dividend paid in the ordinary cause, a distribution of Common Shares on exercise of Warrants or pursuant to the exercise of options granted under the Corporation's stock option plan) to holders of all or substantially all of its then outstanding Common Shares,

   (any of such events herein called a "**Share Reorganization**"), then the Exercise Price shall be adjusted effective immediately after the record date determined for purposes, on the date or the effective date, as the case may be, of such Share Reorganization by multiplying the Exercise Price in effect immediately prior to such record date or effective date, as the case may be, by a fraction, the numerator of which shall be the number of Common Shares outstanding on such record date or effective date, as the case may be, before giving effect to the Share Reorganization and the denominator of which shall be the number of Common Shares outstanding immediately after giving effect to such Share Reorganization including, in the case where securities exchangeable for or convertible into Common Shares are distributed, the number of Common Shares that would be outstanding if such securities were exchanged for or converted into Common Shares. From and after any adjustment of the Exercise Price pursuant to this section 4(a), the number of Common Shares issuable pursuant to the Warrants shall also be adjusted by multiplying the number of Common Shares then otherwise issuable by a fraction, the numerator of which shall be the

Exercise Price in effect immediately prior to the adjustment and the denominator of which shall be the Exercise Price resulting from such adjustment.

(b) If, prior to the Expiration Time on the Expiration Date, the Corporation fixes a record date for the issue of options, rights or warrants exercisable during a period expiring not more than 45 days after the record date for such issue (the "**Rights Period**") to all or substantially all the holders of Common Shares entitling them to acquire Common Shares or other securities convertible or exchangeable into Common Shares at less than 95% of their Current Market Price (any of such event herein called a "**Rights Offering**") then the Exercise Price shall be adjusted effective immediately after the end of the Rights Period to a price determined by multiplying the Exercise Price in effect immediately after such record date by a fraction,

(i) the numerator of which shall be the aggregate of:

(1) the number of Common Shares outstanding as of the record date for the Rights Offering; and

(2) a number determined by dividing either

(A) the product of the number of Common Shares issued or subscribed for during the Rights Period and the price at which such Common Shares are offered, or

(B) the product of the exchange or conversion price of such securities offered and the number of Common Shares for or into which the securities so offered pursuant to the Rights Offering have been exchanged or converted during the Rights Period,

by the Current Market Price of the Common Shares on the record date for the Rights Offering; and

(ii) the denominator of which shall be the number of Common Shares outstanding after giving effect to the Rights Offering, including the number of Common Shares actually issued or subscribed for (or securities for or into which the securities so offered pursuant to the Rights Offering have been exchanged or converted) during the Rights Period.

If the Holder has exercised any of the Warrants at any time during the period commencing immediately after the record date for a Rights Offering and expiring on the last day of the Rights Period, the Holder shall be entitled to receive from the Corporation, not later than 30 days after the end of the Rights Period, an amount equal to the difference, if any, between the Exercise Price in effect immediately prior to the end of such Rights Period and the Exercise Price as adjusted for such Rights Offering pursuant to this section 4(b) multiplied by the number of Common Shares acquired upon such exercise of any Warrants. Payment of any such amount shall be mailed to the address to which the Common Shares purchased upon such exercise are to be sent.

(c) If, prior to the Expiration Time on the Expiration Date, the Corporation distributes evidences of its indebtedness or any property or other assets (other than by way of a Common Share Reorganization or Rights Offering and excluding cash dividends paid in the ordinary course) to holders of all or substantially all of its then outstanding Common Shares, the number of Common Shares to be issued by the Corporation under the Warrants shall, at the time of exercise, be appropriately adjusted and the Holder shall receive, in lieu of the number of Common Shares in respect of which the right is then being exercised, the aggregate number of Common Shares or other securities or property that the Holder would have been entitled to receive as a result of such event, if, on the record date therefor, the Holder had been the registered holder of the number of Common Shares to which the Holder was theretofore entitled upon the exercise of the Warrants.

(d) If, prior to the Expiration Time on the Expiration Date, there is a capital reorganization of the Corporation or a reclassification or other change in the Common Shares (other than a Common Share Reorganization) or a consolidation, merger or amalgamation of the Corporation with or into any other corporation or entity (other than a consolidation, merger or amalgamation which does not result in any reclassification of the outstanding Common Shares or a change of the Common Shares into other securities) or a transfer of all or substantially all of the Corporation's undertaking and assets to another corporation or entity in which the holders of Common Shares are entitled to receive shares, other securities or property (any of such events being called a "**Capital Reorganization**"), the Holder, where the Holder has not exercised the Warrants prior to the effective date of such Capital Reorganization, shall be entitled to receive and shall accept, upon the exercise of such right, on such date or any time thereafter, for the same aggregate consideration in lieu of the number of Common Shares to which the Holder was theretofore entitled to subscribe for and purchase, the aggregate number of shares or other securities or property which the Holder would have been entitled to receive as a result of such Capital Reorganization if, on the effective date thereof, the Holder had been the registered holder of the number of Common Shares to which the Holder was theretofore entitled to acquire hereunder.

(e) Any adjustments made pursuant to this section 4 shall be subject to the following rules and procedures:

(i) the adjustments provided for in section 4 are cumulative and shall be made successively whenever an event referred to herein shall occur, provided no adjustment shall be made unless the cumulative effect of all such adjustments would change the Exercise Price by at least 1% of the current Exercise Price or if the Holder is allowed to participate in the specified event as though the Holder had exercised the Warrants prior to such occurrence of such event;

(ii) if the Corporation sets a record date to take any action and thereafter and before taking such action abandons its plan to take such action, then no adjustment to the Exercise Price shall be required by reason of setting such record date;

(iii) upon the occurrence of each and every event set out in this section 4, the provisions of the Warrants, including the Exercise Price, shall be deemed to be amended accordingly and the Corporation shall take all necessary action to comply with such provisions as so amended;

(iv) "**Current Market Price**" of the Common Shares at any date means the price per Common Share equal to the fair market value thereof as determined by the board of directors of the Corporation, acting reasonably;

(v) in the event of any question arising with respect to the adjustments provided in Section 4, such question shall be conclusively determined, absent manifest error, by a firm of chartered accountants appointed by the Corporation, acting reasonably (who may be the Corporation's auditors), such accountants shall have access to all necessary records of the Corporation and such determination shall be binding upon the Corporation and the Holder;

(vi) as a condition precedent to the taking of any action which would result in an adjustment to the number of Common Shares purchaseable upon exercise of these Warrants, the Corporation shall take any corporate action which may be necessary in order that the Common Shares to which the Holder is entitled on the full exercise of its exercise right in accordance with the provisions hereof shall be available for such purpose and that such Common Shares may be validly and legally issued as fully paid and non-assessable Common Shares; and

(vii) the Corporation shall from time to time immediately after the occurrence of any event which requires an adjustment in the Exercise Price and/or number of Common Shares purchaseable upon exercise of Warrants as provided for herein, deliver a certificate of an officer of the Corporation to the Holder specifying the nature of the event requiring the adjustment and the amount of the adjustment thereby necessitated and setting forth in reasonable detail the adjusted Exercise Price and/or number of Common Shares purchasable upon exercise of Warrants, the method of calculation and the facts upon which such calculation is based.

5. If at any time there occurs any Change in Control Transaction, then the Holder shall be deemed to have exercised the entirety of the Warrants represented by this Warrant Certificate immediately prior to the effectiveness of such Change in Control Transaction becoming effective or immediately prior to the applicable record date thereof, if earlier (notwithstanding any restrictions imposed upon the ability of the Holder to do so), and the Holder shall be entitled to receive upon or after such change in control becoming effective, and upon payment of the Exercise Price then in effect, the number of shares or other securities of the Corporation, the number of shares or other securities of any other entity and/or any other property which would have been received by the Holder for the shares of stock subject to this Warrant Certificate had the entirety of the Warrants represented by this Warrant Certificate been exercised immediately prior to such Change in Control Transaction becoming effective or immediately prior to the applicable record date thereof, if earlier. "**Change in Control Transaction**" shall mean the occurrence of (x) any consolidation or merger of the Corporation with or into any other corporation or other entity or person (whether or not the Corporation is the surviving corporation) (excluding a consolidation or merger in connection with a corporate reorganization in which the ultimate beneficial owners of the Corporation before and after such transaction are the same), or (y) any other corporate reorganization or transaction or series of related transactions in which in excess of 50% of the Corporation's voting power is transferred through a merger, consolidation or similar transaction, or (z) the liquidation or distribution to shareholders of the Corporation of all or substantially all of its assets.

6. If, in case at any time:

(a) the Corporation pays any dividend payable in stock upon the Common Shares or makes any distribution to the holders of the Common Shares;

(b) the Corporation offers for subscription pro rata to the holders of its Common Shares any additional shares of stock of any class or other rights;

(c) there is a voluntary or involuntary dissolution, liquidation or winding-up of the Common Shares; or

(d) in case of any Share Reorganization;

then, and in any one or more of such cases, the Corporation will give to the Holder at least 15 business days' prior written notice of the date on which the books of the Corporation will close or a record will be taken for such dividend, distribution or offer of subscription rights, or for determining rights to vote with respect to such dissolution, liquidation or winding-up or Share Reorganization and, in the case of such dissolution, liquidation or winding-up or Share Reorganization, at least 15 business days' prior written notice of the date when the same will take place. Such notice in accordance with the foregoing clause will also specify, in the case of any such dividend, distribution or offer of subscriptions rights, the date on which the holders of the Common Shares will be entitled thereto, and such notice in accordance with the foregoing will also specify the date on which the holders of the Common Shares will be entitled to exchange the Common Shares for securities or other property deliverable upon such dissolution, liquidation or winding-up or Share Reorganization, as the case may be.

7. Except as hereinafter provided, all or any of the rights conferred upon the Holder by the terms hereof may be enforced by the Holder by appropriate legal proceedings. No recourse under or upon any obligation, covenant or agreement contained herein shall be had against any shareholder, director or officer of the Corporation either directly or through the Corporation, it being expressly agreed and declared that the

obligations under the Warrants are solely corporate obligations and that no personal liability whatever shall attach to or be incurred by the shareholders, directors or officers of the Corporation or any of them in respect thereof, any and all rights and claims against every such shareholder, officer or director being hereby expressed waived as a condition of and as a consideration for the issue of the Warrants.

8. The Warrants evidenced by this Warrant Certificate are not transferable.

9. If any Warrant certificate becomes stolen, lost, mutilated or destroyed, the Corporation, shall, on such terms as it may in its discretion acting reasonably impose, issue and deliver to the Holder a new Warrant certificate of like denomination, tenor and date as the Warrant certificate so stolen, lost, mutilated or destroyed.

10. The Corporation shall maintain at its principal office a register of the names and addresses of the holders of the Warrants.

11. The Warrants evidenced by this Warrant Certificate and the Common Shares issuable upon exercise thereof are subject to statutory resale restrictions under applicable securities legislation and may not be traded until the expiry of certain hold periods, except as permitted by and in compliance with applicable securities legislation.

12. If any date upon or by which any action is required to be taken by the Corporation or the Holder is not a business day then such action shall be required to be taken on or by the next day which is a business day. In the event the Expiration Date falls on a date which is not a business day, the Expiration Date shall be extended to the next succeeding day that is a business day.

13. Words importing the singular number also include the plural and vice versa and words importing any gender include all genders.

14. The division of this Warrant Certificate into sections or other subdivisions and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Warrant Certificate or the Warrants.

15. If any provision of this Warrant Certificate shall be void or unenforceable for any reason, it shall be severed from the remainder of the provisions and such remainder shall remain in full force and effect notwithstanding such severance. Any court with jurisdiction over any dispute relating to the Warrants may amend the provisions of this Warrant Certificate and the terms of the Warrants to the minimum extent required to render the impugned provision valid and enforceable.

16. Time shall be of the essence hereof.

17. Unless otherwise indicated, any reference to dollar amounts or "$" is expressed in Canadian dollars.

18. As used in this Warrant Certificate, "**business day**" means a day other than a Saturday, Sunday, any statutory or civic holiday or any other day on which banks are generally closed in Rochester, New York.

19. Except as otherwise provided in this Warrant Certificate, any notice or other communication required or permitted to be given in respect of the Warrants shall be in writing and shall be given by facsimile or by hand-delivery as provided below. Any notice or other communication, if sent by facsimile, shall be deemed to have been received on the business day on which it was sent, or if delivered by hand shall be deemed to have been received at the time it is delivered. Notice of change of address shall also be governed by this section. Notices and other communications shall be addressed and delivered as follows:

    (a) in the case of the Corporation:

        75 Town Centre Drive

Rochester, New York, 14623
U.S.A.

Attention: Chief Financial Officer
Facsimile: (585) 240-8003

(b) in the case of the Holder, by personal or couriered delivery to such holder at the address of the Holder as set forth on the register maintained by the Corporation, as described in section 8.

20. The Corporation may deem and treat the Holder as the absolute owner of these Warrants for all purposes and shall not be affected by any notice or knowledge to the contrary. The receipt by the Holder for Common Shares purchasable pursuant to the Warrants evidenced hereby shall be a good discharge to the Corporation for the same and the Corporation shall not be bound to inquire into such Holder's title.

21. The terms and conditions of the Warrants shall enure to the benefit of and be binding upon the Holder, and the Holder's heirs, personal representatives, successors and assigns (as the case may be) and shall enure to the benefit of and be binding upon the Corporation and its successors and assigns. In the case of the consolidation, amalgamation, arrangement, merger or transfer of the undertaking or assets of the Corporation as an entirety, or substantially as an entirety, to another corporation, the successor corporation resulting from such consolidation, amalgamation, arrangement, merger or transfer (if not the Corporation) will be bound by the provisions hereof and for the due and punctual performance and observance of each and every covenant and obligation contained in this Warrant to be performed by the Corporation.

22. The Warrants shall be governed by the laws of the State of New York and the laws of the United States of America applicable therein. The parties irrevocably attorn and submit to the non-exclusive jurisdiction of the courts of New York with respect to any matter arising hereunder or related hereto.

23. These Warrants and the Common Shares issuable upon the exercise of these warrants have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws. These Warrants may not be exercised in the United States (as defined in regulations under the U.S. Securities Act) unless the Warrants and Common Shares issuable upon exercise hereof have been registered under the U.S. Securities Act and any applicable state securities laws or unless as exemption from such registration is available, and the Corporation receives an opinion of counsel in form and substance satisfactory to it to such effect.

[Remainder of page intentionally left blank, signature page to follow]

IN WITNESS WHEREOF the Corporation has caused this Warrant Certificate to be signed by its duly authorized officer as of the 29th day of June, 2007.

ICUITI CORPORATION

By: _____
Paul J. Travers, President and CEO

SCHEDULE "A"

EXERCISE NOTICE

TO: ICUITI CORPORATION (the "Corporation")

The undersigned registered holder of Warrants hereby irrevocably elects to exercise Warrants to purchase _____ Common Shares issuable upon the exercise of such Warrants and tenders herewith a bank draft or a certified cheque payable to or to the order of the Corporation in the aggregate amount of $_____ and hereby requests that a certificate representing the Common Shares be issued in the name(s) of and delivered to:

Name in Full	Address	Number of Common Shares

By executing this Exercise Notice, the undersigned represents and warrants that the undersigned is not a U.S. Person and is not exercising the Warrants within the United States and that the Common Shares are not being subscribed for on behalf of a U.S. Person (as such capitalized terms are defined under the United States Securities Act of 1933, as amended).

DATED this ___day of _____, 200___.

_____

By: _____

Exhibit 10.17

DEMAND NOTE

$247,690.92 **June 16, 2000**

FOR VALUE RECEIVED, the undersigned, Interactive Imaging Systems, Inc. (Borrower), hereby promises to pay to the order of Paul Travers (Lender), the principal sum of Two hundred forty seven thousand six hundred ninety dollars and ninety two cents ($247,690.92), or if less, the aggregate unpaid principal amount of all advances made by Lender to Borrower within 20 days from date of this note. The Lender shall maintain a recorded of amounts of principal and interest payable by Borrower from time to time, and the records of the Lender maintained in the ordinary course of business, shall be prima facie evidence of the existence and amounts of Borrower's obligations recorded therein. In the event of transfer of this Note, or if the Lender shall otherwise deem it appropriate, the Borrower hereby authorizes the Lender to endorse on this Note the amount of advances and payments to reflect the principal balance outstanding from time to time. The lender may send written confirmation of advances to Borrower but any failure to do so shall not relieve the Borrower of the obligation to repay any advance.

This note shall bear interest on the outstanding balances, until paid, at a rate per annum of one point (1%) above the stated prime commercial lending rate of Chase Bank, N.A. in effect from time to time, but never more than the maximum rate allowed by law. All changes in the rate of interest hereunder due to a change in the stated prime rate shall occur automatically without notice as of the effective date of the change of such prime rate by Chase Bank, N.A.

The terms of this note cannot be changed, nor may a writing executed by the Lender discharge this Note, in whole or in part, except. In the event that the Lender demands or accepts partial payments of this note, such demands or acceptance shall not be deemed to constitute a waiver of the right to demand the entire u aid balance of this note at any time in accordance with the terms hereof. Any by the Lenders in exercising any rights hereunder shall not operate as a such rights.

INTERACTIVE IMAGING SYSTEMS, INC.

By: /s/ Paul J. Travers

Paul J. Travers

Name:

Title: President

Exhibit 10.18

LOAN AGREEMENT

LOAN AGREEMENT dated as of October ___, 2008, between Vuzix Corporation, a Delaware corporation (the "Borrower"), and Paul J. Travers (the "Lender"). The parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01 Defined Terms. As used in this Agreement, the following terms have the following meanings (terms defined in the singular to have the same meaning when used in the plural and vice versa):

"Agreement" means this Agreement, as amended, supplemented, or modified from time to time.

"Business Day" means any day other than a Saturday, Sunday, or other day on which commercial lenders in New York, New York are authorized or required to close under the laws of the State of New York.

"Loan(s)" shall have the meaning assigned to such term in Section 2.01.

"Loan Documents" mean this Agreement and the Note.

"Note" shall have the meaning assigned to such term in Section 2.04.

"Office" means the Lender's place of business at of 75 Town Centre Drive, Rochester, NY 14623 or such other address as may be designed by the Lender pursuant to the provisions of hereof.

ARTICLE II

AMOUNT AND TERMS OF THE LOAN

SECTION 2.01 Loans. Lender agrees, on the terms and conditions hereinafter set forth, to make loans (the "Loans") to the Borrower from time to time during the period from the date of this Agreement up to but not including December 31, 2010, in such amounts as the Borrower may request and the Lender may agree pursuant to the terms hereof. Borrower shall be entitled to draw the Loans down in an initial installment of Seventy Thousand Dollars ($70,000.00) and subsequent installments of at least Five Thousand Dollars ($5,000.00) each. The Lender may decline to make any Loan, in its sole discretion, without further obligation or liability to the Borrower.

SECTION 2.02 Notice and Manner of Borrowing. Each of the parties acknowledges that the initial $70,000.00 installment of the Loan has already been funded. The Borrower shall give the

Lender at least two (2) Business Days' written or telegraphic notice (effective upon receipt) of any subsequent request for Loans under this Agreement, specifying the date and amount thereof. On the date of such Loan (and subject to his right to decline to make such Loans as set forth in Section 2.01), the Lender will make such Loans available to the Borrower by bank check, unless in any request for Loans the Borrower shall request that such Loan be funded in immediately available funds, in which case the Lender shall make such Loan not later than 2:00 P.M. Eastern Standard time on the date of such Loan by wire transfer to the account of Borrower, in accordance with wire transfer instructions contained in Borrower's notice.

SECTION 2.03 Interest. The Borrower shall pay interest to the Lender on the outstanding and unpaid principal amount of the Loans made under this Agreement at a rate per annum equal to twelve percent (12%) per annum. Interest shall be calculated on the basis of a year of 360 days for the actual number of days elapsed. Interest shall be paid in immediately available funds at maturity.

SECTION 2.04 Note. All Loans made by the Lender under this Agreement shall be evidenced by, and repaid with interest in accordance with, a single promissory note of the Borrower to the order of the Lender, respectively, in substantially the form of Exhibit A. Such Note shall be dated the date of this Agreement and payable to the Lender (the "Note"). The Lender is hereby authorized by the Borrower to endorse on the schedule attached to the Note the amount of each Loan and of each payment of principal received by the Lender on account of the Loans, which endorsement shall, in the absence of manifest error, be conclusive as to the outstanding balance of the Loans made by the Lender; provided, however, that the failure to make such notation with respect to any Loan or payment shall not limit or otherwise affect the obligations of the Borrower under this Agreement or the Note.

SECTION 2.05 Payment and Prepayments. All Loans shall be payable on demand. The Borrower may, at any time, prepay the Note in whole or in part without premium or penalty but with accrued interest to the date of such prepayment on the amount prepaid.

SECTION 2.06 Method of Payment. The Borrower shall make each payment under this Agreement and under the Note on the date when due in lawful money of the United States to the Lender at his Office in immediately available funds. Whenever any payment to be made under this Agreement or under the Note shall be stated to be due on a Saturday, Sunday, or a public holiday, or the equivalent for lenders generally under the laws of the State of New York, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of the payment of interest.

ARTICLE III

SECURITY

SECTION 3.01 Security Interest. As security for the payment of principal and accrued interest under this Agreement, the Borrower hereby grants to the Lender a security interest in all of the its assets listed on Schedule A attached hereto (the "Collateral"). Borrower

shall not and nothing in this Section 3.01 shall constitute, or be deemed to constitute, a grant of authority to Borrower to, sell, lease, or otherwise dispose of or encumber the Collateral, or any part of the Collateral, without the prior written consent of Lender, except in the ordinary course of business or as otherwise provided herein. The security interest hereby created shall attach immediately upon execution of this Agreement and concurrently herewith, the Borrower shall execute any financing statement or financing statements requested by Lender to perfect the security interest created hereby. Such financing statement or statements shall be on a form or forms approved by the New York Secretary of State and Borrower shall forthwith pay to Lender the filing fees required to file such statement or statements in the manner required by the Uniform Commercial Code as in effect in the State of New York. In addition, Borrower shall pay from its own funds, as they become due, all taxes and assessments levied or assessed against the Collateral, or any part of the Collateral, prior to the final termination of this Agreement. Upon any event of default hereunder, the Lender shall be entitled to all the rights and remedies of a secured creditor with respect to such Collateral as provided for in the Uniform Commercial Code as in effect in the State of New York.

ARTICLE IV

MISCELLANEOUS

SECTION 4.01 Amendments. Etc. No amendment, modification, termination, or waiver of any provision of any Loan Document to which the Borrower is a party, nor consent to any departure by the Borrower from any Loan Document to which it is a party, shall in any event be effective unless the same shall be in writing and signed by the Lender, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

SECTION 4.02 Notices, Etc. All notices and other communications provided for under this Agreement and under the other Loan Documents to which the Borrower is a party shall be in writing (including telegraphic communication) and mailed or telegraphed or delivered, if to the Borrower, at its address at 75 Town Centre Drive, Rochester, NY 14623, Attention: Grant Russell, Chief Operating Officer, and if to the Lender, at his Office or, as to each party, at such other address as shall be designated by such party in a written notice to the other party complying as to delivery with the terms of this Section 4.02. All such notices and communications shall, when mailed or telegraphed, be effective when deposited in the mails or delivered to the telegraph company, respectively, addressed as aforesaid.

SECTION 4.03 No Waiver; Remedies. No failure on the part of the Lender to exercise, and no delay in exercising, any right, power, or remedy under any Loan Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any right under any Loan Documents preclude any other or further exercise thereof or the exercise of any other right. The remedies provided in the Loan Documents are cumulative and not exclusive of any remedies provided by law.

SECTION 4.04 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Borrower and the Lender and their respective successors and assigns, except that the Borrower may not assign or transfer any of its rights under any Loan Document to which the Borrower is a party without the prior written consent of the Lender.

SECTION 4.05 Costs, Expenses, and Taxes. The Borrower agrees to pay on demand all costs and expenses in connection with the preparation, execution, delivery, filing, recording, and administration of any of the Loan Documents, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Lender, and any local counsel who may be retained by said counsel, with respect thereto and with respect to advising the Lender as to his rights and responsibilities under any of the Loan Documents.

SECTION 4.06 Governing Law. This Agreement the Note and the other Loan Documents shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts made and performed wholly within such state, without regard to conflict of laws principles.

SECTION 4.07 Severability of Provisions. Any provision of any Loan Document which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of such Loan Document or affecting the validity or enforceability of such provision in any other jurisdiction.

SECTION 4.08 Headings. Article and Section headings in the Loan Documents are included in such Loan Documents for the convenience of reference only and shall not constitute a part of the applicable Loan Documents for any other purpose.

IN WITNESS WHEREOF, the parties hereto have duly caused this Loan Agreement to be executed by their respective officers thereunto duly authorized as of the date first above written.

VUZIX CORPORATION

By: /s/ Grant Russell
Name: Grant Russell
Title: Chief Operating Officer

/s/ Paul Travers
Paul Travers

EXHIBIT A

NOTE

October __, 2008

Rochester, New York

FOR VALUE RECEIVED, the undersigned, Vuzix Corporation., a Delaware corporation (the "Borrower"), **DOES HEREBY PROMISE** to pay to the order of Paul Travers (the "Lender"), at its office at 75 Town Centre Drive, Rochester, NY 14623, in lawful money of the United States and in immediately available funds, the aggregate unpaid principal amount of all Loans made to the Borrower by the Lender hereunder and pursuant to the Agreement, **ON DEMAND**, and to pay interest (computed on the basis of a year of 360 days) from the date of this Note on the unpaid principal amount hereof, in like money, at said office, at a rate per annum equal to twelve percent (12%) per annum. Interest accrued on this Note shall be paid monthly on the first day of each month commencing December 1, 2008. The principal balance hereof and interest accrued hereon shall be due and payable in full on December 31, 2010 even if no demand for payment has been made

The Borrower hereby authorizes the Lender to endorse on the Schedule annexed to this Note all Loans made to the Borrower and all payments of principal amounts in respect of such Loans, which endorsements shall, in the absence of manifest error, be conclusive as to the outstanding principal amount of all Loans; provided, however, that the failure to make such notation with respect to any Loan or payment shall not limit or otherwise affect the obligations of the Borrower under the Agreement or this Note.

This Note is the Note referred to in a certain Loan Agreement between the Lender and the Borrower, dated the same date as the date of this Note (the "Agreement"), and capitalized terms used herein shall have the meanings ascribed to such terms in the Agreement. The Agreement, among other things, contains provisions for prepayments on account of the principal of this Note prior to demand upon the terms and conditions specified in the Agreement.

This Note shall be governed by the laws of New York applicable to contracts made and performed wholly within such state, without regard to conflict of laws principles.

Vuzix Corporation

By: _____
Name: Grant Russell
Title: Chief Operating Officer

SCHEDULE TO NOTE

Date	Amount of Loan	Amount of Interest Paid	Amount of Principal Paid	Unpaid Principal Balance of Note	Name of Person Making Notation

SCHEDULE B

All of the Borrower's personal property of every kind and nature and wherever located, now owned or hereafter acquired, and the proceeds thereof, as follows:

(a) All of Borrower's Accounts (as defined in Section 9-106 of the Uniform Commercial Code as in effect in the State of New York (the "UCC")) whether secured or unsecured, now owned or hereafter acquired, and the proceeds thereof (the "Accounts");

(b) All of Borrower's Instruments (as defined in Section 9-105(1)(i) of the UCC), now owned or hereafter acquired, and the proceeds thereof;

(c) All of Borrower's Chattel Paper (as defined in Section 9-105(1)(b) of the UCC), now owned or hereafter acquired, and the proceeds thereof;

(d) All of Borrower's General Intangibles (as defined in Section 9-106 of the UCC), now owned or hereafter acquired, and the proceeds thereof (the "General Intangibles");

(e) All of Borrower's Inventory (as defined in Section 9-109(4) of the UCC), now owned or hereafter acquired, and the proceeds thereof (the "Inventory");

(f) All of Borrower's Equipment (as defined in Section 9-109(2) of the UCC) and all attachments, accessories, parts or tooling relating thereto and all replacements for the foregoing, in each case now owned or hereafter acquired, and the proceeds thereof (the "Equipment");

(g) All of Borrower's Insurance with respect to the Inventory, General Intangibles, Fixtures, Equipment and Goods against risks of fire, theft or any other physical damage or loss, now owned or hereafter acquired, and the proceeds thereof, and all insurance insuring the payment of Accounts, now owned or hereafter acquired, and the proceeds thereof;

(h) All goodwill, trade names, trademarks, trade secrets, know-how, inventions, patents, patent applications, copyrights and other intellectual property, now owned or hereafter acquired by Borrower, or any rights of Borrower with respect to any of the foregoing, now owned or hereafter acquired, whether or not any of the same are covered in other categories of this Schedule, and the proceeds thereof;

(i) All of Borrower's Documents of Title (as defined in Section 1-201-(15) of the UCC), now owned or hereafter acquired, and the proceeds thereof;

(j) All of Borrower's Goods (as defined in Section 2-105(1) of the UCC), now owned or hereafter acquired, whether or not any of the same are covered in other categories of this Schedule, and the proceeds thereof (the "Goods");

(k) All of Borrower's Fixtures (as described in Section 9-313 of the UCC), now owned or hereafter acquired, and the proceeds thereof (the "Fixtures");

(l) All of Borrower's Investment Property (as defined in Section 9-115 of the UCC), now owned or hereafter acquired, and all proceeds and General Intangibles arising therefrom (the "Investment Property");

(m) All of Borrower's right, title and interest in all of its books, records, ledger sheets, files and other data and documents, now owned or hereafter existing, relating to any of the items listed in Sections (a) through (k) above;

(n) All of Borrower's rights as a seller of goods under Article 2 of the UCC with respect to the Inventory, and as to goods represented by or securing any of the Accounts, all of Debtor's rights therein including, without limitation, rights of stoppage in transit, replevin and reclamation; and

(o) All guarantees, mortgages and real or personal property leases or other written or oral agreements or property securing or relating to any of the items referred to above, or acquired for the purpose of securing and enforcing any of such items; and

(p) All sums at any time standing to Borrower's credit on Secured Party's books, and all moneys, securities and other property of Borrower at any time in Secured Party's possession or in which Lender has a lien or security interest, and all proceeds thereof.

FISCAL ADVISORY FEE AGREEMENT

THIS AGREEMENT is dated as of the 29th day of June, 2009 among VUZIX CORPORATION (the "**Corporation**") and CANACCORD CAPITAL CORPORATION and BOLDER INVESTMENT PARTNERS, LTD. (together, the "**Advisors**").

WHEREAS the Advisors, each of whom is a registered dealer under the securities laws of certain provinces of Canada, have provided and continue to provide, to the Corporation certain fiscal advisory services as more particularly described in Schedule "A" hereto (the "**Services**"), including, without limitation, providing advice to the Corporation regarding debt and equity financing strategies for the Corporation;

AND WHEREAS the Corporation is now proposing to conduct an initial public offering (the "**IPO**") of its securities in Canada and the United States;

AND WHEREAS the parties now wish to enter into this Agreement pursuant to which the Corporation will agree to provide to the Advisors additional compensation for providing the Services;

NOW THEREFORE, in consideration of the mutual premises set out herein and such other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Concurrent with closing of the IPO and provided that this agreement has not terminated in accordance with its terms, the Company agrees that it will, as a fiscal advisory fee (the "**Fiscal Advisory Fee**") in respect of the Services, issue to the Advisors, such number of shares (the "**Payment Shares**") of its common stock as is equal to the lesser of (a) the Fee Rate (as determined pursuant to Section 2 hereof) multiplied by the aggregate number of shares of the Corporation's common stock outstanding as of such date, including all such shares issued pursuant to the IPO, and (b) such number as may be acceptable to all applicable regulatory authorities (including approval of any stock exchange on which the Corporation's shares of common stock are proposed to be listed). Notwithstanding the foregoing: (i) no Payment Shares shall be issuable to an Advisor unless such Advisor is, at the time of closing of the IPO, a member of the syndicate of investment dealers formed in connection with the IPO; and (ii) to the extent that no Proceeds (as defined below) are raised from the sale of securities pursuant to the IPO, then no Fiscal Advisory Fee shall be payable.

2. For purposes of this Agreement, the "**Fee Rate**" shall be determined based on the total gross proceeds raised from the sale of securities of the Corporation pursuant to the IPO (the "**Proceeds**"). In the event that the Proceeds are (a) less than Cdn$8,000,000, then the Fee Rate shall be 1.00%; (b) Cdn$8,000,000 to Cdn$9,999,999, then the Fee Rate shall be 1.25%; (c) Cdn$10,000,000 to Cdn$12,499,999, then the Fee Rate shall be 1.50%; and (d) Cdn$12,500,000 or more, then the Fee Rate shall be 2.00%.

3. In the event that the IPO closes in more than one tranche, the Fee Rate and the number of Payment Shares shall be recalculated at each such closing and the Corporation shall issue to the Advisors in accordance with this Agreement such additional number of shares of its common stock as is equal to the number of Payment Shares so recalculated, less any Payment Shares issued to the Advisors on prior closings.

4. Each of the Advisors will be entitled to receive 25% of the Payment Shares. In addition, the Corporation shall either allocate all of the remaining 50% of the Payment Shares between the Advisors in such proportions as the Corporation may deem to be most equitable, based on the performance of the Advisors in connection with the IPO, or cancel that remaining portion of the Fiscal Advisory Fee.

5. Each Advisor represents and warrants to the Corporation that it is an "accredited investor" within the meaning of National Instrument 45-106. The Payment Shares to be issued to each of the Advisors shall be registered in the name or names or for the benefit of the respective Advisor may direct and shall be delivered to or to the direction of the respective Advisors concurrent with closing of the IPO.

6. The Corporation is relying on the representations and warranties contained herein, along with filings made by the Advisors with applicable regulatory authorities to determine each Advisor's eligibility to be issued the Payment Shares under applicable securities laws. Each Advisor hereby severally agrees to indemnify the Corporation and each of its directors and officers against all losses, claims, costs, expenses, damages or liabilities which any of them may suffer or incur as a result of or arising from reliance thereon.

7. The Corporation hereby represents and warrants to the Advisors that this Agreement has been authorized by all necessary corporate action on the part of the Corporation and is a legal and binding agreement enforceable against it.

8. This Agreement supersedes, terminates and cancels any and all previous agreements, representations or warranties, written or oral, between the parties relating to the Fiscal Advisory Fee and the Payment Shares.

9. Each Advisor hereby irrevocably agrees that the Payment Shares will be subject to resale restrictions in accordance with applicable securities laws and the rules of any stock exchange on which the Corporation's shares of common stock are proposed to be listed and will be subject to further resale restrictions for a period of one year following the date of issuance pursuant to the Advisors' form of lock-up agreement.

10. This Agreement will terminate and be of no further force or effect without further action by any party, on October 31, 2009, provided that if the first tranche of the IPO has closed prior to such date, this Agreement will continue to apply to subsequent closings of the IPO after such date.

11. This Agreement is governed by the laws of the Province of Ontario and the parties attorn to the exclusive jurisdiction of the courts of Ontario for the resolution of all disputes arising out of or in connection with this Agreement.

12. This Agreement may be executed in several counterparts (including by fax), each of which when so executed shall be deemed to be an original and shall have the same force and effect as an original and such counterparts together shall constitute one and the same instrument.

IN WITNESS WHEREOF the parties have executed and delivered this agreement as of the date first written above

VUZIX CORPORATION

Per: /s/ Paul J. Travers
Authorized Signatory

CANACCORD CAPITAL CORPORATION

Per: /s/ David Rentz
Authorized Signatory

BOLDER INVESTMENT PARTNERS, LTD.

Per: /s/ Paul Woodward
Authorized Signatory

SCHEDULE "A"

The Advisors will render financial advisory services that are typical for an engagement of this type. It is contemplated that the Advisors will assist the Corporation in the following manner:

(a) assisting and advising the Corporation with respect to capital markets strategies;

(b) facilitating introductions of the Corporation to prospective providers of debt and equity capital, including venture capital;

(c) assisting the Corporation in its development of an investor relations strategy and communications with existing investors;

(d) assisting and advising the Corporation with respect to negotiating the form, structure, terms and price of a proposed financing;

(e) identifying, approaching and conducting discussions with prospective investors;

(f) assisting the Corporation in the preparation of any confidential information memorandum or other documents appropriate for the solicitation of expressions of interest from third parties;

(g) assisting and advising the Corporation with respect to negotiating the form, structure, terms and price of a proposed financing;

(h) providing the Corporation with analysis and advice as to the financial implications of a proposed financing;

(i) together with the Corporation's counsel, assisting in negotiating documentation necessary to complete a proposed financing; and

(j) providing such other financial advisory services as the Corporation and the Advisors agree are appropriate in the circumstances.

Ex 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in this Registration Statement on Form S-1 of our report dated June 17, 2009, relating to the consolidated financial statements for the year ended December 31, 2008 of Vuzix Corporation. We also hereby consent to the reference to us under the heading "Experts" in the Prospectus, which is a part of this Registration Statement.

/s/ Rotenberg & Co. LLP
Rotenberg & Co., LLP

Rochester, New York
June 30, 2009

Ex 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated June 17, 2008 (except for Note 20, as to which the date is April 14, 2009) relating to the financial statements of Vuzix Corporation as of and for the years ended December 31, 2007 and 2006, in the Registration Statement on Form S-1 and related prospectus of Vuzix Corporation dated June 26, 2009.

/s/ Davie Kaplan, CPA, P.C.
Davie Kaplan, CPA, P.C.

Rochester, New York
June 30, 2009