MICROVISION INC
Form 424B5
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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-102244

PROSPECTUS SUPPLEMENT
(to the Prospectus and Prospectus Supplement dated March 3, 2003)

MICROVISION, INC.

This prospectus supplement updates and amends information contained in the Prospectus and Prospectus Supplement dated March 3, 2003 relating to the offering by Microvision, Inc. of its common stock and warrants. Microvision has increased the size of the offering to include an aggregate of 2,644,211 shares of its common stock, warrants to purchase an aggregate of 528,843 shares of its common stock, and the shares of its common stock issuable from time to time on exercise of the warrants.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined that this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share of Common Stock and Accompanying Warrant	Total
Public offering price	$4.750	$12,560,002
Selling agent fee	$0.172	$ 453,600
Proceeds, before expenses, to us	$4.578	$12,106,402

USE OF PROCEEDS

We expect the net proceeds from the sale of the shares of common stock and warrants being offered by this prospectus supplement and the prospectus and prospectus supplement which it supplements (excluding any proceeds from the exercise of the warrants) will be approximately $11.7 million, after deducting the selling agent's fee and our estimated offering expenses. If all of the warrants are exercised in full for cash, we will receive an additional $3,437,480 in net proceeds.

DESCRIPTION OF SECURITIES

Warrants

Exercise. The expiration date has been revised from March 5, 2006 to March 5, 2008, subject to extension as described in the prospectus supplement which this document supplements.

Black-out Period. Our ability to suspend the ability of warrant holders to exercise warrants as a result of specified events will be limited to no more than 90 days in any particular calendar year and for not more than 30 consecutive days.

DILUTION

Following our expected sale of 2,644,211 shares of common stock and warrants to purchase 528,843 shares of common stock in this offering at an aggregate offering price (excluding any proceeds received upon exercise of the warrants) of $12,560,002 and after deducting the selling agent's commission and our estimated offering expenses, our pro forma net tangible book value as of December 31, 2002 would have been approximately $29,097,402 or approximately $1.64 per share. This represents an immediate increase of approximately $0.49 per share to the existing shareholders and an immediate dilution in pro forma net tangible book value of approximately $3.11 per share to purchasers of our common stock in this offering.

PLAN OF DISTRIBUTION

Assuming all of the purchase agreements are executed by the investors as currently contemplated and subject to the terms and conditions of the purchase agreements, the investors will agree to purchase, and we will agree to sell, an aggregate of 2,644,211 shares of our common stock and warrants to purchase an aggregate of 528,843 shares of our common stock, as provided on the first page of this prospectus supplement.

William Blair's compensation for acting as selling agent for this offering will consist of the selling agent fee and reimbursement of expenses described in the prospectus supplement which this document supplements. The following table sets forth the selling agent fee to be paid to William Blair for this offering, which will equal 6% of $7,560,000 of total offering proceeds from the sale of shares of our common stock and warrants. No selling agent fee will be paid to William Blair with respect to offering proceeds of $5,000,002 received from two existing shareholders and their affiliates.

	Per Share of Common Stock and Accompanying Warrant	Total
Selling agent fee	$ 0.172	$ 453,600

We have retained Olympus Securities LLC as placement agent in connection with the sale of 947,369 shares of common stock and warrants in this offering to one existing shareholder. In connection with its services, Olympus will receive a cash fee equal to $225,000

The date of this prospectus supplement is March 4, 2003.

PROSPECTUS SUPPLEMENT
(To Prospectus dated March 3, 2003)

Filed Pursuant to Rule 424(b)(5)
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2,503,947 Shares of Common Stock
Warrants to Purchase 500,790 Shares of Common Stock
500,790 Shares of Common Stock Issuable Upon Exercise of Warrants

Common Stock
Warrants
Common Stock Issuable Upon Exercise of Warrants

Microvision, Inc. is offering directly to certain investors an aggregate of 2,503,947 shares of its common stock, warrants to purchase an aggregate of 500,790 shares of its common stock, and the shares of its common stock issuable from time to time on exercise of the warrants. Each investor in this offering will receive a warrant to purchase that number of shares of Microvision's common stock equal to 20% of the number of shares of common stock purchased by such investor in this offering. Each warrant is exercisable beginning on September 6, 2003, has an exercise price of $6.50 per share and, unless otherwise extended in accordance with its terms, expires on March 5, 2006.

Our common stock is traded on the Nasdaq National Market under the symbol "MVIS." On March 3, 2003, the last reported sale price of our common stock was $5.23 per share.

Investing in our common stock and warrants involves risks. For more information, see "Risk Factors" beginning on page S-4 of this prospectus supplement and page 5 of the accompanying prospectus dated March 3, 2003.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined that this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share of Common Stock and Accompanying Warrant	Total
Public offering price	$4.750	$11,893,748
Selling agent fee	$0.177	$ 443,625
Proceeds, before expenses, to us	$4.573	$11,450,123

We engaged William Blair & Company, L.L.C. as our exclusive selling agent to use its reasonable best efforts to solicit offers to purchase our common stock and the accompanying warrants in this offering. We expect that delivery of the shares of common stock and warrants being offered under this prospectus supplement (excluding any shares issuable upon exercise of the warrants) will be made to investors on or about March 5, 2003. The shares of common stock (excluding any shares issuable upon exercise of the warrants) will be delivered only in book-entry form through The Depository Trust Company, New York, New York. Warrant certificates representing the warrants will be delivered to each investor on or about March 5, 2003.

William Blair & Company

The date of this prospectus supplement is March 3, 2003.

TABLE OF CONTENTS

You should rely only on information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. Microvision has not authorized any other person to provide you with information different from that contained or incorporated by reference in this prospectus supplement and the accompanying prospectus.

The shares of common stock and warrants are not being offered in any jurisdiction where the offering is not permitted.

The information contained in this prospectus supplement and the accompanying prospectus is correct only as of the date on the cover, regardless of the date this prospectus supplement was delivered to you or the date on which you acquired any of the shares or warrants.

Information that we file with the SEC subsequent to the date on the cover will automatically update and supersede the information contained in this prospectus supplement and the accompanying prospectus. We incorporate by reference the documents listed in the accompanying prospectus and any future filings made with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, until we issue all of the securities offered pursuant to this prospectus supplement and the accompanying prospectus. Prior to exercising any warrants issued under this prospectus supplement and the accompanying prospectus, you should be sure to review the most recent risk factors and other information included in the incorporated documents.

RECENT DEVELOPMENTS

Business Developments

The following are a few recent developments in our scanned beam display and image capture device businesses:

- We delivered a prototype rear seat entertainment display to BMW, which was integrated into a BMW 7 Series sedan research car that was showcased at the World Congress on Intelligent Transport Systems and at Convergence 2002 in October 2002.

- Shipments of our Flic laser bar code scanner are now underway, and we have received orders for more than 1,400 units and have shipped more than 800 units to date.

Agreements

We have recently entered into the following agreements:

- In July 2002, we entered into a $500,000 contract modification with the U.S. Army to develop a flight-capable full-color display, based on our Spectrum display system, for demonstration on an Army helicopter.

- In September 2002, we entered a Technology Feasibility Agreement with Ethicon Endo-Surgery, Inc., a Johnson & Johnson company, to advance certain medical applications utilizing our proprietary technology and to achieve initial proof-of-concept milestones.

- In November 2002, our majority owned subsidiary, Lumera Corporation, entered into a $1.0 million contract modification with the U.S. government to design new optical materials appropriate for the fabrication of a wideband optical modulator demonstration system.

- In January 2003, we entered into an agreement with NCR Corporation for NCR to market a private label version of Flic in the retail point of sale market.

- In January 2003, we signed a memorandum of understanding with a major manufacturer of cellular phones to explore potential designs for larger visual displays on portable communications devices.

- In January 2003, we entered into a consultancy agreement with a mobile telecommunications provider to develop concept designs and conduct preliminary testing of near-eye multimedia displays for both hand-held and wearable mobile devices.

- In February 2003, we entered into a new agreement with Canon, Inc. under which we agree to develop and deliver miniature electronic display products to enable Canon to evaluate their possible use in digital cameras, digital video cameras and head worn displays.

Option Repricing

In November 2002, we offered to exchange most of our outstanding options to purchase common stock for new options scheduled to be granted on or after June 11, 2003. The offer expired on December 9, 2002. Employees tendered options to purchase an aggregate of 2,521,714 shares of our common stock, all of which were cancelled effective December 10, 2002. Under the terms of the exchange program we will be required to grant new options to purchase an aggregate of 1,760,321 shares of our common stock. The exercise price of the new options will equal the greater of the closing price of our common stock on the grant date of the new options or $7.00 per share. Issuance of these new options may dilute the interest of then existing shareholders.

RISK FACTORS

In considering whether to purchase our common stock and accompanying warrants, you should carefully considers the risks described below as well as those risks described in the section "Risk Factors" starting on page 5 of the accompanying prospectus.

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

Based on our current operating plan, after giving effect to the net proceeds expected to be received in this offering (excluding any proceeds from the exercise of warrants), we believe that we will require additional capital by the end of the third quarter of 2003 to continue to fund our operations, including to:

- Further develop the scanned beam and optical materials technologies,
- Add manufacturing capacity,
- Develop and protect our intellectual property rights, and
- Fund long-term business development opportunities.

If we fail to receive the approximately $11.1 million in estimated net proceeds we anticipate from this offering (excluding any proceeds from the exercise of the warrants), or if future revenues are less than we anticipate, we may require additional funding sooner. Should expenses exceed the amounts budgeted, we also may require additional capital earlier to further the development of our technologies, for expenses associated with product development, and to respond to competitive pressures or to meet unanticipated development difficulties. In addition, our operating plan provides for the development of strategic relationships with systems and equipment manufacturers that may require additional investments by us. Additional financing may not be available to us or, if available, may not be available on terms acceptable to us on a timely basis. If adequate funds are not available to satisfy either short-term or long-term capital requirements, we may be required to limit our operations substantially. Our capital requirements will depend on many factors, including, but not limited to, the rate at which we can, directly or through arrangements with OEMs, introduce products incorporating the scanned beam technology and the market acceptance and competitive position of such products. Raising additional capital may involve issuing securities with rights and preferences that are senior to our common stock and may dilute the value of current shareholders' shares.

We expect our independent accountants to express substantial doubt about our ability to continue as a going concern in the report they issue on our consolidated financial statements, which could negatively affect our ability to raise additional capital and our stock price.

The report of our independent accountants on our consolidated financial statements as of December 31, 2001 and 2000 and for each of the three years in the period ended December 31, 2001 that are included in the accompanying prospectus contains an explanatory paragraph that states we have continued to suffer operating losses. We believe that with our cash, cash equivalent and investment security balances on hand as of December 31, 2002, in addition to the approximately $11.1 million in expected net proceeds from the sale of shares of common stock and warrants we anticipate from this offering (excluding any proceeds from the exercise of the warrants), we will require additional capital by the end of the third quarter of 2003 based on our current operating plan. Unless we raise additional capital prior to March 31, 2003, we expect the audit report of our independent accountants on our December 31, 2002 consolidated financial statements to state that there is substantial doubt about our ability to continue as a going concern. Substantial doubt about our ability to continue as a going concern could negatively affect our ability to raise additional capital and our stock price.

We could be exposed to significant product liability claims that could be time-consuming and costly, divert management attention and adversely affect our ability to obtain and maintain insurance coverage.

We may be subject to product liability claims if any of our product applications are alleged to be defective or cause harmful effects. For example, because our scanned beam displays are designed to scan a low power beam of colored light directly on the user's retina, the testing, manufacture, marketing and sale of these products involve an inherent risk that product liability claims will be asserted against us. Product liability claims or other claims related to our products, regardless of their outcome, could require us to spend significant time and money in litigation, divert management time and attention, require us to pay significant damages, harm our reputation or hinder acceptance of our products. Any successful product liability claim may prevent us from obtaining adequate product liability insurance in the future on commercially desirable or reasonable terms. An inability to obtain sufficient insurance coverage at an acceptable cost or otherwise to protect against potential product liability claims could prevent or inhibit the commercialization of our products.

We rely heavily on a limited number of development contracts with the U.S. government, which are subject to immediate termination by the government for convenience at any time, and the termination of one or more of these contracts could have a material negative impact on our operations.

In 2002, 83% of our revenue was derived from performance on a limited number of development contracts with the U.S. government. Therefore, any significant disruption or deterioration of our relationship with the U.S. government would significantly reduce our revenues. Our government programs must compete with programs managed by other contractors for a limited amount and uncertain levels of funding. The total amount and levels of funding are susceptible to significant fluctuations on a year to year basis. Our competitors continuously engage in efforts to expand their business relationships with the government and are likely to continue these efforts in the future. Our contracts with the government are subject to immediate termination by the government for convenience at any time. The government may choose to use contractors with competing display technologies or it may decide to discontinue any of our programs altogether. In addition, those development contracts that we do obtain require ongoing compliance with applicable government regulations. Termination of our development contracts, a shift in government spending to other programs in which we are not involved, a reduction in government spending generally, or our failure to meet applicable government regulations could have severe consequences for our results of operations.

Our products have long sales cycles, which make it difficult to plan our expenses and forecast our revenues.

We have a lengthy sales cycle that involves numerous steps including discussion of a product application, exploring the technical feasibility of a proposed product, evaluating the costs of manufacturing a product and manufacturing or contracting out the manufacturing of the product. Our long sales cycle, which can last several years, makes it difficult to predict the quarter in which sales will occur. Delays in sales could cause significant variability in our revenues and operating results for any particular quarterly period.

Our exploratory arrangements may not lead to products that will be profitable.

Our developmental contracts, including our relationships with parties such as the U.S. government, BMW and Canon, are exploratory in nature and are intended to develop new types of technology or applications. These efforts may prove unsuccessful, and these relationships may not result in the development of products that will be profitable.

Because we plan to continue using overseas contract manufacturers, our operating results could be harmed by economic, political, regulatory and other factors existing in foreign countries.

We currently use a contract manufacturer in Asia to manufacture Flic , and we plan to continue using overseas manufacturers to manufacture some of our products. These international operations are subject to inherent risks which may adversely affect us, including:

- political and economic instability;
- high levels of inflation, historically the case in a number of countries in Asia;
- burdens and costs of compliance with a variety of foreign laws;
- foreign taxes; and
- changes in tariff rates or other trade and monetary policies.

There is no public market for the warrants to purchase common stock issued in this offering.

The warrants will be new securities for which there is no established public trading market and we do not expect a market to develop. In addition, we do not intend to apply for listing of the warrants on any securities exchange or for quotation on Nasdaq. Without an active market, the liquidity of the warrants will be limited.

FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus, and the documents incorporated by reference in the accompanying prospectus contain forward-looking statements, within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act, with respect to our financial condition, results of operations, business, and prospects. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "may," "will," and similar expressions identify forward-looking statements. Forward-looking statements include, but are not limited to, those relating to the general direction of our business, including our scanned beam display, imaging solutions, and optical materials businesses; our ability to satisfy budgeted cash requirements; our ability to sell all of the shares of common stock and warrants (other than shares issuable upon exercise of the warrants) being issued hereby; the ability of our scanned beam display technology or products incorporating this technology to achieve market acceptance; our ability to marshal adequate financial, management, and technical resources to develop and commercialize our technologies; our expected revenues and expenses in future periods; developments in the defense, medical and other industries on which we have focused; and our relationships with strategic partners. We cannot be certain that the plans, intentions or expectations reflected in these forward looking statements will be achieved.

See the section entitled "Risk Factors" that is set forth herein on page S-4 together with the section entitled "Risk Factors" on page 5 in the accompanying prospectus, as updated from time to time in our subsequent quarterly and annual reports that are incorporated by reference herein, for a description of risks and uncertainties that could cause actual results, performance or achievements to differ materially from those contemplated, expressed or implied by the forward-looking statements contained or incorporated by reference in this prospectus supplement or the accompanying prospectus.

USE OF PROCEEDS

We expect the net proceeds from the sale of the shares of common stock and warrants being offered by this prospectus supplement (excluding any proceeds from the exercise of the warrants) will be approximately $11.1 million, after deducting the selling agent's fee and our estimated offering expenses. If all of the warrants are exercised in full for cash, we will receive an additional $3,255,135 in net proceeds. Whether and when the warrants are exercised will depend on the price of our common stock in the future. We can provide no assurance that any or all of the warrants will be exercised. We intend to use the net proceeds from the sale of the shares of common stock and warrants and from the exercise of the warrants for general corporate purposes, including, but not limited to, working capital and capital expenditures. Although we have no acquisitions planned, we may also use a portion of the net proceeds to acquire other technologies. Our board of directors will have broad discretion in determining how any net proceeds will be used.

SELECTED CONSOLIDATED FINANCIAL DATA

The tables below present the consolidated Statement of Operations and consolidated Balance Sheet of Microvision and its subsidiary. The consolidated Statement of Operations for the year ended, and consolidated Balance Sheet as of, December 31, 2001 is derived from our audited consolidated financial statements included in the accompanying prospectus. The consolidated Statement of Operations for the three months ended December 31, 2001 and December 31, 2002, and the year ended December 31, 2002, and the consolidated Balance Sheet as of December 31, 2002, is unaudited.

Consolidated Statement of Operations

(In thousands, except net loss per share data)

	Three months ended December 31,		Year ended December 31,	
	2002	2001	2002	2001
	(unaudited)	(unaudited)	(unaudited)	
Revenue	$ 3,193	$ 4,251	$ 15,917	$ 10,762
Cost of revenue	1,072	2,128	6,997	6,109
Gross margin	2,121	2,123	8,920	4,653
Research and development expense	6,757	7,410	25,519	31,899
Marketing, general and administrative expense	4,012	3,536	16,798	14,356
Non-cash compensation expense	621	664	1,984	2,533
Total operating expenses	11,390	11,610	44,301	48,788
Loss from operations	(9,269)	(9,487)	(35,381)	(44,135)
Interest income	205	541	1,059	2,523
Interest expense	(14)	(22)	(59)	(92)
Realized gain on sale of investment securities	88	21	88	316
Loss due to impairment of long-term investment			(624)	
Loss before minority interests	(8,990)	(8,947)	(34,917)	(41,388)
Minority interests in loss of consolidated subsidiary	2,089	1,137	7,741	6,594
Net loss	$ (6,901)	$ (7,810)	$ (27,176)	$ (34,794)
Net loss per share basic and diluted	$ (0.46)	$ (0.61)	$ (1.93)	$ (2.85)
Weighted-average shares outstanding basic and diluted	15,154	12,892	14,067	12,200

Consolidated Balance Sheet

(In thousands)

	December 31, 2002	December 31, 2001
	(Unaudited)	
Assets		
Current Assets		

	December 31, 2002	December 31, 2001
Cash and cash equivalents	$ 9,872	$ 15,587
Investment securities, available-for-sale	5,304	18,065
Accounts receivable, net	1,315	1,712
Costs and estimated earnings in excess of billings on uncompleted contracts	1,073	1,584
Inventory, net	747	99
Current restricted investments		102
Other current assets	2,348	2,302
Total current assets	20,659	39,451
Long-term investment, at cost		624
Property and equipment, net	7,672	8,960
Restricted investments	1,356	1,434
Receivables from related parties, net	2,043	2,252
Other assets	537	1,334
Total assets	$ 32,267	$ 54,055
Liabilities, Minority Interests and Shareholders' Equity		
Current Liabilities		
Accounts payable	$ 1,462	$ 1,613
Accrued liabilities	5,334	4,298
Allowance for estimated contract losses		155
Billings in excess of costs and estimated earnings on uncompleted contracts	230	60
Current portion of capital lease obligations	84	170
Current portion of long-term debt	63	57
Total current liabilities	7,173	6,353
Capital lease obligations, net of current portion	94	61
Long-term debt, net of current portion	169	232
Deferred rent, net of current portion	192	259
Total liabilities	7,628	6,905
Commitments and Contingencies		
Minority Interests	7,223	14,824
Shareholders' Equity		
Common stock and paid-in capital	147,058	135,954
Deferred compensation	(1,490)	(2,803)
Subscriptions receivable from related parties	(166)	(321)
Accumulated other comprehensive income	121	427
Accumulated deficit	(128,107)	(100,931)
Total shareholders' equity	17,416	32,326
Total liabilities, minority interests and shareholders' equity	$ 32,267	$ 54,055

	December 31, 2002	December 31, 2001

DISCUSSION

Revenue for the twelve months ended December 31, 2002 increased 48% to $15.9 million compared to $10.8 million for the same period in 2001. Gross profit for the twelve months ended December 31, 2002 increased 92% to $8.9 million compared to $4.7 million for the same period in 2001. Revenue for the fourth quarter of 2002 was $3.2 million compared to $4.3 million for the same period in 2001. Gross profit for the fourth quarter of 2002 was $2.1 million, unchanged from the same period in 2001. Revenue in 2002 was derived from ongoing work on development contracts with the U.S. military, development contracts with commercial partners, sales of the Nomad Augmented Vision System, and development contracts at Lumera.

Consolidated net loss for the twelve months ended December 31, 2002 decreased 22% to $27.2 million or $1.93 per share compared to a consolidated net loss of $34.8 million or $2.85 per share for the same period in 2001. For the three months ended December 31, 2002, we reported a consolidated net loss of $6.9 million or $.46 per share compared to a net loss of $7.8 million or $.61 per share for the same period in 2001. Consolidated results include Microvision and Lumera. For the three months and twelve months ended December 31, 2002, the portion of the consolidated loss attributable to Lumera was $258,000 or $.02 per share and $957,000 or $.07 per share, respectively, compared to $141,000 or $.01 per share and $3.0 million or $.25 per share for the three and twelve months ended December 31, 2001, respectively.

We ended the year with $15.2 million in cash, cash equivalents and investment securities and a contract backlog of $2.6 million. To date in 2003, we have signed additional contracts valued at $2.8 million.

DESCRIPTION OF SECURITIES

Capital Stock

Our Articles of Incorporation authorize us to issue 31,250,000 shares of common stock, no par value per share, and 31,250,000 shares of preferred stock, no par value per share. As of February 28, 2003, there were approximately 15,154,000 shares of common stock, and no shares of preferred stock, outstanding.

Common Stock

The common stock issued under this prospectus is, or will be upon payment of the exercise price of the warrants (in the case of shares of common stock issuable upon exercise of the warrants), fully paid and nonassessable. Subject to the rights of the holders of our outstanding preferred stock, if any, holders of common stock:

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

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

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

Warrants

Each warrant entitles the holder to purchase from us up to the number of shares of common stock set forth in such warrant at an exercise price of $6.50 per share.

Exercise. The warrants are exercisable beginning on September 6, 2003 and until March 5, 2006, unless the expiration date is extended as described below under "Black-out Period". Warrants may be exercised in whole or in part, but only for full shares of common stock. A warrant may be exercised if there is a then effective registration statement, such as the registration statement of which this prospectus supplement and the accompanying prospectus form a part, covering the common stock to be issued upon exercise. Otherwise, a warrant may only be exercised if the holder makes customary representations and agrees to customary transfer restrictions that we request in order to ensure that we comply with all applicable laws when we issue the shares of common stock upon exercise of the warrant. In addition to making any necessary representations and agreeing to any necessary transfer restrictions, a warrant may be exercised upon surrender of the warrant certificate on or before the expiration date of the warrant, at our offices, with the forms of "Election To Purchase" and "Warrant Shares Exercise Log" completed and executed as indicated and by paying the exercise price by wire transfer of immediately available funds for the number of shares with respect to which the warrant is being exercised. We will pay any issue or transfer tax, or transfer agent fee, incurred as a result of the issuance of common stock to the holder upon exercise of the warrant.

Black-out Period. The shares issuable upon exercise of the warrants are covered by this prospectus supplement and the accompanying prospectus. However, we may suspend the ability of warrant holders to exercise warrants in any manner if an event occurs and is continuing that we believe, in our good faith judgment, will make this prospectus supplement, the accompanying prospectus or the documents incorporated by reference herein contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the other statements in this prospectus supplement, the accompanying prospectus and the documents incorporated herein by reference, not misleading, and we have determined, in our good faith judgment, that either disclosure of the event would be to the detriment of the company or the disclosure otherwise relates to a business transaction that has not yet been publicly disclosed. If we have suspended the ability of warrant holders to exercise warrants as of the expiration date of the warrants, the expiration date will then be extended for the number of calendar days covered by the particular suspension, but only up to ten days beyond the end of the particular suspension.

Adjustment. The warrants are subject to provisions that adjust the number of shares that may be purchased by the holders and the exercise price in the event of a common stock split, payment of stock dividend on common stock or certain other events.

If we effect any merger or consolidation, effect any sale of all or substantially all of our assets, complete any tender offer or exchange offer where holders of our common stock are permitted to tender or exchange their shares for other securities, cash or property, or effect any reclassification of our common stock pursuant to which such common stock is effectively converted into or exchanged for other securities, cash or property, then each holder's warrant will become the right to receive, upon exercise of such warrant, in lieu of our common stock, the same amount and kind of securities, cash or property as it would have been entitled to receive upon the occurrence of such transaction, if the warrant had been exercised immediately prior to such transaction.

Delivery of Certificates. Upon exercise of a warrant, we will promptly deliver a certificate representing the shares of common stock issuable upon exercise of the warrant. In addition, if there is a then effective registration statement covering the issuance of the shares of common stock upon exercise of the warrant, we will, if requested by the holder, deliver the shares electronically through The Depository Trust Corporation or another established clearing corporation performing similar functions. Share certificates issued at times when there is not a then effective registration statement covering the underlying common stock will include customary legends restricting transfer to the extent we determine necessary to ensure our compliance with applicable laws.

Additional Provisions. The above summary of certain terms and provisions of the warrants is qualified in its entirety by reference to the detailed provisions of the applicable agreements and certificates, each of which will be filed as an exhibit to a current report on Form 8-K that will be incorporated herein by reference. Those agreements may be amended with the consent of holders of warrants exercisable for two-thirds of the common stock issuable upon exercise of the then outstanding warrants, provided that no such amendment shall adversely affect any warrant holder differently than it affects all other warrant holders unless such warrant holder consents. In addition, we may amend the agreements without the consent of any of the warrant holders in limited circumstances provided that such amendments do not materially adversely affect the interest of the warrant holders. We are not required to issue fractional shares upon the exercise of the warrants. No holder of the warrants will possess any rights as a shareholder under those warrants until the holder exercises those warrants. The warrants may be transferred independent of the common stock they are issued with, subject to all applicable laws. We will initially serve as the warrant agent.

DILUTION

The net tangible book value of our common stock as of December 31, 2002 was approximately $17,416,000, or approximately $1.15 per share. Net tangible book value per share represents the amount of our total assets, less liabilities, divided by the total number of shares of our common stock outstanding.

Dilution per share to new investors represents the difference between the amount per share paid by purchasers for our common stock in this offering and the net tangible book value per share of our common stock immediately after the completion of this offering.

Following our expected sale of 2,503,947 shares of common stock and warrants to purchase 500,790 shares of common stock in this offering at an aggregate offering price (excluding any proceeds received upon exercise of the warrants) of $11,893,748, and after deducting the selling agent's commission and our estimated offering expenses, our pro forma net tangible book value as of December 31, 2002 would have been approximately $28,475,000 or approximately $1.61 per share. This represents an immediate increase of approximately $0.46 per share to the existing shareholders and an immediate dilution in pro forma net tangible book value of approximately $3.14 per share to purchasers of our common stock in this offering.

This dilution calculation does not include shares issuable upon exercise of outstanding options or warrants, or shares issuable upon exercise of warrants sold in this offering. Exercise of any warrants sold in this offering at a time when the exercise price is above our net tangible book value per share would lead to further dilution to holders of these warrants.

PLAN OF DISTRIBUTION

Pursuant to a selling agent agreement, we engaged William Blair & Company, L.L.C. as our exclusive selling agent to use its reasonable best efforts to solicit offers to purchase our common stock and warrants in this offering. William Blair is not obligated to, and has advised us that it will not, purchase any shares of our common stock or warrants for its own account. We will enter into securities purchase agreements directly with the investors in connection with this offering. Assuming all of the purchase agreements are executed by the investors as currently contemplated and subject to the terms and conditions of the purchase agreements, the investors will agree to purchase, and we will agree to sell, an aggregate of 2,503,947 shares of our common stock and warrants to purchase an aggregate of 500,790 shares of our common stock, as provided on the cover of this prospectus supplement.

The shares of common stock sold in this offering will be listed on the Nasdaq National Market. The warrants will not be listed on any securities exchange or on Nasdaq. We expect that the shares of common stock (excluding any shares issuable upon exercise of the warrants) will be delivered only in

book-entry form through The Depository Trust Company, New York, New York on or about March 5, 2003. We expect that warrant certificates representing the warrants will be delivered to each investor on or about March 5, 2003.

William Blair's compensation for acting as selling agent for this offering will consist of the selling agent fee and reimbursement of expenses described below. The following table sets forth the selling agent fee to be paid to William Blair for this offering, which will equal 6% of $7,393,748 of total offering proceeds from the sale of shares of our common stock and warrants. No selling agent fee will be paid to William Blair with respect to offering proceeds of $4,500,000 received from two existing shareholders.

	Per Share of Common Stock and Accompanying Warrant	Total
Selling agent fee	$ 0.177	$ 443,625

We have also retained Olympus Securities LLC as placement agent in connection with the sale of 631,579 shares of common stock and warrants in this offering to one existing shareholder. In connection with its services, Olympus will receive a cash fee equal to $150,000.

We have also agreed to reimburse William Blair for up to $15,000 of reasonable out-of-pocket expenses incurred by it in connection with this offering plus additional expenses that we approve in advance. In addition, we have agreed to reimburse William Blair for 50% of the reasonable fees and expenses of William Blair's counsel.

The expenses directly related to this offering, not including the selling agent fee and placement agent fee, are estimated to be approximately $200,000 and will be paid by us. Expenses of the offering, exclusive of the selling agent fee and placement agent fee, include William Blair's reimbursable expenses, our legal and accounting fees, printing expenses, transfer agent fees, Nasdaq National Market listing fees and miscellaneous fees. We have agreed to indemnify William Blair and its controlling persons from and against, and to make contributions for payments made by such person with respect to, certain liabilities, including liabilities arising under the Securities Act. We have also agreed to indemnify and hold harmless Olympus Securities LLC and its affiliates against any claims, actions, suits, proceedings, damages, liabilities and expenses they may incur in the offering except for (a) their gross negligence or willful misconduct and (b) any claims for fees asserted by one of the purchasers. William Blair may be deemed an "underwriter" within the meaning of the Securities Act.

LEGAL MATTERS

The validity of the securities we are offering will be passed upon for us by Ropes & Gray, Boston, Massachusetts. Katten Muchin Zavis Rosenman, Chicago, Illinois, is counsel for the selling agent in connection with this offering.

$25,000,000

MICROVISION, INC.

Common Stock
Preferred Stock
Warrants
Convertible Debt Securities

We may sell from time to time up to $25,000,000 of our common stock, preferred stock, warrants, or convertible debt securities in one or more transactions.

We will provide specific terms of these securities and offerings in supplements to this prospectus. You should read this prospectus and any supplement carefully before you invest.

Our common stock is traded on the Nasdaq National Market under the symbol MVIS. On March 3, 2003, the closing price of our common stock on the Nasdaq National Market was $5.23 per share. None of our other securities are publicly traded.

This prospectus may not be used to offer and sell securities unless accompanied by the applicable prospectus supplement.

The securities offered in this prospectus involve a high degree of risk. You should carefully consider the "Risk Factors" set forth herein on page 5 and in our future filings made with the Securities and Exchange Commission, which are incorporated by reference in this prospectus, in determining whether to purchase our securities.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is March 3, 2003.

TABLE OF CONTENTS

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or SEC, using the "shelf" registration process. Under the shelf process, we may sell any combination of the securities described in this prospectus in one or more offerings up to a total dollar amount of $25.0 million.

This prospectus provides you with a general description of the securities that we may offer. Each time that we sell securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement also may add, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement together with additional information described under the heading "Where You Can Find More Information." We may use this prospectus to sell securities only if it is accompanied by a prospectus supplement.

The registration statement that contains this prospectus, including the exhibits to the registration statement, contains additional information about us and the securities offered under this prospectus. That registration statement can be read at the Commission's web site, located at http://www.sec.gov, or at the Commission's office referenced under the heading "Where You Can Find More Information."

You should rely only on information contained or incorporated by reference in this prospectus. We have not authorized any other person to provide you with information different from that contained in this prospectus.

We are not making an offer of these securities in any jurisdiction where the offering is not permitted.

You should not assume that the information contained in this prospectus or the documents incorporated by reference is accurate as of any date other the date on the front of this prospectus or those documents.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and periodic reports and other information with the SEC. You may read and copy the registration statement of which this prospectus constitutes a part and any other document that we file at the SEC's public reference room located 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 you free of charge at the SEC's web site at http://www.sec.gov.

The SEC allows us to "incorporate by reference" our publicly-filed reports into this prospectus, which means that information included in those reports is considered part of this prospectus. Information that we file with the SEC subsequent to the date of this prospectus will automatically update and supersede the information contained in this prospectus. We incorporate by reference the documents listed below and any future filings made with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Security Exchange Act of 1934, as amended, or the Exchange Act, until we sell all of the securities offered pursuant to this prospectus.

The following documents filed with the SEC are incorporated by reference in this prospectus:

1. Our Annual Report on Form 10-K for the year ended December 31, 2001;

2. Our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2002, June 30, 2002, and September 30, 2002;

3. Our Definitive Proxy Statement for the 2002 Annual Meeting of Shareholders, as filed with the SEC on April 16, 2002;

4. Our Current Report on Form 8-K for the event of August 23, 2002, as filed on August 27, 2002;

5. Our Current Report on Form 8-K for the event of August 12, 2002, as filed on August 12, 2002;

6. Our Current Report on Form 8-K for the event of July 22, 2002, as filed on July 23, 2002;

7. Our Current Report on Form 8-K for the event of March 7, 2002, as filed on March 26, 2002; and

8. The description of our common stock set forth in Amendment No. 1 to our Registration Statement on Form SB-2 (Registration No. 33-5276-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).

We will furnish without charge to you, on written or oral request, a copy of any or all of the documents incorporated by reference, other than exhibits to such documents. You should direct any requests for documents to Investor Relations, Microvision, Inc., 19910 North Creek Parkway, Bothell, Washington 98011-3008, Telephone (425) 415-6847.

The information relating to us contained in this prospectus is not comprehensive and should be read together with the information contained in the incorporated documents. Statements contained in this prospectus as to the contents of any contract or other document referred to are not necessarily complete. You should refer to the copy of such contract or other document filed as an exhibit to the Registration Statement.

STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

This prospectus and the documents incorporated by reference in this prospectus contain forward-looking statements, within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act, with respect to our financial condition, results of operations, business, and prospects. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "may," "will," and similar expressions identify forward-looking statements. Forward-looking statements include, but are not limited to, those relating to the general direction of our business, including our scanned beam display, imaging solutions, and optical materials businesses; our ability to satisfy budgeted cash requirements; the ability of our scanned beam display technology or products incorporating this technology to achieve market acceptance; our ability to marshal adequate financial, management, and technical resources to develop and commercialize our technologies; our expected revenues and expenses in future periods; developments in the defense, medical and other industries on which we have focused; and our relationships with strategic partners. We cannot be certain that the plans, intentions or expectations reflected in these forward looking statements will be achieved.

See the section entitled "Risk Factors" that is set forth herein on page 5, as updated from time to time in our subsequent quarterly and annual reports that are incorporated by reference herein, for a description of risks and uncertainties that could cause actual results, performance or achievements to differ materially from those contemplated, expressed or implied by the forward-looking statements contained or incorporated by reference in this prospectus.

OUR BUSINESS

Microvision develops information display and capture devices and related technologies. We are developing and seek to commercialize technologies and products in three business platforms relating to the delivery of images and information:

Scanned beam displays, which use scanned beam display technology to display information on the retina of the viewer's eye. These displays are currently being refined and developed for defense, medical, industrial and consumer applications.

Image capture devices which use proprietary scanning technology to capture images and information in applications such as bar code readers or cameras. These devices include bar code readers and miniature high-resolution cameras.

Electro-optical materials technology which use a new class of organic non-linear materials technology that interact with, and can be used to change the properties of, light waves to transmit information. These materials can be used for fiber-optic telecommunications and data communications system phased array antennas, optical computing and other photonics applications.

Our executive offices are located at 19910 North Creek Parkway, Bothell, Washington 98011-3008, and our telephone number is (425) 415-6847.

RISK FACTORS

We have a history of operating losses and expect to incur significant losses in the future.

We have had substantial losses since our inception and we anticipate an operating loss at least through the year ending December 31, 2003. We cannot assure you that we will ever become or remain profitable.

As of December 31, 2002, we had an accumulated deficit of $128.1 million.

We incurred net losses of $39.5 million from inception through 1999, $26.6 million in 2000, $34.8 million in 2001 and $27.2 million in 2002.

The likelihood of our success must be considered in light of the expenses, difficulties and delays frequently encountered by companies formed to develop and market new technologies. In particular, our operations to date have focused primarily on research and development of the scanned beam technology and development of demonstration units. We introduced our first two commercial products during 2002. We are unable to accurately estimate future revenues and operating expenses based upon historical performance.

We cannot be certain that we will succeed in obtaining additional development contracts or that we will be able to obtain customer orders for our products. In light of these factors, we expect to continue to incur substantial losses and negative cash flow at least through 2003 and likely thereafter. We cannot be certain that we will achieve positive cash flow at any time in the future.

We cannot be certain that the scanned beam technology or products incorporating this technology will achieve market acceptance. If the scanned beam technology does not achieve market acceptance, our revenues may not grow.

Our success will depend in part on customer acceptance of the scanned beam technology. The scanned beam technology may not be accepted by manufacturers who use display technologies in their products by systems integrators who incorporate our products into their products, or by consumers of these products. To be accepted, the scanned beam technology must meet the expectations of our potential customers in the defense, industrial, medical and consumer markets. If our technology fails to achieve market acceptance, we may not be able to continue to develop the scanned beam technology.

It may become more difficult to sell our stock in the public market.

Our common stock is listed for quotation on the Nasdaq National Market. To keep our listing on this market, we must meet Nasdaq's listing maintenance standards. If the bid price of our common stock falls below $1.00 for an extended period, or we are unable to continue to meet Nasdaq's listing maintenance standards for any other reason, our common stock could be delisted from the Nasdaq National Market. If our common stock were delisted, we likely would seek to list the common stock on the Nasdaq SmallCap Market, the American Stock Exchange or on a regional stock exchange. Listing on such other market or exchange could reduce the liquidity for our common stock. If our common stock were not listed on the SmallCap Market or an exchange, trading of our common stock would be conducted in the over-the-counter market on an electronic bulletin board established for unlisted securities or directly through market makers in our common stock. If our common stock were to trade in the over-the-counter market, an investor would find it more difficult to dispose of, or to obtain accurate quotations for the price of, the common stock. A delisting from the Nasdaq National Market and failure to obtain listing on such other market or exchange would subject our securities to so-called penny stock rules that impose additional sales practice and market-making requirements on broker-dealers who sell or make a market in such securities. Consequently, removal from the Nasdaq National Market and failure to obtain listing on another market or exchange could affect the ability or willingness of broker-dealers to sell or make a market in our common stock and the ability of purchasers of our common stock to sell their securities in the secondary market. In addition, when the market price of our common stock is less than $5.00 per share, we become subject to penny stock rules even if our common stock is still listed on the Nasdaq National Market. While the penny stock rules should not affect the quotation of our common stock on the Nasdaq National Market, these rules may further limit the market liquidity of our common stock and the ability of investors to sell our common stock in the secondary market. During the second, third and fourth quarters of 2002 the market price of our stock traded below $5.00 per share, and during the first quarter of 2003 the market price of our stock traded below $6.00 per share.

Our lack of the financial and technical resources relative to our competitors may limit our revenues, potential profits and overall m