

Ignyta, Inc.
Form 10-Q
August 09, 2016
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2016

OR

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

For the transition period from _____ to _____

Commission file number: 001-36344

Ignyta, Inc.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of	45-3174872 (I.R.S. Employer
incorporation or organization)	Identification No.)
11111 Flintkote Avenue, San Diego, CA (Address of principal executive offices)	92121 (Zip Code)
(858) 255-5959	
(Registrant's telephone number, including area code)	

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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 definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

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

The number of outstanding shares of the registrant's common stock, par value \$0.0001 per share, as of July 29, 2016 was 41,651,820.

Table of Contents

IGNYTA, INC.
FORM 10-Q QUARTERLY REPORT
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2016
TABLE OF CONTENTS

	Page
<u>PART I FINANCIAL INFORMATION</u>	1
<u>Item 1. Condensed Financial Statements (unaudited)</u>	1
<u>Condensed Balance Sheets at June 30, 2016 and December 31, 2015</u>	1
<u>Condensed Statements of Operations and Comprehensive Loss for the three and six months ended June 30, 2016 and 2015</u>	2
<u>Condensed Statements of Cash Flows for the six months ended June 30, 2016 and 2015</u>	3
<u>Notes to Unaudited Condensed Financial Statements</u>	4
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	15
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	22
<u>Item 4. Controls and Procedures</u>	22
<u>PART II OTHER INFORMATION</u>	23
<u>Item 1. Legal Proceedings</u>	23
<u>Item 1A. Risk Factors</u>	23
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	27
<u>Item 3. Defaults Upon Senior Securities</u>	28
<u>Item 4. Mine Safety Disclosures</u>	28
<u>Item 5. Other Information</u>	28
<u>Item 6. Exhibits</u>	29
<u>SIGNATURES</u>	30

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Condensed Financial Statements****Ignyta, Inc.****Condensed Balance Sheets**

(In thousands, except share data)

	June 30, 2016 (Unaudited)	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 38,718	\$ 46,383
Short-term investment securities	111,968	85,420
Prepaid expenses and other current assets	6,620	4,191
Total current assets	157,306	135,994
Long-term investment securities	23,963	40,346
Property and equipment, net	23,726	18,764
Other assets	343	410
Total assets	\$ 205,338	\$ 195,514
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	\$ 1,708	\$ 3,828
Accrued expenses and other liabilities	12,892	13,860
Current portion of long-term debt		6,675
Lease payable, current portion	185	181
Total current liabilities	14,785	24,544
Long-term debt, net of current portion and discount	29,183	22,821
Lease payable, net of current portion	70	164
Other long-term liabilities	19,181	12,000
Total liabilities	63,219	59,529
Commitments and contingencies		
Stockholders equity:		
Preferred stock, \$0.0001 par; 10,000,000 shares authorized; no shares issued or outstanding		
Common stock, \$0.0001 par; 150,000,000 shares authorized; 41,651,820 and 32,339,081 shares issued and outstanding at June 30, 2016 and December 31,	4	3

Edgar Filing: Ignyta, Inc. - Form 10-Q

2015, respectively		
Additional paid-in capital	342,215	284,252
Accumulated other comprehensive income (loss)	63	(249)
Accumulated deficit	(200,163)	(148,021)
Total stockholders' equity	142,119	135,985
Total liabilities and stockholders' equity	\$ 205,338	\$ 195,514

See the accompanying notes to these unaudited condensed financial statements.

Table of Contents**Ignyta, Inc.****Condensed Statements of Operations and Comprehensive Loss**

(In thousands, except per share data)

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Operating expenses:				
Research and development	\$ 20,019	\$ 8,796	\$ 39,800	\$ 29,012
General and administrative	5,499	3,855	10,726	6,621
Total operating expenses	25,518	12,651	50,526	35,633
Loss from operations	(25,518)	(12,651)	(50,526)	(35,633)
Other income (expense):				
Interest expense	(800)	(603)	(1,591)	(1,205)
Loss on debt extinguishment	(696)		(696)	
Other income (expense)	364	134	671	212
Total other income (expense), net	(1,132)	(469)	(1,616)	(993)
Net loss	\$ (26,650)	\$ (13,120)	\$ (52,142)	\$ (36,626)
Net loss per share:				
Net loss per share basic and diluted	\$ (0.70)	\$ (0.51)	\$ (1.48)	\$ (1.58)
Weighted average shares outstanding basic and diluted	38,198	25,928	35,271	23,212
Comprehensive loss:				
Net loss	\$ (26,650)	\$ (13,120)	\$ (52,142)	\$ (36,626)
Unrealized gain (loss) on investment securities	47	(50)	312	(21)
Comprehensive loss	\$ (26,603)	\$ (13,170)	\$ (51,830)	\$ (36,647)

See the accompanying notes to these unaudited condensed financial statements.

Table of Contents**Ignyta, Inc.****Condensed Statements of Cash Flows**

(In thousands)

(Unaudited)

	Six months ended	
	June 30,	
	2016	2015
Cash flows from operating activities:		
Net loss	\$ (52,142)	\$ (36,626)
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss on debt extinguishment	696	
In-process research and development charge associated with asset acquisition		11,880
Stock-based compensation	3,399	2,104
Depreciation and amortization of property and equipment	1,893	793
Accretion and amortization of investment securities	465	502
Amortization of non-cash financing costs	260	133
Other	(671)	
<i>Increase (decrease) in cash resulting from changes in:</i>		
Prepaid expenses and other assets	(1,788)	53
Accounts payable	(2,123)	797
Accrued expenses and other liabilities	(219)	1,683
Net cash used in operating activities	(50,230)	(18,681)
Cash flows from investing activities:		
Purchases of investment securities	(99,782)	(85,354)
Maturities and sales of investment securities	89,523	41,533
Purchases of property and equipment	(1,056)	(2,080)
Net cash used in investing activities	(11,315)	(45,901)
Cash flows from financing activities:		
Proceeds from issuance of common stock, net of issuance costs	53,892	111,589
Proceeds from borrowings under term loan facility	17,116	
Repayments of borrowings under term loan facility	(17,438)	
Proceeds from exercise of stock options	399	288
Repayments under other long-term obligations	(89)	(85)
Net cash provided by financing activities	53,880	111,792
Net change in cash and cash equivalents	(7,665)	47,210
Cash and cash equivalents at beginning of period	46,383	6,346

Cash and cash equivalents at end of period	\$ 38,718	\$ 53,556
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 1,551	\$ 921
Noncash investing and financing activities:		
Amounts capitalized under build-to-suit lease transaction	\$ 5,733	\$
Interest capitalized during construction period for build-to-suit lease transaction	\$ 642	\$
Final payment obligation to Lenders recorded as debt discount (see note 6)	\$ 1,600	\$
Unrealized gain (loss) on available-for-sale investment securities	\$ 312	\$ (21)

See the accompanying notes to these unaudited condensed financial statements.

Table of Contents

Ignyta, Inc.

Notes to Unaudited Condensed Financial Statements

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization and Nature of Operations

Ignyta, Inc. (Ignyta or the Company) is incorporated in the state of Delaware and was founded in 2011 (with the name NexDx, Inc.). The Company changed its name to Ignyta, Inc. on October 8, 2012. The Company is a precision oncology biotechnology company. Its goal is not just to shrink tumors, but to eradicate residual disease the source of cancer relapse and recurrence in precisely defined patient populations. The Company is pursuing an integrated therapeutic (Rx) and companion diagnostic (Dx) strategy for treating cancer patients. Its Rx efforts are focused on in-licensing or acquiring, then developing and commercializing molecularly targeted therapies that, sequentially or in combination, are foundational for eradicating residual disease. Its Dx efforts aim to pair these product candidates with biomarker-based companion diagnostics that are designed to precisely identify, at the molecular level, the patients who are most likely to benefit from the therapies it develops.

On October 31, 2013, the Company merged with and into IGAS Acquisition Corp., a wholly owned subsidiary of Ignyta, Inc., a Nevada corporation previously named Infinity Oil & Gas Company (Parent), formerly a shell company under applicable rules of the Securities and Exchange Commission (the SEC). The Company changed its name to Ignyta Operating, Inc. in connection with this merger, and it survived the merger as a wholly owned subsidiary of Parent. In the merger, Parent acquired the business of the Company and continued the business operations of the Company. The merger was accounted for as a reverse merger and recapitalization, with the Company as the acquirer and Parent as the acquired company for financial reporting purposes. As a result, the assets and liabilities and the operations that are reflected in the historical financial statements prior to the merger are those of the Company and are recorded at the historical cost basis of the Company, and the financial statements after completion of the merger include the assets and liabilities of Parent and the Company, the historical operations of the Company and the operations of the combined enterprise of Parent and the Company from and after the closing date of the merger. On June 12, 2014, Parent merged with and into the Company, with the Company surviving the merger and changing its name to Ignyta, Inc. (the Reincorporation Merger). This Reincorporation Merger had no material impact on the accounting of the Company.

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision-maker in making decisions regarding resource allocation and assessing performance. The Company views its operations and manages its business as one operating segment.

Basis of Presentation

The accompanying unaudited condensed financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information, the instructions to Form 10-Q and related SEC rules and regulations. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In management s opinion, the accompanying unaudited condensed financial statements reflect all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation of the results for the interim periods presented. Interim financial results are not necessarily indicative of results anticipated for the full year. These unaudited condensed financial statements should be read in conjunction with the Company s audited financial statements and footnotes included in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Liquidity

The Company had negative cash flow from operations of approximately \$50.2 million during the first six months of 2016 and, as of June 30, 2016, had an accumulated deficit of approximately \$200.2 million. The Company is focused primarily on its development programs, and management believes such activities will result in the continued incurrence of significant research and development and other expenses related to those programs. The Company expects that it will need additional capital to further fund development of, and seek regulatory approvals for, its product candidates, and begin to commercialize any approved products. If the clinical trials for any of the Company's products fail or produce unsuccessful results and those product candidates do not gain regulatory approval, or if any of its product candidates, if approved, fails to achieve market acceptance, the Company may never become profitable. Even if the Company achieves profitability in the future, it may not be able to sustain profitability in subsequent periods. The Company intends to cover its future operating expenses through cash on hand and through additional financing from existing and prospective investors. The Company cannot be sure that additional financing will be available when needed or that, if available, financing will be obtained on terms favorable to the Company or to its stockholders.

As of June 30, 2016, the Company had cash, cash equivalents and investment securities totaling \$174.6 million. While the Company expects that its existing cash, cash equivalents and investment securities will enable it to fund its operations and capital expenditure requirements for at least the next twelve months, having insufficient funds may require the Company to delay, reduce, limit or

Table of Contents

terminate some or all of its development programs or future commercialization efforts or grant rights to develop and market product candidates that it would otherwise prefer to develop and market on its own. Failure to obtain adequate financing could eventually adversely affect the Company's ability to operate as a going concern. If the Company raises additional funds from the issuance of equity securities, substantial dilution to its existing stockholders would likely result. If the Company raises additional funds by incurring debt financing, the terms of the debt may involve significant cash payment obligations as well as covenants and specific financial ratios that may restrict its ability to operate its business.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. Significant estimates used in preparing the financial statements include those assumed in estimating expenses for the Company's pre-clinical studies and clinical trials, computing the valuation allowance on deferred tax assets, calculating stock-based compensation expense and for determining the value of leased property during the construction period for which the Company has been deemed the accounting owner. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of 90 days or less when purchased to be cash equivalents. Cash equivalents primarily represent amounts invested in money market funds whose cost equals market value.

Investment Securities

Investment securities consist of government and government agency obligations, corporate notes and bonds and commercial paper. The Company classifies its investment securities as available-for-sale at the time of purchase. All investment securities are recorded at estimated fair value. Unrealized gains and losses for available-for-sale investment securities are included in accumulated other comprehensive income or loss, a component of stockholders equity.

The Company evaluates its investment securities as of each balance sheet date to assess whether those with unrealized loss positions are other-than-temporarily impaired. Impairments are considered to be other-than-temporary if they are related to deterioration in credit risk or if it is likely that the Company will sell the securities before the recovery of its cost basis. Realized gains and losses and declines in value judged to be other-than-temporary are determined based on the specific identification method. No other-than-temporary impairment charges have been recognized since inception.

Fair Value of Financial Instruments

Financial assets and liabilities are measured at fair value, which is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs.

The Company's financial instruments consist of cash and cash equivalents, investment securities, prepaid expenses and other assets, accounts payable, accrued expenses, and notes payable. The valuation of assets and liabilities is subject to fair value measurements using a three tiered approach, and fair value measurement is classified and disclosed in one of the following categories:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Fair value estimates of these instruments at a specific point in time are made based on relevant market information. These estimates may be subjective in nature and involve uncertainties and matters of judgment and therefore cannot be determined with precision.

The Company reports its investment securities at their estimated fair values based on quoted market prices for identical or similar instruments. The book values of cash and cash equivalents, prepaid expenses and other assets, accounts payable, accrued expenses, notes payable and other liabilities are reasonable estimates of fair value because of the short-term nature of these items.

Table of Contents

Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist of cash, cash equivalents and investment securities. The Company maintains its cash and cash equivalents with financial institutions in amounts that typically exceed the amount of federal insurance provided on such deposits. With respect to the Company's investment securities, the primary exposure to market risk is the risk that prevailing interest rates may change, causing the value of these investments to fluctuate. The Company has not experienced any significant losses on its cash, cash equivalents or its investments and its credit risk exposure is up to the extent recorded on the Company's balance sheet.

Cash is invested in accordance with a policy approved by the Company's board of directors which specifies the categories, allocations, and ratings of securities that the Company may consider for investment. Based on discussions with the Company's treasury managers and a review of the Company's holdings, management does not believe that the Company's cash, cash equivalents and investment securities have significant risk of default or illiquidity.

Clinical Trial and Pre-Clinical Study Accruals

The Company makes estimates of accrued expenses as of each balance sheet date in its financial statements based on the facts and circumstances known to it at that time. Accrued expenses for pre-clinical studies and clinical trials are based on estimates of costs incurred and fees that may be associated with services provided by contract research organizations, clinical trial investigational sites, and other related vendors. Payments under certain contracts with such parties depend on factors such as successful enrollment of patients, site initiation and the completion of milestones. In accruing service fees, management estimates the time period over which services will be performed and the level of effort to be expended in each period. If possible, the Company obtains information regarding unbilled services directly from these service providers. However, the Company may be required to estimate these services based on other information available to it. If the Company underestimates or overestimates the activity or fees associated with a study or service at a given point in time, adjustments to research and development expenses may be necessary in future periods. Historically, estimated accrued liabilities have approximated actual expense incurred.

Research and Development

Costs incurred in connection with research and development activities are expensed as incurred. Research and development expenses consist of (i) external research and development expenses incurred under arrangements with third parties, such as contract research organizations, investigational sites and consultants; (ii) employee-related expenses, including salaries, benefits, travel and stock compensation expense; (iii) the cost of acquiring, developing and manufacturing clinical study materials; (iv) facilities and other expenses, which include direct and allocated expenses for rent and maintenance of facilities and laboratory and other supplies, and (v) license fees and other expenses relating to the acquisition of rights to our development programs.

The Company enters into consulting, research and other agreements with commercial firms, researchers, universities and others for the provision of goods and services. Under such agreements, the Company may pay for services on a monthly, quarterly, project or other basis. Such arrangements are generally cancellable upon reasonable notice and payment of costs incurred. Costs are considered incurred based on an evaluation of the progress to completion of specific tasks under each contract using information and data provided to the Company by its clinical sites and vendors and other information. These costs consist of direct and indirect costs associated with specific projects, as well as fees paid to various entities that perform certain research on behalf of the Company.

In certain circumstances, the Company is required to make advance payments to vendors for goods or services that will be received in the future for use in research and development activities. In such circumstances, the advance payments are deferred and are expensed when the activity has been performed or when the goods have been received.

Stock-Based Compensation

Stock-based compensation cost for equity awards to employees and members of the Company's board of directors is measured at the grant date, based on the calculated fair value of the award using the Black-Scholes option-pricing model, and is recognized as an expense, under the straight-line method, over the requisite service period (generally the vesting period of the equity grant). Stock options issued to non-employees are accounted for at their estimated fair values determined using the Black-Scholes option-pricing model. The fair value of options granted to non-employees is re-measured as they vest, and the resulting change in value, if any, is recognized as an expense during the period the related services are rendered. Restricted stock issued to non-employees is accounted for at its estimated fair value as it vests.

Net Loss per Share

Basic and diluted loss per common share have been computed by dividing the losses applicable to common stock by the weighted average number of common shares outstanding. The Company's basic and fully diluted loss per common share calculations are the same since the increased number of shares that would be included in the diluted calculation from the assumed exercise of stock equivalents would be anti-dilutive to the net loss in each of the years shown in the financial statements.

are entitled to any dividends validly declared;

will share ratably in our net assets in the event of a liquidation; and

are entitled to one vote per share.

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

American Stock Transfer & Trust Company is the transfer agent and registrar for our common stock.

Preferred Stock. The Board of Directors has the authority, without further action by the shareholders, to issue shares of preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions

Table of Contents

thereof, including dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms and the number of shares constituting any series or the designation of such series, without any further vote or action by the shareholders. The issuance of preferred stock could adversely affect the voting power of holders of our common stock and the likelihood that such holders will receive dividend payments and payments upon liquidation may have the effect of delaying, deferring or preventing a change in control of Microvision, which could depress the market price of our common stock. We currently have no shares of preferred stock outstanding. If we offer preferred stock, the terms of that series of preferred stock will be set forth in the prospectus supplement relating to that series.

DESCRIPTION OF WARRANTS

We may issue warrants for the purchase of common stock, preferred stock or units of any combination of the foregoing securities. Each series of warrants will be issued under a warrant agreement all as set forth in the prospectus supplement or term sheet relating to the warrants offered hereby. A copy of the form of warrant agreement, including any form of warrant certificates representing the warrants, reflecting the provisions to be included in the warrant agreements and/or warrant certificates that will be entered into with respect to particular offerings of warrants, will be filed as an exhibit to a Form 8-K to be incorporated into the registration statement of which this prospectus constitutes a part prior to the issuance of any warrants.

The applicable prospectus supplement or term sheet will describe the terms of the warrants offered thereby, any warrant agreement relating to such warrants and the warrant certificates, including but not limited to the following:

the offering price or prices;

the aggregate amount of securities that may be purchased upon exercise of such warrants and minimum number of warrants that are exercisable;

the number of securities, if any, with which such warrants are being offered and the number of such warrants being offered with each security;

the date on and after which such warrants and the related securities, if any, will be transferable separately;

the amount of securities purchasable upon exercise of each warrant and the price at which the securities may be purchased upon such exercise, and events or conditions under which the amount of securities may be subject to adjustment;

the date on which the right to exercise such warrants shall commence and the date on which such right shall expire;

the circumstances, if any, which will cause the warrants to be deemed to be automatically exercised;

any material risk factors relating to such warrants;

the identity of any warrant agent; and

any other terms of such warrants (which shall not be inconsistent with the provisions of the warrant agreement).

Edgar Filing: Ignyta, Inc. - Form 10-Q

Prior to the exercise of any warrants, holders of such warrants will not have any rights of holders of the securities purchasable upon such exercise, including the right to receive payments of dividends, if any, on the securities purchasable upon such exercise, statutory appraisal rights or the right to vote such underlying securities.

Prospective purchasers of warrants should be aware that material U.S. federal income tax, accounting and other considerations may be applicable to instruments such as warrants. The prospectus supplement or term sheet relating to any issue of warrants will describe such considerations.

Table of Contents

PLAN OF DISTRIBUTION

General. We may sell the securities offered hereby directly to one or more purchasers, through agents, or through underwriters or dealers designated from time to time. The distribution of securities may be effected from time to time in one or more transactions at a fixed price or prices (which may be changed from time to time), at market prices prevailing at the times of sale, at prices related to these prevailing market prices or at negotiated prices. The applicable prospectus supplement will describe the terms of the offering of the securities, including

the terms of the securities to which such prospectus supplement relates;

the name or names of any underwriters, if any;

the purchase price of the securities and the proceeds we will receive from the sale;

any underwriting discounts and other items constituting underwriters' compensation; and

any discounts or concessions allowed or reallowed or paid to dealers.

Underwriters named in the prospectus supplement, if any, are only underwriters of the securities offered with the prospectus supplement.

Sales Directly to Purchasers. We may enter into agreements directly with one or more purchasers. Such agreements may provide for the sale of securities at a fixed price, based on the market price of the securities or otherwise.

Use of Underwriters and Agents. If underwriters are used in the sale of securities, they will acquire the securities for their own account and may resell them from time to time in one or more transactions at a fixed public offering price or at varying prices determined at the time of sale. The securities may be offered to the public through underwriting syndicates represented by managing underwriters or by underwriters without a syndicate. Subject to certain conditions, the underwriters will be obligated to purchase all the securities offered by the prospectus supplement. Any public offering price and any discounts or concessions allowed or reallowed or paid to dealers may change from time to time.

Securities may be sold directly to or through agents from time to time. Any agent involved in the offering and sale of securities will be named and any commissions paid to the agent will be described in the prospectus supplement. Unless the prospectus supplement states otherwise, any agent will act on a best-efforts basis for the period of its appointment. Agents or underwriters may be authorized to solicit offers by certain types of institutional investors to purchase securities at the public offering price set forth in the prospectus supplement pursuant to delayed delivery contracts providing for payment and delivery on a specified date in the future. The conditions to these contracts and the commissions paid for solicitation of these contracts will be described in the prospectus supplement.

Deemed Underwriters. In connection with the sale of the securities offered with this prospectus, underwriters, dealers or agents may receive compensation from us or from purchasers of the securities for whom they may act as agents, in the form of discounts, concessions or commissions. The underwriters, dealers or agents which participate in the distribution of the securities may be deemed to be underwriters under the Securities Act of 1933, as amended, or the Securities Act, and any discounts or commissions received by them and any profit on the resale of the securities received by them may be deemed to be underwriting discounts and commissions under the Securities Act. Anyone deemed to be an underwriter under the Securities Act may be subject to statutory liabilities, including Sections 11, 12 and 17 of the Securities Act and Rule 10b-5 under the Exchange Act.

Indemnification and Other Relationships. We may provide agents and underwriters with indemnification against certain civil liabilities, including liabilities under the Securities Act, or contribution with respect to payments that the agents or underwriters may make with respect to such liabilities. Agents and underwriters may engage in transactions with, or perform services for, us in the ordinary course of business.

Table of Contents

Listing of Securities. Except as indicated in the applicable prospectus supplement, the securities are not expected to be listed on a securities exchange or market, except for the common stock, which is listed on the Nasdaq National Market, and any underwriters or dealers will not be obligated to make a market in securities. We cannot predict the activity or liquidity or any trading in the securities.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. Our SEC filings are also available to the public from the SEC's Website at <http://www.sec.gov>.

The SEC allows us to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus, and the information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings we will make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 prior to the time that all securities covered by this prospectus have been sold; provided, however, that we are not incorporating any information furnished under any of Item 2.02 or Item 7.01 of any current report on Form 8-K:

Our annual report on Form 10-K for the year ended December 31, 2004;

Our Amendment No. 1 to our annual report on Form 10-K for the year ended December 31, 2004;

Our Amendment No. 2 to our annual report on Form 10-K for the year ended December 31, 2004;

Our quarterly reports on Form 10-Q for the periods ended March 31, 2005 and June 30, 2005;

The description of our common stock set forth in Amendment No. 1 to our Registration Statement on Form SB-2 (Registration No. 333-5276-LA), including any amendment or report filed for the purpose of updating such description, as incorporated by reference in our Registration Statement on Form 8-A (Registration No. 0-21221); and

Our current reports on Form 8-K filed with the SEC on August 10, 2005, July 29, 2005, July 7, 2005, July 6, 2005, March 14, 2005, March 11, 2005 and January 3, 2005. You may request a copy of these filings, at no cost, by writing or telephoning us at the following address:

Microvision, Inc.

19910 North Creek Parkway

Bothell, Washington 98011

Attention: Investor Relations

(425) 415-6847

This prospectus is part of a registration statement that we have filed with the SEC. You should rely only on the information or representations provided in this prospectus. We have not authorized nor have the selling shareholder authorized anyone to provide you with different information. The selling shareholders are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information in this prospectus is accurate as of any date other than the date on the front of the document.

Table of Contents

LEGAL OPINION

For the purpose of this offering, Ropes & Gray LLP, Boston, Massachusetts, is giving its opinion on the validity of the securities offered hereby.

EXPERTS

The consolidated financial statements and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Report on Internal Control over Financial Reporting) of Microvision, Inc. incorporated in this prospectus by reference to Microvision, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2004 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The financial statements of Lumera Corporation incorporated in this prospectus by reference to Microvision, Inc.'s Annual Report on Form 10-K/A (Amendments No. 1 and No. 2 to Form 10-K) for the year ended December 31, 2004 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.