PACIFIC BIOSCIENCES OF CALIFORNIA, INC.
Form DEFM14A
December 18, 2018
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE

SECURITIES EXCHANGE ACT OF 1934

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

Check the appropriate box:

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

PACIFIC BIOSCIENCES OF CALIFORNIA, INC.

(Name of Registrant as Specified In Its Charter)

N/A

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

Table of Contents

Pacific Biosciences of California, Inc.

1305 O Brien Drive

Menlo Park, California 94025

December 17, 2018

Dear Pacific Biosciences Stockholder:

You are cordially invited to attend a special meeting of stockholders, which we refer to as the special meeting, of Pacific Biosciences of California, Inc., which we refer to as Pacific Biosciences, to be held on January 24, 2019, at 8:00 a.m., Pacific time, at the offices of Wilson Sonsini Goodrich & Rosati, Professional Corporation, located at 650 Page Mill Road, Palo Alto, California 94304.

At the special meeting, you will be asked to consider and vote on a proposal to adopt the Agreement and Plan of Merger, dated as of November 1, 2018, as it may be amended from time to time, which we refer to as the merger agreement, by and among Pacific Biosciences, Illumina, Inc., which we refer to as Illumina, and FC Ops Corp. We refer to the acquisition of Pacific Biosciences by Illumina as the merger. At the special meeting, you will also be asked to consider and vote on (1) a proposal for the adjournment of the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies if there are insufficient votes to adopt the merger agreement at the time of the special meeting; and (2) a proposal to approve, on a non-binding, advisory basis, the compensation that will or may become payable by Pacific Biosciences to its named executive officers in connection with the merger.

If the merger is completed, you will be entitled to receive $8.00 in cash, without interest and subject to any applicable withholding taxes, for each share of common stock that you own (unless you have properly exercised your appraisal rights), which represents a premium of approximately (1) 77 percent to the closing price of the common stock on November 1, 2018 (the last trading day before the announcement of the merger); (2) 75 percent to the volume-weighted average price per share of the common stock for the 30 trading day period up to and including November 1, 2018; and (3) 79 percent to the volume-weighted average price per share of the common stock for the 90 trading day period up to and including November 1, 2018.

Pacific Biosciences Board of Directors, after considering the factors more fully described in the enclosed proxy statement, has unanimously: (1) determined that the merger agreement, the merger and the other transactions contemplated by the merger agreement are fair to, advisable and in the best interests of Pacific Biosciences and its stockholders; and (2) adopted and approved the merger agreement, the merger and the other transactions contemplated by the merger agreement.

Pacific Biosciences Board of Directors unanimously recommends that you vote: (1) FOR the adoption of the merger agreement; (2) FOR the adjournment of the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies if there are insufficient votes to adopt the merger agreement at the time of the special meeting; and (3) FOR the compensation that will or may become payable by Pacific Biosciences to our named executive officers in connection with the merger.

The enclosed proxy statement provides detailed information about the special meeting, the merger agreement and the merger. A copy of the merger agreement is attached as Annex A to this proxy statement.

This proxy statement also describes the actions and determinations of Pacific Biosciences Board of Directors in connection with its evaluation of the merger agreement and the merger. We encourage you to read this proxy statement and its annexes, including the merger agreement, carefully and in their entirety, as they contain important information.

Table of Contents

Whether or not you plan to attend the special meeting in person, please sign, date and return, as promptly as possible, the enclosed proxy card (a prepaid reply envelope is provided for your convenience) or grant your proxy electronically over the internet or by telephone (using the instructions found on the proxy card). If you attend the special meeting and vote in person by ballot, your vote will revoke any proxy that you have previously submitted. If you fail to return your proxy or to attend the special meeting in person, your shares will not be counted for purposes of determining whether a quorum is present at the special meeting and will have the same effect as a vote against the adoption of the merger agreement.

If your shares are held through a bank, broker or other nominee, you are considered the beneficial owner of shares held in street name. If you hold your shares in street name you should instruct your bank, broker or other nominee how to vote your shares in accordance with the voting instruction form that you will receive from your bank, broker or other nominee. Your bank, broker or other nominee cannot vote on any of the proposals to be considered at the special meeting without your instructions. Without your instructions, your shares will not be counted for purposes of a quorum or voted at the meeting, and that will have the same effect as voting against the adoption of the merger agreement.

Your vote is very important, regardless of the number of shares that you own.

If you have any questions or need assistance voting your shares, please contact our proxy solicitor:

Innisfree M&A Incorporated

501 Madison Avenue, 20th Floor

New York, New York 10022

Stockholders may call toll-free: (888) 750-5834

Banks and brokers may call collect: (212) 750-5833

On behalf of Pacific Biosciences Board of Directors, thank you for your support.

Very truly yours,

Michael Hunkapiller, Ph.D.

Chairman of the Board of Directors, President and

Chief Executive Officer

The accompanying proxy statement is dated December 17, 2018, and, together with the enclosed form of proxy card, is first being mailed on or about December 17, 2018.

Table of Contents

Pacific Biosciences of California, Inc.

1305 O Brien Drive

Menlo Park, California 94025

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON JANUARY 24, 2019

Notice is hereby given that a special meeting of stockholders of Pacific Biosciences of California, a Delaware corporation (which is referred to as Pacific Biosciences), will be held on January 24, 2019, at 8:00 a.m., Pacific time, at the offices of Wilson Sonsini Goodrich & Rosati, Professional Corporation, located at 650 Page Mill Road, Palo Alto, California 94304, for the following purposes:

1. To consider and vote on the proposal to adopt the Agreement and Plan of Merger, dated as of November 1, 2018, as it may be amended from time to time, by and among Pacific Biosciences, Illumina, Inc. and FC Ops Corp. (this agreement is referred to as the merger agreement);

2. To consider and vote on any proposal to adjourn the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies if there are insufficient votes to adopt the merger agreement at the time of the special meeting;

3. To consider and vote on the proposal to approve, on a non-binding, advisory basis, the compensation that will or may become payable by Pacific Biosciences to its named executive officers in connection with the merger; and

4. To transact any other business that may properly come before the special meeting.

Only stockholders as of the close of business on December 7, 2018, are entitled to notice of the special meeting and to vote at the special meeting.

Pacific Biosciences Board of Directors unanimously recommends that you vote: (1) FOR the adoption of the merger agreement; (2) FOR the adjournment of the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies if there are insufficient votes to adopt the merger agreement at the time of the special meeting; and (3) FOR the compensation that will or may become payable by Pacific Biosciences to its named executive officers in connection with the merger.

Pacific Biosciences stockholders who do not vote in favor of the proposal to adopt the merger agreement will have the right to seek appraisal of the fair value of their shares of common stock (exclusive of any elements of value arising from the accomplishment or expectation of the merger and together with interest (as described in the accompanying proxy statement) to be paid on the amount determined to be fair value) in lieu of receiving the per share merger consideration if the merger is completed, as determined in accordance with Section 262 of the Delaware General Corporation Law (which we refer to as the DGCL). To do so, a Pacific Biosciences stockholder must properly demand appraisal before the vote is taken on the merger agreement and comply with all other requirements of Delaware law, including Section 262 of the DGCL, which are summarized in the accompanying proxy statement, and must meet

certain conditions. Section 262 of the DGCL is reproduced in its entirety in Annex C to the accompanying proxy statement and is incorporated in this notice by reference.

Whether or not you plan to attend the special meeting in person, please sign, date and return, as promptly as possible, the enclosed proxy card (a prepaid reply envelope is provided for your convenience) or grant your

Table of Contents

proxy electronically over the internet or by telephone (using the instructions found on the proxy card). If you attend the special meeting and vote in person by ballot, your vote will revoke any proxy that you have previously submitted. If you fail to return your proxy or to attend the special meeting in person, your shares will not be counted for purposes of determining whether a quorum is present at the special meeting and will have the same effect as a vote against the adoption of the merger agreement.

If your shares are held through a bank, broker or other nominee, you are considered the beneficial owner of shares held in street name. If you hold your shares in street name, you should instruct your bank, broker or other nominee how to vote your shares in accordance with the voting instruction form that you will receive from your bank, broker or other nominee. Your bank, broker or other nominee cannot vote on any of the proposals to be considered at the special meeting without your instructions. Without your instructions, your shares will not be counted for purposes of a quorum or voted at the meeting, and that will have the same effect as voting against the adoption of the merger agreement.

By Order of the Board of Directors,

Stephen M. Moore

Vice President, General Counsel and Corporate Secretary

Dated: December 17, 2018

Menlo Park, CA

Table of Contents

IMPORTANT INFORMATION

Whether or not you plan to attend the special meeting in person, we encourage you to submit your proxy as promptly as possible: (1) over the internet; (2) by telephone; or (3) by signing and dating the enclosed proxy card (a prepaid reply envelope is provided for your convenience). You may revoke your proxy or change your vote at any time before your proxy is voted at the special meeting.

If your shares are held through a bank, broker or other nominee, you are considered the beneficial owner of shares held in street name. If you hold your shares in street name, you should instruct your bank, broker or other nominee how to vote your shares in accordance with the voting instruction form that you will receive from your bank, broker or other nominee. Your bank, broker or other nominee cannot vote on any of the proposals to be considered at the special meeting without your instructions. Without your instructions, your shares will not be counted for purposes of a quorum or voted at the meeting, and that will have the same effect as voting against the adoption of the merger agreement.

If you are a stockholder of record, voting in person by ballot at the special meeting will revoke any proxy that you previously submitted. If you hold your shares through a bank, broker or other nominee, you must obtain a legal proxy from the bank, broker or other nominee that holds your shares in order to vote in person by ballot at the special meeting.

We encourage you to read the accompanying proxy statement and its annexes, including all documents incorporated by reference into the accompanying proxy statement, carefully and in their entirety. If you have any questions concerning the merger, the special meeting or the accompanying proxy statement, would like additional copies of the accompanying proxy statement, or need help voting your shares, please contact our proxy solicitor:

Innisfree M&A Incorporated

501 Madison Avenue, 20th Floor

New York, New York 10022

Stockholders may call toll-free: (888) 750-5834

Banks and brokers may call collect: (212) 750-5833

Table of Contents

TABLE OF CONTENTS

Table of Contents

Table of Contents

SUMMARY

Except as otherwise specifically noted in this proxy statement, Pacific Biosciences, we, our, us and similar words refer to Pacific Biosciences of California, Inc., including, in certain cases, our subsidiaries. Throughout this proxy statement, we refer to Pacific Biosciences Board of Directors as the Pacific Biosciences Board. Throughout this proxy statement, we refer to Illumina, Inc. as Illumina and FC Ops Corp. as Merger Sub. In addition, throughout this proxy statement we refer to the Agreement and Plan of Merger, dated as of November 1, 2018, as it may be amended from time to time, by and among Pacific Biosciences, Illumina and Merger Sub, as the merger agreement.

This summary highlights selected information from this proxy statement related to the proposed merger of Merger Sub (a wholly owned subsidiary of Illumina) with and into Pacific Biosciences. We refer to the transaction as the merger.

This proxy statement may not contain all of the information that is important to you. To understand the merger more fully and for a complete description of its legal terms, you should carefully read this proxy statement, including the annexes to this proxy statement and the other documents to which we refer in this proxy statement. You may obtain the information incorporated by reference in this proxy statement without charge by following the instructions in the section of this proxy statement captioned Where You Can Find More Information. A copy of the merger agreement is attached as Annex A to this proxy statement. We encourage you to read the merger agreement, which is the legal document that governs the merger, carefully and in its entirety.

Parties Involved in the Merger

Pacific Biosciences of California, Inc.

Pacific Biosciences offers sequencing systems to help scientists resolve genetically complex problems. Based on its novel Single Molecule, Real-Time (SMRT®) Technology, Pacific Biosciences products enable: *de novo* genome assembly to finish genomes in order to more fully identify, annotate and decipher genomic structures; full-length transcript analysis to improve annotations in reference genomes, characterize alternatively spliced isoforms in important gene families, and find novel genes; targeted sequencing to more comprehensively characterize genetic variations; and real-time kinetic information for epigenome characterization. Pacific Biosciences technology provides high accuracy, ultra-long reads, uniform coverage, and the ability to simultaneously detect epigenetic changes.

Pacific Biosciences common stock is listed on the Nasdaq Stock Market (which we refer to as Nasdaq) under the symbol PACB. Pacific Biosciences corporate offices are located at 1305 O Brien Drive, Menlo Park, California 94025, and its telephone number is (650) 521-8000.

Illumina, Inc.

Illumina is the global leader in sequencing- and array-based solutions for genetic analysis. Illumina s products and services serve customers in a wide range of markets, enabling the adoption of genomic solutions in research and clinical settings. Illumina s customers include leading genomic research centers, academic institutions, government laboratories, and hospitals, as well as pharmaceutical, biotechnology, commercial molecular diagnostic laboratories, and consumer genomics companies. Illumina s portfolio of integrated sequencing and microarray systems, consumables, and analysis tools is designed to accelerate and simplify genetic analysis. This portfolio addresses the range of genomic complexity, price points, and throughput, enabling customers to select the best solution for their research or clinical challenge.

1

Table of Contents

Illumina s common stock is listed on Nasdaq under the symbol ILMN. Illumina s principal executive offices are located at 5200 Illumina Way, San Diego, California 92122, and its telephone number is (858) 202-4500.

FC Ops Corp.

Merger Sub is a wholly owned subsidiary of Illumina and was formed on October 29, 2018, solely for the purpose of engaging in the transactions contemplated by the merger agreement. Merger Sub has not engaged in any business activities other than incidental to its formation and in connection with the transactions contemplated by the merger agreement. Upon completion of the merger, Merger Sub will cease to exist and Pacific Biosciences will continue as the surviving corporation.

Merger Sub s principal executive offices are located at c/o Illumina, Inc., 5200 Illumina Way, San Diego, California 92122, and its telephone number is (858) 202-4500.

Effect of the Merger

Upon the terms and subject to the conditions of the merger agreement, and in accordance with the Delaware General Corporation Law (which we refer to as the DGCL), at the effective time of the merger: (1) Merger Sub will merge with and into Pacific Biosciences; (2) the separate existence of Merger Sub will cease; and (3) Pacific Biosciences will continue as the surviving corporation in the merger and as a wholly owned subsidiary of Illumina. Throughout this proxy statement, we use the term surviving corporation to refer to Pacific Biosciences as the surviving corporation following the merger.

As a result of the merger, Pacific Biosciences will cease to be a publicly traded company. If the merger is completed, you will not own any shares of capital stock of the surviving corporation as a result of the merger.

The time at which the merger becomes effective (which we refer to as the effective time of the merger) will occur upon the filing of a certificate of merger with, and acceptance of that certificate by, the Secretary of State of the State of Delaware (or at a later time as Pacific Biosciences, Illumina and Merger Sub may agree and specify in such certificate of merger).

Effect on Pacific Biosciences if the Merger is Not Completed

If the merger agreement is not adopted by Pacific Biosciences stockholders, or if the merger is not completed for any other reason, Pacific Biosciences stockholders will not receive any payment for their shares of common stock in connection with the merger. Instead: (1) Pacific Biosciences will remain an independent public company; (2) our common stock will continue to be listed and traded on Nasdaq and registered under the Securities Exchange Act of 1934 (which we refer to as the Exchange Act); and (3) we will continue to file periodic reports with the Securities and Exchange Commission (which we refer to as the SEC).

Per Share Merger Consideration

Upon the terms and subject to the conditions of the merger agreement, at the effective time of the merger, each outstanding share of Pacific Biosciences common stock (which we refer to as common stock) (other than shares: (1) held by Pacific Biosciences as treasury stock; (2) owned by Illumina or Merger Sub; (3) owned by any direct or indirect wholly owned subsidiaries of Pacific Biosciences or Illumina (other than Merger Sub); or (4) stockholders who have properly and validly exercised, and not withdrawn or otherwise lost, their appraisal rights under Delaware law) will be canceled and automatically converted into the right to receive $8.00 in cash, without interest and less any

applicable withholding taxes. We refer to this amount as the per share merger consideration.

Table of Contents

At or prior to the closing of the merger, a sufficient amount of cash will be deposited with a designated payment agent to pay the aggregate per share merger consideration. Once a Pacific Biosciences stockholder has provided the payment agent with his, her or its stock certificates (or an affidavit of loss in lieu of a stock certificate) or customary agent s message with respect to book-entry shares, appropriate letter of transmittal and the other items specified by the payment agent, then the payment agent will pay the stockholder the appropriate portion of the aggregate per share merger consideration. For more information, see the section of this proxy statement captioned The Merger Agreement Payment Agent, Exchange Fund, and Exchange and Payment Procedures.

After the merger is completed, you will have the right to receive the per share merger consideration for each share of common stock that you own, but you will no longer have any rights as a stockholder (except that Pacific Biosciences stockholders who properly and validly exercise and perfect, and do not validly withdraw or otherwise lose, their appraisal rights will have the right to receive a payment for the fair value of their shares as determined pursuant to an appraisal proceeding as contemplated by Delaware law, as described below under the section of this proxy statement captioned The Merger Appraisal Rights).

The Special Meeting

Date, Time and Place

A special meeting of Pacific Biosciences stockholders will be held on January 24, 2019, at 8:00 a.m., Pacific time, at the offices of Wilson Sonsini Goodrich & Rosati, Professional Corporation, 650 Page Mill Road, Palo Alto, California 94304. We refer to the special meeting, and any adjournment, postponement or other delay of the special meeting, as the special meeting.

Purpose

At the special meeting, we will ask stockholders to vote on proposals to: (1) adopt the merger agreement; (2) adjourn the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies if there are insufficient votes to adopt the merger agreement at the time of the special meeting; and (3) approve, on a non-binding, advisory basis, the compensation that will or may become payable by Pacific Biosciences to our named executive officers in connection with the merger.

Record Date; Shares Entitled to Vote

You are entitled to vote at the special meeting if you owned shares of common stock as of the close of business on December 7, 2018 (which we refer to as the record date). For each share of common stock that you owned as of the close of business on the record date, you will have one vote on each matter submitted for a vote at the special meeting.

Quorum

As of the record date, there were 149,621,715 shares of common stock outstanding and entitled to vote at the special meeting. The holders of a majority of the stock issued and outstanding and entitled to vote, present in person or represented by proxy, shall constitute a quorum.

Required Vote

The proposals to be voted on at the special meeting require the following votes:

Proposal 1: Approval of the proposal to adopt the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of common stock entitled to vote at the special meeting.

Table of Contents

Proposal 2: Approval of the proposal to adjourn the special meeting to a later date or dates to solicit additional proxies if there are insufficient votes to adopt the merger agreement at the time of the special meeting requires the affirmative vote of holders of a majority of the shares of common stock present in person or represented by proxy at the special meeting and entitled to vote on the proposal.

Proposal 3: Approval of the proposal to approve the compensation that will or may become payable by Pacific Biosciences to our named executive officers in connection with the merger requires the affirmative vote of holders of a majority of the shares of common stock present in person or represented by proxy at the special meeting and entitled to vote on the proposal. This vote will be on a non-binding, advisory basis.

Voting and Proxies

Any stockholder of record entitled to vote at the special meeting may vote in one of the following ways:

by proxy, by returning a signed and dated proxy card (a prepaid reply envelope is provided for your convenience);

by proxy, by granting a proxy electronically over the internet or by telephone (using the instructions found on the proxy card); or

in person, by appearing at the special meeting and voting by ballot.

If you are a stockholder of record, you may change your vote or revoke your proxy at any time before it is voted at the special meeting by (1) signing another proxy card with a later date and returning it prior to the special meeting; (2) submitting a new proxy electronically over the internet or by telephone after the date of the earlier submitted proxy; (3) delivering a written notice of revocation to our Corporate Secretary; or (4) attending the special meeting and voting in person by ballot.

If you are a beneficial owner and hold your shares of common stock in street name through a bank, broker or other nominee, you should instruct your bank, broker or other nominee on how you wish to vote your shares of common stock using the instructions provided by your bank, broker or other nominee. Under applicable stock exchange rules, banks, brokers or other nominees have the discretion to vote on routine matters, but not on non-routine matters. **The proposals to be considered at the special meeting are non-routine matters, and banks, brokers and other nominees cannot vote on these proposals without your instructions. Therefore, it is important that you cast your vote or instruct your bank, broker or nominee on how you wish to vote your shares.**

If you hold your shares of common stock in street name, you should contact your bank, broker or other nominee for instructions regarding how to change your vote. You may also vote in person by ballot at the special meeting if you obtain a legal proxy from your bank, broker or other nominee giving you the right to vote your shares at the special meeting.

Recommendation of the Pacific Biosciences Board and Reasons for the Merger

The Pacific Biosciences Board, after considering various factors described in the section of this proxy statement captioned The Merger Recommendation of the Pacific Biosciences Board and Reasons for the Merger, has

unanimously: (1) determined that the merger agreement, the merger and the other transactions contemplated by the merger agreement are fair to, advisable and in the best interests of Pacific Biosciences and its stockholders; and (2) adopted and approved the merger agreement, the merger and the other transactions contemplated by the merger agreement.

The Pacific Biosciences Board unanimously recommends that you vote: (1) FOR the adoption of the merger agreement; (2) FOR the adjournment of the special meeting to a later date or dates, if necessary or

Table of Contents

appropriate, to solicit additional proxies if there are insufficient votes to adopt the merger agreement at the time of the special meeting; and (3) FOR the compensation that will or may become payable by Pacific Biosciences to our named executive officers in connection with the merger.

Opinion of Centerview Partners LLC

Pacific Biosciences retained Centerview Partners LLC (which we refer to as Centerview) as financial advisor to the Pacific Biosciences Board in connection with the merger and the other transactions contemplated by the merger agreement. In connection with this engagement, the Pacific Biosciences Board requested that Centerview evaluate the fairness, from a financial point of view, to the holders of shares of Pacific Biosciences common stock (other than common stock (1) held by Pacific Biosciences as treasury stock, (2) owned by Illumina or Merger Sub, (3) owned by any direct or indirect wholly owned subsidiaries of Pacific Biosciences or Illumina (other than Merger Sub) or (4) shares that are held by Pacific Biosciences stockholders who have properly exercised their respective demand for, and not effectively withdrawn, waived or lost their rights to, appraisal pursuant to Section 262 of the DGCL with respect to such shares (the shares referred to in clauses (1) and (2), together with any shares of Pacific Biosciences common stock held by any affiliate of Pacific Biosciences or Illumina, are collectively referred to as excluded shares)) of the per share merger consideration proposed to be paid to such holders pursuant to the merger agreement. On November 1, 2018, Centerview rendered to the Pacific Biosciences Board its oral opinion, which was subsequently confirmed by delivery of a written opinion dated November 1, 2018, that, as of such date and based upon and subject to the assumptions made, procedures followed, matters considered, and qualifications and limitations upon the review undertaken by Centerview in preparing its opinion, the merger consideration proposed to be paid to the holders of shares of Pacific Biosciences common stock (other than excluded shares) pursuant to the merger agreement was fair, from a financial point of view, to such holders.

The full text of Centerview s written opinion, dated November 1, 2018, which describes the assumptions made, procedures followed, matters considered, and qualifications and limitations upon the review undertaken by Centerview in preparing its opinion, is attached as Annex B to this proxy statement and is incorporated by reference. **Centerview s financial advisory services and opinion were provided for the information and assistance of the Pacific Biosciences Board (in their capacity as directors and not in any other capacity) in connection with and for purposes of its consideration of the merger, and Centerview s opinion addressed only the fairness, from a financial point of view, as of the date thereof, to the holders of shares of Pacific Biosciences common stock (other than excluded shares) of the merger consideration to be paid to such holders pursuant to the merger agreement. Centerview s opinion did not address any other term or aspect of the merger agreement or the merger and does not constitute a recommendation to any Pacific Biosciences stockholder or any other person as to how such stockholder or other person should vote with respect to the merger or otherwise act with respect to the merger or any other matter.**

The full text of Centerview s written opinion should be read carefully in its entirety for a description of the assumptions made, procedures followed, matters considered, and qualifications and limitations upon the review undertaken by Centerview in preparing its opinion.

Treatment of Equity Awards in the Merger

The merger agreement provides that Pacific Biosciences equity awards that are outstanding immediately prior to the effective time of the merger will be treated in the following manner in connection with the merger:

Company Options

At or immediately prior to the effective time of the merger, each award covering options to acquire shares of common stock (which we refer to as a company option) that is outstanding immediately prior to the effective

Table of Contents

time of the merger, whether vested or unvested, with an exercise price per share below the per share merger consideration (which we refer to as an in-the-money company option) will be canceled and converted into the right to receive a cash amount equal to the product of (1) the excess of the per share merger consideration over the applicable per share exercise price of the in-the-money company option, multiplied by (2) the aggregate number of shares of common stock subject to the in-the-money company option immediately before the effective time of the merger. Any company option that is not an in-the-money company option will be canceled as of the effective time of the merger without any amount payable in exchange. Holders of unvested company options (including company options that are not in-the-money company options) will be given an opportunity to exercise any unvested company option prior to, and contingent upon, the consummation of the transactions contemplated by the merger agreement.

Company RSUs

At or immediately before the effective time of the merger, each award covering restricted stock units that are not company PRSUs (as defined below) (which we refer to as a company RSU) that is outstanding immediately prior to the effective time of the merger and with vesting based only on continued service will be canceled and converted into the right to receive a cash amount equal to the product of (1) the per share merger consideration, multiplied by (2) the total number of shares of common stock subject to such company RSU award immediately before the effective time of the merger.

Company PRSUs

At or immediately before the effective time of the merger, each award covering restricted stock units with vesting that includes the achievement of performance-based criteria (which we refer to as a company PRSU) that is outstanding immediately prior to the effective time of the merger will be canceled and converted into the right to receive a cash amount equal to the product of (1) the per share merger consideration, multiplied by (2) the number of shares of common stock that would be payable if such company PRSU award had vested at target performance.

Employee Stock Purchase Plan

Our 2010 Employee Stock Purchase Plan (which we refer to as the ESPP) (and all outstanding rights thereunder) will be terminated no later than as of immediately prior to the effective time of the merger, contingent upon the consummation of the transactions contemplated by the merger agreement. From and after the date of the merger agreement, no new participants are permitted to participate in the ESPP and participants may not increase their payroll deductions or purchase elections from those in effect on the date of the merger agreement. Except for any offering or purchase period under the ESPP that is in effect on the date of the merger agreement (which we refer to as the final offering period), no new offering or purchase period will be authorized, continued or commenced following the date of the merger agreement. In addition, from and after the date of the merger agreement, both the maximum number of shares of common stock that a participant in the ESPP can purchase and the total number of shares of common stock available under the ESPP will not be increased. Unless otherwise agreed between Illumina and us, the final offering period will terminate no later than as of immediately following the next scheduled purchase date (to occur on March 1, 2019), and the exercise date under the final offering period will accelerate and occur on such termination date with respect to any then-outstanding purchase rights. Additionally, shares of common stock purchased under the terms of the ESPP for the final offering period will be canceled at the effective time of the merger in exchange for the right to receive the per share merger consideration in accordance with the merger agreement. As promptly as practicable following the purchase of shares of common stock under the final offering period, Pacific Biosciences will return to each participant the funds, if any, that remain in such participant s account after such purchase.

6

Table of Contents

Employee Benefits

For the period commencing on the effective time of the merger and ending one year later (or, if shorter, during the period of employment), Illumina will provide each employee of Pacific Biosciences or any of its subsidiaries immediately before the effective time of the merger whose employment with the surviving corporation, Illumina or any of their respective affiliates continues after the effective time of the merger (whom we refer to as continuing employees) with (1) an aggregate base salary or base wages and cash target bonus opportunity no less than the aggregate base salary or base wages and cash target bonus opportunity provided to such continuing employee immediately before the effective time of the merger; and (2) benefits (other than any equity or equity-based and change in control or transaction-based compensation or benefits or severance pay or benefits) that are substantially comparable in the aggregate to either (i) those offered to similarly situated employees of Illumina or its affiliates; or (ii) those offered by Pacific Biosciences to the continuing employees as of immediately before the effective time of the merger. The determination of the employee benefits under clause (2) will be made by Illumina, based on Illumina s evaluation of the nature and scope of the continuing employees duties, principal locations, grade level and performance, among other things. However, Illumina will not have any obligation to issue, or adopt any plans or arrangements providing for the issuance of, shares of capital stock, warrants, options, stock appreciation rights or other rights in respect of any shares of capital stock of any entity or any securities convertible into, or exchangeable or exercisable for, such shares pursuant to any such plans or arrangements.

With respect to any employee benefit plan maintained by Illumina in which any continuing employee will participate on or after the effective time of the merger (which we refer to as Illumina benefit plans), (other than (1) any retiree healthcare or life insurance plans or programs maintained by Illumina and (2) any equity compensation arrangement) Illumina will recognize all service with us or any subsidiary of ours provided before the effective time of the merger by continuing employees who are active Pacific Biosciences employees immediately before the closing of the merger for purposes of vesting and eligibility (but not benefit accrual), to the extent such continuing employees otherwise would be eligible to participate or vest under the terms of such Illumina benefit plans. The service of a continuing employee before the effective time of the merger will not be recognized for the purpose of any entitlement to participate in, or receive benefits with respect to, (1) any retiree medical programs or other retiree welfare benefit programs maintained by Illumina or its affiliates; or (2) for purposes of early retirement subsidies under any Illumina benefit plan. In no event will these benefits result in any duplication of benefits for the same period of service. In addition, Illumina will use commercially reasonable efforts to (1) waive any limitations on benefits relating to pre-existing conditions to the same extent such limitations are waived under any comparable plan of Pacific Biosciences applicable to such continuing employee before the effective time of the merger; and (2) recognize, for purposes of satisfying the deductibles, out-of-pocket limits, offsets, co-payments, co-insurance, or similar costs or payments under its medical, dental and vision plans, the deductibles, out-of-pocket limits, offsets, co-payments, co-insurance, or similar costs or payments recognized under the corresponding employee plan with respect to a continuing employee (and his or her eligible dependents) for the plan year in which the effective time of the merger occurs.

Unless Illumina chooses otherwise, effective as of the date immediately before the closing date of the merger, Pacific Biosciences will terminate its 401(k) plan, subject to the completion of the merger.

Interests of Pacific Biosciences Directors and Executive Officers in the Merger

When considering the recommendation of the Pacific Biosciences Board that you vote to approve the proposal to adopt the merger agreement, you should be aware that our directors and executive officers may have interests in the merger that are different from, or in addition to, your interests as a stockholder. In (1) evaluating and negotiating the merger agreement, (2) approving the merger agreement and the merger and (3) recommending that the merger

agreement be adopted by Pacific Biosciences stockholders, the Pacific

Table of Contents

Biosciences Board was aware of and considered these interests to the extent that they existed at the time, among other matters. These interests include the following:

- the accelerated vesting, at or immediately prior to the effective time of the merger, of company options, company RSUs and company PRSUs, and the treatment of outstanding rights under the ESPP, as described in more detail under the section of this proxy statement captioned The Merger Interests of Pacific Biosciences Directors and Executive Officers in the Merger Treatment of Equity-Based Awards;

- the entitlement of each of Dr. Hunkapiller, Ms. Barnes and Mr. Phillips to receive payments and benefits pursuant to his or her change in control severance agreement previously entered into with Pacific Biosciences (each, a change in control agreement) if, on or within 12 months following the merger, Pacific Biosciences terminates his or her employment with Pacific Biosciences for a reason other than cause, his or her death or disability, or he or she resigns for good reason, in each case, as set forth in the applicable change in control agreement. These payments and benefits include:

  - continuing payments of base salary in effect immediately before the termination of his or her employment or, if greater, the base salary as in effect immediately before the merger, from the date of termination of employment of (1) in the case of Dr. Hunkapiller, 12 months; and (2) in the case of Ms. Barnes and Mr. Phillips, six months;

  - 100 percent of the unvested portion of his or her then-outstanding equity awards will vest immediately and, to the extent applicable, become exercisable; and

  - as applicable, Pacific Biosciences-paid or Pacific Biosciences-reimbursed premiums for continuation coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985 (which we refer to as COBRA) for himself or herself and his or her eligible dependents (as applicable), subject to his or her timely election to continue such coverage, for up to 12 months (for Dr. Hunkapiller) or six months (for Ms. Barnes and Mr. Phillips) following termination of employment.

- continued indemnification and insurance coverage for our directors and executive officers from the surviving corporation and Illumina under the terms of the merger agreement; and

- the decision of the Pacific Biosciences Board to approve cash bonuses to Dr. Hunkapiller and Ms. Barnes in the amount of $1,030,000 and $617,500, respectively.

If the proposal to adopt the merger agreement is approved, the common stock held by our directors and executive officers will be treated in the same manner as the common stock held by all other Pacific Biosciences stockholders. For more information, see the section of this proxy statement captioned The Merger Interests of Pacific Biosciences Directors and Executive Officers in the Merger.

Appraisal Rights

If the merger is consummated, Pacific Biosciences stockholders who (1) do not vote in favor of the adoption of the merger agreement; (2) continuously hold such shares through the effective time of the merger; (3) properly perfected appraisal of their shares; (4) meet certain other conditions and statutory requirements described in this proxy statement; and (5) do not withdraw their demands or otherwise lose their rights to appraisal will be entitled to seek appraisal of their shares in connection with the merger under Section 262 of the DGCL. This means that these stockholders will be entitled to have their shares appraised by the Delaware Court of Chancery and to receive payment in cash of the fair value of their shares of common stock, exclusive of any elements of value arising from the accomplishment or expectation of the merger, together with (unless the Delaware Court of Chancery in its discretion determines otherwise for good cause shown) interest on the amount determined by the Delaware Court of Chancery to be fair value from the effective date of the merger through the date of payment of

Table of Contents

the judgment at a rate of five percent over the Federal Reserve discount rate (including any surcharge) as established from time to time during the period between the effective date of the merger and the date of payment of the judgment (except that, if at any time before the entry of judgment in the proceeding, the surviving corporation makes a voluntary cash payment to each stockholder seeking appraisal an amount in cash, interest will accrue thereafter only upon the sum of (1) the difference, if any, between the amount so paid and the fair value of the shares as determined by the Delaware Court of Chancery; and (2) interest theretofore accrued, unless paid at that time). The surviving corporation is under no obligation to make such voluntary cash payment prior to such entry of judgment. Due to the complexity of the appraisal process, stockholders who wish to seek appraisal of their shares are encouraged to seek the advice of legal counsel with respect to the exercise of appraisal rights.

Stockholders considering seeking appraisal should be aware that the fair value of their shares as determined pursuant to Section 262 of the DGCL could be more than, the same as or less than the value of the consideration that they would receive pursuant to the merger agreement if they did not seek appraisal of their shares.

Only a stockholder of record may submit a demand for appraisal. To exercise appraisal rights, the stockholder of record must (1) submit a written demand for appraisal to Pacific Biosciences before the vote is taken on the proposal to adopt the merger agreement; (2) not vote, in person or by proxy, in favor of the proposal to adopt the merger agreement; (3) continue to hold the subject shares of common stock of record through the effective time of the merger; and (4) strictly comply with all other procedures for exercising appraisal rights under the DGCL. The failure to follow exactly the procedures specified under the DGCL may result in the loss of appraisal rights. In addition, the Delaware Court of Chancery will dismiss appraisal proceedings in respect of Pacific Biosciences unless certain conditions are satisfied by the stockholders seeking appraisal, as described further below. The requirements under Section 262 of the DGCL for exercising appraisal rights are described in further detail in this proxy statement, and a copy of Section 262 of the DGCL, the relevant section of the DGCL regarding appraisal rights, is attached as Annex C to this proxy statement. If you hold your shares of common stock through a bank, broker or other nominee and you wish to exercise appraisal rights, you should consult with your bank, broker or other nominee to determine the appropriate procedures for the making of a demand for appraisal on your behalf by your bank, broker or other nominee.

Material U.S. Federal Income Tax Consequences of the Merger

For U.S. federal income tax purposes, the receipt of cash by a U.S. Holder (as defined under the section of this proxy statement captioned The Merger Material U.S. Federal Income Tax Consequences of the Merger) in exchange for such U.S. Holder s shares of common stock in the merger generally will result in the recognition of gain or loss in an amount measured by the difference, if any, between the amount of cash that such U.S. Holder receives in the merger and such U.S. Holder s adjusted tax basis in the shares of common stock surrendered in the merger.

A Non-U.S. Holder (as defined under the section of this proxy statement captioned The Merger Material U.S. Federal Income Tax Consequences of the Merger) generally will not be subject to U.S. federal income tax with respect to the exchange of common stock for cash in the merger unless such Non-U.S. Holder has certain connections to the United States.

For more information, see the section of this proxy statement captioned The Merger Material U.S. Federal Income Tax Consequences of the Merger. **Stockholders should consult their own tax advisors concerning the U.S. federal income tax consequences relating to the merger in light of their particular circumstances and any consequences arising under U.S. federal non-income tax laws or the laws of any state, local or non-U.S. taxing jurisdiction.**

9

Table of Contents

Regulatory Approvals Required for the Merger

Under the merger agreement, the merger cannot be completed until the waiting periods (and any extensions thereof, if any) applicable to the merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (which we refer to as the HSR Act) and the competition laws of the European Union or one or more competent European Union member states have expired or otherwise been terminated, or all requisite consents pursuant thereto have been obtained.

No Solicitation of Other Offers

Under the merger agreement, from the date of the merger agreement until the effective time of the merger (or the earlier termination of the merger agreement), Pacific Biosciences has agreed to cease and cause to be terminated any activities, discussions or negotiations conducted on or prior to the date of the merger agreement with any person and its representatives (other than Illumina, Merger Sub and their respective representatives) relating to an acquisition proposal (as defined under the section of this proxy statement captioned The Merger Agreement No Solicitation of Other Offers), and to instruct each such person and its representatives that is in possession of confidential information furnished by or on behalf of Pacific Biosciences or its subsidiaries prior to the date of the merger agreement (and all analyses and other materials prepared by or on behalf of such person and its representatives (other than Illumina, Merger Sub and their respective representatives) that contain, reflect or analyze that information) to return or destroy all such information as promptly as practicable.

Under the terms of the merger agreement, from the date of the merger agreement until the effective time of the merger (or the earlier termination of the merger agreement), Pacific Biosciences and its subsidiaries and certain of its and their respective directors and executive officers will not, and Pacific Biosciences will not authorize or direct any of its or its subsidiaries employees, consultants or other representatives to, directly or indirectly:

- solicit, initiate, propose, seek or take any action for the purpose of the making, submission or announcement of, or knowingly facilitate, assist, induce or encourage the making, submission or announcement of, any proposal that constitutes, or that would reasonably be expected to lead to an acquisition proposal;

- enter into, engage in, participate in or maintain or continue any discussions or negotiations with, furnish any non-public information relating to Pacific Biosciences or any of its subsidiaries or afford access to the business, properties, assets, books, records or other non-public information of Pacific Biosciences or any of its subsidiaries to, or otherwise knowingly cooperate in any way with, or knowingly assist, participate in, facilitate, induce or encourage, any effort by any person (other than Illumina, Merger Sub and their respective representatives) concerning an acquisition proposal;

- make an adverse recommendation change;

- approve any transaction, or any person becoming an interested stockholder, under Section 203 of the DGCL;

- submit any acquisition proposal or any related matter to the vote of Pacific Biosciences stockholders; or

authorize or commit to do any of the foregoing.

Notwithstanding these restrictions, prior to the adoption of the merger agreement by Pacific Biosciences stockholders, Pacific Biosciences may, directly or indirectly through one or more of their representatives: (1) contact any person or its representatives that has made (and not withdrawn) a bona fide written acquisition proposal that was not solicited in breach of the non-solicitation restrictions above to the extent necessary to clarify the terms and conditions of such acquisition proposal; (2) engage in discussions or negotiations with any person or its representatives that has made (and not withdrawn) a bona fide written acquisition proposal that was

Table of Contents

not solicited in breach of the non-solicitation restrictions above, but only if the Pacific Biosciences Board (or a committee thereof) has reasonably determined in good faith (after consultation with its financial advisor and outside legal counsel) that such acquisition proposal either constitutes a superior proposal (as defined under the section of this proxy statement captioned The Merger Agreement No Solicitation of Other Offers) or is reasonably expected to lead to a superior proposal; or (3) furnish any non-public information relating to Pacific Biosciences or any of its subsidiaries to any person or its representatives that has made or delivered to Pacific Biosciences a written acquisition proposal that was not solicited in breach of the non-solicitation restrictions above pursuant to a written confidentiality agreement, but only if, in the case of (1) through (3), the Pacific Biosciences Board (or a committee thereof) has determined in good faith (after consultation with its financial advisor and outside legal counsel) that the failure to do so would be inconsistent with its fiduciary duties pursuant to applicable law. For more information, see the section of this proxy statement captioned The Merger Agreement No Solicitation of Other Offers.

Pacific Biosciences is not entitled to terminate the merger agreement to enter into an agreement for a superior proposal unless it complies with certain procedures as set forth in the merger agreement. If Pacific Biosciences terminates the merger agreement in order to accept a superior proposal, it must pay a $43.0 million termination fee to Illumina. For more information, see the section of this proxy statement captioned The Merger Agreement The Pacific Biosciences Board s Recommendation; Adverse Recommendation Change.

Change in the Pacific Biosciences Board s Recommendation

The Pacific Biosciences Board may not withdraw its recommendation that Pacific Biosciences stockholders adopt the merger agreement or take certain similar actions other than, under certain circumstances, if it (or a committee of the Pacific Biosciences Board) determines in good faith, after consultation with its financial advisor and outside legal counsel, that failure to do so would be inconsistent with the Pacific Biosciences Board s fiduciary duties pursuant to applicable law and the Pacific Biosciences Board (or a committee thereof) complies with the terms of the merger agreement.

Moreover, the Pacific Biosciences Board cannot withdraw its recommendation that Pacific Biosciences stockholders adopt the merger agreement or take certain similar actions unless it complies with certain procedures in the merger agreement, including engaging in good faith negotiations with Illumina during a specified period. If Pacific Biosciences or Illumina terminates the merger agreement under certain circumstances, including because the Pacific Biosciences Board withdraws its recommendation that Pacific Biosciences stockholders adopt the merger agreement, then Pacific Biosciences must pay a $43.0 million termination fee to Illumina. For more information, see the section of this proxy statement captioned The Merger Agreement The Pacific Biosciences Board s Recommendation; Adverse Recommendation Change.

Conditions to the Closing of the Merger

The obligations of Illumina, Merger Sub and Pacific Biosciences, as applicable, to consummate the merger are subject to the satisfaction or waiver (where permitted by applicable law) of certain conditions, including the following:

- the adoption of the merger agreement by the requisite affirmative vote of Pacific Biosciences stockholders;

- the expiration or termination of the waiting period under the HSR Act and the affirmative approval or clearance under the competition laws of the European Union or one or more competent European Union

member states; and

the absence of (1) any applicable law in certain jurisdictions (which we refer to as key jurisdictions) and (2) any injunction, order or decree that a governmental authority in any key jurisdiction has

Table of Contents

enacted, issued, promulgated, enforced or entered, that, in each case, remains in effect and makes illegal, enjoins or otherwise prohibits the consummation of the merger or the other transactions contemplated by the merger agreement.

In addition, the obligations of Illumina and Merger Sub to consummate the merger are subject to the satisfaction or waiver of each of the following additional conditions, any of which may be waived exclusively by Illumina:

Pacific Biosciences having performed in all material respects all obligations under the merger agreement required to be performed and complied with by it prior to the effective time of the merger;

the accuracy of the representations and warranties of Pacific Biosciences in the merger agreement, subject to materiality or de minimis qualifiers, as of the effective time of the merger or the date in respect of which such representation or warranty was specifically made;

receipt by Illumina and Merger Sub of a customary closing certificate of Pacific Biosciences;

the absence of any Company Material Adverse Effect (as such term is defined in the section of this proxy statement captioned The Merger Agreement Representations and Warranties) having occurred after the date of the merger agreement that is continuing; and

the absence of (1) any applicable law in certain jurisdictions (which we refer to as specified jurisdictions or other jurisdictions) and (2) any injunction, order or decree that a governmental authority in any specified jurisdiction or other jurisdiction has enacted, issued, promulgated, enforced or entered, that, in each case, remains in effect and makes illegal, enjoins or otherwise prohibits the consummation of the merger or the other transactions contemplated by the merger agreement.

In addition, the obligation of Pacific Biosciences to consummate the merger is subject to the satisfaction or waiver (where permitted by applicable law) of each of the following additional conditions, any of which may be waived exclusively by Pacific Biosciences:

Illumina and Merger Sub having complied in all material respects all obligations under the merger agreement required to be performed by Illumina and Merger Sub prior to the effective time of the merger;

the accuracy of the representations and warranties of Illumina and Merger Sub in the merger agreement, subject to materiality or de minimis qualifiers, as of the effective time of the merger or the date in respect of which such representation or warranty was specifically made;

receipt by Pacific Biosciences of a customary closing certificate of Illumina and Merger Sub.

Termination of the Merger Agreement

The merger agreement may be terminated at any time prior to the effective time of the merger, whether before or after the adoption of the merger agreement by Pacific Biosciences stockholders (except as otherwise provided in the merger agreement), in the following ways:

by mutual written agreement of Pacific Biosciences and Illumina;

by either Pacific Biosciences or Illumina if:

the merger has not been consummated on or before November 1, 2019 (which we refer to as the termination date), except that a party may not terminate the merger agreement pursuant to this provision if such party s action or failure to act constitutes a breach of the merger agreement and has resulted in the failure to satisfy the conditions to the closing of the merger or the failure to consummate the merger by the termination date; or

Table of Contents

Pacific Biosciences stockholders do not adopt the merger agreement at the special meeting, except that a party may not terminate the merger agreement pursuant to this provision if such party s action or failure to act constitutes a breach of the merger agreement and results in the failure to obtain the approval of the Pacific Biosciences stockholders at the special meeting;

by Pacific Biosciences if:

after a 30-day cure period, Illumina or Merger Sub has materially breached or failed to perform any of its respective representations, warranties, covenants or other agreements in the merger agreement such that the related closing condition would not be satisfied; or

prior to the adoption of the merger agreement by Pacific Biosciences stockholders: (1) the Pacific Biosciences Board has made an adverse recommendation change in compliance with the terms of the merger agreement in order to enter into a definitive, written agreement in respect of a superior proposal; and (2) Pacific Biosciences pays to Illumina a $43.0 million termination fee; or

by Illumina if:

(1) after a 30-day cure period, Pacific Biosciences has materially breached or failed to perform any of its representations, warranties, covenants or other agreements in the merger agreement such that the related closing condition would not be satisfied; or (2) Pacific Biosciences has materially breached its non-solicitation restrictions, as described in more detail under the sections of this proxy statement captioned The Merger Agreement No Solicitation of Other Offers and The Merger Agreement The Pacific Biosciences Board s Recommendation; Adverse Recommendation Change ; or

the Pacific Biosciences Board has effected an adverse recommendation change.

Termination Fees and Remedies

Pacific Biosciences has agreed to pay Illumina a termination fee of $43.0 million if the merger agreement is terminated in specified circumstances.

In specified circumstances in which the transaction is terminated, (1) Illumina has agreed to pay Pacific Biosciences a termination fee of $98.0 million; or (2) Pacific Biosciences may be entitled to a specific remedy, in each case as described in more detail under the section of this proxy statement captioned The Merger Agreement Termination Fees and Remedies.

Delisting and Deregistration of Our Common Stock

If the merger is completed, our common stock will no longer be traded on Nasdaq and will be deregistered under the Exchange Act. We will no longer be required to file periodic reports, current reports and proxy and information statements with the SEC on account of our common stock.

Voting Agreement

Concurrently with the execution of the merger agreement, Illumina entered into a voting agreement (which we refer to as the voting agreement) with the following individuals, each of whom is a director or executive officer of Pacific Biosciences: Susan K. Barnes, David Botstein, Ph.D., William W. Ericson, Christian Henry, Michael Hunkapiller, Ph.D., Randall Livingston, John Milligan, Ph.D., Marshall Mohr, Kathy Ordoñez, Michael Phillips and Lucy Shapiro, Ph.D. The voting agreement generally obligates these individuals to vote all shares of common stock owned by them in favor of adoption of the merger agreement and against any action, proposal, agreement or transaction involving an acquisition proposal (as such term is defined in the section of this proxy statement captioned The Merger Agreement No Solicitation of Other Offers). These individuals owned, in the aggregate, approximately two percent of the common stock as of November 26, 2018. For more information, see the section of this proxy statement captioned The Voting Agreement.

Table of Contents

QUESTIONS AND ANSWERS

The following questions and answers address some commonly asked questions regarding the merger, the merger agreement and the special meeting. These questions and answers may not address all questions that are important to you. We encourage you to carefully read the more detailed information contained elsewhere in this proxy statement, including the annexes to this proxy statement and the other documents to which we refer in this proxy statement. You may obtain the information incorporated by reference in this proxy statement without charge by following the instructions in the section of this proxy statement captioned Where You Can Find More Information.

Q: Why am I receiving these materials?

A: On November 1, 2018, we announced that Pacific Biosciences entered into the merger agreement. Under the merger agreement, Illumina will acquire Pacific Biosciences for $8.00 in cash per share of common stock. In order to complete the merger, Pacific Biosciences stockholders must vote to adopt the merger agreement at the special meeting. This approval is a condition to the consummation of the merger. See the section of this proxy statement captioned The Merger Agreement Conditions to the Closing of the Merger. The Pacific Biosciences Board is furnishing this proxy statement and form of proxy card to the holders of shares of common stock in connection with the solicitation of proxies of Pacific Biosciences stockholders to be voted at the special meeting. This proxy statement, which you should read carefully, contains important information about the merger, the merger agreement, the special meeting and the matters to be voted on at the special meeting. The enclosed materials allow you to submit a proxy to vote your shares of common stock without attending the special meeting and to ensure that your shares of common stock are represented and voted at the special meeting.

Your vote is very important. Even if you plan to attend the special meeting, we encourage you to submit a proxy as soon as possible.

Q: What is the proposed merger and what effects will it have on Pacific Biosciences?

A: The proposed merger is the acquisition of Pacific Biosciences by Illumina. If the proposal to adopt the merger agreement is approved by Pacific Biosciences stockholders and the other closing conditions under the merger agreement are satisfied or waived, Merger Sub will merge with and into Pacific Biosciences, with Pacific Biosciences continuing as the surviving corporation. As a result of the merger, Pacific Biosciences will become a wholly owned subsidiary of Illumina, and our common stock will no longer be publicly traded and will be delisted from Nasdaq. In addition, our common stock will be deregistered under the Exchange Act, and we will no longer file periodic reports with the SEC.

Q: What am I being asked to vote on at the special meeting?

A: You are being asked to vote on the following proposals:

to adopt the merger agreement pursuant to which Merger Sub will merge with and into Pacific Biosciences, and Pacific Biosciences will become a wholly owned subsidiary of Illumina;

to approve the adjournment of the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies if there are insufficient votes to adopt the merger agreement at the time of the special meeting; and

to approve, on a non-binding, advisory basis, the compensation that will or may become payable by Pacific Biosciences to our named executive officers in connection with the merger.

Table of Contents

Q: When and where is the special meeting?

A: The special meeting will take place on January 24, 2019, at 8:00 a.m., Pacific time, at the offices of Wilson Sonsini Goodrich & Rosati, Professional Corporation, 650 Page Mill Road, Palo Alto, California 94304.

Q: Who is entitled to vote at the special meeting?

A: All Pacific Biosciences stockholders as of the close of business on December 7, 2018, which is the record date for the special meeting, are entitled to vote their shares of common stock at the special meeting. As of the close of business on the record date, there were 149,621,715 shares of common stock outstanding and entitled to vote at the special meeting. Each share of common stock is entitled to one vote per share on each matter properly brought before the special meeting.

Q: May I attend the special meeting and vote in person?

A: Yes. Subject to the requirements described in this proxy statement, all Pacific Biosciences stockholders of record as of the record date may attend the special meeting and vote in person. Seating will be limited. All attendees will need to present a form of government-issued photo identification to be admitted to the special meeting. Beneficial owners of shares held in street-name will also need to present proof of ownership of shares of common stock, such as a bank or brokerage account statement. No cameras, recording equipment, electronic devices, large bags, briefcases or packages will be permitted in the special meeting.

Even if you plan to attend the special meeting in person, to ensure that your shares will be represented at the special meeting, we encourage you to sign, date and return the enclosed proxy card (a prepaid reply envelope is provided for your convenience) or grant your proxy electronically over the internet or by telephone (using the instructions found on the proxy card). If you attend the special meeting and vote in person by ballot, your vote will revoke any proxy previously submitted.

If, as of the record date, you are a beneficial owner of shares held in street name, you may not vote your shares in person at the special meeting unless you provide a legal proxy from your bank, broker or other nominee giving you the right to vote your shares in person at the special meeting. Otherwise, you should instruct your bank, broker or other nominee how to vote your shares in accordance with the voting instruction form that you will receive from your bank, broker or other nominee. Your bank, broker or other nominee cannot vote on any of the proposals to be considered at the special meeting without your instructions. Without your instructions, your shares will not be counted for purposes of a quorum or voted at the meeting, which will have the same effect as voting against the adoption of the merger agreement.

Q: What will I receive if the merger is completed?

A: Upon completion of the merger, you will be entitled to receive $8.00 in cash, without interest and less any applicable withholding taxes, for each share of common stock that you own, unless you have properly exercised,

and not validly withdrawn or subsequently lost, your appraisal rights under the DGCL, and certain other conditions under the DGCL are satisfied. For example, if you own 100 shares of common stock, you will receive $800.00 in cash in exchange for your shares of common stock, without interest and less any applicable withholding taxes.

Q: How does the per share merger consideration compare to the market price of the common stock prior to the public announcement of the merger agreement?

A: The per share merger consideration represents a premium of a premium of approximately (1) 77 percent to the closing price of the common stock on November 1, 2018 (the last trading day before the announcement of the merger); (2) 75 percent to the volume-weighted average price per share of the common stock for the 30 trading day period up to and including November 1, 2018; and (3) 79 percent to the volume-weighted average price per share of the common stock for the 90 trading day period up to and including November 1, 2018.

Table of Contents

Q: What do I need to do now?

A: We encourage you to read this proxy statement, the annexes to this proxy statement and the documents that we refer to in this proxy statement carefully and consider how the merger affects you. Then, even if you expect to attend the special meeting, please sign, date and return, as promptly as possible, the enclosed proxy card (a prepaid reply envelope is provided for your convenience), or grant your proxy electronically over the internet or by telephone (using the instructions found on the proxy card), so that your shares can be voted at the special meeting. If you hold your shares in street name, please refer to the voting instruction forms provided by your bank, broker or other nominee to vote your shares. Please do not send your stock certificates with your proxy card.

Q: Should I send in my stock certificates now?

A: No. After the merger is completed, you will receive a letter of transmittal containing instructions for how to send your stock certificates or surrender your book-entry shares to the payment agent in order to receive the appropriate cash payment for the shares of common stock represented by your stock certificates. Unless you are seeking appraisal, you should use the letter of transmittal to exchange your stock certificates or book-entry shares for the cash payment to which you are entitled. Please do not send your stock certificates with your proxy card.

Q: What happens if I sell or transfer my shares of common stock after the record date but before the special meeting?

A: The record date for the special meeting is earlier than the date of the special meeting and the expected effective date of the merger. If you sell or transfer your shares of common stock after the record date but before the special meeting, unless special arrangements (such as provision of a proxy) are made between you and the person to whom you sell or transfer your shares and each of you notifies Pacific Biosciences in writing of such special arrangements, you will transfer the right to receive the per share merger consideration, if the merger is completed, to the person to whom you sell or transfer your shares, but you will retain your right to vote those shares at the special meeting. **Even if you sell or transfer your shares of common stock after the record date, we encourage you to sign, date and return the enclosed proxy card (a prepaid reply envelope is provided for your convenience) or grant your proxy electronically over the internet or by telephone (using the instructions found on the proxy card).**

Q: How does the Pacific Biosciences Board recommend that I vote?

A: The Pacific Biosciences Board unanimously recommends that you vote: (1) FOR the adoption of the merger agreement; (2) FOR the adjournment of the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies if there are insufficient votes to adopt the merger agreement at the time of the special meeting; and (3) FOR the compensation that will or may become payable by Pacific Biosciences to our named executive officers in connection with the merger.

Q: Why am I being asked to cast a vote to approve the compensation that will or may become payable by Pacific Biosciences to our named executive officers in connection with the merger?

A: SEC rules require Pacific Biosciences to seek approval, on a non-binding, advisory basis, of compensation that will or may become payable by Pacific Biosciences to our named executive officers in connection with the merger. Approval of the compensation that will or may become payable by Pacific Biosciences to our named executive officers in connection with the merger is not required to consummate the merger.

Q: What is the compensation that will or may become payable by Pacific Biosciences to our named executive officers in connection with the merger?

A: The compensation that will or may become payable by Pacific Biosciences to our named executive officers in connection with the merger is certain compensation that is tied to or based on the merger and payable to

Table of Contents

certain of Pacific Biosciences named executive officers pursuant to underlying plans and arrangements that are contractual in nature. Compensation that will or may become payable by Illumina to our named executive officers in connection with or following the merger is not subject to this advisory vote. For further information, see the section of this proxy statement captioned Proposal 3: Approval of, on a non-binding, advisory basis, Certain Merger-Related Executive Compensation Arrangements.

Q: What will happen if Pacific Biosciences stockholders do not approve the compensation that will or may become payable by Pacific Biosciences to its named executive officers in connection with the merger?

A: Approval of the compensation that will or may become payable by Pacific Biosciences to our named executive officers in connection with the merger is not a condition to consummation of the merger. The vote to approve the compensation that will or may become payable by Pacific Biosciences to our named executive officers in connection with the merger is an advisory vote and will not be binding on Pacific Biosciences or Illumina. The underlying plans and arrangements providing for such compensation are contractual in nature and are not, by their terms, subject to stockholder approval. Accordingly, if the merger agreement is adopted by Pacific Biosciences stockholders and the merger is consummated, the compensation that will or may become payable by Pacific Biosciences to our named executive officers in connection with the merger will or may be paid to Pacific Biosciences named executive officers even if Pacific Biosciences stockholders do not approve such compensation.

Q: What happens if the merger is not completed?

A: If the merger agreement is not adopted by Pacific Biosciences stockholders or if the merger is not completed for any other reason, Pacific Biosciences stockholders will not receive any payment for their shares of common stock. Instead: (1) Pacific Biosciences will remain an independent public company; (2) the common stock will continue to be listed and traded on Nasdaq and registered under the Exchange Act; and (3) we will continue to file periodic reports with the SEC.

Pacific Biosciences has agreed to pay Illumina a termination fee of $43.0 million if the merger agreement is terminated in specified circumstances.

In specified circumstances in which the transaction is terminated, (1) Illumina has agreed to pay Pacific Biosciences a termination fee of $98.0 million; or (2) Pacific Biosciences may be entitled to a specific remedy.

For more information, see the section of this proxy statement captioned The Merger Agreement Termination Fees and Remedies.

Q: What vote is required to approve the proposal to adopt the merger agreement?

A: The affirmative vote of the holders of a majority of the outstanding shares of common stock is required to adopt the merger agreement.

The failure of any stockholder of record to (1) submit a signed proxy card; (2) grant a proxy over the internet or by telephone; or (3) vote in person by ballot at the special meeting will have the same effect as a vote AGAINST the proposal to adopt the merger agreement. If you hold your shares in street name, the failure to instruct your bank, broker or other nominee how to vote your shares will have the same effect as a vote AGAINST the proposal to adopt the merger agreement. Abstentions will have the same effect as a vote AGAINST the proposal to adopt the merger agreement.

Table of Contents

Q: What vote is required to approve (1) the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes to adopt the merger agreement at the time of the special meeting; and (2) the proposal to approve, on a non-binding, advisory basis, the compensation that will or may become payable by Pacific Biosciences to its named executive officers in connection with the merger?

A: Approval of the proposal to adjourn the special meeting to a later date or dates to solicit additional proxies if there are insufficient votes to adopt the merger agreement at the time of the special meeting requires the affirmative vote of holders of a majority of the shares of common stock issued and outstanding, present in person or represented by proxy, at the special meeting and entitled to vote on the proposal.

Approval of the proposal to approve, on a non-binding, advisory basis, the compensation that will or may become payable by Pacific Biosciences to our named executive officers in connection with the merger requires the affirmative vote of holders of a majority of the shares of common stock present in person or represented by proxy at the special meeting and entitled to vote on the proposal.

The failure of any stockholder of record to: (1) submit a signed proxy card; (2) grant a proxy over the internet or by telephone; or (3) vote in person by ballot at the special meeting will not have any effect on the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes to adopt the merger agreement at the time of the special meeting, or the proposal to approve, on a non-binding, advisory basis, the compensation that will or may become payable by Pacific Biosciences to our named executive officers in connection with the merger, except to the extent that such failure affects obtaining a quorum at the meeting. If you hold your shares in street name, the failure to instruct your bank, broker or other nominee how to vote your shares will not have any effect on these proposals, except to the extent that such failure affects obtaining a quorum at the meeting. In all cases, abstentions will have the same effect as a vote AGAINST these proposals.

Q: Are there any stockholders who have already committed to vote in favor of the merger?

A: Yes. Concurrently with the execution of the merger agreement, Illumina entered into the voting agreement with the following individuals, each of whom is a director or executive officer of Pacific Biosciences: Susan K. Barnes, David Botstein, Ph.D., William W. Ericson, Christian Henry, Michael Hunkapiller, Ph.D., Randall Livingston, John Milligan, Ph.D., Marshall Mohr, Kathy Ordoñez, Michael Phillips and Lucy Shapiro, Ph.D. The voting agreement generally obligates these individuals to vote all shares of common stock owned by them in favor of adoption of the merger agreement and against any action, proposal, agreement or transaction involving an acquisition proposal. These individuals owned, in the aggregate, approximately two percent of the common stock as of November 26, 2018. For more information, see the section of this proxy statement captioned The Voting Agreement.

Q: What is the difference between holding shares as a stockholder of record and as a beneficial owner?

A: If your shares are registered directly in your name with our transfer agent, Computershare Trust Company, N.A., you are considered, with respect to those shares, to be the stockholder of record. If you are a stockholder of record, this proxy statement and your proxy card have been sent directly to you by or on behalf of Pacific

Biosciences. As a stockholder of record, you may attend the special meeting and vote your shares in person by ballot.

If your shares are held through a bank, broker or other nominee, you are considered the beneficial owner of shares of common stock held in street name. If you are a beneficial owner of shares of common stock held in street name, this proxy statement has been forwarded to you by your bank, broker or other nominee who is considered, with respect to those shares, to be the stockholder of record. As the beneficial owner, you have the right to direct your bank, broker or other nominee how to vote your shares by following their instructions for voting. You are also invited to attend the special meeting. However, because you are not the stockholder of record, you may not vote your shares in person by ballot at the special meeting unless

Table of Contents

you provide a legal proxy from your bank, broker or other nominee giving you the right to vote your shares at the special meeting.

Q: How may I vote?

A: If you are a stockholder of record (that is, if your shares of common stock are registered in your name with Computershare Trust Company, N.A., our transfer agent), there are four ways to vote:

by signing, dating and returning the enclosed proxy card (a prepaid reply envelope is provided for your convenience);

by visiting the internet address on your proxy card;

by calling the toll-free (within the U.S. or Canada) phone number on your proxy card; or

by attending the special meeting and voting in person by ballot.

A control number, located on your proxy card, is designed to verify your identity and allow you to vote your shares of common stock and to confirm that your voting instructions have been properly recorded when voting electronically over the internet or by telephone. Although there is no charge for voting your shares, if you vote electronically over the internet or by telephone, you may incur costs such as internet access and telephone charges for which you will be responsible.

Even if you plan to attend the special meeting in person, you are strongly encouraged to vote your shares of common stock by proxy. If you are a stockholder of record or if you obtain a legal proxy to vote shares that you beneficially own, you may still vote your shares of common stock in person by ballot at the special meeting even if you have previously voted by proxy. If you are present at the special meeting and vote in person by ballot, your vote will revoke any previously submitted proxy.

If your shares are held in street name through a bank, broker or other nominee, you may vote through your bank, broker or other nominee by completing and returning the voting instruction form provided by your bank, broker or other nominee, or, if such a service is provided by your bank, broker or other nominee, electronically over the internet or by telephone. To vote over the internet or by telephone through your bank, broker or other nominee, you should follow the instructions on the voting instruction form provided by your bank, broker or nominee. However, because you are not the stockholder of record, you may not vote your shares in person by ballot at the special meeting unless you provide a legal proxy from your bank, broker or other nominee giving you the right to vote your shares at the special meeting.

Q: What is a proxy?

A: A proxy is your legal designation of another person, referred to as a proxy, to vote your shares of common stock. The written document describing the matters to be considered and voted on at the special meeting is called a proxy statement. The document used to designate a proxy to vote your shares of common stock is called a proxy card. You may follow the instructions on the proxy card to designate a proxy by telephone or by the Internet in the same manner as if you had signed, dated and returned a proxy card. Michael Hunkapiller, Ph.D. and Susan K. Barnes, with full powers of substitution and resubstitution, are the proxy holders for the special meeting.

Q: If my broker holds my shares in street name, will my broker vote my shares for me?

A: No. Your bank, broker or other nominee is permitted to vote your shares on any proposal currently scheduled to be considered at the special meeting only if you instruct your bank, broker or other nominee how to vote. You should follow the procedures provided by your bank, broker or other nominee to vote your shares. Without instructions, your shares will not be counted for the purpose of a quorum or voted on such proposals, which will have the same effect as if you voted AGAINST adoption of the merger agreement,

Table of Contents

but will have no effect on the adjournment proposal or the proposal to approve, on a non-binding, advisory basis, the compensation that will or may become payable by Pacific Biosciences to our named executive officers in connection with the merger.

Q: May I change my vote after I have mailed my signed and dated proxy card?

A: Yes. If you are a stockholder of record, you may change your vote or revoke your proxy at any time before it is voted at the special meeting by:

signing another proxy card with a later date and returning it to us prior to the special meeting;

submitting a new proxy electronically over the internet or by telephone after the date of the earlier submitted proxy;

delivering a written notice of revocation to our Corporate Secretary; or

attending the special meeting and voting in person by ballot.

If you hold your shares of common stock in street name, you should contact your bank, broker or other nominee for instructions regarding how to change your vote. You may also vote in person at the special meeting if you obtain a legal proxy from your bank, broker or other nominee giving you the right to vote your shares at the special meeting.

Q: If a stockholder gives a proxy, how are the shares voted?

A: Regardless of the method you choose to vote, the individuals named on the enclosed proxy card will vote your shares in the way that you direct.

If you sign and date your proxy card but do not mark the boxes showing how your shares should be voted on a matter, the shares represented by your properly signed proxy will be voted as recommended by the Pacific Biosciences Board with respect to each proposal. This means that they will be voted: (1) **FOR** the adoption of the merger agreement; (2) **FOR** the adjournment of the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies if there are insufficient votes to adopt the merger agreement at the time of the special meeting; and (3) **FOR** the compensation that will or may become payable by Pacific Biosciences to our named executive officers in connection with the merger.

Q: What should I do if I receive more than one set of voting materials?

A:

We encourage you to sign, date and return each proxy card and voting instruction form (or grant your proxy electronically over the internet or by telephone) that you receive to ensure that all of your shares are voted.

You may receive more than one set of voting materials, including multiple copies of this proxy statement and multiple proxy cards or voting instruction forms, if your shares are registered differently or are held in more than one account. For example, if you hold your shares in more than one brokerage account, you will receive a separate voting instruction form for each brokerage account in which you hold shares. If you are a stockholder of record and your shares are registered in more than one name, you will receive more than one proxy card. Please vote all voting materials that you receive.

Q: Where can I find the voting results of the special meeting?

A: If available, Pacific Biosciences may announce preliminary voting results at the conclusion of the special meeting. Pacific Biosciences intends to publish final voting results in a Current Report on Form 8-K to be filed with the SEC following the special meeting. All reports that Pacific Biosciences files with the SEC are publicly available when filed. See the section of this proxy statement captioned Where You Can Find More Information.

Table of Contents

Q: Will I be subject to U.S. federal income tax upon the exchange of common stock for cash pursuant to the merger?

A: If you are a U.S. Holder (as defined under the section of this proxy statement captioned The Merger Material U.S. Federal Income Tax Consequences of the Merger), the exchange of common stock for cash pursuant to the merger will be a taxable transaction for U.S. federal income tax purposes, which generally will require a U.S. Holder to recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference, if any, between the amount of cash received by such U.S. Holder in the merger and such U.S. Holder s adjusted tax basis in the shares of common stock surrendered in the merger.

A Non-U.S. Holder (as defined in the section of this proxy statement captioned The Merger Material U.S. Federal Income Tax Consequences of the Merger) generally will not be subject to U.S. federal income tax with respect to the exchange of common stock for cash in the merger unless such Non-U.S. Holder has certain connections to the United States.

Because particular circumstances may differ, we recommend that you consult your own tax advisor to determine the U.S. federal income tax consequences relating to the merger in light of your own particular circumstances and any consequences arising under U.S. federal non-income tax laws or the laws of any state, local or foreign taxing jurisdiction. A more complete description of material U.S. federal income tax consequences of the merger is provided in the section of this proxy statement captioned The Merger Material U.S. Federal Income Tax Consequences of the Merger.

Q: What will the holders of company options, company RSUs and company PRSUs receive in the merger?

A: At or immediately prior to the effective time of the merger, each in-the-money company option will be canceled and converted into the right to receive a cash amount equal to the product of (1) the excess of the per share merger consideration over the applicable per share exercise price of the canceled in-the-money company option, multiplied by (2) the aggregate number of shares of common stock subject to the in-the-money option immediately before the effective time of the merger. Any company option that is not an in-the-money company option will be canceled as of the effective time of the merger without any amount payable in exchange and will have no further force or effect. Holders of unvested company options (including company options that are not in-the-money company options) will be given an opportunity to exercise such unvested company options prior to, and contingent upon, the consummation of the transactions contemplated by the merger agreement.

At or immediately prior to the effective time of the merger, each company RSU award will be canceled and converted into the right to receive a cash amount equal to the product of (1) the per share merger consideration, multiplied by (2) the total number of shares of common stock subject to such company RSU award immediately prior to the effective time of the merger.

At or immediately prior to the effective time of the Merger, each company PRSU award will be canceled and converted into the right to receive a cash amount equal to the product of (1) the per share merger consideration, multiplied by (2) the number of shares of common stock that would be payable if such company PRSU award had vested at target performance.

Q: What will happen to the ESPP?

A: Our ESPP (and all outstanding rights thereunder) will be terminated no later than as of immediately prior to the effective time of the merger, contingent upon the consummation of the transactions contemplated by the merger agreement. From and after the date of the merger agreement, no new participants are permitted to participate in the ESPP and participants may not increase their payroll deductions or purchase elections from those in effect on the date of the merger agreement. Except for the final offering period, no new offering or purchase period will be authorized, continued or commenced following the date of the merger

Table of Contents

agreement. In addition, from and after the date of the merger agreement, both the maximum number of shares of common stock that a participant in the ESPP can purchase and the total number of shares of common stock available under the ESPP will not be increased. Unless otherwise agreed between Illumina and us, the final offering period will terminate no later than as of immediately following the next scheduled purchase date (to occur on March 1, 2019), and the exercise date under the final offering period will accelerate and occur on such termination date with respect to any then-outstanding purchase rights. Additionally, shares of common stock purchased under the terms of the ESPP for the final offering period will be canceled at the effective time of the merger in exchange for the right to receive the per share merger consideration in accordance with the merger agreement. As promptly as practicable following the purchase of shares of common stock under the final offering period, Pacific Biosciences will return to each participant the funds, if any, that remain in such participant s account after such purchase.

Q: When do you expect the merger to be completed?

A: We currently expect to complete the merger in mid-2019. However, the exact timing of completion of the merger, if at all, cannot be predicted because the merger is subject to the closing conditions specified in the merger agreement, many of which are outside of our control.

Q: What governmental and regulatory approvals are required?

A: Under the terms of the merger agreement, the merger cannot be completed until the waiting period applicable to the merger under the HSR Act has expired or been terminated. Additionally, under the terms of the merger agreement, the merger cannot be completed until affirmative approval or clearance required under the antitrust laws of the European Union or one or more competent European Union member states have been obtained.

Q: Am I entitled to appraisal rights under the DGCL?

A: If the merger is consummated, Pacific Biosciences stockholders who (1) do not vote in favor of the adoption of the merger agreement; (2) continuously hold such shares through the effective time of the merger; (3) properly perfect appraisal of their shares; (4) meet certain other conditions and statutory requirements described in this proxy statement; and (5) do not withdraw their demands or otherwise lose their rights to appraisal will be entitled to seek appraisal of their shares in connection with the merger under Section 262 of the DGCL. This means that such stockholders will be entitled to have their shares appraised by the Delaware Court of Chancery and to receive payment in cash of the fair value of their shares of common stock, exclusive of any elements of value arising from the accomplishment or expectation of the merger, together with (unless the Delaware Court of Chancery in its discretion determines otherwise for good cause shown) interest on the amount determined by the Delaware Court of Chancery to be fair value from the effective date of the merger through the date of payment of the judgment at a rate of five percent over the Federal Reserve discount rate (including any surcharge) as established from time to time during the period between the effective date of the merger and the date of payment of the judgment (except that, if at any time before the entry of judgment in the proceeding, the surviving corporation makes a voluntary cash payment to each stockholder seeking appraisal, interest will accrue thereafter only upon the sum of (1) the difference, if any, between the amount so paid and the fair value of the shares as

determined by the Delaware Court of Chancery; and (2) interest theretofore accrued, unless paid at that time). The surviving corporation is under no obligation to make such voluntary cash payment prior to such entry of judgment. Stockholders who wish to seek appraisal of their shares are in any case encouraged to seek the advice of legal counsel with respect to the exercise of appraisal rights due to the complexity of the appraisal process. The DGCL requirements for exercising appraisal rights are described in additional detail in this proxy statement, which description is qualified in its entirety by the relevant section of the DGCL regarding appraisal rights attached as Annex C to this proxy statement.

Table of Contents

Q: Do any of Pacific Biosciences directors or officers have interests in the merger that may differ from those of Pacific Biosciences stockholders generally?

A: Yes. In considering the recommendation of the Pacific Biosciences Board with respect to the proposal to adopt the merger agreement, you should be aware that our directors and executive officers may have interests in the merger that are different from, or in addition to, the interests of Pacific Biosciences stockholders generally. In: (1) evaluating and negotiating the merger agreement; (2) approving the merger agreement and the merger; and (3) unanimously recommending that the merger agreement be adopted by Pacific Biosciences stockholders, the Pacific Biosciences Board was aware of and considered these interests to the extent that they existed at the time, among other matters. For more information, see the section of this proxy statement captioned The Merger Interests of Pacific Biosciences Directors and Executive Officers in the Merger.

Q: Who can help answer my questions?

A: If you have any questions concerning the merger, the special meeting or this proxy statement, would like additional copies of the accompanying proxy statement or need help submitting your proxy or voting your shares of common stock, please contact our proxy solicitor:

Innisfree M&A Incorporated

501 Madison Avenue, 20th Floor

New York, New York 10022

Stockholders may call toll-free: (888) 750-5834

Banks and brokers may call collect: (212) 750-5833

Table of Contents

FORWARD-LOOKING STATEMENTS

This proxy statement, the documents to which we refer you in this proxy statement and information included in oral statements or other written statements made or to be made by us or on our behalf contain forward-looking statements that do not directly or exclusively relate to historical facts, including, without limitation, statements relating to the completion of the merger. You can typically identify forward-looking statements by the use of forward-looking words, such as may, should, could, project, believe, anticipate, expect, estimate, continue, potential, pla words of similar import. Stockholders are cautioned that any forward-looking statements are not guarantees of future performance and may involve significant risks and uncertainties, and that actual results may vary materially from those in the forward-looking statements. These risks and uncertainties include, but are not limited to, the risks detailed in our filings with the SEC, including in our most recent filings on Forms 10-K and 10-Q, factors and matters described or incorporated by reference in this proxy statement, and the following factors:

- the inability to complete the merger due to the failure of Pacific Biosciences stockholders to adopt the merger agreement or failure to satisfy the other conditions to the completion of the merger, including that a governmental entity may prohibit, delay or refuse to grant a necessary regulatory approval;

- the risk that the merger agreement may be terminated in circumstances that require us to pay a termination fee of $43.0 million;

- the outcome of any legal proceedings that may be instituted against us and others related to the merger agreement;

- risks that the merger affects our ability to retain or recruit employees;

- the fact that receipt of the all-cash per share merger consideration will be taxable to Pacific Biosciences stockholders that are treated as U.S. Holders (as defined under the section of this proxy statement captioned The Merger Material U.S. Federal Income Tax Consequences of the Merger) for U.S. federal income tax purposes;

- the fact that, if the merger is completed, Pacific Biosciences stockholders will forego the opportunity to realize the potential long-term value of the successful execution of Pacific Biosciences current strategy as an independent company;

- the possibility that Pacific Biosciences could, at a later date, engage in unspecified transactions, including restructuring efforts, special dividends or the sale of some or all of Pacific Biosciences assets to one or more as yet unknown purchasers, that could conceivably produce a higher aggregate value than that available to Pacific Biosciences stockholders in the merger;

the fact that under the terms of the merger agreement, Pacific Biosciences is unable to solicit other acquisition proposals during the pendency of the merger;

the effect of the announcement or pendency of the merger on our business relationships, customers, operating results and business generally, including risks related to the diversion of the attention of Pacific Biosciences management or employees during the pendency of the merger;

the amount of the costs, fees, expenses and charges related to the merger agreement or the merger;

the risk that the proposed merger will not be consummated in a timely manner, exceeding the expected costs of the merger;

the risk that our stock price may decline significantly if the merger is not completed; and

risks related to obtaining the requisite stockholder approval to the merger.

Consequently, all of the forward-looking statements that we make in this proxy statement are qualified by the information contained or incorporated by reference in this proxy statement, including: (1) the information

Table of Contents

contained under this caption; and (2) the information contained under the caption Risk Factors, and information in our consolidated financial statements and notes thereto included in our most recent filings on Form 10-K and Form 10-Q. No assurance can be given that these are all of the factors that could cause actual results to vary materially from the forward-looking statements.

Except as required by applicable law, we undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise. Stockholders are advised to consult any future disclosures that we make on related subjects as may be detailed in our other filings made from time to time with the SEC.

Table of Contents

THE SPECIAL MEETING

This proxy statement is being provided to Pacific Biosciences stockholders as part of a solicitation by the Pacific Biosciences Board of proxies for use at the special meeting.

Date, Time and Place

We will hold the special meeting on January 24, 2019, at 8:00 am., Pacific time, at the offices of Wilson Sonsini Goodrich & Rosati, Professional Corporation, 650 Page Mill Road, Palo Alto, California 94304.

Purpose of the Special Meeting

At the special meeting, we will ask stockholders to vote on proposals to (1) adopt the merger agreement; (2) adjourn the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies if there are insufficient votes to adopt the merger agreement at the time of the special meeting; and (3) approve, on a non-binding, advisory basis, the compensation that will or may become payable by Pacific Biosciences to our named executive officers in connection with the merger.

Record Date; Shares Entitled to Vote; Quorum

Only Pacific Biosciences stockholders as of the close of business on the record date are entitled to notice of, and to vote at, the special meeting. A list of stockholders of record entitled to vote at the special meeting will be available at our corporate offices located at 1305 O Brien Drive, Menlo Park, California 94025, during regular business hours for a period of no less than 10 days before the special meeting and at the place of the special meeting during the meeting.

As of the record date, there were 149,621,715 shares of common stock outstanding and entitled to vote at the special meeting. Each share of common stock is entitled to one vote per share on each matter properly brought before the special meeting.

The presence in person or represented by proxy of the holders of a majority of the shares of common stock issued and outstanding and entitled to vote at the special meeting will constitute a quorum at the special meeting.

Vote Required; Abstentions and Broker Non-Votes

Approval of the proposal to adopt the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of common stock entitled to vote on the proposal. Adoption of the merger agreement by Pacific Biosciences stockholders is a condition to the closing of the merger.

Approval of the proposal to adjourn the special meeting to a later date or dates to solicit additional proxies if there are insufficient votes to adopt the merger agreement at the time of the special meeting requires the affirmative vote of the holders of a majority of the shares of common stock present in person or represented by proxy at the special meeting and entitled to vote on the proposal.

Approval, on a non-binding, advisory basis, of the compensation that will or may become payable by Pacific Biosciences to our named executive officers in connection with the merger requires the affirmative vote of the holders of a majority of the shares of common stock present in person or represented by proxy at the special meeting and entitled to vote on the proposal.

If a stockholder abstains from voting, that abstention will have the same effect as if the stockholder voted: (1) AGAINST the proposal to adopt the merger agreement; (2) AGAINST any proposal to adjourn the special meeting to a later date to solicit additional proxies if there are insufficient votes to adopt the merger

Table of Contents

agreement at the time of the special meeting; and (3) AGAINST the proposal to approve, on a non-binding, advisory basis, compensation that will or may become payable by Pacific Biosciences to our named executive officers in connection with the merger. Abstentions will be counted as present for purposes of determining whether a quorum exists.

A broker non-vote generally occurs when a bank, broker or other nominee holding shares on your behalf does not vote on a proposal because the bank, broker or other nominee has not received your voting instructions and lacks discretionary power to vote your shares. We do not expect any broker non-votes at the special meeting, but if there are any, they will be counted for the purpose of determining whether a quorum is present. If there are broker non-votes, each broker non-vote will count as a vote AGAINST the proposal to adopt the merger agreement, but will have no effect on: (1) the proposal to adjourn the special meeting to a later date to solicit additional proxies if there are insufficient votes to adopt the merger agreement at the time of the special meeting; or (2) the proposal to approve, on a non-binding, advisory basis, the compensation that will or may become payable by Pacific Biosciences to our named executive officers in connection with the merger.

Shares Held by Pacific Biosciences Directors and Executive Officers

As of the record date, our directors and executive officers beneficially owned and were entitled to vote, in the aggregate, 2,949,239 shares of common stock, representing approximately two percent of the shares of common stock outstanding as of the record date. Our directors and executive officers have informed us that they intend to vote all of their shares of common stock: (1) **FOR** the adoption of the merger agreement; (2) **FOR** the adjournment of the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies if there are insufficient votes to adopt the merger agreement at the time of the special meeting; and (3) **FOR** the compensation that will or may become payable by Pacific Biosciences to our named executive officers in connection with the merger.

Concurrently with the execution of the merger agreement, Illumina entered into the voting agreement with the following individuals, each of whom is a director or executive officer of Pacific Biosciences: Susan K. Barnes, David Botstein, Ph.D., William W. Ericson, Christian Henry, Michael Hunkapiller, Ph.D., Randall Livingston, John Milligan, Ph.D., Marshall Mohr, Kathy Ordoñez, Michael Phillips and Lucy Shapiro, Ph.D. The voting agreement generally obligates these individuals to vote all shares of common stock owned by them in favor of adoption of the merger agreement and against any action, proposal, agreement or transaction involving an acquisition proposal. These individuals owned, in the aggregate, approximately two percent of the common stock as of November 26, 2018. For more information, see the section of this proxy statement captioned The Voting Agreement.

Voting of Proxies

If your shares are registered in your name with our transfer agent, Computershare Trust Company, N.A., you may vote your shares by returning a signed and dated proxy card (a prepaid reply envelope is provided for your convenience), or you may vote in person by ballot at the special meeting. Additionally, you may grant a proxy electronically over the internet or by telephone by following the instructions on your proxy card. You must have the enclosed proxy card available, and follow the instructions on the proxy card, in order to grant a proxy electronically over the internet or by telephone. Based on your proxy cards or internet and telephone proxies, the proxy holders will vote your shares according to your directions.

If you attend the special meeting and wish to vote in person, you will be given a ballot at the special meeting. All attendees will need to present a form of government-issued photo identification to be admitted to the special meeting. Beneficial owners of shares held in street name will also need to present proof of ownership of shares of common stock, such as a bank or brokerage account statement and must also provide a legal proxy from their bank or broker in

order to vote in person at the special meeting. You are encouraged to vote by proxy

Table of Contents

even if you plan to attend the special meeting in person. If you attend the special meeting and vote in person by ballot, your vote will revoke any previously submitted proxy.

All shares represented by properly signed and dated proxies received will, if received before the special meeting, be voted at the special meeting in accordance with the instructions of the stockholder. Properly signed and dated proxies that do not contain voting instructions will be voted: (1) FOR adoption of the merger agreement; (2) FOR the adjournment of the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies if there are insufficient votes to adopt the merger agreement at the time of the special meeting; and (3) FOR the compensation that will or may become payable by Pacific Biosciences to our named executive officers in connection with the merger.

If your shares are held in street name through a bank, broker or other nominee, you may vote through your bank, broker or other nominee by completing and returning the voting instruction form provided by your bank, broker or other nominee. You may also attend the special meeting and vote in person by ballot if you have a legal proxy from your bank, broker or other nominee giving you the right to vote your shares at the special meeting. If available, you may vote over the internet or telephone through your bank, broker or other nominee by following the instructions on the voting instruction form provided by your bank, broker or other nominee. If you do not: (1) return your bank s, broker s or other nominee s voting instruction form; (2) vote over the internet or by telephone through your bank, broker or other nominee, if possible; or (3) attend the special meeting and vote in person with a legal proxy from your bank, broker or other nominee, it will have the same effect as if you voted AGAINST the proposal to adopt the merger agreement. It will not have any effect on the proposals: (1) to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes to adopt the merger agreement at the time of the special meeting; or (2) to approve, on a non-binding, advisory basis, the compensation that will or may become payable by Pacific Biosciences to our named executive officers in connection with the merger.

Revocability of Proxies

If you are a stockholder of record, you may change your vote or revoke your proxy at any time before it is voted at the special meeting by:

- signing another proxy card with a later date and returning it to us prior to the special meeting;
- submitting a new proxy electronically over the internet or by telephone after the date of the earlier submitted proxy;
- delivering a written notice of revocation to our Corporate Secretary; or
- attending the special meeting and voting in person by ballot.

If you have submitted a proxy, your appearance at the special meeting, in the absence of voting in person or submitting an additional proxy or revocation, will not have the effect of revoking your prior proxy.

If you hold your shares of common stock in street name, you should contact your bank, broker or other nominee for instructions regarding how to change your vote. You may also vote in person at the special meeting if you obtain a

legal proxy from your bank, broker or other nominee giving you the right to vote your shares at the special meeting.

Any adjournment, postponement or other delay of the special meeting, including for the purpose of soliciting additional proxies, will allow Pacific Biosciences stockholders who have already sent in their proxies to revoke them at any time prior to their use at the special meeting as adjourned, postponed or delayed.

The Pacific Biosciences Board s Recommendation

The Pacific Biosciences Board, after considering various factors described in the section of this proxy statement captioned The Merger Recommendation of the Pacific Biosciences Board and Reasons for the

Table of Contents

Merger, has unanimously: (1) determined that the merger agreement, the merger and the other transactions contemplated by the merger agreement are fair to, advisable and in the best interests of Pacific Biosciences and its stockholders; and (2) adopted and approved the merger agreement, the merger and the other transactions contemplated by the merger agreement.

The Pacific Biosciences Board unanimously recommends that you vote: (1) FOR the adoption of the merger agreement; (2) FOR the adjournment of the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies if there are insufficient votes to adopt the merger agreement at the time of the special meeting; and (3) FOR the compensation that will or may become payable by Pacific Biosciences to our named executive officers in connection with the merger.

Adjournment

In addition to the proposals to (1) adopt the merger agreement and (2) approve, on a non-binding, advisory basis, the compensation that will or may become payable by Pacific Biosciences to our named executive officers in connection with the merger, Pacific Biosciences stockholders are also being asked to approve a proposal to adjourn the special meeting to a later date or dates, if necessary or appropriate, to solicit additional votes or proxies in favor of the proposal to adopt the merger agreement if there are insufficient votes at the time of the special meeting to approve the merger agreement. If a quorum is not present, the chairperson of the special meeting or the stockholders entitled to vote at the special meeting, present in person or represented by proxy, may adjourn the special meeting, from time to time, without notice other than announcement at the meeting, until a quorum is present or represented. In addition, the special meeting could be postponed before it commences, subject to the terms of the merger agreement. If the special meeting is adjourned or postponed, Pacific Biosciences stockholders who have already submitted their proxies will be able to revoke them at any time before they are voted at the special meeting.

Solicitation of Proxies

The expense of soliciting proxies will be borne by Pacific Biosciences. We have retained Innisfree M&A Incorporated, a professional proxy solicitation firm, to assist in the solicitation of proxies, and provide related advice and informational support during the solicitation process, for a fee of $20,000, plus reasonable out-of-pocket expenses. We will indemnify Innisfree M&A Incorporated against losses arising out of its provisions of these services on our behalf. In addition, we may reimburse banks, brokers and other nominees representing beneficial owners of shares of common stock for their expenses in forwarding soliciting materials to such beneficial owners. Proxies may also be solicited by our directors, officers and employees, personally or by telephone, email, fax or over the internet. No additional compensation will be paid for such services.

Anticipated Date of Completion of the Merger

We currently expect to complete the merger in mid-2019. However, the exact timing of completion of the merger, if at all, cannot be predicted because the merger is subject to the closing conditions specified in the merger agreement, many of which are outside of our control.

Appraisal Rights

If the merger is consummated, stockholders who (1) do not vote in favor of the adoption of the merger agreement; (2) continuously hold such shares through the effective time of the merger; (3) properly perfect appraisal of their shares; (4) meet certain other conditions and statutory requirements described in this proxy statement; and (5) do not withdraw their demands or otherwise lose their rights to appraisal will be entitled to seek appraisal of their shares in

connection with the merger under Section 262 of the DGCL. This means that such stockholders will be entitled to seek appraisal of their shares by the Delaware Court of Chancery and to receive payment in cash of the fair value of their shares of common stock, exclusive of any elements of value

Table of Contents

arising from the accomplishment or expectation of the merger, together with (unless the Delaware Court of Chancery in its discretion determines otherwise for good cause shown) interest on the amount determined by the Delaware Court of Chancery to be fair value from the effective date of the merger through the date of payment of the judgment at a rate of five percent over the Federal Reserve discount rate (including any surcharge) as established from time to time during the period between the effective date of the merger and the date of payment of the judgment (except that, if at any time before the entry of judgment in the proceeding, the surviving corporation makes a voluntary cash payment to each stockholder seeking appraisal, interest will accrue thereafter only upon the sum of (1) the difference, if any, between the amount so paid and the fair value of the shares as determined by the Delaware Court of Chancery; and (2) interest theretofore accrued, unless paid at that time). The surviving corporation is under no obligation to make such voluntary cash payment prior to such entry of judgment. Due to the complexity of the appraisal process, stockholders who wish to seek appraisal of their shares are encouraged to seek the advice of legal counsel with respect to the exercise of appraisal rights.

Stockholders considering seeking appraisal should be aware that the fair value of their shares as determined pursuant to Section 262 of the DGCL could be more than, the same as or less than the value of the consideration that they would receive pursuant to the merger agreement if they did not seek appraisal of their shares.

Only a stockholder of record may submit a demand for appraisal. To exercise appraisal rights, the stockholder of record must (1) submit a written demand for appraisal to Pacific Biosciences before the vote is taken on the proposal to adopt the merger agreement; (2) not vote, in person or by proxy, in favor of the proposal to adopt the merger agreement; (3) continue to hold the subject shares of common stock of record through the effective time of the merger; and (4) strictly comply with all other procedures for exercising appraisal rights under the DGCL. The failure to follow exactly the procedures specified under the DGCL may result in the loss of appraisal rights. In addition, the Delaware Court of Chancery will dismiss appraisal proceedings in respect of Pacific Biosciences unless certain conditions are satisfied by the stockholders seeking appraisal, as described further below. The requirements under Section 262 of the DGCL for exercising appraisal rights are described in further detail in this proxy statement, which description is qualified in its entirety by Section 262 of the DGCL, the relevant section of the DGCL regarding appraisal rights, a copy of which is attached as Annex C to this proxy statement. If you hold your shares of common stock through a bank, broker or other nominee and you wish to exercise appraisal rights, you should consult with your bank, broker or other nominee to determine the appropriate procedures for the making of a demand for appraisal on your behalf by your bank, broker or other nominee.

Other Matters

At this time, we know of no other matters to be voted on at the special meeting. If any other matters properly come before the special meeting, your shares of common stock will be voted in accordance with the discretion of the appointed proxy holders.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be Held on January 24, 2019

This proxy statement is available on our website at www.pacb.com under the Investor Relations tab.

Householding of Special Meeting Materials

We have adopted a procedure approved by the SEC called householding. Under this procedure, stockholders who have the same address and last name will receive only one copy of this proxy statement unless one or more of these

stockholders notifies us that they wish to continue receiving individual copies. This procedure reduces printing costs, postage fees and the use of natural resources. Each stockholder who participates in householding will continue to be able to access or receive a separate proxy card.

Table of Contents

If you wish to receive a separate set of our disclosure documents at this time, please notify us by sending a written request to Investor Relations, Pacific Biosciences of California, Inc., 1305 O Brien Drive, Menlo Park, California 94025 or by e-mail to ir@pacificsciences.com.

If you are a stockholder who has multiple accounts in your name or you share an address with other stockholders and would like to receive a single set of our disclosure documents for your household, you may notify your broker, if your shares are held in a brokerage account. If you hold registered shares, you may contact our Corporate Secretary using the contact method above.

Questions and Additional Information

If you have any questions concerning the merger, the special meeting or this proxy statement, would like additional copies of this proxy statement or need help submitting your proxy or voting your shares of common stock, please contact our proxy solicitor:

Innisfree M&A Incorporated

501 Madison Avenue, 20th Floor

New York, New York 10022

Stockholders may call toll-free: (888) 750-5834

Banks and brokers may call collect: (212) 750-5833

Table of Contents

THE MERGER

The rights and obligations of the parties to the merger agreement are governed by the specific terms and conditions of the merger agreement and not by any summary or other information in this proxy statement. Therefore, this discussion of the merger is qualified in its entirety by reference to the merger agreement, a copy of which is attached as Annex A to this proxy statement and incorporated into this proxy statement by reference. You should read the entire merger agreement carefully as it is the legal document that governs the merger.

Parties Involved in the Merger

Pacific Biosciences of California, Inc.

1305 O Brien Drive

Menlo Park, California 94025

(650) 521-8000

Pacific Biosciences offers sequencing systems to help scientists resolve genetically complex problems. Based on its novel Single Molecule, Real-Time (SMRT®) Technology, Pacific Biosciences products enable: *de novo* genome assembly to finish genomes in order to more fully identify, annotate and decipher genomic structures; full-length transcript analysis to improve annotations in reference genomes, characterize alternatively spliced isoforms in important gene families, and find novel genes; targeted sequencing to more comprehensively characterize genetic variations; and real-time kinetic information for epigenome characterization. Pacific Biosciences technology provides high accuracy, ultra-long reads, uniform coverage, and the ability to simultaneously detect epigenetic changes.

Pacific Biosciences common stock is listed on Nasdaq under the symbol PACB.

Illumina, Inc.

5200 Illumina Way

San Diego, California 92122

(858) 202-4500

Illumina is the global leader in sequencing- and array-based solutions for genetic analysis. Illumina s products and services serve customers in a wide range of markets, enabling the adoption of genomic solutions in research and clinical settings. Illumina s customers include leading genomic research centers, academic institutions, government laboratories, and hospitals, as well as pharmaceutical, biotechnology, commercial molecular diagnostic laboratories, and consumer genomics companies. Illumina s portfolio of integrated sequencing and microarray systems, consumables, and analysis tools is designed to accelerate and simplify genetic analysis. This portfolio addresses the range of genomic complexity, price points, and throughput, enabling customers to select the best solution for their research or clinical challenge.

Illumina s common stock is listed on Nasdaq under the symbol ILMN.

FC Ops Corp.

c/o Illumina, Inc.

5200 Illumina Way

San Diego, California 92122

(858) 202-4500

Merger Sub is a wholly owned subsidiary of Illumina and was formed on October 29, 2018, solely for the purpose of engaging in the transactions contemplated by the merger agreement. Merger Sub has not engaged in any business activities other than incidental to its formation and in connection with the transactions contemplated by the merger agreement. Upon completion of the merger, Merger Sub will cease to exist and Pacific Biosciences will continue as the surviving corporation.

Table of Contents

Effect of the Merger

Upon the terms and subject to the conditions of the merger agreement, and in accordance with the DGCL, at the effective time of the merger, (1) Merger Sub will merge with and into Pacific Biosciences; (2) the separate existence of Merger Sub will cease; and (3) Pacific Biosciences will continue as the surviving corporation in the merger and a wholly owned subsidiary of Illumina.

As a result of the merger, Pacific Biosciences will cease to be a publicly traded company, will be delisted from Nasdaq, the common stock will be deregistered under the Exchange Act, and it will no longer file periodic reports with the SEC. If the merger is completed, you will not own any shares of capital stock of the surviving corporation.

The effective time of the merger will occur upon the filing of a certificate of merger with, and acceptance of that certificate by, the Secretary of State of the State of Delaware (or at a later time as we, Illumina and Merger Sub may agree and specify in such certificate of merger).

Effect on Pacific Biosciences if the Merger is Not Completed

If the merger agreement is not adopted by Pacific Biosciences stockholders, or if the merger is not completed for any other reason, Pacific Biosciences stockholders will not receive any payment for their shares of common stock in connection with the merger. Instead, (1) Pacific Biosciences will remain an independent public company; (2) our common stock will continue to be listed and traded on Nasdaq and registered under the Exchange Act; and (3) we will continue to file periodic reports with the SEC. In addition, if the merger is not completed, we expect that: (1) our management will operate the business in a manner similar to that in which it is being currently operated; and (2) Pacific Biosciences stockholders will continue to be subject to the same risks and opportunities to which they are currently subject, including risks related to the highly competitive industry in which Pacific Biosciences operates and adverse economic conditions.

Furthermore, if the merger is not completed, and depending on the circumstances that caused the merger not to be completed, the price of our common stock may decline significantly. If that were to occur, it is uncertain when, if ever, the price of our common stock would return to the price at which it trades as of the date of this proxy statement.

Accordingly, there can be no assurance as to the effect of the merger not being completed on the future value of your shares of common stock. If the merger is not completed, the Pacific Biosciences Board will continue to evaluate and review, among other things, Pacific Biosciences business, operations, strategic direction and capitalization, and will make whatever changes it deems appropriate. If the merger agreement is not adopted by Pacific Biosciences stockholders or if the merger is not completed for any other reason, Pacific Biosciences business, prospects or results of operation may be adversely impacted.

Pacific Biosciences has agreed to pay Illumina a termination fee of $43.0 million if the merger agreement is terminated in specified circumstances.

In specified circumstances in which the transaction is terminated, (1) Illumina has agreed to pay Pacific Biosciences a termination fee of $98.0 million; or (2) Pacific Biosciences may be entitled to a specific remedy, as described in more detail under the section of this proxy statement captioned The Merger Agreement Termination Fees and Remedies.

Per Share Merger Consideration

Upon the terms and subject to the conditions of the merger agreement, at the effective time of the merger:

each share of common stock that is (1) held by Pacific Biosciences as treasury stock or (2) owned by Illumina or Merger Sub (which we refer to as the canceled shares) will be canceled and retired without any payment thereto;

Table of Contents

each share of common stock that is owned by any direct or indirect subsidiary of Pacific Biosciences or Illumina (other than Merger Sub) as of immediately prior to the effective time of the merger (which we refer to as the subsidiary-owned shares) will be converted into such number of shares of stock of the surviving corporation such that each such subsidiary owns the same percentage of the outstanding capital stock of the surviving corporation immediately following the effective time of the merger as such subsidiary-owned in Pacific Biosciences immediately prior to the effective time of the merger;

each share of common stock that is issued and outstanding as of immediately prior to the effective time of the merger (other than canceled shares, subsidiary-owned shares and shares of common stock held by Pacific Biosciences stockholders who have (1) neither voted in favor of the adoption of the merger agreement nor consented thereto in writing; and (2) properly and validly exercised their statutory rights of appraisal in respect of such shares in accordance with the Delaware law) will be converted into the right to receive cash in an amount equal to $8.00, without interest thereon, less any applicable withholding taxes; and

each certificate formerly representing any shares of common stock or any book-entry shares that represented shares of common stock immediately prior to the effective time of the merger will automatically be canceled and retired and all such shares will cease to exist and will thereafter only represent the right to receive the merger consideration.

At or prior to the closing of the merger, a sufficient amount of cash will be deposited with a designated payment agent to pay the aggregate per share merger consideration. Once a Pacific Biosciences stockholder has provided the payment agent with his, her or its stock certificates (or an affidavit of loss in lieu of a stock certificate) or customary agent s message with respect to book-entry shares, appropriate letter of transmittal and other items specified by the payment agent, then the payment agent will pay the stockholder the appropriate portion of the aggregate per share merger consideration. For more information, see the section of this proxy statement captioned The Merger Agreement Payment Agent, Exchange Fund and Exchange and Payment Procedures.

After the merger is completed, each Pacific Biosciences stockholder will have the right to receive the per share merger consideration for each share of common stock that such stockholder owned, as described in the section of this proxy statement captioned The Merger Agreement Conversion of Shares, but will no longer have any rights as a Pacific Biosciences stockholder (except that Pacific Biosciences stockholders who properly and validly exercise and perfect, and do not validly withdraw or subsequently lose, their appraisal rights will have the right to receive payment for the fair value of their shares, determined pursuant to an appraisal proceeding contemplated by Delaware law as described below under the section of this proxy statement captioned The Merger Appraisal Rights).

Background of the Merger

The following chronology summarizes the key meetings and events that led to the signing of the Merger Agreement. This chronology does not purport to catalogue every conversation of or among the Pacific Biosciences Board or its committees, Pacific Biosciences representatives, and other parties. Other than as described below, there have been no material contacts between Pacific Biosciences and Illumina in the past two years.

The Pacific Biosciences Board regularly evaluates Pacific Biosciences strategic direction and ongoing business plans with a view toward strengthening Pacific Biosciences business and enhancing stockholder value. As part of this evaluation, the Pacific Biosciences Board has, from time to time, considered a variety of strategic alternatives. These have included, among others, (1) the continuation of Pacific Biosciences current business plan as a standalone entity; (2) investment in, and development of, new products; (3) potential expansion opportunities through partnerships or

other commercial relationships; (4) the sale of Pacific Biosciences or one or more of its business units; and (5) strategic investments in Pacific Biosciences and other capital raising activities.

Table of Contents

As active participants in the DNA sequencing space, Pacific Biosciences and Illumina, and their respective management teams, are well known to each other. From time to time, members of each of Pacific Biosciences management and Illumina management have discussed partnerships, strategic collaborations and other ways that the two companies could work together. Prior to September 2017, these discussions never advanced beyond the introductory stages.

From September 2013 until December 2016, Pacific Biosciences and F. Hoffman-La Roche Ltd (which we refer to as Roche) collaborated on the development and supply of diagnostic products for use with Pacific Biosciences DNA sequencing technology. In December 2016, Roche elected to terminate that relationship for convenience even though Pacific Biosciences had achieved all development milestones.

Beginning in August 2017 and continuing into 2018, Pacific Biosciences, with the assistance of an internationally recognized investment banking firm, contacted 23 parties (including Illumina and Roche) concerning their interest in a strategic partnership with Pacific Biosciences. The principal motivations for these discussions were to (1) expand the distribution of Pacific Biosciences DNA sequencing products; and (2) ensure that Pacific Biosciences had access to sufficient cash resources to continue its research and development and commercialization efforts. Although the Pacific Biosciences Board was most focused on identifying a strategic partner to assist Pacific Biosciences in pursuing its standalone strategy, the Pacific Biosciences Board approached these discussions with an open mind as to potential outcomes, including the potential sale of Pacific Biosciences. For various reasons, most of these companies declined to pursue discussions with Pacific Biosciences.

In connection with these strategic partnership discussions, members of Pacific Biosciences management, including Michael W. Hunkapiller, Ph.D., the chairman, president and chief executive officer of Pacific Biosciences, met in September 2017 and November 2017 with members of Illumina management. During these conversations, the members of each of Pacific Biosciences management and Illumina management discussed ways that the two companies could work together.

In December 2017, Illumina informed a representative of Pacific Biosciences that Illumina was still considering a potential strategic partnership with Pacific Biosciences. Illumina also stated that it was then most interested in a co-promotion or co-development relationship in specific areas rather than a broad or exclusive relationship with Pacific Biosciences in the clinical market.

In February 2018, Dr. Hunkapiller and Kathy Ordoñez, a member of the Pacific Biosciences Board who was also then serving as the chief commercial officer of Pacific Biosciences, met with members of Illumina management, including Francis deSouza, Illumina s president and chief executive officer. At this meeting, the parties discussed opportunities for the two companies to work together in the clinical market.

At various times in April, May and June 2018, Susan Barnes, Pacific Biosciences executive vice president and chief financial officer, met with a member of Illumina management. These meetings involved discussions of ways that Pacific Biosciences and Illumina might work together, including (1) a strategic partnership; (2) distribution by Illumina of Pacific Biosciences products into the clinical market; (3) distribution by Illumina of Pacific Biosciences products in the United States and Europe; (4) collaboration on future joint research and development projects; and (5) collaboration on various human sequencing projects.

On June 11, 2018, Dr. Hunkapiller discussed with a member of Illumina management and certain other Illumina employees various technical aspects of Pacific Biosciences and Illumina collaborating on human sequencing projects.

At various times in July, August and September 2018, Ms. Barnes spoke with one or more members of Illumina management. These meetings involved discussions of ways that Pacific Biosciences and Illumina might work together.

Table of Contents

On July 6, 2018, the Pacific Biosciences Board met, with members of Pacific Biosciences management in attendance. The members of the Pacific Biosciences Board discussed the strategic alternatives available to Pacific Biosciences. The Pacific Biosciences Board directed Pacific Biosciences management to continue to explore (1) a potential equity offering in the United States; (2) a potential strategic partnership in the Chinese market coupled with an investment by one or more Chinese investors; and (3) a potential strategic partnership with, or acquisition of Pacific Biosciences by, various companies, including Illumina.

On July 19, 2018, Dr. Hunkapiller, William W. Ericson, Pacific Biosciences lead independent director, and Ms. Barnes met with members of Illumina management, including Mr. deSouza, to further discuss aspects of Pacific Biosciences current research and development program and ways in which Pacific Biosciences and Illumina could work together in the clinical market.

On July 27, 2018, the Pacific Biosciences Board met, with members of Pacific Biosciences management and representatives of Wilson Sonsini Goodrich & Rosati, Professional Corporation, outside counsel to Pacific Biosciences (which we refer to as Wilson Sonsini), in attendance. The members of the Pacific Biosciences Board discussed Pacific Biosciences cash forecasts and financing alternatives. The members of the Pacific Biosciences Board continued the July 6, 2018, discussion regarding (1) a potential equity offering in the United States; (2) a potential strategic partnership in the Chinese market coupled with an investment by one or more Chinese investors; and (3) a potential strategic partnership with various companies, including Illumina. The Pacific Biosciences Board directed Pacific Biosciences management to continue to explore these alternatives.

On August 24, 2018, members of Pacific Biosciences management, including Dr. Hunkapiller and Ms. Barnes, met with members of Illumina management, including Mr. deSouza, to discuss ways in which Pacific Biosciences and Illumina could work together in the clinical market. During this meeting, members of Pacific Biosciences management informed Illumina management that Pacific Biosciences was actively continuing its efforts to find a strategic partner with the goal of finalizing a transaction before the end of 2018. Accordingly, members of Pacific Biosciences management communicated the importance of Illumina providing a partnership or other transaction proposal in the near future. In response, members of Illumina management informed Pacific Biosciences that Illumina would not be in a position to proceed with any type of discussions until after a meeting of Illumina s board of directors in September 2018.

On August 30, 2018, the Pacific Biosciences Board met, with members of Pacific Biosciences management and representatives of Wilson Sonsini in attendance. The members of the Pacific Biosciences Board discussed (1) financing alternatives; and (2) a potential strategic partnership with various companies, including Illumina. The Pacific Biosciences Board approved proceeding with an underwritten public equity offering with an aggregate offering price of up to $69 million (inclusive of a 15 percent over-allotment option). The Pacific Biosciences Board also instructed Pacific Biosciences management to continue to pursue a strategic partnership in the Chinese market coupled with an investment by one or more Chinese investors. The Pacific Biosciences Board believed that this investment, together with the proceeds of the public equity offering, would provide Pacific Biosciences with an adequate amount of capital.

By September 2018, Pacific Biosciences had identified a preferred strategic partner for the Chinese market (which we refer to as Party A) and was actively discussing a commercial partnership with Party A. Party A was one of the 23 companies previously contacted concerning a strategic partnership. In addition, Pacific Biosciences was in discussions regarding an investment into Pacific Biosciences by one or more Chinese investors, with this investment to occur at approximately the same time as Pacific Biosciences entered into a commercial partnership with Party A. We refer to the possible commercial partnership with Party A and the associated investment by one or more Chinese investors together as the Partnership Transaction.

On September 11, 2018, Pacific Biosciences and Illumina entered into a confidentiality agreement (which replaced an expiring confidentiality agreement that covered previous discussions).

Table of Contents

On September 14, 2018, Pacific Biosciences completed a $69 million equity offering (inclusive of a 15 percent over-allotment option) at price of $4.25 per share of common stock.

In mid-September 2018, Mr. deSouza and Dr. Hunkapiller spoke. During this conversation, Mr. deSouza stated that Illumina might prefer to acquire Pacific Biosciences rather than enter into any type of strategic partnership, but that no final decision had been reached. This discussion was highly preliminary and possible prices at which Illumina would be prepared to acquire Pacific Biosciences were not discussed. This conversation was the first time that Illumina had expressed an interest in an acquisition of Pacific Biosciences. Mr. deSouza stated that he would speak with Dr. Hunkapiller again after a meeting of Illumina s board of directors later in September 2018.

On September 25, 2018, Mr. deSouza requested an in-person meeting with Dr. Hunkapiller. That meeting occurred later on September 25, 2018. Also in attendance were Mr. Ericson (in his capacity as Pacific Biosciences lead independent director) and Ms. Barnes. At that meeting, Mr. deSouza, on behalf of Illumina, provided Pacific Biosciences with a non-binding letter expressing an interest in an all-cash acquisition of Pacific Biosciences for $7.00 per share of common stock. This letter also requested that Pacific Biosciences agree to negotiate exclusively with Illumina for a period of 30 days.

On September 26, 2018, the Pacific Biosciences Board met, with members of Pacific Biosciences management and representatives of Wilson Sonsini in attendance. The representatives of Wilson Sonsini discussed with the members of the Pacific Biosciences Board their fiduciary duties as directors. The members of the Pacific Biosciences Board discussed the September 25, 2018, letter from Illumina. The Pacific Biosciences Board concluded that (1) Illumina s proposal warranted additional consideration; and (2) it was not presently interested in considering exclusive negotiations with Illumina. In order to assist with its review of Illumina s acquisition proposal, the Pacific Biosciences Board discussed the retention of a financial advisor. The Pacific Biosciences Board instructed Pacific Biosciences management to contact Centerview Partners LLC (which we refer to as Centerview) to determine Centerview s ability to serve as Pacific Biosciences financial advisor. The members of the Pacific Biosciences Board were familiar with Centerview s qualifications, expertise, international reputation and knowledge of the industry in which Pacific Biosciences operates, as well as Centerview s experience in similar situations. The Pacific Biosciences Board also elected to form a committee of directors (which we refer to as the Transactions Committee) to oversee this exploration. The Transactions Committee was formed in light of (1) the potentially significant workload that could be involved in considering a sale of Pacific Biosciences; (2) the possibility that Pacific Biosciences management might need feedback and direction on relatively short notice; and (3) the benefits of having independent directors oversee and direct the process of considering a sale. The Transactions Committee was authorized, among other things, to (1) explore, evaluate, consider, review and negotiate the terms and conditions of any transaction relating to any sale of Pacific Biosciences, and to take such other actions with respect to any such transaction as the Transactions Committee deemed necessary, appropriate or advisable; (2) determine whether any sale of Pacific Biosciences is fair to, and in the best interests of, Pacific Biosciences and Pacific Biosciences stockholders; and (3) recommend to the Pacific Biosciences Board what action, if any, should be taken by Pacific Biosciences with respect to any such transaction. The Pacific Biosciences Board retained the power and authority to approve the final decision on a sale of Pacific Biosciences. The Pacific Biosciences Board appointed Mr. Ericson, Randy Livingston and John Milligan, Ph.D. as the members of the Transactions Committee. The Pacific Biosciences Board did not provide for the payment of any additional compensation to the members of the Transactions Committee. The Pacific Biosciences Board was of the consensus that Mr. Ericson and Dr. Hunkapiller should meet with members of Illumina management to further discuss Pacific Biosciences and its technology in an effort to prompt Illumina to increase the value of its acquisition proposal. The Pacific Biosciences Board instructed Pacific Biosciences management to continue to pursue discussions regarding the Partnership Transaction with the goal of signing a definitive agreement by early November 2018.

Later on September 26, 2018, a member of Pacific Biosciences management contacted a representative of Centerview.

37

Table of Contents

On September 27, 2018, Dr. Hunkapiller and Mr. deSouza discussed Illumina s September 25, 2018, acquisition proposal of $7.00 in cash per share of common stock.

Throughout October 2018, Pacific Biosciences management and its advisors remained in active discussions concerning the Partnership Transaction.

On October 2, 2018, Mr. Ericson (in his capacity as a member of the Transactions Committee) and Dr. Hunkapiller met with members of Illumina management, including Mr. deSouza. During this meeting, Mr. Ericson and Dr. Hunkapiller expressed the view that the Pacific Biosciences Board would likely not accept Illumina s September 25, 2018, acquisition proposal of $7.00 in cash per share of common stock. Mr. Ericson and Dr. Hunkapiller encouraged Illumina to submit a revised proposal with a higher per-share value. They also informed Illumina that Pacific Biosciences was in discussions concerning the Partnership Transaction and would continue to pursue those discussions so as to maximize the number of strategic options available to Pacific Biosciences (but Pacific Biosciences did not share the identity of Party A with Illumina).

On October 4, 2018, the Transactions Committee met, with members of Pacific Biosciences management and representatives of Wilson Sonsini in attendance. The members of the Transactions Committee discussed (1) the proposed terms of Centerview s engagement; and (2) the possibility of contacting companies other than Illumina regarding their interest in an acquisition of Pacific Biosciences. The members of the Transactions Committee reviewed the strategic partnership discussions already undertaken by Pacific Biosciences. The Transactions Committee expressed concern that contacting these companies again regarding an acquisition of Pacific Biosciences carried a significant risk of unwanted public disclosure and speculation that Pacific Biosciences was pursuing a sale. The Transactions Committee also expressed concern that any such disclosure and speculation would be harmful to Pacific Biosciences business and competitive position, as well as to its relationships with employees, customers and suppliers. The Transactions Committee determined to have additional discussions with Centerview concerning an appropriate response to Illumina s acquisition proposal.

On October 5, 2018, a representative of Illumina s financial advisor spoke with a representative of Centerview about Illumina s interest in acquiring Pacific Biosciences. The representative of Centerview stated that Illumina should consider increasing the value of its acquisition proposal.

On October 7, 2018, the Transactions Committee met, with members of Pacific Biosciences management and representatives of each of Centerview and Wilson Sonsini in attendance. The representatives of Centerview reviewed for, and discussed with, the Transactions Committee a summary of Centerview s preliminary financial analysis of Illumina s September 25, 2018, acquisition proposal of $7.00 in cash per share of common stock. The Transactions Committee determined not to contact Illumina until after the upcoming meeting of the Pacific Biosciences Board.

As of October 8, 2018, Pacific Biosciences formally engaged Centerview to serve as its financial advisor.

On October 9, 2018, the Pacific Biosciences Board met, with members of Pacific Biosciences management and representatives of each of Centerview and Wilson Sonsini in attendance for a portion of the meeting. The members of the Transactions Committee provided the members of the Pacific Biosciences Board with an update on discussions with Illumina. The representatives of Centerview reviewed for, and discussed with, the Pacific Biosciences Board a summary of Centerview s preliminary financial analysis of Illumina s September 25, 2018, acquisition proposal of $7.00 in cash per share of common stock. The Pacific Biosciences Board directed the Transactions Committee to proceed with a negotiation strategy that encouraged Illumina to increase the value of its acquisition proposal.

On October 10, 2018, the Transactions Committee met, with members of Pacific Biosciences management and representatives of each of Centerview and Wilson Sonsini in attendance. The Transactions Committee determined to wait for Illumina to make a revised acquisition proposal.

Table of Contents

On October 12, 2018, the Transactions Committee met, with members of Pacific Biosciences management and representatives of each of Centerview and Wilson Sonsini in attendance. The representatives of Wilson Sonsini discussed with the Transactions Committee the antitrust and competition law implications of an acquisition of Pacific Biosciences by Illumina. The representatives of Centerview again reviewed for, and discussed with, the Transactions Committee a summary of Centerview s preliminary financial analysis of Illumina s September 25, 2018, acquisition proposal of $7.00 in cash per share of common stock. The Transactions Committee instructed Centerview to contact Illumina s financial advisor to determine when Illumina would make a revised acquisition proposal.

Also on October 12, 2018, Pacific Biosciences entered into a non-binding term sheet with Party A concerning aspects of the Partnership Transaction. Party A and Pacific Biosciences had the goal of entering into the Partnership Transaction before November 10, 2018. The parties wished to consummate the Partnership Transaction before November 10, 2018, so that the Partnership Transaction was not required to be filed with the Committee on Foreign Investment in the United States (which we refer to as CFIUS). The United States Department of the Treasury has recently issued new regulations to implement the Foreign Investment Risk Review Modernization Act. This legislation expanded the jurisdiction of CFIUS to include many non-controlling investments and made a filing with CFIUS mandatory in connection with those investments.

On October 13, 2018, a representative of Centerview spoke with a representative of Illumina s financial advisor concerning Illumina s September 25, 2018, acquisition proposal of $7.00 in cash per share of common stock.

On October 15, 2018, a representative of Centerview spoke with a representative of Illumina s financial advisor. During this conversation, the representative of Illumina s financial advisor stated that Illumina was prepared to increase the value of its acquisition proposal to $7.50 in cash per share of common stock. Illumina subsequently confirmed this acquisition proposal in writing.

Later on October 15, 2018, the Transactions Committee met, with members of Pacific Biosciences management and representatives of each of Centerview and Wilson Sonsini in attendance. The representatives of Centerview reviewed for, and discussed with, the Pacific Biosciences Board a summary of Centerview s preliminary financial analysis of Illumina s October 15, 2018, acquisition proposal of $7.50 in cash per share of common stock. The Transactions Committee authorized Centerview to make a counterproposal to Illumina of $8.25 in cash per share of common stock.

On October 16, 2018, a representative of Centerview proposed to a representative of Illumina s financial advisor that Illumina increase the value of its acquisition proposal to $8.25 in cash per share of common stock. In response, the representative of Illumina s financial advisor stated that Illumina was prepared to increase the value of its acquisition proposal to $7.75 in cash per share of common stock, but that a higher per share price would require additional discussions by Illumina s board of directors.

Later on October 16, 2018, and following discussions with certain members of each of Pacific Biosciences management and the Transactions Committee, a representative of Centerview informed a representative of Illumina s financial advisor that Pacific Biosciences believed that a higher per share price was warranted and that Illumina s board of directors should be consulted.

Still later on October 16, 2018, the Transactions Committee met, with members of Pacific Biosciences management and representatives of each of Centerview and Wilson Sonsini in attendance. The members of Transactions Committee discussed Illumina s October 16, 2018, acquisition proposal of $7.75 in cash per share of common stock and the earlier conversation between representatives of each of Centerview and Illumina s financial advisor.

On October 18, 2018, at the request of Illumina, members of Pacific Biosciences management and representatives of Centerview discussed Pacific Biosciences expected results for the third quarter of 2018

Table of Contents

(which at the time were not publicly available) with members of Illumina management and representatives of Illumina s financial advisor.

On October 20, 2018, the Transactions Committee met, with members of Pacific Biosciences management and representatives of each of Centerview and Wilson Sonsini in attendance. The members of the Transactions Committee discussed Illumina s October 16, 2018, acquisition proposal of $7.75 in cash per share of common stock.

Later on October 20, 2018, a representative of Centerview spoke with a representative of Illumina s financial advisor. During this conversation, the representative of Illumina s financial advisor stated that Illumina was prepared to increase the value of its acquisition proposal to $8.00 in cash per share of common stock. During this conversation, the representative of Illumina s financial advisor conveyed that Illumina was unlikely to further increase the value of its acquisition proposal.

On October 21, 2018, the Transactions Committee met, with members of Pacific Biosciences management and representatives of each of Centerview and Wilson Sonsini in attendance. The members of the Transactions Committee discussed Illumina s October 20, 2018, acquisition proposal of $8.00 in cash per share of common stock. The Transactions Committee determined that it supported proceeding with additional discussions with Illumina and the negotiation of the merger agreement. The Transactions Committee instructed Wilson Sonsini to begin discussions with outside legal counsel to Illumina concerning the antitrust and competition law aspects of an acquisition. In addition, the Transactions Committee approved making a proposal to Illumina under which Illumina would owe Pacific Biosciences a reverse termination fee of 10 percent of the deal value in connection with a failure of the acquisition to be completed due to necessary antitrust and competition law approvals not being obtained.

Later on October 21, 2018, legal counsel to Illumina provided Wilson Sonsini with an initial draft of the merger agreement.

At various points during the week of October 22, 2018, Illumina and its legal counsel and Pacific Biosciences and Wilson Sonsini discussed a number of matters related to the execution and completion of the transaction, including due diligence, negotiation of the terms of the merger agreement and regulatory approvals.

On October 24, 2018, the Pacific Biosciences Board met, with members of Pacific Biosciences management and representatives of each of Centerview and Wilson Sonsini in attendance. The representatives of Centerview reviewed for, and discussed with, the Pacific Biosciences Board a summary of Centerview s preliminary financial analysis of Illumina s October 20, 2018, acquisition proposal of $8.00 in cash per share of common stock. With the representatives of Centerview and Wilson Sonsini, the members of the Pacific Biosciences Board discussed the possibility of contacting companies other than Illumina regarding their interest in an acquisition of Pacific Biosciences. In that regard, the Pacific Biosciences Board reviewed the results, on a company-by-company basis, of the strategic partnership discussions that had begun in August 2017. With respect to each company, the Pacific Biosciences Board considered its financial capability and perceived current level of strategic interest in an acquisition of Pacific Biosciences. The Pacific Biosciences Board considered that during the strategic partnership discussions, only one company other than Illumina had expressed any interest in acquiring Pacific Biosciences (and that interest was highly preliminary), and that company had subsequently determined not to pursue an acquisition. Given these earlier strategic partnership discussions, the Pacific Biosciences Board believed that contacting these companies again regarding an acquisition of Pacific Biosciences carried a significant risk of unwanted public disclosure and speculation that Pacific Biosciences was pursuing a sale. The Pacific Biosciences Board believed that any such disclosure and speculation would be harmful to Pacific Biosciences business and competitive position, as well as to its relationships with employees, customers and suppliers. The Pacific Biosciences Board also believed that any public speculation that Pacific Biosciences was pursuing a sale had the potential to significantly impact Illumina s willingness to enter into an

acquisition on the terms and at the per share price then being discussed. The Pacific Biosciences Board was

Table of Contents

concerned that any failure to promptly accept Illumina s acquisition proposal created a meaningful risk that Illumina would withdraw that proposal and would not pursue it in the future. The Pacific Biosciences Board considered that any merger agreement with Illumina would, among other things, permit Pacific Biosciences, under certain circumstances, to (1) furnish information to, and conduct negotiations with, third parties regarding unsolicited acquisition proposals; and (2) terminate the merger agreement to enter into an alternative acquisition agreement. In light of these considerations, the Pacific Biosciences Board concluded not to contact any of these companies concerning an acquisition of Pacific Biosciences. The representatives of Wilson Sonsini discussed with the members of the Pacific Biosciences Board the process surrounding obtaining necessary antitrust and competition law approvals in connection with an acquisition of Pacific Biosciences by Illumina. It was the consensus of the Pacific Biosciences Board that Pacific Biosciences and Illumina should continue to work toward an acquisition.

During the week of October 29, 2018, representatives of each of Wilson Sonsini and outside legal counsel to Illumina met numerous times to negotiate the terms of the merger agreement. The principal areas of negotiation were (1) the commitments of the parties related to obtaining necessary antitrust and competition law approvals; (2) the remedies available to Pacific Biosciences in connection with a failure of the acquisition to be completed due to necessary antitrust and competition law approvals not being obtained; and (3) the amount of the termination fee payable by Pacific Biosciences in order to accept a superior acquisition proposal from a third party and the circumstances in which that fee would be payable.

On October 30, 2018, the Pacific Biosciences Board met, with members of Pacific Biosciences management and representatives of each of Centerview and Wilson Sonsini in attendance. The representatives of Wilson Sonsini reviewed the terms of the latest draft of the merger agreement. The representatives of Centerview reviewed for, and discussed with, the Pacific Biosciences Board a summary of Centerview s preliminary financial analysis of Illumina s October 20, 2018, acquisition proposal of $8.00 in cash per share of common stock. The Pacific Biosciences Board instructed Centerview to use the Forecasts (in addition to historical financial data) for purposes of its financial analysis. Members of Pacific Biosciences management discussed Pacific Biosciences cash needs through the time when Pacific Biosciences management expected Pacific Biosciences to become cash-flow positive. The Pacific Biosciences Board considered Pacific Biosciences cash needs should an acquisition of Pacific Biosciences by Illumina not be consummated, and the impact that receipt of a reverse termination fee would have on those needs. The Pacific Biosciences Board instructed Wilson Sonsini to continue to negotiate the remedies available to Pacific Biosciences in connection with a failure of the acquisition to be completed due to, among other things, necessary antitrust and competition law approvals not being obtained.

Early on November 1, 2018, the Pacific Biosciences Board met, with members of Pacific Biosciences management and representatives of each of Centerview and Wilson Sonsini in attendance. The representatives of Wilson Sonsini discussed with the members of the Pacific Biosciences Board their fiduciary duties as directors. The representatives of Centerview reviewed for, and discussed with, the Pacific Biosciences Board the financial analysis of Centerview of the merger consideration based on the Forecasts. The representatives of Centerview rendered Centerview s oral opinion, which was subsequently confirmed by delivery of a written opinion dated November 1, 2018, that, as of such date and based upon and subject to various assumptions made, procedures followed, matters considered, and qualifications and limitations upon the review undertaken in preparing its opinion, the merger consideration to be paid to the holders of shares of common stock (other than Excluded Shares) pursuant to the merger agreement was fair, from a financial point of view, to such holders. The representatives of Wilson Sonsini reviewed with the members of the Pacific Biosciences Board the key terms of the merger agreement. The members of the Pacific Biosciences Board discussed potential reasons for and against entering into the merger with Illumina. The Pacific Biosciences Board then recessed the meeting until later in the day while the final terms of the merger agreement were negotiated.

Later on November 1, 2018, the Pacific Biosciences Board reconvened, with members of Pacific Biosciences management and representatives of each of Centerview and Wilson Sonsini in attendance. The representatives of Wilson Sonsini reviewed with the members of the Pacific Biosciences Board the key terms of

Table of Contents

the merger agreement, which was now in final form. The Pacific Biosciences Board, after considering the factors more fully described in this proxy statement, (1) determined that the merger agreement, the merger and the other transactions contemplated by the merger agreement are fair to, advisable and in the best interests of Pacific Biosciences and its stockholders; and (2) adopted and approved the merger agreement, the merger and the other transactions contemplated by the merger agreement. The merger agreement was subsequently signed.

Still later on November 1, 2018, after the close of trading of the common stock on Nasdaq, Pacific Biosciences and Illumina publicly announced the signing of the merger agreement.

Recommendation of the Pacific Biosciences Board and Reasons for the Merger

Recommendation of the Pacific Biosciences Board

The Pacific Biosciences Board has unanimously: (1) determined that the merger agreement, the merger and the other transactions contemplated by the merger agreement are fair to, advisable and in the best interests of Pacific Biosciences and its stockholders; and (2) adopted and approved the merger agreement, the merger and the other transactions contemplated by the merger agreement.

The Pacific Biosciences Board unanimously recommends that you vote: (1) FOR the adoption of the merger agreement; (2) FOR the adjournment of the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies if there are insufficient votes to adopt the merger agreement at the time of the special meeting; and (3) FOR the compensation that will or may become payable by Pacific Biosciences to our named executive officers in connection with the merger.

Reasons for the Merger

In evaluating the merger agreement, the merger and the other transactions contemplated by the merger agreement, the Pacific Biosciences Board consulted with Pacific Biosciences management, Wilson Sonsini and Centerview. In recommending that Pacific Biosciences stockholders vote FOR the adoption of the merger agreement, the Pacific Biosciences Board considered a number of factors, including the following (which factors are not necessarily presented in order of relative importance), each of which the Pacific Biosciences Board believed supported its determination and recommendation.

Financial Condition, Results of Operations and Prospects of Pacific Biosciences. The current, historical and projected financial condition, results of operations and business of Pacific Biosciences, as well as Pacific Biosciences prospects and risks if it were to remain an independent company. The Pacific Biosciences Board considered Pacific Biosciences current business plans, including (1) the risks and uncertainties associated with achieving and executing on Pacific Biosciences business plans in the short and long term; (2) the impact of general market, customer and competitive trends on Pacific Biosciences; and (3) the general risks of market conditions that could reduce the price of the common stock. Among the potential risks identified by the Pacific Biosciences Board were:

Pacific Biosciences competitive positioning and prospects as a standalone company. Included in this was the consideration of Pacific Biosciences size, as well as its strategic and financial resources, relative to those of its competitors.

Pacific Biosciences liquidity position and ongoing financing needs, including the uncertainty and potential inability to raise additional or replacement equity or debt financing on terms acceptable to it. In this regard, the Pacific Biosciences Board considered the potentially lengthy time before Pacific Biosciences was projected to be cash-flow positive.

The current status of Pacific Biosciences product commercialization efforts, including the planned introduction in 2019 of a new sequencing technology. The Pacific Biosciences Board believed that, as with any new technology, there was significant uncertainty as to final time to market and market acceptance of this new technology.

Table of Contents

The small size of Pacific Biosciences commercial organization and the need to significantly expand the size and scope of that organization through strategic partnerships or substantial investment. In that regard, a strategic partnership with another company carried significant execution and counterparty risk. At the same time, an organic expansion of the commercial organization would require substantial investment and could take an extended period.

The need for continued research and development investment in Pacific Biosciences DNA sequencing business. This investment would require significant additional capital.

The historical execution of Pacific Biosciences management and its ability to continue to drive the business toward positive cash flow.

Certainty of Value. The consideration to be received by Pacific Biosciences stockholders in the merger consists entirely of cash, which provides liquidity and certainty of value. The receipt of cash consideration eliminates uncertainty and risk for Pacific Biosciences stockholders related to the continued execution of Pacific Biosciences business. The Pacific Biosciences Board also considered that the merger was not subject to any financing condition.

Best Value Reasonably Obtainable. The belief of the Pacific Biosciences Board that the per share merger consideration represents the best value reasonably obtainable for the shares of common stock, taking into account the Pacific Biosciences Board s familiarity with the business, operations, prospects, business strategy, assets, liabilities and general financial condition of Pacific Biosciences on a historical and prospective basis. The Pacific Biosciences Board also considered that the per share merger consideration of $8.00 (an increase from Illumina s initial proposal of $7.00 per share) constituted a premium of approximately (1) 77 percent to the closing price of the common stock on November 1, 2018 (the last trading day before the announcement of the merger); (2) 75 percent to the volume-weighted average price per share of the common stock for the 30 trading day period up to and including November 1, 2018; and (3) 79 percent to the volume-weighted average price per share of the common stock for the 90 trading day period up to and including November 1, 2018.

Fairness Opinion of Centerview. The opinion of Centerview rendered to the Pacific Biosciences Board on November 1, 2018, which was subsequently confirmed by delivery of a written opinion dated November 1, 2018, that, as of such date and based upon and subject to the assumptions made, procedures followed, matters considered, and qualifications and limitations upon the review undertaken by Centerview in preparing its opinion, the merger consideration to be paid to the holders of shares of Pacific Biosciences common stock (other than Excluded Shares) pursuant to the merger agreement was fair, from a financial point of view, to such holders.

Potential Strategic Alternatives. The (1) possible alternatives to the merger, including the possibility of continuing to operate Pacific Biosciences as an independent entity or of pursuing the Partnership Transaction, and the desirability and perceived risks of those alternatives; (2) potential benefits to Pacific Biosciences stockholders of these alternatives and the timing and likelihood of effecting such alternatives;

and (3) Pacific Biosciences Board s assessment that none of these alternatives was reasonably likely to present superior opportunities for Pacific Biosciences to create greater value for Pacific Biosciences stockholders, taking into account risks of execution as well as business, competitive, financial, industry, market and regulatory risks. The Pacific Biosciences Board believed that the strategic partnership discussions already undertaken had provided Pacific Biosciences with significant insight into the willingness of various companies to partner, or pursue another transaction, with Pacific Biosciences.

Negotiations with Illumina and Terms of the Merger Agreement. The terms of the merger agreement, which was the product of arms -length negotiations, and the belief of the Pacific Biosciences Board that the merger agreement contained customary terms. These terms include:

Pacific Biosciences ability, under certain circumstances, to furnish information to, and conduct negotiations with, third parties regarding unsolicited acquisition proposals.

Table of Contents

The Pacific Biosciences Board s view that the terms of the merger agreement would be unlikely to deter third parties from making a superior proposal.

The Pacific Biosciences Board s ability, under certain circumstances, to withdraw or modify its recommendation that Pacific Biosciences stockholders vote in favor of the adoption of the merger agreement.

The Pacific Biosciences Board s ability, under certain circumstances, to terminate the merger agreement to enter into an alternative acquisition agreement. In that regard, the Pacific Biosciences Board believed that the termination fee payable by Pacific Biosciences in such instance was reasonable, consistent with or below similar fees payable in comparable transactions, and not preclusive of other offers.

The limited conditions to Illumina s obligation to consummate the merger, making the merger reasonably likely to be consummated.

The reverse termination fee of $98.0 million payable by Illumina in certain circumstances and the other remedies available to Pacific Biosciences in connection with certain terminations of the merger agreement.

The consummation of the merger not being subject to a financing condition.

Business Reputation of Illumina. The business reputation, management and financial resources of Illumina. The Pacific Biosciences Board believed that these factors supported the conclusion that a transaction with Illumina could be completed in an orderly manner.

Appraisal Rights. The appraisal rights in connection with the merger available to Pacific Biosciences stockholders who timely and properly exercise such appraisal rights under Delaware law.

In recommending that Pacific Biosciences stockholders vote FOR the adoption of the merger agreement, the Pacific Biosciences Board also considered a number of uncertainties and risks and other potentially negative factors, including the following (which factors are not necessarily presented in order of relative importance):

No Stockholder Participation in Future Growth or Earnings. The nature of the merger as a cash transaction means that Pacific Biosciences stockholders will not participate in the future earnings or growth of Pacific Biosciences, and will not benefit from any appreciation in value of the combined company. The Pacific Biosciences Board also considered the other potential alternative strategies available to Pacific Biosciences, which, despite significant uncertainty, had the potential to result in a more successful and valuable company.

Timing and Regulatory Risks. The amount of time that it could take to complete the merger and the uncertainty and related disruption that could arise during that time. In that regard, the Pacific Biosciences Board considered that the merger is subject to antitrust and competition law approvals in the United States and other jurisdictions. These approvals may take significant time to obtain and may not be obtained at all. In addition, if these approvals are not obtained, then Illumina is permitted, under certain circumstances, to terminate the merger agreement and pay Pacific Biosciences the reverse termination fee of $98.0 million. This reverse termination fee may not be sufficient to compensate Pacific Biosciences for the damage suffered by its business as a result of the pendency of the merger or of the strategic initiatives forgone by Pacific Biosciences during this period.

Risk Associated with Failure to Consummate the Merger. The possibility that the merger might not be consummated, and if it is not consummated, (1) Pacific Biosciences directors, senior management and other employees will have expended extensive time and effort and will have experienced significant distractions from their work during the pendency of the transaction; (2) Pacific Biosciences will have incurred significant transaction costs; (3) Pacific Biosciences continuing business relationships with customers, licensors, business partners and employees may be adversely affected; (4) the trading price of the common stock could be adversely affected; (5) the reverse termination fee of $98.0 million

Table of Contents

payable by Illumina will not be available in all instances in which the merger agreement is terminated; (6) the other contractual and legal remedies available to Pacific Biosystems in the event of termination of the merger agreement may be insufficient, costly to pursue or both; and (7) the market s perceptions of Pacific Biosciences prospects could be adversely affected.

Interim Restrictions on Pacific Biosciences Business Pending the Completion of the Merger. The restrictions on the conduct of Pacific Biosciences business prior to the consummation of the merger, including the requirement that Pacific Biosciences conduct its business in the ordinary course, subject to specific limitations, which may delay or prevent Pacific Biosciences from undertaking strategic initiatives before the completion of the merger that, absent the merger agreement, Pacific Biosciences might have pursued. The Pacific Biosciences Board also considered the restrictions on soliciting other acquisition proposals prior to the consummation of the merger.

Effects of Merger Announcement. The effect of the public announcement of the merger agreement, including (1) effects on Pacific Biosciences sales, employees, customers, operating results and stock price; (2) the impact of the public announcement of the merger on Pacific Biosciences ability to attract and retain key management, sales and marketing, and technical personnel; and (3) the potential for litigation in connection with the merger.

Termination Fee Payable by Pacific Biosciences. The requirement that Pacific Biosciences pay Illumina a termination fee of $43.0 million under certain circumstances following termination of the merger agreement, including if the Pacific Biosciences Board terminates the merger agreement to accept a superior proposal. The Pacific Biosciences Board considered the potentially discouraging impact that this termination fee could have on another company s interest in making a competing proposal to acquire Pacific Biosciences.

Taxable Consideration. The receipt of cash in exchange for shares of common stock pursuant to the merger will be a taxable transaction for U.S. federal income tax purposes for many of PacBio stockholders.

Interests of Pacific Biosciences Directors and Executive Officers. Pacific Biosciences directors and executive officers may have interests in the merger that are different from, or in addition to, those of Pacific Biosciences other stockholders.

This discussion is not meant to be exhaustive, but summarizes the material factors considered by the Pacific Biosciences Board in its consideration of the merger. After considering these and other factors, the Pacific Biosciences Board concluded that the potential benefits of the merger outweighed the uncertainties and risks. In view of the variety of factors considered by the Pacific Biosciences Board and the complexity of these factors, the Pacific Biosciences Board did not find it practicable to, and did not, quantify or otherwise assign relative weights to the foregoing factors in reaching its determination and recommendations. Moreover, each member of the Pacific Biosciences Board applied his or her own personal business judgment to the process and may have assigned different weights to different factors. The Pacific Biosciences Board adopted and approved the merger agreement, the merger and the other transactions contemplated by the merger agreement and recommended that Pacific Biosciences stockholders adopt the merger agreement based upon the totality of the information presented to, and considered by, the Pacific Biosciences Board.

Opinion of Centerview Partners LLC

On November 1, 2018, Centerview rendered to the Pacific Biosciences Board its oral opinion, subsequently confirmed in a written opinion dated November 1, 2018, that, as of such date and based upon and subject to various assumptions made, procedures followed, matters considered, and qualifications and limitations upon the review undertaken by Centerview in preparing its opinion, the merger consideration to be paid to the holders of shares of common stock (other than excluded shares) pursuant to the merger agreement was fair, from a financial point of view, to such holders.

Table of Contents

The full text of Centerview s written opinion, dated November 1, 2018, which describes the assumptions made, procedures followed, matters considered, and qualifications and limitations upon the review undertaken by Centerview in preparing its opinion, is attached as Annex B and is incorporated herein by reference. **The summary of the written opinion of Centerview set forth below is qualified in its entirety by the full text of Centerview s written opinion attached as Annex B. Centerview s financial advisory services and opinion were provided for the information and assistance of the Pacific Biosciences Board (in their capacity as directors and not in any other capacity) in connection with and for purposes of its consideration of the merger, and Centerview s opinion only addressed the fairness, from a financial point of view, as of the date thereof, to the holders of shares of common stock (other than excluded shares) of the merger consideration to be paid to such holders pursuant to the merger agreement. Centerview s opinion did not address any other term or aspect of the merger agreement or the merger and does not constitute a recommendation to any Pacific Biosciences stockholder or any other person as to how such stockholder or other person should vote with respect to the merger or otherwise act with respect to the merger or any other matter.**

The full text of Centerview s written opinion should be read carefully in its entirety for a description of the assumptions made, procedures followed, matters considered, and qualifications and limitations upon the review undertaken by Centerview in preparing its opinion.

In connection with rendering the opinion described above and performing its related financial analyses, Centerview reviewed, among other things:

- a draft of the merger agreement dated November 1, 2018 (which is referred to as the draft merger agreement);
- Annual Reports on Form 10-K of Pacific Biosciences for the years ended December 31, 2017, December 31, 2016, and December 31, 2015;
- certain interim reports to stockholders and Quarterly Reports on Form 10-Q of Pacific Biosciences;
- certain publicly available research analyst reports for Pacific Biosciences;
- certain other communications from Pacific Biosciences to Pacific Biosciences stockholders; and
- certain internal information relating to the business, operations, earnings, cash flow, assets, liabilities and prospects of Pacific Biosciences, including the Forecast, prepared by Pacific Biosciences management and furnished to Centerview by Pacific Biosciences for purposes of Centerview s analysis (the Forecast as well as the foregoing internal information relating to the business, operations, earnings, cash flow, assets, liabilities and prospects of Pacific Biosciences are collectively referred to as the internal data).

Centerview also participated in discussions with members of Pacific Biosciences management and representatives of Pacific Biosciences regarding their assessment of the internal data. In addition, Centerview reviewed publicly available financial and stock market data, including valuation multiples, for Pacific Biosciences and compared that

data with similar data for certain other companies, the securities of which are publicly traded, in lines of business that Centerview deemed relevant. Centerview also compared certain of the proposed financial terms of the merger with the financial terms, to the extent publicly available, of certain other transactions that Centerview deemed relevant, and conducted such other financial studies and analyses and took into account such other information as Centerview deemed appropriate.

Centerview assumed, without independent verification or any responsibility therefor, the accuracy and completeness of the financial, legal, regulatory, tax, accounting and other information supplied to, discussed with, or reviewed by Centerview for purposes of its opinion and, with Pacific Biosciences consent, Centerview relied upon such information as being complete and accurate. In that regard, Centerview assumed, at Pacific Biosciences direction, that the internal data (including, without limitation, the Forecast) were reasonably prepared on bases reflecting the best currently available estimates and judgments of Pacific Biosciences

Table of Contents

management as to the matters covered thereby and Centerview relied, at Pacific Biosciences direction, on the internal data for purposes of Centerview s analysis and opinion. Centerview expressed no view or opinion as to the internal data or the assumptions on which it was based. In addition, at Pacific Biosciences direction, Centerview did not make any independent evaluation or appraisal of any of the assets or liabilities (contingent, derivative, off-balance-sheet or otherwise) of Pacific Biosciences, nor was Centerview furnished with any such evaluation or appraisal, and was not asked to conduct, and did not conduct, a physical inspection of the properties or assets of Pacific Biosciences. Centerview assumed, at Pacific Biosciences direction, that the final executed merger agreement would not differ in any respect material to Centerview s analysis or opinion from the draft merger agreement reviewed by Centerview. Centerview also assumed, at Pacific Biosciences direction, that the merger will be consummated on the terms set forth in the merger agreement and in accordance with all applicable laws and other relevant documents or requirements, without delay or the waiver, modification or amendment of any term, condition or agreement, the effect of which would be material to Centerview s analysis or Centerview s opinion and that, in the course of obtaining the necessary governmental, regulatory and other approvals, consents, releases and waivers for the merger, no delay, limitation, restriction, condition or other change will be imposed, the effect of which would be material to Centerview s analysis or Centerview s opinion. Centerview did not evaluate and did not express any opinion as to the solvency or fair value of Pacific Biosciences, or the ability of Pacific Biosciences to pay its obligations when they come due, or as to the impact of the merger on such matters, under any state, federal or other laws relating to bankruptcy, insolvency or similar matters. Centerview is not a legal, regulatory, tax or accounting advisor, and Centerview expressed no opinion as to any legal, regulatory, tax or accounting matters.

Centerview s opinion expressed no view as to, and did not address, Pacific Biosciences underlying business decision to proceed with or effect the merger, or the relative merits of the merger as compared to any alternative business strategies or transactions that might be available to Pacific Biosciences or in which Pacific Biosciences might engage. Centerview s opinion was limited to and addressed only the fairness, from a financial point of view, as of the date of Centerview s written opinion, to the holders of the shares of common stock (other than excluded shares) of the merger consideration to be paid to such holders pursuant to the merger agreement. For purposes of its opinion, Centerview was not asked to, and Centerview did not, express any view on, and its opinion did not address, any other term or aspect of the merger agreement or the merger, including, without limitation, the structure or form of the merger, or any other agreements or arrangements contemplated by the merger agreement or entered into in connection with or otherwise contemplated by the merger, including, without limitation, the fairness of the merger or any other term or aspect of the merger to, or any consideration to be received in connection therewith by, or the impact of the merger on, the holders of any other class of securities, creditors or other constituencies of Pacific Biosciences or any other party. In addition, Centerview expressed no view or opinion as to the fairness (financial or otherwise) of the amount, nature or any other aspect of any compensation to be paid or payable to any of the officers, directors or employees of Pacific Biosciences or any party, or class of such persons in connection with the merger, whether relative to the merger consideration to be paid to the holders of shares of common stock (other than excluded shares) pursuant to the merger agreement or otherwise. Centerview s opinion was necessarily based on financial, economic, monetary, currency, market and other conditions and circumstances as in effect on, and the information made available to Centerview as of, the date of Centerview s written opinion, and Centerview does not have any obligation or responsibility to update, revise or reaffirm its opinion based on circumstances, developments or events occurring after the date of Centerview written opinion. Centerview s opinion does not constitute a recommendation to any Pacific Biosciences stockholder or any other person as to how such stockholder or other person should vote with respect to the merger or otherwise act with respect to the merger or any other matter. Centerview s financial advisory services and its written opinion were provided for the information and assistance of the Pacific Biosciences Board (in their capacity as directors and not in any other capacity) in connection with and for purposes of its consideration of the merger. The issuance of Centerview s opinion was approved by the Centerview Partners LLC Fairness Opinion Committee.

47

Table of Contents

Summary of Centerview s Financial Analysis

The following is a summary of the material financial analyses prepared and reviewed with the Pacific Biosciences Board in connection with Centerview s opinion, dated November 1, 2018. **The summary set forth below does not purport to be a complete description of the financial analyses performed or factors considered by, and underlying the opinion of, Centerview, nor does the order of the financial analyses described represent the relative importance or weight given to those financial analyses by Centerview. Centerview may have deemed various assumptions more or less probable than other assumptions, so the reference ranges resulting from any particular portion of the analyses summarized below should not be taken to be Centerview s view of the actual value of Pacific Biosciences. Some of the summaries of the financial analyses set forth below include information presented in tabular format. In order to fully understand the financial analyses, the tables must be read together with the text of each summary, as the tables alone do not constitute a complete description of the financial analyses performed by Centerview. Considering the data in the tables below without considering all financial analyses or factors or the full narrative description of such analyses or factors, including the methodologies and assumptions underlying such analyses or factors, could create a misleading or incomplete view of the processes underlying Centerview s financial analyses and its opinion.** In performing its analyses, Centerview made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of Pacific Biosciences or any other parties to the merger. None of Pacific Biosciences, Illumina, Merger Sub or Centerview or any other person assumes responsibility if future results are materially different from those discussed. Any estimates contained in these analyses are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than as set forth below. In addition, analyses relating to the value of Pacific Biosciences do not purport to be appraisals or reflect the prices at which Pacific Biosciences may actually be sold. Accordingly, the assumptions and estimates used in, and the results derived from, the financial analyses, are inherently subject to substantial uncertainty. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before October 31, 2018 (the last trading day before the public announcement of the merger) and is not necessarily indicative of current market conditions.

Selected Public Company Analysis

Centerview reviewed and compared certain financial information for Pacific Biosciences to corresponding financial information for the following publicly traded companies that Centerview deemed comparable, based on its experience and professional judgment, to Pacific Biosciences:

Large Cap Companies

Agilent Technologies, Inc.

Becton, Dickinson and Company

Danaher Corporation

Illumina, Inc.

Mettler-Toledo International Inc.

Thermo Fisher Scientific Inc.

Waters Corporation

Small/Mid Cap Companies

Accelerate Diagnostics, Inc.

Bio-Rad Laboratories, Inc.

Table of Contents

Bio-Techne Corporation

bioMerieux

Bruker Corporation

DiaSorin

Haemonetics Corporation

Luminex Corporation

NanoString Technologies, Inc.

PerkinElmer, Inc.

Qiagen N.V.

Quidel Corporation

Although none of the selected companies is directly comparable to Pacific Biosciences, the companies listed above were chosen by Centerview, among other reasons, because they are publicly traded life science tools and/or diagnostic companies with certain operational, business and/or financial characteristics that, for purposes of Centerview s analysis, may be considered similar to those of Pacific Biosciences. However, because none of the selected companies is exactly the same as Pacific Biosciences, Centerview believed that it was inappropriate to, and therefore did not, rely solely on the quantitative results of the selected public company analysis. Accordingly, Centerview also made qualitative judgments, based on its experience and professional judgment, concerning differences between the operational, business and/or financial characteristics of Pacific Biosciences and the selected companies, which could affect the public trading values of each, in order to provide a context in which to consider the results of the quantitative analysis.

Centerview calculated and compared financial multiples for the selected companies based on information it obtained from Pacific Biosciences management, public filings, FactSet (a data source containing historical and estimated financial data) and other Wall Street research. With respect to each of the selected companies, Centerview calculated enterprise value (calculated as the market value of common equity (determined using the treasury stock method and taking into account outstanding in-the-money options, warrants, RSUs/PSUs and other convertible securities, plus the book value of debt and certain liabilities less cash and cash equivalents and other investments)) (which is referred to as EV), as a multiple of Wall Street research analyst consensus estimated revenues for such selected companies for calendar years 2019 and 2020.

The results of this analysis are summarized as follows:

Large Cap Companies

	EV / Revenue Multiple	
	2019E	**2020E**
High	12.0x	10.6x
Median	4.7x	4.5x
Low	3.9x	3.7x

Small/Mid Cap Companies

	EV / Revenue Multiple	
	2019E	**2020E**
High	17.9x	8.8x
Median	4.7x	4.4x
Low	2.0x	1.9x

Table of Contents

Based on the foregoing, Centerview applied a range of (1) 4.0x to 6.0x estimated 2019 revenue multiples derived from the selected companies to Pacific Biosciences estimated calendar year 2019 revenue of $144 million, based on the Forecast, which resulted in an implied per share equity value range for the shares of common stock of approximately $4.30 to $5.95, rounded to the nearest $0.05; and (2) 3.5x to 5.5x estimated 2020 revenue multiples derived from the selected companies to Pacific Biosciences estimated calendar year 2020 revenue of $221 million, based on the Forecast, which resulted in an implied per share equity value range for the Shares of approximately $5.45 to $7.90, rounded to the nearest $0.05. Centerview then compared these ranges to the $8.00 per share merger consideration proposed to be paid to the holders of common stock (other than excluded shares) pursuant to the merger agreement.

Selected Precedent Transactions Analysis

Centerview reviewed and analyzed certain information relating to selected transactions involving publicly traded life science tools and/or diagnostic companies that Centerview, based on its experience and judgment as a financial advisor, deemed relevant to consider in relation to Pacific Biosciences and the merger. These transactions were:

Date Announced	Target	Acquiror
06/19/18	Foundation Medicine, Inc.	Roche Holdings, Inc.
09/06/16	Cepheid Inc.	Danaher Corporation
01/08/16	Affymetrix, Inc.	Thermo Fisher Scientific Inc.
09/22/14	Sigma-Aldrich Corporation	Merck KGaA
04/15/13	Life Technologies Corporation	Thermo Fisher Scientific Inc.
09/17/12	IRIS International, Inc.	Danaher Corporation
09/08/11	Caliper Life Sciences, Inc.	PerkinElmer, Inc.
07/11/11	Cellestis Limited	Qiagen N.V.
03/18/11	Celera Corporation	Quest Diagnostics Incorporated
02/07/11	Beckman Coulter, Inc.	Danaher Corporation
12/13/10	Dionex Corporation	Thermo Fisher Scientific Inc.
07/27/09	Varian, Inc.	Agilent Technologies, Inc.

No company or transaction used in this analysis is identical or directly comparable to Pacific Biosciences or the merger. The target companies included in the selected transactions above were selected, among other reasons, because they have certain characteristics that, for the purposes of this analysis, may be considered similar to certain characteristics of Pacific Biosciences. The reasons for and the circumstances surrounding each of the selected precedent transactions analyzed were diverse and there are inherent differences in the business, operations, financial conditions and prospects of Pacific Biosciences and the companies included in the selected precedent transactions analysis. Accordingly, Centerview believed that it was inappropriate to, and therefore did not, rely solely on the quantitative results of the selected transactions analysis. This analysis involves complex considerations and qualitative judgments concerning differences in financial and operating characteristics and other factors that could affect the public trading, acquisition or other values of the selected target companies and Pacific Biosciences.

Financial data for the precedent transactions was based on publicly available information at the time of the announcement of the relevant transactions that Centerview obtained from public filings, FactSet and Wall Street research. Using publicly available information, Centerview calculated, for each selected transaction, among other things, the enterprise value implied for the applicable target company based on the consideration payable in the selected transaction (which is referred to as TEV) as a multiple of the target company s (1) forward projected revenue

one year following the transaction announcement; and (2) forward projected revenue two years following the transaction announcement.

Table of Contents

The results of this analysis are summarized as follows:

	TEV / Forward Revenue	
	1 Year	2 Year
High	19.5x	14.1x
Median	3.8x	3.8x
Low	1.6x	1.5x

Based on this analysis and other considerations that Centerview deemed relevant in its professional judgment and expertise, Centerview applied a range of (1) 3.5x to 5.5x one-year forward revenue multiples derived from the target companies in the selected precedent transactions, to Pacific Biosciences estimated one-year forward revenue of $144 million as of December 31, 2018, as derived from the Forecast, which resulted in an implied per share equity value range for the shares of common stock of approximately $3.90 to $5.55, rounded to the nearest $0.05; and (2) 3.0x to 5.0x two-year forward revenue multiples derived from the precedent transactions to Pacific Biosciences estimated two-year forward revenue of $221 million as of December 31, 2018, as derived from the Forecast, which resulted in an implied per share equity value range for the shares of common stock approximately $4.80 to $7.30, rounded to the nearest $0.05. Centerview then compared these ranges to the $8.00 per share merger consideration proposed to be paid to the holders of common stock (other than excluded shares) pursuant to the merger agreement.

Discounted Cash Flow Analysis

Centerview performed a discounted cash flow analysis of Pacific Biosciences based on the Forecasts. A discounted cash flow analysis is a traditional valuation methodology used to derive a valuation of an asset or set of assets by calculating the present value of estimated future cash flows of the asset or set of assets. Present value refers to the current value of future cash flows or amounts and is obtained by discounting those future cash flows or amounts by a discount rate that takes into account macroeconomic assumptions, estimates of risk and the opportunity cost of capital of the future cash flows or amounts, expected returns and other appropriate factors.

In performing this analysis, Centerview calculated a range of equity values for Pacific Biosciences by discounting to present value as of December 31, 2018, using discount rates ranging from 11 percent to 13 percent (reflecting Centerview s analysis of Pacific Biosciences weighted average cost of capital) and the mid-year convention: (1) the forecasted, after-tax unlevered free cash flows of Pacific Biosciences over the period beginning on January 1, 2019 and ending on December 31, 2028, as set forth in the Forecast; and (2) a range of implied terminal values of Pacific Biosciences at the end of the Forecast period calculated by applying an illustrative range of enterprise value to earnings before interest, taxes, depreciation and amortization (which is referred to as EBITDA) multiples of 12.0x to 16.0x, which Centerview selected utilizing its professional judgment and experience, to Pacific Biosciences estimated forward EBITDA as of December 31, 2028, as set forth in the Forecasts. In performing this analysis, Centerview adjusted for (i) Pacific Biosciences estimated net cash balance of $136 million as of December 31, 2018; (ii) the net present value of standalone tax savings from federal net operating losses of $50 million, or $0.30 per share, based on the estimated utilization of Pacific Biosciences net operating losses; and (iii) at the direction of Pacific Biosciences management, an assumed $50 million equity financing at $4.25 per share (which is referred to as the equity financing). Centerview divided the result of the foregoing calculations by the number of fully-diluted outstanding shares of common stock (determined using the treasury stock method and taking into account outstanding in-the-money options and RSUs/PSUs and including shares to be issued in the equity financing) as of October 30, 2018, based on the internal data to derive a range of implied values per share of common stock of approximately $6.75 to $9.20, rounded to the nearest $0.05. Centerview compared this range to the $8.00 per share merger consideration proposed to be paid to the holders of common stock (other than excluded shares) pursuant to the merger

agreement.

Table of Contents

Other Factors

Centerview noted for the Pacific Biosciences Board the additional factors solely for informational purposes, including, among other things, the following:

- Historical closing trading prices of the shares of common stock during the 52-week period ended October 31, 2018 (the last trading day before the public announcement of the merger), which reflected low and high stock closing prices for Pacific Biosciences during such period of approximately $2.05 to $5.55 per share.

- Stock price targets for the shares of common stock in publicly available Wall Street research analyst reports, which indicated low and high stock price targets for common stock ranging from $3.50 to $8.00 per share.

- An analysis of premiums paid in the selected transactions involving publicly traded life science tools and/or diagnostic companies, as set forth in the section of this proxy statement captioned Opinion of the Centerview Partners LLC Selected Precedent Transactions Analysis, for which premium data was available. The premiums in this analysis were calculated by comparing the per share acquisition price in each transaction to the closing price of the target company s common stock for the date one day prior to the date on which the trading price of the target s common stock was perceived to be affected by a potential transaction. Based on the analysis above and other considerations that Centerview deemed relevant in its professional judgment, Centerview applied a range of 30 percent to 50 percent to closing stock price on October 31, 2018 (the last trading day before the public announcement of the merger) of $4.45, which resulted in an implied price range of approximately $5.80 to $6.70 per share, rounded to the nearest $0.05.

General

The preparation of a financial opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a financial opinion is not readily susceptible to summary description. In arriving at its opinion, Centerview did not draw, in isolation, conclusions from or with regard to any factor or analysis that it considered. Rather, Centerview made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all of the analyses.

Centerview s financial analyses and opinion were only one of many factors taken into consideration by the Pacific Biosciences Board in its evaluation of the merger. Consequently, the analyses described above should not be viewed as determinative of the views of the Pacific Biosciences Board or Pacific Biosciences management with respect to the merger consideration or as to whether the Pacific Biosciences Board would have been willing to determine that a different consideration was fair. The consideration for the merger was determined through arm s-length negotiations between Pacific Biosciences and Illumina and was approved by the Pacific Biosciences Board. Centerview provided advice to Pacific Biosciences during these negotiations. Centerview did not, however, recommend any specific amount of consideration to Pacific Biosciences or the Pacific Biosciences Board or that any specific amount of consideration constituted the only appropriate consideration for the transaction.

Centerview is a securities firm engaged directly and through affiliates and related persons in a number of investment banking, financial advisory and merchant banking activities. In the two years prior to the date of its written opinion,

Centerview was not (except for the current engagement) engaged to provide financial advisory or other services to Pacific Biosciences, and Centerview has not received any compensation from Pacific Biosciences. In the two years prior to the date of its written opinion on November 1, 2018, Centerview was not engaged to provide financial advisory or other services to Illumina or Merger Sub, and Centerview has not received any compensation from Illumina. Centerview may provide financial advisory and other services to or with respect to Pacific Biosciences or Illumina or their respective affiliates in the future, for which Centerview

Table of Contents

may receive compensation. Certain (1) of Centerview s and its affiliates directors, officers, members and employees, or family members of such persons; (2) of Centerview s affiliates or related investment funds; and (3) investment funds or other persons in which any of the foregoing may have financial interests or with which they may co-invest, may at any time acquire, hold, sell or trade, in debt, equity and other securities or financial instruments (including derivatives, bank loans or other obligations) of, or investments in, Pacific Biosciences, Illumina or any of their respective affiliates, or any other party that may be involved in the merger.

The Pacific Biosciences Board selected Centerview as its financial advisor in connection with the merger based on Centerview s reputation and experience. Centerview is an internationally recognized investment banking firm that has substantial experience in transactions similar to the merger.

In connection with Centerview s services as the financial advisor to the Pacific Biosciences Board, Pacific Biosciences has agreed to pay Centerview an aggregate fee of $18.5 million, $2 million of which was payable upon the rendering of Centerview s opinion and $16.5 million of which is payable contingent upon consummation of the merger. In addition, Pacific Biosciences has agreed to reimburse certain of Centerview s expenses arising, and to indemnify Centerview against certain liabilities that may arise, out of Centerview s engagement.

Financial Forecasts

Pacific Biosciences does not, as a matter of course, make public projections as to its future financial performance. However, Pacific Biosciences management regularly prepares internal financial forecasts regarding its future operations for subsequent fiscal years.

In connection with Pacific Biosciences strategic planning process, Pacific Biosciences management prepared and provided to the Pacific Biosciences Board various forward-looking financial information for fiscal years 2018 through 2028. This financial information is collectively referred to as the Forecasts. Pacific Biosciences also provided the Forecasts to Centerview. A summary of the Forecasts is set forth in the table below.

The Forecasts were not prepared with a view toward public disclosure or to complying with accounting principles generally accepted in the United States (which we refer to as GAAP). In addition, the Forecasts were not prepared with a view toward complying with the guidelines established by the SEC or by the American Institute of Certified Public Accountants with respect to prospective financial information. In addition, the Forecasts assume that Pacific Biosciences would continue as a standalone company and do not reflect the impact of the merger (if it is completed).

The projections were prepared by, and are the responsibility of, Pacific Biosciences management. In the opinion of Pacific Biosciences management, the Forecasts (1) were prepared on a reasonable basis; (2) reflected the best currently available estimates and judgments; and (3) presented, to Pacific Biosciences management s knowledge, the expected future financial performance of Pacific Biosciences within the parameters and under the assumptions specified in preparing the Forecasts. Because the Forecasts reflect estimates and judgments, they are susceptible to sensitivities and assumptions, as well as multiple interpretations based on actual experience and business developments. The Forecasts also cover multiple years and such information by its nature becomes less predictive with each succeeding year.

Neither Pacific Biosciences independent registered public accounting firm nor any other independent accountants have (1) compiled, reviewed, audited, examined or performed any procedures with respect to the Forecasts; (2) expressed any opinion or any other form of assurance on such information or the achievability of such information; or (3) assumed any responsibility for the Forecasts. Pacific Biosciences independent registered public accounting firm disclaims any association with the Forecasts.

53

Table of Contents

The Forecasts are forward-looking statements. Although the Forecasts are presented with numerical specificity, they reflect numerous assumptions and estimates as to future events made by Pacific Biosciences management that Pacific Biosciences management believed were reasonable at the time that the Forecasts were prepared, taking into account the relevant information available to Pacific Biosciences management at that time. However, the Forecasts are not fact and should not be relied upon as being necessarily indicative of future results. Important factors that may affect actual results and cause the Forecasts not to be achieved include, among others, (1) general economic conditions; (2) the accuracy of certain accounting assumptions; (3) changes in actual or projected cash flows; (4) competitive pressures; and (5) changes in tax laws. Additional factors that may impact Pacific Biosciences and its business can be found in the various risk factors included in Pacific Biosciences periodic filings with the SEC. All of these factors are difficult to predict, and many of them are outside of Pacific Biosciences control. As a result, there can be no assurance that the Forecasts will be realized, and actual results may be materially better or worse than those contained in the Forecasts. The Forecasts may differ from publicized analyst estimates and forecasts and do not take into account any events or circumstances after the date that they were prepared, including the announcement of the merger. **Pacific Biosciences does not intend to update or otherwise revise the Forecasts to reflect circumstances existing after the date they were made or to reflect the occurrence of future events, even if any or all of the assumptions underlying the Forecasts are shown to be in error or no longer appropriate.**

By including the Forecasts in this proxy statement, neither Pacific Biosciences nor any of its representatives has made or makes any representation to any person regarding Pacific Biosciences ultimate performance as compared to the information contained in the Forecasts. The inclusion of the Forecasts should not be regarded as an indication that the Pacific Biosciences Board, Pacific Biosciences or any other recipient of the Forecasts considered, or now considers, the Forecasts to be predictive of actual future results. Further, the inclusion of the Forecasts in this proxy statement does not constitute an admission or representation by Pacific Biosciences that the information presented is material. The summary of the Forecasts is not being included in this proxy statement to influence the decision of any Pacific Biosciences stockholder on how to vote at the special meeting.

Pacific Biosciences stockholders are cautioned not to place undue reliance on the Forecasts, as Pacific Biosciences may not achieve the Forecasts whether or not the merger is completed.

Forecasts

(Dollars in millions)(1)	**2018E**	**2019E**	**2020E**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**	**2026E**	**2027E**	**2028E**
Revenue	$ 89	$ 144	$ 221	$ 308	$ 363	$ 413	$ 446	$ 482	$ 518	$ 565	$ 636
Cost of Goods Sold	($ 54)	($ 78)	($ 101)	($ 123)	($ 145)	($ 158)	($ 171)	($ 186)	($ 197)	($ 212)	($ 236)
Gross Profit	$ 36	$ 65	$ 121	$ 185	$ 218	$ 256	$ 275	$ 296	$ 321	$ 353	$ 400
Total R&D	($ 61)	($ 56)	($ 58)	($ 60)	($ 62)	($ 66)	($ 71)	($ 77)	($ 83)	($ 90)	($ 102)
Total SG&A	($ 58)	($ 57)	($ 61)	($ 64)	($ 73)	($ 83)	($ 89)	($ 96)	($ 104)	($ 113)	($ 127)
EBIT	($ 83)	($ 48)	$ 2	$ 61	$ 83	$ 107	$ 115	$ 123	$ 135	$ 149	$ 171
EBITDA	($ 75)	($ 39)	$ 9	$ 69	$ 91	$ 115	$ 123	$ 131	$ 144	$ 159	$ 180

(1) Totals may not foot due to rounding.

Table of Contents

In addition, at the direction of the Pacific Biosciences management, Centerview calculated, from the Forecasts, unlevered free cash flow as set forth below for use in Centerview s discounted cash flow analysis (see the section of the proxy statement captioned Discounted Cash Flow Analysis). The calculation of unlevered free cash flow includes estimated capital expenditures, depreciation and amortization, and changes in net working capital. At the direction of Pacific Biosciences management, the calculation also includes an adjustment for the net present value of standalone tax savings from federal net operating losses of $50.0 million, or $0.30 per share, based on the estimated utilization of Pacific Biosciences net operating losses, and an assumed $50.0 million equity financing at $4.25 per share.

($ in millions)	**FY 2019E**	**FY 2020E**	**FY 2021E**	**FY 2022E**	**FY 2023E**	**FY 2024E**	**FY 2025E**	**FY 2026E**	**FY 2027E**	**FY 2028E**
Unlevered Free Cash Flow(1)	(56)	1	41	61	82	89	96	105	116	130

(1) Unlevered free cash flow is defined as the Company s free cash flow before interest payments and is calculated as earnings before interest, taxes, depreciation and amortization, less capital expenditures, less changes in net working capital and less tax expense. Unlevered free cash flow is a non-GAAP financial measure.

Interests of Pacific Biosciences Directors and Executive Officers in the Merger

When considering the recommendation of the Pacific Biosciences Board that you vote to approve the proposal to adopt the merger agreement, you should be aware that our directors and executive officers have interests in the merger that are different from, or in addition to, the interests of Pacific Biosciences stockholders . In (1) evaluating and negotiating the merger agreement; (2) approving the merger agreement and the merger; and (3) recommending that the merger agreement be adopted by Pacific Biosciences stockholders, the Pacific Biosciences Board was aware of and considered these interests to the extent that they existed at the time, among other matters. The Pacific Biosciences Board was aware of and considered these interests to the extent that they existed at the time, among other matters, in approving the merger agreement and the merger and recommending that the merger agreement be adopted by Pacific Biosciences stockholders. These interests are more fully described below.

Insurance and Indemnification of Directors and Executive Officers

Pursuant to the terms of the merger agreement, directors and officers of Pacific Biosciences will be entitled to certain ongoing indemnification and coverage under directors and officers liability insurance policies. For more information, see the section of this proxy statement captioned The Merger Agreement Indemnification and Insurance.

Treatment of Equity-Based Awards

Treatment of Company Options

As of November 26, 2018, there were outstanding company options to purchase 20,402,654 shares of common stock with an exercise price below $8.00 per share, of which company options to purchase 1,560,834 shares of common stock were held by our directors and of which company options to purchase 5,491,258 shares of common stock were held by our executive officers (including Mr. Corcoran who was an executive officer during Pacific Biosciences 2017 fiscal year but no longer is an executive officer for Pacific Biosciences 2018 fiscal year and whose employment with Pacific Biosciences terminated on November 23, 2018).

At or immediately prior to the effective time of the merger, each in-the-money company option will be canceled and converted into the right to receive a cash amount equal to the product of (1) the excess of the per share merger consideration over the applicable per share exercise price of such canceled company option, multiplied by (2) the aggregate number of shares of common stock subject to the in-the-money company option immediately before the effective time of the merger. Any company option that is not an in-the-money company option will be canceled as of the effective time of the merger without any amount payable in exchange. Holders of unvested company options (including company options that are not in-the-money company options) will be

Table of Contents

given an opportunity to exercise any unvested company options prior to, and contingent upon the consummation of the transactions contemplated by the merger agreement.

Treatment of Company RSUs

As of November 26, 2018, there were outstanding company RSU awards that cover 323,750 shares of common stock, of which company RSUs covering 43,750 shares of common stock were held by our directors and of which company RSUs covering 108,750 shares of common stock were held by our executive officers. As a result of the termination of his employment on November 23, 2018, Mr. Corcoran no longer holds any company RSUs.

At or immediately prior to the effective time of the merger, each company RSU award will be canceled and converted into the right to receive a cash amount equal to the product of (1) the per share merger consideration, multiplied by (2) the total number of shares of common stock subject to such company RSU award immediately prior to the effective time of the Merger.

Treatment of Company PRSUs

As of November 26, 2018, there were outstanding company PRSU awards that cover 586,096 shares of common stock (at target), of which company PRSU awards covering 87,500 shares of common stock (at target) were held by our directors and of which company PRSU awards covering 217,355 shares of common stock (at target) were held by our executive officers. As a result of the termination of his employment on November 23, 2018, Mr. Corcoran no longer holds any company PRSUs.

At or immediately prior to the effective time of the Merger, each company PRSU award will be canceled and converted into the right to receive a cash amount equal to the product of (1) the per share merger consideration, multiplied by (2) the number of shares of common stock that would be payable if such company PRSU award had vested at target performance.

Treatment of the ESPP

Our ESPP (and all outstanding rights thereunder) will be terminated no later than as of immediately prior to the effective time of the Merger, contingent upon the consummation of the transactions contemplated by the merger agreement. From and after the date of the merger agreement, no new participants are permitted to participate in the ESPP and participants may not increase their payroll deductions or purchase elections from those in effect on the date of the merger agreement. Except for the final offering period, no new offering or purchase period will be authorized, continued or commenced following the date of the merger agreement. In addition, from and after the date of the merger agreement, both the maximum number of shares of common stock that a participant in the ESPP can purchase and the total number of shares of common stock available under the ESPP will not be increased. Unless otherwise agreed between Illumina and us, the final offering period will terminate no later than as of immediately following the next scheduled purchase date (to occur on March 1, 2019), and the exercise date under the final offering period will accelerate and occur on such termination date with respect to any then-outstanding purchase rights. Additionally, shares of common stock purchased under the terms of the ESPP for the final offering period will be canceled at the effective time of the Merger in exchange for the right to receive the per share merger consideration in accordance with the merger agreement. As promptly as practicable following the purchase of shares of common stock under the final offering period, Pacific Biosciences will return to each participant the funds, if any, that remain in such participant s account after such purchase.

Equity Interests of Pacific Biosciences Executive Officers and Non-Employee Directors

The following table sets forth for each Pacific Biosciences executive officer and director, as of November 26, 2018, (1) the number of shares of common stock held; (2) the number of shares of common stock

Table of Contents

subject to in-the-money company options; and (3) the number of shares of common stock subject to company RSUs and company PRSUs (at target). The table sets forth the values of these shares of common stock and equity awards based on the per share merger consideration (minus the applicable exercise price in the case of the in-the-money company options).

Equity Interests of Pacific Biosciences Executive Officers and Non-employee Directors

Name	Number of Shares Held (#)(1)	Value of Shares Held ($)(1)	Number of Shares Subject to In-the-Money Options (#)(2)	Value of In-the-Money Company Options ($)(2)	Number of Shares Subject to Company RSUs and Company PRSUs (#)(3)	Value of Shares Subject to Company RSUs and Company PRSUs ($)(3)	Total ($)
Michael Hunkapiller, Ph.D.	2,300,000	18,400,000	2,855,000	9,198,150	150,000	1,200,000	28,798,150
Susan K. Barnes	347,417	2,779,336	1,436,262	3,394,781	131,250	1,050,000	7,224,117
Kevin Corcoran(4)	163,115	1,304,920	602,496	1,783,015			3,087,935
Michael Phillips	200,156	1,601,248	597,500	1,791,750	44,835	358,680	3,751,678
David Botstein, Ph.D			160,000	732,450			732,450
William Ericson			150,000	674,250			674,250
Randy Livingston			190,000	768,650			768,650
Christian Henry			35,000	151,900			151,900
Marshall Mohr			185,000	846,700			846,700
John Milligan, Ph.D.			135,000	570,050			570,050
Kathy Ordoñez(5)			547,500	2,578,075	131,250	1,050,000	3,628,075
Lucy Shapiro, Ph.D	101,666	813,328	58,334	257,918			1,071,246

(1) This number includes the number of shares of common stock directly held by the individual as of November 26, 2018. For additional information regarding beneficial ownership of common stock, see the section of this proxy statement captioned Security Ownership of Certain Beneficial Owners and Management. The value shown with respect to the shares is determined as the product of (1) the corresponding number of shares of common stock in the Number of Shares Held column, multiplied by (2) the per share merger consideration.

(2) This number represents the number of shares of common stock subject to outstanding, in-the-money company options, whether vested or unvested, held by the individual. The value shown with respect to the in-the-money company options is determined as the excess of (1) the total number of shares of common stock subject to in-the-money company options multiplied by the per share merger consideration, over (2) the aggregate exercise price for such in-the-money company options.

(3) The amounts are the total number of shares subject to outstanding company RSUs and company PRSUs (at target) for which the corresponding company RSU or company PRSU consideration will be payable in connection with the merger. The value shown with respect to company RSUs and company PRSUs is determined as the product of the per share merger consideration, multiplied by (a) for company RSUs, the total number of shares of common

stock subject to company RSUs; and (b) for company PRSUs, the number of shares of common stock subject to company PRSUs based on target performance. The aggregate maximum number of shares subject to the company PRSUs held by each of Dr. Hunkapiller, Ms. Barnes, Mr. Phillips and Ms. Ordoñez that may become eligible to vest under such awards is 112,500, 98,438, 37,294 and 98,438, respectively. For additional information regarding the company RSUs and company PRSUs, see the section of the proxy statement captioned The Merger Interests of Pacific Biosciences Directors and Officers in the Merger Golden Parachute Compensation.

(4) Mr. Corcoran resigned from his role as Senior Vice President, Market Development, and his employment terminated on November 23, 2018. As a result, the unvested portion of his in-the-money company options, company RSUs and company PRSUs terminated. The values shown with respect to his in-the-money company options, company RSUs and company PRSUs do not include such terminated amounts.

(5) Ms. Ordoñez is Pacific Biosciences former Chief Commercial Officer. She remains a director of Pacific Biosciences.

Payments Upon Termination Following Change of Control

Change in Control Agreements

Pacific Biosciences entered into change in control agreements with Dr. Hunkapiller, Ms. Barnes and Mr. Phillips. Pacific Biosciences also previously entered into a change in control agreement with Ms. Ordoñez

Table of Contents

and Mr. Corcoran. In connection with Ms. Ordoñez resignation from her role as Chief Commercial Officer and Executive Vice President on October 30, 2018, she is no longer eligible to receive any severance benefits under that agreement. Additionally, as a result of Mr. Corcoran s resignation on November 23, 2018, he is no longer eligible to receive any severance benefits under his change in control agreement.

The change in control agreements with Dr. Hunkapiller, Ms. Barnes and Mr. Phillips provide that if, on or within 12 months following a change in control (as defined in the change in control agreements), Pacific Biosciences terminates his or her employment with Pacific Biosciences for a reason other than cause, his or her death or disability, or he or she resigns for good reason, in each case, as set forth in the applicable change in control agreement, he or she would be entitled to:

- continuing payments of base salary in effect immediately before the termination of his or her employment or, if greater, the base salary as in effect immediately before the merger, for a period of (1) in the case of Dr. Hunkapiller, 12 months; and (2) in the case of Ms. Barnes, and Mr. Phillips, six months, in each case from the date of termination of employment;

- 100 percent of the unvested portion of his or her then-outstanding equity awards will vest immediately and, to the extent applicable, become exercisable; and

- Pacific Biosciences-paid or Pacific Biosciences-reimbursed premiums for continuation coverage as applicable, pursuant to COBRA for himself or herself and his or her eligible dependents (as applicable), subject to his or her timely election to continue such coverage, for up to 12 months (for Dr. Hunkapiller) or six months (for Ms. Barnes and Mr. Phillips) following termination of employment, except that, in the case of Dr. Hunkapiller, if we determine in our sole discretion that we cannot provide the COBRA benefits without potentially violating applicable law, then we will provide instead a taxable monthly payment in an amount equal to the monthly COBRA premium, regardless of whether he elects COBRA continuation coverage.

In order to receive the severance benefits under the change in control agreement, the executive officer must execute and not revoke a separation and release of claims agreement in favor of Pacific Biosciences. The executive officer also is required to comply with the terms of his or her confidential information and invention assignment agreement previously entered into with Pacific Biosciences, including obligations relating to non-solicitation of Pacific Biosciences employees for a period of 12 months following the termination of his or her employment.

Each severance agreement provides that, if any payment or benefits to the applicable named executive officer (including the payments and benefits under his or her severance agreement) would constitute a parachute payment within the meaning of Section 280G of the Internal Revenue Code and therefore would be subject to an excise tax under Section 4999 of the Internal Revenue Code, then such payments and benefits will be either (1) reduced to the largest portion of the payments and benefits that would result in no portion of the payments and benefits being subject to the excise tax; or (2) not reduced, whichever, after taking into account all applicable federal, state, and local employment taxes, income taxes and the excise tax, results in his or her receipt, on an after-tax basis, of the greater payments and benefits.

Under the change in control agreements for each of Dr. Hunkapiller, Ms. Barnes and Mr. Phillips, the following definitions are used:

Cause generally means (1) conviction of any felony; (2) conviction of any crime involving moral turpitude or dishonesty that causes, or is likely to cause, material harm to us; (3) participation in a fraud or willful act of dishonesty against us that causes, or is likely to cause, material harm to us; (4) intentional and material damage to our property; or (5) material breach of our proprietary information and inventions agreement;

Disability means an executive is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; and

Table of Contents

Good reason generally means an executive s termination of employment within thirty days following the expiration of any cure period (discussed below) following the occurrence of one or more of the following, without his or her express written consent: (1) (i) for each of Ms. Barnes and Mr. Phillips, a material reduction of his or her duties, authority, or responsibilities, relative to the executive s duties, authority, or responsibilities as in effect immediately prior to such reduction; provided, however, that a reduction in duties, authority, responsibilities solely by virtue of our being acquired and made part of a larger entity (for example, where he or she retains essentially the same responsibility and duties of the subsidiary, business unit or division substantially containing our business following a change in control) shall not constitute good reason; (ii) for Dr. Hunkapiller, a material reduction of his duties, authority, or responsibilities, relative to his duties, authority, or responsibilities as in effect immediately prior to such reduction, or any change which results in his ceasing to serve as Pacific Biosciences chief executive officer, except that ceasing to serve as president of Pacific Biosciences or executive chairman of the Pacific Biosciences Board will not constitute good reason; (2) for each of Dr. Hunkapiller, Ms. Barnes and Mr. Phillips, a material reduction by Pacific Biosciences in his or her annualized base pay as in effect immediately prior to such reduction (in other words, a reduction of more than 10 percent of his or her annualized base compensation in any one year, other than a reduction applicable to executives generally that does not adversely affect him or her to a greater extent than other similarly-situated executives); (3) for each of Dr. Hunkapiller, Ms. Barnes and Mr. Phillips, the relocation of his or her principal place of performing his or her duties as an employee of Pacific Biosciences by more than 50 miles; or (4) for each of Dr. Hunkapiller, Ms. Barnes and Mr. Phillips, Pacific Biosciences failure to obtain the assumption of the change in control agreement by a successor; except that, in order for an event to qualify as good reason, he or she must not terminate employment without first providing Pacific Biosciences with written notice of the acts or omissions constituting the grounds for good reason within 90 days of the initial existence of the grounds for good reason and a reasonable cure period of not less than 30 days following the date of such notice.

The closing of the merger will constitute a change in control under the change in control agreements.

PRSU Agreements

Each of Dr. Hunkapiller, Mses. Barnes and Ordoñez, and Mr. Phillips holds awards of company PRSUs that provide that, if a change in control (as defined in the applicable Pacific Biosciences equity incentive plan) occurs during the applicable performance period (or during the period after the end of the applicable performance period but before the applicable determination date), then effective as of immediately before the completion of the change in control, all of the applicable performance goals automatically will be deemed to have been achieved at the target level, such that 100 percent of the target number of shares subject to the award will be considered eligible to vest based on the individual s continued status as a service provider through the applicable vesting date, and the applicable performance goals no longer will apply to the award. Mr. Corcoran no longer holds any company PRSUs due to the termination of his employment on November 23, 2018.

The closing of the merger will constitute a change in control for the purposes of the company PRSUs.

Director Equity Awards

Ms. Ordoñez holds company option awards granted under our 2010 Outside Director Equity Incentive Plan (which we refer to as the director plan). In the event of a change in control, as defined in our director plan, these awards will vest in full and become exercisable.

The closing of the merger will constitute a change in control under the director plan. As described above, all in-the-money company options, including those granted under the director plan, will be canceled and converted into

the right to receive cash consideration in an amount set forth in the Merger Agreement.

Table of Contents

Chief Executive Officer and Chief Financial Officer Compensation

On November 1, 2018, the Pacific Biosciences Board approved cash bonuses to Dr. Hunkapiller and Ms. Barnes in the amount of $1,030,000 and $617,500, respectively. These amounts were approved as compensation for their services as Pacific Biosciences chief executive officer and chief financial officer, respectively, in light of each of these executive officers previously having received $1 as cash compensation for their services during the year. These amounts were intended to recognize their commitment to the best interests of Pacific Biosciences and to provide compensation commensurate with their roles at, and services provided to, Pacific Biosciences.

Golden Parachute Compensation

The following table sets forth the information required by Item 402(t) of Regulation S-K published by the SEC regarding certain compensation that each of Pacific Biosciences named executive officers may receive that is based on, or that otherwise relates to, the merger. Pacific Biosciences named executive officers for purposes of the disclosure in this proxy statement are Dr. Hunkapiller, Mses. Barnes and Ordoñez, and Messrs. Corcoran and Phillips. For additional details regarding the terms of the payments quantified below, see the sections of this proxy statement captioned Interests of Pacific Biosciences Directors and Executive Officers in the Merger Treatment of Equity-Based Awards and The Merger Interests of Pacific Biosciences Directors and Executive Officers in the Merger Payments Upon Termination Following Change of Control.

The figures in the table are estimated based on (1) assumed compensation and benefit levels as of November 26, 2018; (2) an assumed effective date of November 26, 2018, for the merger, which is the latest practicable date with respect to the date of this proxy statement; and (3) the assumed termination of the named executive officer s employment without cause on the day immediately following such effective date for the merger. The amounts reported below are estimates based on multiple assumptions that may or may not actually occur or be accurate on the relevant date. Accordingly, the ultimate values to be received by a named executive officer in connection with the merger may differ from the amounts set below. Pacific Biosciences named executive officers will not receive pension, non-qualified deferred compensation, or tax reimbursements in connection with the merger.

As required by applicable SEC rules, all amounts below that are determined using the per share value of the common stock have been calculated based on the per share merger consideration.

Name	Cash ($)(1)	Equity ($)(2)	Perquisites/ Benefits ($)(3)	Total Payments ($)
Michael Hunkapiller, Ph.D.	$ 1,030,001	$ 2,370,376		$ 3,400,377(4)
Susan K. Barnes	$ 617,501	$ 1,889,405	$ 57	$ 2,506,963(4)
Kathy Ordoñez		$ 2,866,165		$ 2,866,165
Kevin Corcoran(5)				
Michael Phillips	$ 168,400	$ 829,603	$ 9,508	$ 1,007,511(4)

(1) A portion of the amounts for Dr. Hunkapiller and Ms. Barnes, consisting of $1,030,000 and $617,500, respectively, were paid in November 2018 in order to compensate our chief executive officer and chief financial officer for their services to Pacific Biosciences, in light of their previously having received $1 as cash compensation for the year. These compensation amounts would be considered single trigger payments since they

were not made in connection with any termination of employment. The remaining amount for each of Dr. Hunkapiller and Ms. Barnes, and the full amount for Mr. Phillips, represent the double-trigger cash severance payments to which he or she may become entitled under the applicable change in control agreement, as described in further detail in the section of this proxy statement captioned Interests of Pacific Biosciences Directors and Executive Officers in the Merger Payments Upon Termination Following Change of Control. The amounts represent continuing payments of severance at a rate equal to his or her base salary rate, in the case of Dr. Hunkapiller, for 12 months (or $1), and in the case of Ms. Barnes and Mr. Phillips, six months (or $0.50 and $168,400, respectively), from the date of such termination of employment. The Pacific Biosciences Board has indicated to Dr. Hunkapiller and Ms. Barnes that it does not expect to continue the reduced base salary and cash bonus arrangements currently in place for each of them. Instead, as part of the annual executive compensation review process to take place in 2019, it expects to reinstate their base salaries and target bonus opportunities based upon, among other things, market data to be presented by the Compensation Committee s compensation

Table of Contents

consultant. Accordingly, the amounts set forth in the table for Dr. Hunkapiller and Ms. Barnes would be expected to be increased based on the new compensation arrangements approved for each in 2019. Any change in the compensation of Dr. Hunkapiller and Ms. Barnes would only be undertaken following consultation with, and approval of, Illumina.

(2) This amount includes the single-trigger vesting acceleration of 100 percent of the unvested portion of his or her outstanding equity awards to which each named executive officer may become entitled pursuant to the treatment of equity awards under the merger agreement. The following table quantifies the value of such payments and the number of shares to which the payment relate:

Name(a)	Number of Shares Subject to Unvested, In-the-money Company Options (#)	Value of Unvested, In-the-money Company Options ($)(b)	Number of Shares Subject to Company RSUs (#)	Value of Company RSUs ($)(c)	Number of Shares Subject to Company PRSUs at Target (#)	Value of Company PRSUs at Target ($)(d)
Michael Hunkapiller, Ph.D.	481,284	1,170,376	50,000	400,000	100,000	800,000
Susan K. Barnes	320,491	839,405	43,750	350,000	87,500	700,000
Kathy Ordoñez	352,347	1,816,165	43,750	350,000	87,500	700,000
Kevin Corcoran						
Michael Phillips	119,379	470,923	15,000	120,000	29,835	238,680

(a) In addition to the single trigger vesting acceleration pursuant to the terms of the merger agreement, the equity awards held by each of Dr. Hunkapiller, Ms. Barnes and Mr. Phillips have double trigger vesting acceleration of 100 percent of the unvested portion pursuant to his or her change in control agreement as described in further detail in the section of this proxy statement captioned The Merger Interests of Pacific Biosciences Directors and Executive Officers in the Merger Payments Upon Termination Following Change of Control. For additional information regarding Ms. Ordoñez equity awards, see the section of this proxy statement captioned Interests of Pacific Biosciences Directors and Executive Officers in the Merger Payments Upon Termination Following Change of Control.

(b) This amount represents a cash amount equal to (1) the product of (i) the per share merger consideration, multiplied by (ii) the aggregate number of shares subject to the in-the-money, unvested company options held by the named executive officer (as set forth in the column immediately to the left of this column), minus (2) the aggregate exercise price of such company options.

(c) This amount represents a cash amount equal to the product of (1) the per share merger consideration, multiplied by (2) the total number of shares of common stock subject to such company RSUs held by the named executive officer (as set forth in the column immediately to the left of the applicable column).

(d) This amount represents a cash amount equal to the product of (1) the per share merger consideration, multiplied by (2) the number of shares of common stock subject to company PRSUs held by the named executive officer that would be payable if such company PRSU were to vest at target performance (as set forth in the column immediately to the left of the applicable column). The aggregate maximum number of shares subject to the company PRSUs held by each of Dr. Hunkapiller, Mses. Barnes and Ordoñez, and Mr. Phillips that may become eligible to vest under such awards is 112,500, 98,438, 98,438 and 37,294, respectively. The difference in number of shares subject to PRSUs between target performance and maximum performance relate to certain company PRSUs held by the named executive officer for which the applicable performance period will end on

December 31, 2018. On the date of certification by the Pacific Biosciences Board or its compensation committee of the applicable performance under such PRSU awards, which generally will occur during the first calendar quarter of 2019, the applicable number of shares of common stock subject to the company PRSU award will vest subject to the individual s continued service through such date.

(3) This amount represents 12 months for Dr. Hunkapiller and six months for Ms. Barnes and Mr. Phillips of reimbursement or payment for continued coverage under COBRA for the applicable named executive officer and his or her covered dependents. These amounts are a double-trigger severance benefit that each of Dr. Hunkapiller, Ms. Barnes and Mr. Phillips may become entitled to receive under the applicable change in control agreement, as described in further detail in the section of this proxy statement captioned Interests of Pacific Biosciences Directors and Executive Officers in the Merger Payments Upon Termination Following Change of Control.

(4) Under the change in control agreements, amounts are subject to reduction in the event the named executive officer would be better off on an after-tax basis being cut back than paying the excise tax under Section 4999 of the Internal Revenue Code. This amount assumes no such reductions will be applied.

(5) Due to the termination of Mr. Corcoran s employment on November 23, 2018, Mr. Corcoran no longer is eligible to receive any single trigger or double trigger payments or benefits in connection with the merger.

Closing and Effective Time of the Merger

The closing of the merger will take place (1) on a date that is as soon as possible, but no later than the third business day after the satisfaction or waiver (to the extent permitted under the Merger Agreement) of the last to be satisfied or waived of the closing conditions of the merger (described in the section of this proxy statement captioned The Merger Agreement Conditions to the Closing of the Merger), other than conditions that by their terms are to be satisfied at the closing of the merger, but subject to the satisfaction or waiver of each of such conditions; or (2) at such other time agreed to by Pacific Biosciences and Illumina. On the closing date, the parties will file a certificate of merger with the Secretary of State of the State of Delaware as provided under the

Table of Contents

DGCL. The merger will become effective upon the filing and acceptance of such certificate of merger, or at a later time agreed to in writing by the parties and specified in such certificate of merger.

Appraisal Rights

If the merger is consummated, Pacific Biosciences stockholders who do not vote in favor of the adoption of the merger agreement, who properly demand an appraisal of their shares, who continuously hold such shares through the effective time of the merger, who otherwise comply with the procedures of Section 262 of the DGCL and who do not withdraw their demands or otherwise lose their rights to appraisal may, subject to the conditions thereof, are entitled to seek appraisal of their shares in connection with the merger under Section 262 of the DGCL, which we refer to as Section 262. Unless the context requires otherwise, all references in Section 262 and in this summary to a stockholder or to a holder of shares are to a record holder of common stock.

The following discussion is not a complete statement of the law pertaining to appraisal rights under the DGCL and is qualified in its entirety by the full text of Section 262, which is attached to this proxy statement as Annex C and incorporated into this proxy statement by reference. The following summary does not constitute any legal or other advice and does not constitute a recommendation that Pacific Biosciences stockholders exercise their appraisal rights under Section 262. Only a holder of record of shares of common stock is entitled to demand appraisal of the shares registered in that holder s name. A person having a beneficial interest in shares of common stock held of record in the name of another person, such as a bank, broker or other nominee, must act promptly to cause the record holder to demand an appraisal of such holder s shares. **If you hold your shares of our common stock through a bank, broker or other nominee and you wish to exercise appraisal rights, you should consult with your bank, broker or the other nominee to ensure that appraisal rights are exercised. Stockholders should carefully review the full text of Section 262 as well as the information discussed below.**

Under Section 262, if the merger is completed, holders of record of shares of common stock who (1) submit a written demand for appraisal of such stockholder s shares to Pacific Biosciences prior to the vote on the adoption of the merger agreement; (2) do not vote in favor of the adoption of the merger agreement; (3) continuously are the record holders of such shares through the effective time of the merger; and (4) otherwise comply with the procedures and satisfy certain ownership thresholds set forth in Section 262 may be entitled to have their shares of common stock appraised by the Delaware Court of Chancery and to receive payment in cash of the fair value of the shares of common stock, exclusive of any element of value arising from the accomplishment or expectation of the merger, together with (unless the Delaware Court of Chancery in its discretion determines otherwise for good cause shown) interest on the amount determined by the Delaware Court of Chancery to be fair value from the effective date of the merger through the date of payment of the judgment at a rate of five percent over the Federal Reserve discount rate (including any surcharge) as established from time to time during the period between the effective date of the merger and the date of payment of the judgment (except that, if at any time before the entry of judgment in the proceeding, the surviving corporation makes a voluntary cash payment to each stockholder seeking appraisal, interest will accrue thereafter only upon the sum of (i) the difference, if any, between the amount so paid and the fair value of the shares as determined by the Delaware Court of Chancery; and (ii) interest theretofore accrued, unless paid at that time). However, after an appraisal petition has been filed, the Delaware Court of Chancery, at a hearing to determine stockholders entitled to appraisal rights, will dismiss appraisal proceedings as to all Pacific Biosciences stockholders who asserted appraisal rights unless (1) the total number of shares of common stock for which appraisal rights have been pursued or perfected exceeds one percent of the outstanding shares of common stock as measured in accordance with subsection (g) of Section 262; or (2) the value of the merger consideration in respect of such shares exceeds $1 million. We refer to these conditions as the ownership thresholds. Unless the Delaware Court of Chancery, in its discretion, determines otherwise for good cause shown, interest on an appraisal award will accrue and compound quarterly from the effective time of the merger through the date the judgment is paid at five percent over the Federal Reserve discount rate

(including any surcharge) as established from time to time during such period (except that, if at any time before the entry of judgment in the proceeding, the surviving corporation makes a voluntary cash payment to each stockholder seeking appraisal, interest will accrue thereafter only upon

Table of Contents

the sum of (i) the difference, if any, between the amount so paid and the fair value of the shares as determined by the Delaware Court of Chancery; and (ii) interest theretofore accrued, unless paid at that time). The surviving corporation is under no obligation to make such voluntary cash payment prior to such entry of judgment.

Under Section 262, where a merger agreement is to be submitted for adoption at a meeting of stockholders, the corporation, not less than 20 days prior to the meeting, must notify each of its stockholders of record as of the record date for notice of such meeting that appraisal rights are available and include in the notice a copy of Section 262. This proxy statement constitutes Pacific Biosciences notice to Pacific Biosciences stockholders that appraisal rights are available in connection with the merger, and the full text of Section 262 is attached to this proxy statement as Annex C. In connection with the merger, any holder of shares of common stock who wishes to exercise appraisal rights, or who wishes to preserve such holder s right to do so, should review Annex C carefully. Failure to strictly comply with the requirements of Section 262 in a timely and proper manner may result in the loss of appraisal rights under the DGCL. A stockholder who loses his, her or its appraisal rights will be entitled to receive the merger consideration described in the merger agreement without interest and less any applicable withholding taxes. Moreover, because of the complexity of the procedures for exercising the right to seek appraisal of shares of common stock, Pacific Biosciences believes that if a stockholder considers exercising such rights, that stockholder should seek the advice of legal counsel.

Stockholders wishing to exercise the right to seek an appraisal of their shares of common stock must do **ALL** of the following:

- the stockholder must not vote in favor of the proposal to adopt the merger agreement;
- the stockholder must deliver to Pacific Biosciences a written demand for appraisal before the vote on the merger agreement at the special meeting;
- the stockholder must continuously hold the shares from the date of making the demand through the effective time of the merger (a stockholder will lose appraisal rights if the stockholder transfers the shares before the effective time of the merger); and
- a stockholder (or any person who is the beneficial owner of shares of common stock held either in a voting trust or by a nominee on behalf of such person) or the surviving corporation must file a petition in the Delaware Court of Chancery demanding a determination of the value of the stock of all such stockholders within 120 days after the effective time of the merger (the surviving corporation is under no obligation to file any petition and has no intention of doing so).

In addition, after an appraisal petition has been filed, the Delaware Court of Chancery, at a hearing to determine stockholders entitled to appraisal rights, will dismiss appraisal proceedings as to all Pacific Biosciences stockholders who asserted appraisal rights unless one of the ownership thresholds is met.

Because a proxy that does not contain voting instructions will, unless revoked, be voted in favor of the adoption of the merger agreement, a Pacific Biosciences stockholder who votes by proxy and who wishes to exercise appraisal rights must vote against the adoption of the merger agreement, abstain, or not vote his, her or its shares.

Filing Written Demand

A stockholder wishing to exercise appraisal rights must deliver to Pacific Biosciences, before the vote on the adoption of the merger agreement at the special meeting, a written demand for the appraisal of such stockholder s shares. In addition, that stockholder must not vote or submit a proxy in favor of the adoption of the merger agreement. A vote in favor of the adoption of the merger agreement, in person at the special meeting or by proxy (whether by mail or via the Internet or telephone), will constitute a waiver of your appraisal rights in respect of the shares so voted and will nullify any previously filed written demands for appraisal. A stockholder exercising appraisal rights must hold of record the shares on the date the written demand for appraisal is made and must continue to hold the shares of record through the effective time of the merger. A proxy that is submitted

Table of Contents

and does not contain voting instructions will, unless revoked, be voted in favor of the adoption of the merger agreement, and it will constitute a waiver of the stockholder s right of appraisal and will nullify any previously delivered written demand for appraisal. Therefore, a stockholder who submits a proxy and who wishes to exercise appraisal rights must submit a proxy containing instructions to vote against the adoption of the merger agreement or abstain from voting on the adoption of the merger agreement. Neither voting against the adoption of the merger agreement nor abstaining from voting or failing to vote on the proposal to adopt the merger agreement will, in and of itself, constitute a written demand for appraisal satisfying the requirements of Section 262. The written demand for appraisal must be in addition to and separate from any proxy or vote on the adoption of the merger agreement. A proxy or vote against the adoption of the merger agreement will not constitute a demand. A stockholder s failure to make the written demand prior to the taking of the vote on the adoption of the merger agreement at the special meeting will constitute a waiver of appraisal rights.

Only a holder of record of shares of common stock is entitled to demand appraisal rights for the shares registered in that holder s name. A demand for appraisal in respect of shares of common stock should be executed by or on behalf of the holder of record, and must reasonably inform Pacific Biosciences of the identity of the holder and that the stockholder intends thereby to demand an appraisal of such stockholder s shares. If the shares are owned of record in a fiduciary or representative capacity, such as by a trustee, guardian or custodian, such demand must be executed by or on behalf of the record owner, and if such shares are owned of record by more than one person, as in a joint tenancy and tenancy in common, the demand should be executed by or on behalf of all joint owners. An authorized agent, including an authorized agent for two or more joint owners, may execute a demand for appraisal on behalf of a holder of record; however, the agent must identify the record owner or owners and expressly disclose that, in executing the demand, the agent is acting as agent for the record owner or owners.

STOCKHOLDERS WHO HOLD THEIR SHARES IN STREET NAME BY A BANK, BROKER, TRUST OR OTHER NOMINEE AND WHO WISH TO EXERCISE APPRAISAL RIGHTS SHOULD CONSULT WITH THEIR BANK, BROKER, TRUST OR OTHER NOMINEE, AS APPLICABLE, TO DETERMINE THE APPROPRIATE PROCEDURES FOR THE BANK, BROKER, TRUST OR OTHER NOMINEE TO MAKE A DEMAND FOR APPRAISAL OF THOSE SHARES. A PERSON HAVING A BENEFICIAL INTEREST IN SHARES HELD OF RECORD IN THE NAME OF ANOTHER PERSON, SUCH AS A BANK, BROKER, TRUST OR OTHER NOMINEE, MUST ACT PROMPTLY TO CAUSE THE RECORD HOLDER TO FOLLOW PROPERLY AND IN A TIMELY MANNER THE STEPS NECESSARY TO PERFECT APPRAISAL RIGHTS.

All written demands for appraisal pursuant to Section 262 should be mailed or delivered to:

Pacific Biosciences of California, Inc.

1305 O Brien Drive

Menlo Park, California 94025

Attention: Corporate Secretary

At any time within 60 days after the effective date of the Merger, any holder of shares of common stock may withdraw his, her or its demand for appraisal and accept the per share merger consideration offered pursuant to the merger agreement, without interest and less any applicable withholding taxes, by delivering to Pacific Biosciences, as the surviving corporation, a written withdrawal of the demand for appraisal. However, any such attempt to withdraw the demand made more than 60 days after the effective time of the merger will require written approval of the surviving corporation. Notwithstanding the foregoing, no appraisal proceeding in the Delaware Court of Chancery

will be dismissed as to any stockholder without the approval of the Delaware Court of Chancery, and such approval may be conditioned upon such terms as the Delaware Court of Chancery deems just; provided, however, that this shall not affect the right of any stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party to withdraw such stockholder s demand for appraisal and to accept the merger consideration within 60 days after the effective time of the merger. If Pacific Biosciences, as the surviving corporation, does not approve a request to withdraw a demand for appraisal when

Table of Contents

that approval is required, or, except with respect to any stockholder who withdraws such stockholder s demand in accordance with the proviso in the immediately preceding sentence, if the Delaware Court of Chancery does not approve the dismissal of an appraisal proceeding with respect to a stockholder, the stockholder will be entitled to receive only the appraised value determined in any such appraisal proceeding, which value could be less than, equal to or more than the per share merger consideration being offered pursuant to the merger agreement.

Notice by the Surviving Corporation

If the merger is completed, within 10 days after the effective time of the merger, the surviving corporation will notify each record holder of shares of common stock who has properly made a written demand for appraisal pursuant to Section 262, and who has not voted in favor of the adoption of the merger agreement, that the merger has become effective and the effective date thereof.

Filing a Petition for Appraisal

Within 120 days after the effective time of the merger, but not thereafter, the surviving corporation or any holder of shares of common stock who has complied with Section 262 and is entitled to appraisal rights under Section 262 (or the beneficial owner of such shares) may commence an appraisal proceeding by filing a petition in the Delaware Court of Chancery, with a copy served on the surviving corporation in the case of a petition filed by a stockholder, demanding a determination of the fair value of the shares held by all dissenting stockholders entitled to appraisal. The surviving corporation is under no obligation, and has no present intention, to file a petition, and stockholders should not assume that the surviving corporation will file a petition or initiate any negotiations with respect to the fair value of the shares of common stock. Accordingly, any holders of shares of common stock who desire to have their shares appraised should initiate all necessary action to perfect their appraisal rights in respect of their shares of common stock within the time and in the manner prescribed in Section 262. The failure to file such a petition within the period specified in Section 262 could nullify a previous written demand for appraisal.

Within 120 days after the effective time of the merger, any holder of shares of common stock who has complied with the requirements for an appraisal of such holder s shares pursuant to Section 262 will be entitled, upon written request, to receive from the surviving corporation a statement setting forth the aggregate number of shares not voted in favor of the adoption of the merger agreement and with respect to which Pacific Biosciences has received demands for appraisal, and the aggregate number of holders of such shares. The surviving corporation must mail this statement to the requesting stockholder within 10 days after receipt by the surviving corporation of the written request for such a statement or within 10 days after the expiration of the period for delivery of demands for appraisal, whichever is later. A beneficial owner of shares of common stock held either in a voting trust or by a nominee on behalf of such person may, in such person s own name, file a petition seeking appraisal or request from the surviving corporation the foregoing statements. As noted above, however, the demand for appraisal can only be made by a stockholder of record.

If a petition for an appraisal is duly filed by a holder of shares of common stock and a copy thereof is served upon the surviving corporation, the surviving corporation will then be obligated within 20 days after such service to file with the Delaware Register in Chancery a duly verified list containing the names and addresses of all stockholders who have demanded payment for their shares and with whom agreements as to the value of their shares have not been reached. The Delaware Court of Chancery may order that notice of the time and place fixed for the hearing of such petition be given to the surviving corporation, and all of the stockholders shown on the verified list at the addresses stated therein. Any such notice shall also be given by one or more publications at least one week before the day of the hearing in a newspaper of general circulation published in the City of Wilmington, Delaware or any other publication which the Delaware Court of Chancery deems advisable. The costs of any such notice are borne by the surviving

corporation.

After notice to dissenting stockholders as required by the court, at the hearing on such petition, the Delaware Court of Chancery will determine the stockholders who have complied with Section 262 and who have become

Table of Contents

entitled to appraisal rights thereunder. The Delaware Court of Chancery may require the stockholders who demanded appraisal for their shares to submit their stock certificates to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings. If any stockholder fails to comply with the direction, the Delaware Court of Chancery may dismiss the proceedings as to such stockholder.

The Delaware Court of Chancery will dismiss appraisal proceedings as to all Pacific Biosciences stockholders who assert appraisal rights unless (1) the total number of shares for which appraisal rights have been pursued and perfected exceeds one percent of the outstanding shares of common stock as measured in accordance with subsection (g) of Section 262 or (2) the value of the merger consideration in respect of the shares for which appraisal rights have been pursued and perfected exceeds $1 million.

Determination of Fair Value

After the Delaware Court of Chancery determines the holders of common stock entitled to appraisal, and that at least one of the ownership thresholds above has been satisfied in respect of the Pacific Biosciences stockholders seeking appraisal rights, then the appraisal proceeding will be conducted in accordance with the rules of the Delaware Court of Chancery, including any rules specifically governing appraisal proceedings. Through such proceeding, the Delaware Court of Chancery will determine the fair value of the shares of common stock, exclusive of any element of value arising from the accomplishment or expectation of the merger, together with interest, if any, to be paid upon the amount determined to be the fair value. In determining fair value, the Delaware Court of Chancery will take into account all relevant factors. Unless the Delaware Court of Chancery in its discretion determines otherwise for good cause shown, interest from the effective date of the merger through the date of payment of the judgment will be compounded quarterly and will accrue at five percent over the Federal Reserve discount rate (including any surcharge) as established from time to time during the period between the effective date of the merger and the date of payment of the judgment. The surviving corporation has the right, at any time prior to the Delaware Court of Chancery s entry of judgment in the proceedings, to make a voluntary cash payment to each stockholder seeking appraisal. If the surviving corporation makes a voluntary cash payment pursuant to subsection (h) of Section 262, interest will accrue thereafter only on the sum of (1) the difference, if any, between the amount paid by the surviving corporation in such voluntary cash payment and the fair value of the shares as determined by the Delaware Court of Chancery; and (2) interest accrued before such voluntary cash payment, unless paid at that time. In *Weinberger v. UOP, Inc.*, the Supreme Court of Delaware discussed the factors that could be considered in determining fair value in an appraisal proceeding, stating that proof of value by any techniques or methods which are generally considered acceptable in the financial community and otherwise admissible in court should be considered, and that [f]air price obviously requires consideration of all relevant factors involving the value of a company. The Delaware Supreme Court stated that, in making this determination of fair value, the court must consider market value, asset value, dividends, earnings prospects, the nature of the enterprise and any other facts that could be ascertained as of the date of the merger that throw any light on future prospects of the merged corporation. Section 262 provides that fair value is to be exclusive of any element of value arising from the accomplishment or expectation of the merger. In *Cede & Co. v. Technicolor, Inc.*, the Delaware Supreme Court stated that such exclusion is a narrow exclusion [that] does not encompass known elements of value, but which rather applies only to the speculative elements of value arising from such accomplishment or expectation. In *Weinberger*, the Supreme Court of Delaware also stated that elements of future value, including the nature of the enterprise, which are known or susceptible of proof as of the date of the merger and not the product of speculation, may be considered.

Stockholders considering seeking appraisal should be aware that the fair value of their shares as so determined by the Delaware Court of Chancery could be more than, the same as or less than the consideration they would receive pursuant to the merger if they did not seek appraisal of their shares and that an opinion of an investment banking firm as to the fairness from a financial point of view of the consideration payable in a merger is not an opinion as to, and

may not in any manner address, fair value under Section 262. **Although Pacific Biosciences believes that the per share merger consideration is fair, no representation is made as to the outcome of the**

Table of Contents

appraisal of fair value as determined by the Delaware Court of Chancery, and stockholders should recognize that such an appraisal could result in a determination of a value higher or lower than, or the same as, the per share merger consideration. Neither Pacific Biosciences nor Illumina anticipates offering more than the per share merger consideration to any stockholder exercising appraisal rights, and each of Pacific Biosciences and Illumina reserves the rights to make a voluntary cash payment pursuant to subsection (h) of Section 262 and to assert, in any appraisal proceeding, that for purposes of Section 262, the fair value of a share of common stock is less than the per share merger consideration. If a petition for appraisal is not timely filed, or if neither of the ownership thresholds above has been satisfied in respect of the Pacific Biosciences stockholders seeking appraisal rights, then the right to an appraisal will cease. The costs of the appraisal proceedings (which do not include attorneys fees or the fees and expenses of experts) may be determined by the Delaware Court of Chancery and taxed upon the parties as the Delaware Court of Chancery deems equitable under the circumstances. Upon application of a stockholder, the Delaware Court of Chancery may also order that all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorney s fees and the fees and expenses of experts, be charged pro rata against the value of all the shares entitled to an appraisal. In the absence of such determination or assessment, each party bears its own expenses.

If any stockholder who demands appraisal of his, her or its shares of common stock under Section 262 fails to perfect, or loses or validly withdraws, such holder s right to appraisal, the stockholder s shares of common stock will be deemed to have been converted at the effective time of the merger into the right to receive the per share merger consideration as provided in the merger agreement. A stockholder will fail to perfect, or effectively lose, such holder s right to appraisal if no petition for appraisal is filed within 120 days after the effective time of the merger, if neither of the ownership thresholds above has been satisfied in respect of the Pacific Biosciences stockholders seeking appraisal rights or if the stockholder delivers to the surviving corporation a written withdrawal of such holder s demand for appraisal and an acceptance of the per share merger consideration as provided in the merger agreement in accordance with Section 262.

From and after the effective time of the merger, no stockholder who has demanded appraisal rights in compliance with Section 262 will be entitled to vote such shares of common stock for any purpose or to receive payment of dividends or other distributions on the stock (except dividends or other distributions payable to stockholders of record at a date which is prior to the effective date of the merger); provided, however, that if no petition for an appraisal is filed within the time provided in Section 262, if neither of the ownership thresholds above has been satisfied in respect of the CA stockholders seeking appraisal rights or if such stockholder delivers to the surviving corporation a written withdrawal of such stockholder s demand for an appraisal and an acceptance of the merger, either within 60 days after the effective date of the merger or thereafter with the written approval of the surviving corporation, then the right of such stockholder to an appraisal will cease. Notwithstanding the foregoing, no appraisal proceeding in the Delaware Court of Chancery will be dismissed as to any stockholder without the approval of the Court, and such approval may be conditioned upon such terms as the Court deems just; provided, however, that the foregoing shall not affect the right of any stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party to withdraw such stockholder s demand for appraisal and to accept the terms offered upon the merger or consolidation within 60 days after the effective date of the merger.

Failure to comply strictly with all of the procedures set forth in Section 262 may result in the loss of a stockholder s statutory appraisal rights. In that event, you will be entitled to receive the per share merger consideration for your dissenting shares in accordance with the merger agreement, without interest and less any applicable withholding taxes. Consequently, any stockholder wishing to exercise appraisal rights is encouraged to consult legal counsel before attempting to exercise those rights.

Accounting Treatment

The merger will be accounted for as a purchase transaction for financial accounting purposes.

Table of Contents

Material U.S. Federal Income Tax Consequences of the Merger

The following discussion is a summary of material U.S. federal income tax consequences of the merger that may be relevant to U.S. Holders and Non-U.S. Holders (each as defined below) of shares of common stock whose shares are converted into the right to receive cash pursuant to the merger. This discussion is based upon the Internal Revenue Code of 1986 (which we refer to as the Code) Treasury Regulations promulgated under the Code, court decisions, published positions of the Internal Revenue Service (which we refer to as the IRS) and other applicable authorities, all as in effect on the date of this proxy statement and all of which are subject to change or differing interpretations, possibly with retroactive effect. This discussion is limited to holders who hold their shares of common stock as capital assets within the meaning of Section 1221 of the Code (generally, property held for investment purposes).

This discussion is for general information only and does not address all of the tax consequences that may be relevant to holders in light of their particular circumstances. For example, this discussion does not address:

- tax consequences that may be relevant to holders who may be subject to special treatment under U.S. federal income tax laws, such as financial institutions; tax-exempt organizations; S corporations, partnerships and any other entity or arrangement treated as a partnership or pass-through entity for U.S. federal income tax purposes; insurance companies; mutual funds; dealers in stocks and securities; traders in securities that elect to use the mark-to-market method of accounting for their securities; regulated investment companies; real estate investment trusts; entities subject to the U.S. anti-inversion rules; holders who hold their common stock as qualified small business stock for purposes of Sections 1045 and 1202 of the Code; Non-U.S. Holders that own (directly or by attribution) more than five percent of our common stock; or certain former citizens or long-term residents of the United States;

- tax consequences to holders holding the shares as part of a hedging, constructive sale or conversion, straddle or other risk reduction transaction;

- tax consequences to holders who received their shares of common stock in a compensatory transaction or pursuant to the exercise of options or warrants;

- tax consequences to U.S. Holders whose functional currency is not the U.S. dollar;

- tax consequences to holders who hold their common stock through a bank, financial institution or other entity, or a branch thereof, located, organized or resident outside the United States;

- tax consequences arising from the Medicare tax on net investment income;

- tax consequences to holders subject to special tax accounting rules as a result of any item of gross income with respect to the shares of common stock being taken into account in an applicable financial statement (as defined in the Code);

the U.S. federal estate, gift or alternative minimum tax consequences, if any;

any state, local or non-U.S. tax consequences; or

tax consequences to holders that do not vote in favor of the merger and who properly demand appraisal of their shares under Section 262 of the DGCL.

If a partnership (including an entity or arrangement, domestic or foreign, treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of shares of common stock, then the tax treatment of a partner in such partnership will generally depend upon the status of the partner and the activities of the partner and the partnership. Partnerships holding shares of common stock and partners therein should consult their tax advisors regarding the consequences of the merger.

No ruling has been or will be obtained from the IRS regarding the U.S. federal income tax consequences of the merger described below. If the IRS contests a conclusion set forth herein, no assurance can be given that a holder would ultimately prevail in a final determination by a court.

Table of Contents

THIS DISCUSSION IS PROVIDED FOR GENERAL INFORMATION ONLY AND DOES NOT CONSTITUTE LEGAL ADVICE TO ANY HOLDER. A HOLDER SHOULD CONSULT ITS OWN TAX ADVISORS CONCERNING THE U.S. FEDERAL INCOME TAX CONSEQUENCES RELATING TO THE MERGER IN LIGHT OF ITS PARTICULAR CIRCUMSTANCES AND ANY CONSEQUENCES ARISING UNDER FEDERAL NON-INCOME TAX LAWS OR THE LAWS OF ANY STATE, LOCAL OR NON-U.S. TAXING JURISDICTION.

U.S. Holders

For purposes of this discussion, a U.S. Holder is a beneficial owner of shares of common stock that is for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (1) that is subject to the primary supervision of a court within the United States and the control of one or more United States persons as defined in section 7701(a)(30) of the Code; or (2) that has a valid election in effect under applicable Treasury regulations to be treated as a United States person.

The receipt of cash by a U.S. Holder in exchange for shares of common stock pursuant to the merger will be a taxable transaction for U.S. federal income tax purposes. In general, such U.S. Holder s gain or loss will be equal to the difference, if any, between the amount of cash received and the U.S. Holder s adjusted tax basis in the shares surrendered pursuant to the merger. A U.S. Holder s adjusted tax basis generally will equal the amount that such U.S. Holder paid for the shares. Such gain or loss will be capital gain or loss and will be long-term capital gain or loss if such U.S. Holder s holding period in such shares is more than one year at the time of the completion of the merger. A reduced tax rate on capital gain generally will apply to long-term capital gain of a non-corporate U.S. Holder (including individuals). The deductibility of capital losses is subject to limitations. If a U.S. Holder acquired different blocks of shares of common stock at different times and different prices, such holder must determine its adjusted tax basis and holding period separately with respect to each block of our common stock.

Non-U.S. Holders

For purposes of this discussion, the term Non-U.S. Holder means a beneficial owner of shares of common stock that is neither a U.S. Holder nor a partnership for U.S. federal income tax purposes.

Any gain realized by a Non-U.S. Holder pursuant to the merger generally will not be subject to U.S. federal income tax unless:

the gain is effectively connected with a trade or business of such Non-U.S. Holder in the United States (and, if required by an applicable income tax treaty, is attributable to a permanent establishment maintained by such Non-U.S. Holder in the United States), in which case such gain generally will be subject to U.S. federal income tax at rates generally applicable to U.S. persons, and, if the Non-U.S. Holder is a corporation, such gain may also be subject to the branch profits tax at a rate of 30 percent (or a lower rate under an applicable income tax treaty); or

such Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of the completion of the merger, and certain other specified conditions are met, in which case such gain will be subject to U.S. federal income tax at a rate of 30 percent (or a lower rate under an applicable income tax treaty).

Table of Contents

Information Reporting and Backup Withholding

Information reporting and backup withholding (at a current rate of 24 percent) may apply to the proceeds received by a holder pursuant to the merger. Backup withholding generally will not apply to (1) a U.S. Holder that furnishes a correct taxpayer identification number and certifies that such U.S. Holder is not subject to backup withholding on IRS Form W-9 (or a substitute or successor form); or (2) a Non-U.S. Holder that (i) provides a certification of such Non-U.S. Holder s non-U.S. status on the appropriate series of IRS Form W-8 (or a substitute or successor form); or (ii) otherwise establishes an exemption from backup withholding. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against the holder s U.S. federal income tax liability, if the required information is timely furnished to the IRS.

Regulatory Approvals Required for the Merger

General Efforts

Under the merger agreement, Illumina, Merger Sub and Pacific Biosciences agreed to use reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, and assist and cooperate with the other parties hereto in doing, all things necessary, proper or advisable under applicable law to consummate the merger, including: (1) preparing and filing as promptly as practicable with any governmental authority or other third parties all documentation to effect all necessary filings, notices, petitions, statements, registrations, submissions of information, applications and other documents; and (2) obtaining and maintaining all permits required to be obtained from any governmental authority or other third party that are necessary, proper or advisable to consummate the transactions contemplated by the merger agreement.

Pacific Biosciences has agreed to, at the request of Illumina, divest, hold separate or otherwise take or commit to take any action with respect to, any of the businesses, services, or assets of Pacific Biosciences or any of its subsidiaries, if requested to do so by Illumina, if and to the extent such action is necessary to obtain clearance of the merger pursuant to the HSR Act or any other competition laws applicable to the merger, but only so long as any such action is conditioned upon the consummation of merger.

Notwithstanding the foregoing, neither Illumina nor any of its subsidiaries is required to (and Pacific Biosciences may not, without Illumina s prior written consent) (1) enter into any settlement, undertaking, consent decree, stipulation or agreement with any governmental authority in connection with the merger; (2) agree, propose, negotiate, offer, sell, divest, lease, license, transfer, dispose of or otherwise encumber or hold separate (including by establishing a trust, licensing any intellectual property rights or otherwise), or take any other action (including by providing its consent to permit Pacific Biosciences or any of its subsidiaries to take any of the foregoing actions), or otherwise proffer or agree to do any of the foregoing, with respect to any of the businesses, assets or properties of Illumina, Pacific Biosciences or the surviving corporation or any of their respective affiliates or subsidiaries; (3) terminate any existing relationships or contractual rights or obligations; or (4) otherwise offer to take or offer to commit to take any action that would limit Illumina s or any of its affiliates freedom of action with respect to, or ability to retain, operate or otherwise exercise full rights of ownership with respect to, businesses, assets or properties of Illumina, Pacific Biosciences, the surviving corporation, or any of their respective affiliates or subsidiaries (or equity interests held by Illumina or any of its affiliates in entities with businesses, assets or properties).

HSR Act and U.S. Antitrust Matters

Under the HSR Act, the merger cannot be completed until Illumina and Pacific Biosciences file a Notification and Report Form with the Federal Trade Commission (which we refer to as the FTC) and the Antitrust Division of the

Department of Justice (which we refer to as the DOJ), and the applicable waiting period has expired or been terminated. The parties filed a notification and report form with the FTC and DOJ on November 29, 2018. A transaction notifiable under the HSR Act may not be completed until the expiration of a

Table of Contents

30 calendar day waiting period following the parties filing of their respective HSR Act notification forms (which waiting period, in relation to the merger, would expire at 11:59 p.m., Eastern time, on December 31, 2018) or the early termination of that waiting period. The FTC or the DOJ may extend the 30-calendar day waiting period by issuing a request for additional information or documentary material (which we refer to as a second request). If either the FTC or the DOJ issues a second request, the waiting period is extended until 30 days after Pacific Biosciences and Illumina substantially comply with the request. This time period may be further extended by a timing agreement entered into by the parties and the FTC. Pacific Biosciences and Illumina have each agreed to supply as promptly as practicable any additional information and documentary material that may be requested by the FTC or DOJ and to use their reasonable best efforts to take all other actions necessary to cause the expiration or termination of the applicable waiting periods under any applicable antitrust law as soon as practicable.

At any time before or after consummation of the merger, notwithstanding the termination of the waiting period under the HSR Act, the FTC or the DOJ could take such action under the antitrust laws as it deems necessary or desirable, including seeking to enjoin the completion of the merger, seeking divestiture of substantial assets of the parties or requiring the parties to license, or hold separate, assets or terminate existing relationships and contractual rights. At any time before or after the completion of the merger, and notwithstanding the termination of the waiting period under the HSR Act, any state could take such action under the antitrust laws as it deems necessary or desirable. Such action could include seeking to enjoin the completion of the merger or seeking divestiture of substantial assets of Pacific Biosciences or Illumina. Private parties may also seek to take legal action under the antitrust laws under certain circumstances.

Foreign Competition Laws

Illumina and Pacific Biosciences have agreed to file merger notifications, as applicable, with the appropriate regulatory agencies in the required foreign jurisdictions as promptly as reasonably practicable and advisable and work cooperatively toward expedited regulatory clearances.

Illumina and Pacific Biosciences conduct business in several member states of the European Union. The thresholds that trigger a mandatory notification to the European Commission pursuant to Council Regulation (EC) No. 139/2004, as amended, are not met in the merger. Illumina and Pacific Biosciences are examining which European Union member state agencies have jurisdiction over the proposed merger and whether the parties might be entitled to request the referral of the proposed merger to the European Commission for review.

Other Regulatory Approvals

One or more governmental bodies may impose a condition, restriction, qualification, requirement or limitation when it grants the necessary approvals and consents to the merger. Third parties may also seek to intervene in the regulatory process or litigate to enjoin or overturn regulatory approvals, which actions could significantly impede or even preclude obtaining required regulatory approvals. There is currently no way to predict how long it will take to obtain all of the required regulatory approvals or whether such approvals will ultimately be obtained, and there may be a substantial period of time between the approval by Pacific Biosciences stockholders and the completion of the merger.

Although we expect that all required regulatory clearances and approvals will be obtained, we cannot assure you that these regulatory clearances and approvals will be timely obtained, obtained at all or that the granting of these regulatory clearances and approvals will not involve the imposition of additional conditions on the completion of the merger or require changes to the terms of the merger agreement. These conditions or changes could result in the conditions to the merger not being satisfied.

Delisting and Deregistration of Our Common Stock

If the merger is completed, our common stock will no longer be traded on Nasdaq and will be deregistered under the Exchange Act. We will no longer be required to file periodic reports, current reports and proxy and information statements with the SEC on account of our common stock.

Table of Contents

Legal Proceedings Regarding the Merger

On December 11, 2018, a putative class action lawsuit was filed by a purported stockholder of Pacific Biosciences in the United States District Court for the Northern District of California (which we refer to as the lawsuit). The lawsuit is captioned *Wang v. Pacific Biosciences of California, Inc., et al.*, No. 3:18-cv-7450 (N.D. Cal.). The lawsuit asserts claims under Section 14(a) and Section 20(a) of the Exchange Act in connection with the disclosures contained in the preliminary proxy statement that Pacific Biosciences filed with the SEC on December 5, 2018. The suit names Pacific Biosciences and its directors as defendants. The complaints seek a variety of equitable and injunctive relief including, among other things, enjoining the consummation of the merger and awarding the plaintiffs costs and attorneys fees. Pacific Biosciences management believes that the plaintiff s claims are without merit, and the defendants intend to defend the lawsuits vigorously.

Table of Contents

PROPOSAL 1: ADOPTION OF THE MERGER AGREEMENT

We are asking you to approve the adoption of the merger agreement. For a summary of and detailed information regarding this proposal, see the information about the merger agreement throughout this proxy statement, including the information set forth under the sections of this proxy statement captioned The Merger and The Merger Agreement. A copy of the merger agreement is attached as Annex A to this proxy statement. You are urged to read the merger agreement carefully and in its entirety.

The Pacific Biosciences Board unanimously recommends that you vote FOR this proposal.

Table of Contents

PROPOSAL 2: ADJOURNMENT OF THE SPECIAL MEETING

We are asking you to approve a proposal to adjourn the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies if there are insufficient votes to adopt the merger agreement at the time of the special meeting. If stockholders approve this proposal, we can adjourn the special meeting and any adjourned session of the special meeting and use the additional time to solicit additional proxies, including soliciting proxies from stockholders that have previously returned properly signed proxies voting against adoption of the merger agreement. Among other things, approval of the adjournment proposal could mean that, even if we received proxies representing a sufficient number of votes against adoption of the merger agreement such that the proposal to adopt the merger agreement would be defeated, we could adjourn the special meeting without a vote on the adoption of the merger agreement and seek to convince the holders of those shares to change their votes to votes in favor of adoption of the merger agreement. Additionally, we may seek stockholder approval to adjourn the special meeting if a quorum is not present, and the chairperson of the special meeting may also adjourn the special meeting for such purpose even if the stockholders have not approved the proposal to adjourn the special meeting.

The Pacific Biosciences Board unanimously recommends that you vote FOR this proposal.

Table of Contents

PROPOSAL 3: APPROVAL, ON A NON-BINDING, ADVISORY BASIS, OF CERTAIN MERGER RELATED EXECUTIVE COMPENSATION ARRANGEMENTS

Section 14A of the Exchange Act, which was enacted as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, requires that we provide stockholders with the opportunity to vote, on a non-binding, advisory basis, on the compensation that will or may become payable by Pacific Biosciences to our named executive officers in connection with the merger, as disclosed in the section of this proxy statement captioned The Merger Interests of Pacific Biosciences Directors and Executive Officers in the Merger Golden Parachute Compensation, including the additional disclosures referenced therein that otherwise are disclosed in the section of this proxy statement captioned The Merger Interests of Pacific Biosciences Directors and Executive Officers in the Merger.

We are asking Pacific Biosciences stockholders to approve the compensation that will or may become payable by Pacific Biosciences to our named executive officers in connection with the merger. These payments are set forth in the section of this proxy statement captioned The Merger Interests of Pacific Biosciences Directors and Executive Officers of in the Merger Golden Parachute Compensation and the accompanying footnotes. The various plans and arrangements pursuant to which these compensation payments may be made generally have previously formed part of Pacific Biosciences overall compensation program for our named executive officers and previously have been disclosed to stockholders as part of the Compensation Discussion and Analysis and related sections of our annual proxy statements. These historical arrangements were adopted and approved by the Compensation Committee of the Pacific Biosciences Board, which is composed solely of non-employee directors, and are believed to be reasonable and in line with marketplace norms.

Accordingly, we are seeking approval of the following resolution at the special meeting:

RESOLVED, that the stockholders of Pacific Biosciences approve the compensation that will or may become payable to Pacific Biosciences named executive officers in connection with the merger as disclosed pursuant to Item 402(t) of Regulation S-K in the section captioned The Merger Interests of Pacific Biosciences Directors and Executive Officers in the Merger Golden Parachute Compensation in Pacific Biosciences proxy statement for the special meeting.

Pacific Biosciences stockholders should note that this proposal is not a condition to completion of the merger, and as a non-binding, advisory vote, the result will not be binding on Pacific Biosciences, the Pacific Biosciences Board or Illumina. Further, the underlying plans and arrangements are contractual in nature and not, by their terms, subject to stockholder approval. Accordingly, regardless of the outcome of the advisory vote, if the merger is consummated our named executive officers will be eligible to receive the compensation that is based on or that otherwise relates to the merger in accordance with the terms and conditions applicable to those payments.

The Pacific Biosciences Board unanimously recommends that you vote FOR this proposal.

Table of Contents

THE MERGER AGREEMENT

The following summary describes the material provisions of the merger agreement. The descriptions of the merger agreement in this summary and elsewhere in this proxy statement are not complete and are qualified in their entirety by reference to the merger agreement, a copy of which is attached to this proxy statement as Annex A and incorporated by reference. We encourage you to read the merger agreement carefully and in its entirety because this summary may not contain all the information about the merger agreement that is important to you. ***The rights and obligations of the parties are governed by the express terms of the merger agreement, and not by this summary or any other information contained in this proxy statement.***

The representations, warranties, covenants and agreements described below and included in the merger agreement (1) were made only for purposes of the merger agreement and as of specific dates; (2) were made solely for the benefit of the parties to the merger agreement; (3) may be subject to important qualifications, limitations and supplemental information agreed to by Pacific Biosciences, Illumina and Merger Sub in connection with negotiating the terms of the merger agreement; and (4) may also be subject to a contractual standard of materiality different from those generally applicable to reports and documents filed with the SEC and in some cases were qualified by confidential matters disclosed to Illumina and Merger Sub by Pacific Biosciences in connection with the merger agreement. In addition, the representations and warranties may have been included in the merger agreement for the purpose of allocating contractual risk between Pacific Biosciences, Illumina and Merger Sub rather than to establish matters as facts, and may be subject to standards of materiality applicable to such parties that differ from those applicable to investors. Further, the representations and warranties were negotiated with the principal purpose of establishing the circumstances in which a party to the merger agreement may have the right not to consummate the merger if the representations and warranties of the other party prove to be untrue due to a change in circumstance or otherwise. Pacific Biosciences stockholders are not third-party beneficiaries under the merger agreement and should not rely on the representations, warranties, covenants and agreements or any descriptions thereof as characterizations of the actual state of facts or condition of Pacific Biosciences, Illumina or Merger Sub or any of their respective affiliates or businesses. Moreover, information concerning the subject matter of the representations and warranties may change after the date of the merger agreement. None of the representations and warranties will survive the closing of the merger, and, therefore, they will have no legal effect under the merger agreement after the effective time. In addition, you should not rely on the covenants in the merger agreement as actual limitations on the respective businesses of Pacific Biosciences, Illumina and Merger Sub, because the parties may take certain actions that are either expressly permitted in the confidential disclosure letters to the merger agreement or as otherwise consented to by the appropriate party, which consent may be given without prior notice to the public. The merger agreement is described below, and included as Annex A, only to provide you with information regarding its terms and conditions, and not to provide you with any other factual information regarding Pacific Biosciences, Illumina, Merger Sub or their respective businesses. Accordingly, the representations, warranties, covenants and other agreements in the merger agreement should not be read alone, and you should read the information provided elsewhere in this document and in our filings with the SEC regarding Pacific Biosciences and our business.

Closing and Effective Time of the Merger

The closing of the merger will take place on (1) a date that is as soon as possible, but no later than the third business day after the satisfaction or waiver of all of the conditions to closing of the merger (described in the section of this proxy statement captioned The Merger Agreement Conditions to the Closing of the Merger), other than conditions that by their terms are to be satisfied at the closing of the merger, but subject to the satisfaction or waiver of each of such conditions; or (2) such other time agreed to by Pacific Biosciences and Illumina. On the closing date, the parties will file a certificate of merger with the Secretary of State of the State of Delaware as provided under the DGCL. The merger will become effective upon the filing and acceptance of that certificate of merger, or at a later time as may be

agreed to in writing by the parties and specified in such certificate of merger.

Table of Contents

Effects of the Merger; Certificate of Incorporation; Bylaws; Directors and Officers

The merger agreement provides that, subject to the terms and conditions of the merger agreement, and in accordance with the DGCL, at the effective time of the merger: (1) Merger Sub will be merged with and into Pacific Biosciences; (2) the separate existence of Merger Sub will cease; and (3) Pacific Biosciences will continue as the surviving corporation in the merger and a wholly owned subsidiary of Illumina. From and after the effective time of the merger, all of the property, rights, privileges, powers, immunities, licenses, franchises and authority of Pacific Biosciences and Merger Sub will vest in the surviving corporation, and all of the liabilities, obligations, restrictions and disabilities of Pacific Biosciences and Merger Sub will become the liabilities, obligations, restrictions and disabilities of the surviving corporation.

At the effective time of the merger, the certificate of incorporation of Pacific Biosciences as the surviving corporation will be amended and restated in its entirety to conform to the certificate of incorporation of Merger Sub as in effect immediately prior to the effective time of the merger, and the bylaws of Pacific Biosciences as the surviving corporation will be amended and restated in its entirety to conform to the bylaws of Merger Sub, as in effect immediately prior to the effective time of the merger, in each case, until thereafter amended.

From and after the effective time of the merger, the board of directors of the surviving corporation will consist of the directors of Merger Sub as of the effective time of the merger, to hold office in accordance with the certificate of incorporation and bylaws of the surviving corporation until their successors are duly elected or appointed and qualified. From and after the effective time of the merger, the officers of Merger Sub as of the effective time of the merger will be the officers of the surviving corporation, each to hold office in accordance with the certificate of incorporation and bylaws of the surviving corporation until their successors are duly appointed and qualified.

Conversion of Shares

Common Stock

At the effective time of the merger, each outstanding share of common stock (other than shares: (1) held by Pacific Biosciences as treasury stock; (2) owned by Illumina or Merger Sub; (3) owned by any direct or indirect wholly owned subsidiaries of Pacific Biosciences or Illumina (other than Merger Sub); or (4) owned by each Pacific Biosciences stockholder who has properly made a demand for appraisal under Delaware law and has neither effectively withdrawn, failed to perfect, waived or otherwise lost such stockholder s right to appraisal will be canceled and automatically converted into the right to receive cash in an amount equal to $8.00 per share, without interest thereon and subject to applicable withholding taxes (or, in the case of a lost, stolen or destroyed certificate, upon delivery of an affidavit (and if required, bond) in accordance with the terms of the merger agreement).

At the effective time of the merger, each outstanding share of common stock that is (1) held by Pacific Biosciences as treasury stock or (2) owned by Illumina or Merger Sub will be canceled and retired without any payment thereto.

At the effective time of the merger, each share of common stock that is owned by any direct or indirect subsidiary of Pacific Biosciences, Illumina (other than Merger Sub) or Merger Sub as of immediately prior to the effective time of the merger will be converted into such number of shares of capital stock of the surviving corporation such that each such subsidiary owns the same percentage of the outstanding capital stock of the surviving corporation as of immediately following the effective time of the merger as such subsidiary-owned in Pacific Biosciences as of immediately prior to the effective time of the merger.

As of the effective time of the merger, each share of common stock of Merger Sub outstanding immediately prior to the effective time of the merger will be converted into and become one fully paid and nonassessable share of common stock of the surviving corporation with the same rights, powers and privileges as the shares so converted and will constitute the only outstanding shares of capital stock of the surviving corporation.

Table of Contents

Equity Awards; ESPP

The merger agreement provides that Pacific Biosciences equity awards that are outstanding immediately prior to the effective time of the merger will be subject to the following treatment at the effective time of the merger:

Company Options

At or immediately prior to the effective time of the merger, each in-the-money company option award will be canceled and converted into the right to receive a cash amount equal to the product of (1) the excess of the merger consideration over the applicable per share exercise price of the in-the-money company option, multiplied by (2) the aggregate number of shares of common stock subject to the in-the-money company option immediately prior to the effective time of the merger. Any company option that is not an in-the-money company option will be canceled as of the effective time of the merger without any amount payable in exchange. Holders of unvested company options (including company options that are not in-the-money company options) will be given an opportunity to exercise any unvested company options prior to, and contingent upon the consummation of the transactions contemplated by the merger agreement.

Company RSUs

At or immediately prior to the effective time of the merger, each company RSU award will be canceled and converted into the right to receive a cash amount equal to the product of (1) the merger consideration, multiplied by (2) the total number of shares of common stock subject to such company RSU award immediately prior to the effective time of the merger.

Company PRSUs

At or immediately prior to the effective time of the merger, each company PRSU award will be canceled and converted into the right to receive a cash amount equal to the product of (1) the merger consideration, multiplied by (2) the number of shares of company common stock that would be payable if such company PRSU award had vested at target performance.

Employee Stock Purchase Plan

Our ESPP (and all outstanding rights thereunder) will be terminated no later than as of immediately prior to the effective time of the merger, contingent upon the consummation of the transactions contemplated by the merger agreement. From and after the date of the merger agreement, no new participants are permitted to participate in the ESPP and participants may not increase their payroll deductions or purchase elections from those in effect on the date of the merger agreement, and except for the final offering period, no new offering or purchase period shall be authorized, continued or commenced following the date of the merger agreement. In addition, from and after the date of the merger agreement, both the maximum number of shares of common stock that a participant in the ESPP can purchase and the total number of shares available under the ESPP will not be increased. Unless otherwise agreed between Illumina and us, the final offering period will terminate no later than as of immediately following the next scheduled purchase date (to occur on March 1, 2019), and the exercise date under the final offering period will accelerate and occur on such termination date with respect to any then-outstanding purchase rights. Additionally, shares of common stock purchased under the terms of the ESPP for the final offering period will be canceled at the effective time of the merger in exchange for the right to receive the merger consideration in accordance with the merger agreement. As promptly as practicable following the purchase of shares of common stock under the final offering period, Pacific Biosciences will return to each participant the funds, if any, that remain in such participant s

account after such purchase.

Payment Agent, Exchange Fund and Exchange and Payment Procedures

Prior to the closing of the merger, Illumina will appoint an agent reasonably acceptable to Pacific Biosciences, which we refer to as the payment agent, to make payments of the merger consideration to Pacific

Table of Contents

Biosciences stockholders. At or prior to the closing of the merger, Illumina will deposit (or cause to be deposited) with the payment agent cash that is sufficient in the aggregate to pay the aggregate per share merger consideration to Pacific Biosciences stockholders in accordance with the merger agreement.

Promptly (and in any event within five business days) following the effective time of the merger, Illumina will, or will cause the payment agent to mail to each holder of record (as of immediately prior to the effective time of the merger) of a certificate that immediately prior to the effective time of the merger represented outstanding shares of common stock, a letter of transmittal and instructions advising stockholders how to surrender stock certificates in exchange for the per share merger consideration. Upon receipt of (1) surrendered certificates for cancellation (or an appropriate affidavit for lost, stolen or destroyed certificates, together with any required bond); and (2) a duly completed and signed letter of transmittal and such other documents as may be reasonably requested by the payment agent, the holder of such certificate will be entitled to receive an amount in cash equal to the product of (i) the number of shares represented by such certificate and (ii) the per share merger consideration in exchange therefor. The amount of any per share merger consideration paid to Pacific Biosciences stockholders will not include interest and may be reduced by any applicable withholding taxes.

Notwithstanding the foregoing, any holder of shares of common stock held in book-entry form (which we refer to as uncertificated shares) will not be required to deliver a certificate or an executed letter of transmittal (as both are described above) to the payment agent to receive the consideration payable in respect thereof. Each holder of record (as of immediately prior to the effective time of the merger) of uncertificated shares that immediately prior to the effective time of the merger represented an outstanding share of common stock will, upon receipt of an agent s message in customary form at the effective time of the merger, be entitled to receive, and the payment agent will pay and deliver as promptly as practicable, an amount in cash equal to the product of (1) the number of uncertificated shares held by such stockholder; and (2) the per share merger consideration in exchange therefor. The amount of consideration paid to such Pacific Biosciences stockholders will not include interest and may be reduced by any applicable withholding taxes.

If any cash deposited with the payment agent is not claimed within six months following the effective time of the merger, such cash will be returned to Illumina upon demand, and any Pacific Biosciences stockholders as of immediately prior to the merger who have not complied with the exchange procedures in the merger agreement will thereafter look only to Illumina for satisfaction of payment of the merger consideration (subject to abandoned property law, escheat law or similar law). None of Illumina or any of its affiliates will be liable to any Pacific Biosciences stockholder with respect to any cash amounts properly paid to a public official pursuant to any applicable abandoned property law, escheat law or similar law.

The letter of transmittal will include instructions if a stockholder has lost a share certificate or if such certificate has been stolen or destroyed. In the event that any share certificates have been lost, stolen or destroyed, then the payment agent will issue the per share merger consideration to such holder upon the making by such holder of an affidavit for such lost, stolen or destroyed certificate. Illumina or the payment agent may, in its discretion and as a condition precedent to the payment of the per share merger consideration, require such stockholder to deliver a bond in such reasonable amount as Illumina or the payment agent may direct as indemnity against any claim that may be made against Illumina, the surviving corporation or the payment agent with respect to such certificate.

Representations and Warranties

The merger agreement contains representations and warranties of Pacific Biosciences, Illumina and Merger Sub.

Some of the representations and warranties in the merger agreement made by Pacific Biosciences are qualified as to materiality or Company Material Adverse Effect. For purposes of the merger agreement, Company Material Adverse Effect means, with respect to Pacific Biosciences, any event, circumstance,

Table of Contents

change, occurrence, development, condition or effect that, individually or in the aggregate, has or would reasonably be expected to result in a material adverse change in, or material adverse effect on, the financial condition, business, assets, liabilities or results of operations of Pacific Biosciences and its subsidiaries, taken as a whole, but excluding any such effect to the extent resulting from:

changes in general economic conditions in the United States or global credit, currency, financial or capital markets (except to the extent that such changes have had a disproportionate effect on Pacific Biosciences and its subsidiaries, taken as a whole, relative to other participants in the industry in which Pacific Biosciences and its subsidiaries operate, in which case only the incremental disproportionate adverse impact may be taken into account in determining whether there has occurred a Company Material Adverse Effect);

changes in United States or global regulatory, legal, legislative or political conditions, including changes or proposed changes in applicable law or GAAP (except to the extent that such changes have had a disproportionate effect on Pacific Biosciences and its subsidiaries, taken as a whole, relative to other participants in the industry in which Pacific Biosciences and its subsidiaries operate, in which case only the incremental disproportionate adverse impact may be taken into account in determining whether there has occurred a Company Material Adverse Effect);

changes or conditions generally affecting the industry in which Pacific Biosciences and its subsidiaries operate (except to the extent that such changes or conditions have had a disproportionate effect on Pacific Biosciences and its subsidiaries, taken as a whole, relative to other participants in the industry in which Pacific Biosciences and its subsidiaries operate, in which case only the incremental disproportionate adverse impact may be taken into account in determining whether there has occurred a Company Material Adverse Effect);

geopolitical conditions, acts of war, sabotage or terrorism, outbreak or escalation of hostilities or war or epidemics, pandemics or natural disasters (except to the extent that such conditions have had a disproportionate effect on Pacific Biosciences and its subsidiaries, taken as a whole, relative to other participants in the industry in which Pacific Biosciences and its subsidiaries operate, in which case only the incremental disproportionate adverse impact may be taken into account in determining whether there has occurred a Company Material Adverse Effect);

the announcement or pendency of the transactions contemplated by the merger agreement, including the impact thereof on relationships of Pacific Biosciences or its subsidiaries, contractual or otherwise, with customers, suppliers, distributors, partners, employees or regulators, it being understood that termination, change of control and other similar rights of third parties that are required to be disclosed in the confidential disclosure letter provided by Pacific Biosciences to Illumina and Merger Sub in connection with the merger agreement will not be deemed to be events, circumstances, changes, occurrences, developments, conditions or effects related to the announcement or pendency of the transactions contemplated by the merger agreement for purposes of the references to Company Material Adverse Effect in the merger agreement;

any decline, in and of itself, in the market price, or change in trading volume, of any capital stock of Pacific Biosciences (it being understood that any cause of such decline or change may be taken into consideration when determining whether a Company Material Adverse Effect has occurred);

any failure, in and of itself, of Pacific Biosciences to meet any internal or public projections, forecasts, budgets or estimates of revenue, earnings, cash flow or cash position (it being understood that any cause of such failure may be taken into consideration when determining whether a Company Material Adverse Effect has occurred); or

any action taken by Pacific Biosciences that is expressly required by the merger agreement or taken at the prior written request of or with the prior written consent of Illumina.

Table of Contents

In the merger agreement, Pacific Biosciences has made customary representations and warranties to Illumina and Merger Sub that are subject, in some cases, to specified exceptions and qualifications contained in the merger agreement. These representations and warranties relate to, among other things:

- due organization and qualification;
- the certificate of incorporation and bylaws of Pacific Biosciences;
- corporate power and authority;
- due execution, delivery and performance of the merger agreement;
- the requisite vote of Pacific Biosciences stockholders in connection with the merger agreement;
- the approval and recommendation of the Pacific Biosciences Board;
- required consents and approvals;
- the absence of, among other things, various implications of the merger under any organizational documents, existing material contracts or laws applicable to Pacific Biosciences or its subsidiaries;
- the capitalization of Pacific Biosciences;
- the issuance of all securities and stock awards of Pacific Biosciences and its subsidiaries being in compliance with all applicable laws;
- the absence of any contract relating to the voting, registration of, or transfer of any securities of Pacific Biosciences or its subsidiaries;
- the identity and capitalization of each subsidiary of Pacific Biosciences;
- the accuracy and sufficiency of Pacific Biosciences SEC filings;

the absence of SEC reporting obligations for any Pacific Biosciences subsidiary since the date of the merger agreement;

Pacific Biosciences and its subsidiaries internal controls, disclosure controls and procedures;

the effectiveness of Pacific Biosciences and its subsidiaries internal controls;

the accuracy and sufficiency of Pacific Biosciences financial statements;

compliance by Pacific Biosciences in all material respects with all applicable listing and corporate governance rules, regulations and requirements of Nasdaq;

compliance by Pacific Biosciences, and Pacific Biosciences principal executive officer and principal financial officer, with the Sarbanes-Oxley Act of 2002 since January 1, 2015;

the absence of untrue statement or omission of a material fact required to be stated in this proxy statement;

(1) the absence of any Company Material Adverse Effect prior to the date of the merger agreement; and (2) the conduct of the business of Pacific Biosciences and its subsidiaries in the ordinary course consistent with past practices, in each case, since December 31, 2017;

the absence of specified undisclosed liabilities;

compliance with applicable laws, including export control laws and anti-corruption laws, by Pacific Biosciences and its subsidiaries since January 1, 2015;

the validity and effectiveness of consents, approvals, waivers, permits, registrations, licenses or consents necessary for Pacific Biosciences and its subsidiaries to conduct its business;

the absence of legal proceedings or orders pending or threatened against Pacific Biosciences or any of its subsidiaries, officers or directors;

Table of Contents

real property leased or subleased by Pacific Biosciences and its subsidiaries;

trademarks, patents, copyrights and other intellectual property matters;

customer and supplier matters;

privacy and data matters;

tax matters;

employee and labor matters and benefit plans;

environmental matters;

Pacific Biosciences material contracts, including, (1) the existence and enforceability of such material contracts; and (2) the absence of breaches or defaults under its material contracts by Pacific Biosciences or its subsidiaries;

other than Centerview, the absence of financial advisors and similar advisors retained or authorized to act on behalf of Pacific Biosciences or its subsidiaries or who is entitled to fees or commissions in connection with the merger;

the rendering of Centerview s fairness opinion to the Pacific Biosciences Board;

the inapplicability of anti-takeover statutes;

regulatory matters;

related party matters; and

insurance matters.

In addition, in the merger agreement, Pacific Biosciences acknowledges that Illumina and Merger Sub have not made any representations or warranties other than those expressly set forth in the merger agreement, and expressly disclaims reliance on any representation, warranty or other information regarding Illumina and Merger Sub, except Illumina and Merger Sub s express representations in the merger agreement.

In the merger agreement, Illumina and Merger Sub have made customary representations and warranties to Pacific Biosciences that are subject, in some cases, to specified exceptions and qualifications contained in the merger agreement. These representations and warranties relate to, among other things:

- due organization and qualification;
- corporate power and authority;
- due execution, delivery and performance of the merger agreement;
- required consents and approvals;
- the absence of, among other things, various implications of the merger under any organizational documents, existing material contracts or laws applicable to Illumina or its subsidiaries;
- the absence of untrue statement or omission of a material fact required to be stated in this proxy statement;
- matters with respect to Illumina s financing, including Illumina s sufficiency of funds; and
- the ownership of capital stock of Pacific Biosciences.

In addition, in the merger agreement, Illumina and Merger Sub acknowledge that Pacific Biosciences has not made any representations or warranties other than those expressly set forth in the merger agreement, and expressly disclaim reliance on any representation, warranty or other information regarding Pacific Biosciences, except Pacific Biosciences express representations in the merger agreement.

Table of Contents

The representations and warranties contained in the merger agreement will not survive the consummation of the merger.

Conduct of Business Pending the Merger

The merger agreement provides that, during the period of time between the date of the merger agreement and the effective time of the merger (or the earlier termination of the merger agreement), Pacific Biosciences will, and will cause each of its subsidiaries to, conduct its business in the ordinary course consistent with past practice and in material compliance with applicable law and all material contracts. In addition, Pacific Biosciences has also agreed that, without limiting the generality of the foregoing, Pacific Biosciences will, and will cause each of its subsidiaries to use its reasonable best efforts to:

- preserve intact its present business organization (including preserving all assets material to the conduct of its business in good repair and condition);
- maintain in effect all of its foreign, federal, state and local permits that are used in, and material to, the conduct of its business;
- keep available the services of its directors, officers, employees and consultants; and
- maintain the goodwill and existing relationships with its customers, lenders, suppliers and others having significant business relationships with it.

In addition, Pacific Biosciences has also agreed that, except as (1) expressly contemplated by the merger agreement; (2) approved by Illumina (which approval will not be unreasonably withheld, conditioned or delayed with respect to certain of the actions specified in the merger agreement, but with respect to the remaining actions specified in the merger agreement, Illumina s consent may be conditioned, delayed or withheld in its sole discretion); or (3) as specified in the disclosure schedule which was delivered by Pacific Biosciences to Illumina in connection with the merger agreement, during the period of time between the date of the merger agreement and the effective time of the merger (or the earlier termination of the merger agreement), Pacific Biosciences will not, and will cause each of its subsidiaries not to, among other things:

- amend its organizational documents;
- (1) split, combine, subdivide, or reclassify any shares of its capital stock or other securities; (2) declare, set aside or pay dividends or make other distributions of capital stock, except for dividends payable to Pacific Biosciences or any of its subsidiaries; or (3) redeem, repurchase or otherwise acquire any shares of capital stock or other securities;

(1) issue, pledge, dispose of, transfer, encumber, sell, grant or otherwise deliver or authorize the issuance, pledge, disposal of, transfer, encumbrance, grant, sale or other delivery of any securities of Pacific Biosciences or any of its subsidiaries, except as required under the loan arrangements of Pacific Biosciences, or the issuance of (i) shares upon the exercise of options; (ii) shares upon the exercise of purchase rights under the ESPP; (iii) any shares upon the vesting of any Company RSUs; or (iv) securities of the subsidiaries of Pacific Biosciences to Pacific Biosciences or any other wholly owned subsidiary of Pacific Biosciences; or (2) amend the terms of any securities of Pacific Biosciences or any of its subsidiaries, except as may be required by applicable law or the terms of any employee plan;

incur capital expenditures or any obligations or liabilities;

acquire, directly or indirectly, any assets, securities, properties, interests or businesses, except in the ordinary course of business consistent with past practice;

merge or consolidate Pacific Biosciences or any of its subsidiaries with any entity or adopt a complete or partial plan of liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization;

Table of Contents

sell, assign, lease or otherwise transfer, abandon, dispose of or permit to lapse, or create or incur any lien, except as permitted by the merger agreement, on any of Pacific Biosciences or its subsidiaries assets, securities, properties, interests or businesses, except in the ordinary course of business consistent with past practice;

(1) extend, grant, amend, waive, cancel, abandon or allow to lapse or modify any rights in or to intellectual property that would result in a Company Material Adverse Effect; (2) fail to diligently prosecute any material patent application; or (3) divulge, furnish, or make accessible any trade secrets, other than in the ordinary course of business consistent with past practice to a third party that is subject to a written agreement;

make any loans, advances or capital contributions to, or investments in, any third party, other than advances of travel and business expense for directors, officers or employees in the ordinary course of business consistent with past practice;

create, incur, assume, suffer to exist or become liable with respect to any indebtedness for borrowed money, or guarantees thereof (except with respect to obligations of wholly owned subsidiaries of Pacific Biosciences), or issue or sell any debt securities or options, warrants, calls or other rights to acquire any debt securities of Pacific Biosciences or any of its subsidiaries;

(1) renew, amend, modify in any material respect any material contract, or enter into or terminate any contract that would constitute a material contract if it were in effect on the date of the merger agreement (except the expiration or renewal of any material contract in accordance with its terms); or (2) waive, release or assign any material rights, claims, or benefits under any material contract;

with respect to any current or former employee or independent contractor, (1) grant or increase any compensation, bonus, severance, retention, change in control, termination pay, welfare or other benefits to (or amend any existing severance pay or termination arrangement); (2) grant any equity or equity-based awards to, or discretionarily accelerate the vesting or payment of, any such awards held by any current or former employee or independent contractor; or (3) enter into, establish, adopt, amend or terminate any employment, consulting services, severance, retention, change in control, termination pay, retirement, deferred compensation or other similar agreement or arrangement, except the entry into, establishment or adoption of a consulting services agreement (or similar agreement or arrangement) to replace a terminating or expiring consulting agreement or arrangement on the same or more favorable terms to Pacific Biosciences;

establish, adopt, enter into, amend (except as required by applicable law), or become obligated to contribute to any employee plan or collective bargaining agreement, other than routine amendments that do not result in materially increased administrative costs;

recognize any new union, works council or similar employee representative with respect to any current or former employee or independent contractor;

establish, adopt or enter into any plan, agreement or arrangement, or otherwise commit to, gross up or indemnify, or otherwise reimburse any current or former employee or independent contractor for any tax incurred by such employee or independent contractor, including under Section 409A or Section 4999 of the Code;

hire any employee except to fill vacancies (other than at the level of vice president or above) in the ordinary course of business, consistent with past practice or terminate any employee except for cause ;

change any accounting methods or practices or internal controls in any material respect, except as required by a change in GAAP or applicable law, after consultation with its independent public accountants;

commence, compromise, settle, or offer or propose to settle (1) any action (except for immaterial monetary damages or in the ordinary course of business consistent with past practice); (2) any

Table of Contents

stockholder action dispute against Pacific Biosciences or any of its officers or directors; or (3) any action or dispute with a third party that relates to the transactions contemplated by the merger agreement;

make or change any material tax election, change any material tax accounting period, adopt or change any material method of tax accounting, amend any federal income or other material tax returns, enter into any closing agreement with respect to material taxes, settle any material tax claim, audit or assessment, surrender any right to claim a material tax refund, offset or other reduction in tax liability, or consent to any extension or waiver of the statute of limitations period applicable to any material claim or assessment in respect of taxes;

maintain insurance at less than current levels or otherwise in a manner inconsistent with past practice;

assign, transfer, lease, cancel, fail to renew or fail to extend any permit;

forgive any loans to directors, officers, employees or any of their respective affiliates;

amend or modify the letter of engagement of the financial advisor or engage other advisors or consultants in connection with the transactions contemplated by the merger agreement;

pre-pay any long-term indebtedness for borrowed money;

implement any plant closing, relocation or mass layoff of employees that could implicate the WARN Act or any comparable foreign, state or local law;

until August 1, 2019, (1) solicit or enter into or continue any discussions or negotiations or enter into any contract with any third party; or (2) afford access to any third party to the business, properties, assets, books, records or other non-public information of Pacific Biosciences or any of its subsidiaries, in each case in connection with certain specified matters; or

agree, resolve or commit to do any of the foregoing actions.

No Solicitation of Other Offers

Under the merger agreement, from the date of the merger agreement until the effective time of the merger (or the earlier termination of the merger agreement), Pacific Biosciences has agreed to cease and cause to be terminated any activities, discussions or negotiations conducted on or prior to the date of the merger agreement with any person and its representatives (other than Illumina, Merger Sub and their respective representatives) relating to an acquisition proposal (as defined below), and to instruct each such person and its representatives that is in possession of confidential information furnished by or on behalf of Pacific Biosciences or its subsidiaries prior to the date of the merger agreement (and all analyses and other materials prepared by or on behalf of such person and its representatives

(other than Illumina, Merger Sub and their respective representatives) that contain, reflect or analyze that information) to return or destroy all such information as promptly as practicable.

Under the terms of the merger agreement, from the date of the merger agreement until the effective time of the merger (or the earlier termination of the merger agreement), Pacific Biosciences and its subsidiaries and certain of its and their respective directors and executive officers will not, and Pacific Biosciences will not authorize or direct any of its or its subsidiaries employees, consultants or other representatives to, directly or indirectly:

- solicit, initiate, propose, seek or take any action for the purpose of the making, submission or announcement of, or knowingly facilitate, assist, induce or encourage the making, submission or announcement of, any proposal that constitutes, or that would reasonably be expected to lead to an acquisition proposal;

- enter into, engage in, participate in or maintain or continue any discussions or negotiations with, furnish any non-public information relating to Pacific Biosciences or any of its subsidiaries or afford

Table of Contents

access to the business, properties, assets, books, records or other non-public information of Pacific Biosciences or any of its subsidiaries to, or otherwise knowingly cooperate in any way with, or knowingly assist, participate in, facilitate, induce or encourage, any effort by any person (other than Illumina, Merger Sub and their respective representatives) concerning an acquisition proposal;

make an adverse recommendation change;

approve any transaction under, or any person becoming an interested stockholder under, Section 203 of the DGCL;

submit any acquisition proposal or any matter related thereto to the vote of Pacific Biosciences stockholders; or

authorize or commit to do any of the above.

Notwithstanding these restrictions, prior to the adoption of the merger agreement by Pacific Biosciences stockholders, Pacific Biosciences may, directly or indirectly through one or more of their representatives: (1) contact any third party or its representatives that has made (and not withdrawn) a bona fide written acquisition proposal that was not solicited in breach of the non-solicitation restrictions above to the extent necessary to clarify the terms and conditions of such acquisition proposal; (2) engage in discussions or negotiations with any third party or its representatives that has made (and not withdrawn) a bona fide written acquisition proposal that was not solicited in breach of the non-solicitation restrictions above, but only if the Pacific Biosciences Board (or a committee thereof) has reasonably determined in good faith (after consultation with its financial advisor and outside legal counsel) that such acquisition proposal either constitutes a superior proposal (as defined below) or is reasonably expected to lead to a superior proposal; or (3) furnish any non-public information relating to Pacific Biosciences or any of its subsidiaries to any third party or its representatives that has made or delivered to Pacific Biosciences a written acquisition proposal that was not solicited in breach of the non-solicitation restrictions above pursuant to a written confidentiality agreement, but only if, in the case of (1) through (3) above, the Pacific Biosciences Board (or a committee thereof) has determined in good faith (after consultation with its financial advisor and outside legal counsel) that the failure to do so would be inconsistent with its fiduciary duties pursuant to applicable law. In connection with the foregoing, Pacific Biosciences will (1) provide written notice to Illumina immediately following the Pacific Biosciences Board s determination referred to in the prior sentence; and (2) substantially contemporaneously, make available to Illumina any non-public information concerning Pacific Biosciences and its subsidiaries that is provided to any such third party or its representatives that was not previously made available to Illumina.

If Pacific Biosciences or its representatives receives an acquisition proposal (as defined below) or an inquiry from any person related to making a potential acquisition proposal, or if any non-public information that would reasonably be expected to relate to the making of an acquisition proposal is requested from, or any discussions or negotiations are sought to be initiated or continued with Pacific Biosciences or its representatives at any time prior to the earlier to occur of the termination of the merger agreement and the effective time of the merger, Pacific Biosciences must promptly (and in all events by the later of 24 hours from the receipt thereof) advise Illumina of such acquisition proposal or request, including the identity of the person making such proposal, inquiry, request or offer and the material terms and conditions thereof (including copies of any written documentation setting forth such terms). Thereafter, Pacific Biosciences must keep Illumina reasonably informed, on a prompt basis, of the status and terms of any such offers or proposals (including any amendments thereto) and the status of any such discussions or

negotiations.

For purposes of this proxy statement and the merger agreement:

an acquisition proposal means, other than the merger, any third party offer or proposal relating to, in a single transaction or series of related transactions:

any acquisition or purchase, direct or direct, of assets representing more than 15 percent of the consolidated assets of Pacific Biosciences and its subsidiaries or 15 percent or more of any class

Table of Contents

of equity or voting securities of Pacific Biosciences or any of its subsidiaries whose assets, individually or in the aggregate, constitute 15 percent or more of the consolidated assets of Pacific Biosciences;

any tender offer or exchange offer that, if consummated, would result in any third party beneficially owning 15 percent or more of any class of equity or voting securities of Pacific Biosciences or any of its subsidiaries whose assets, individually or in the aggregate, constitute 15 percent or more of the consolidated assets Pacific Biosciences;

merger, consolidation, share exchange, business combination, sale of substantially all of the assets, reorganization, recapitalization, liquidation, dissolution or other transaction involving Pacific Biosciences or any of its subsidiaries whose assets, individually or in the aggregate, constitute 15 percent or more of the consolidated assets of Pacific Biosciences;

any sale or exclusive license of certain specified products or intellectual property rights of Pacific Biosciences, other than commercial sales of such specified products in the ordinary course of business consistent with past practice;

a superior proposal is a bona fide written acquisition proposal (substituting 50 percent for all percentages in the definition of acquisition proposal above) that was not solicited in breach of Pacific Biosciences non-solicitation restrictions described above, on terms that the Pacific Biosciences Board (or a committee thereof) has determined in good faith (after consultation with its financial advisor and outside legal counsel) would be more favorable, from a financial point of view, to the Pacific Biosciences stockholders (in their capacity as such) than the merger (taking into account (1) any revisions to the merger agreement made or proposed in writing by Illumina prior to the time of such determination; and (2) those other factors and matters deemed relevant in good faith by the Pacific Biosciences Board (or any committee thereof), including the identity of the person making the proposal, the likelihood of consummation in accordance with the terms of such proposal, and the legal, financial (including financing terms), regulatory, timing and other aspects of such proposal).

The Pacific Biosciences Board s Recommendation; Adverse Recommendation Change

The Pacific Biosciences Board has recommended that the holders of shares of common stock vote FOR the proposal to adopt the merger agreement. The merger agreement provides that the Pacific Biosciences Board will not effect an adverse board recommendation change except as described below.

Except as set forth below, at no time after the date of the merger agreement may the Pacific Biosciences Board or a committee thereof (with any action described in the following being referred to as an adverse recommendation change):

fail to make, qualify, withhold, withdraw, amend or modify in any manner adverse to Illumina or Merger Sub, or publicly propose to qualify, withhold, withdraw, amend or modify, the Pacific Biosciences Board s recommendation;

adopt, endorse, approve, or recommend, or publicly propose to adopt, endorse, approve or recommend, an acquisition proposal;

publicly make any recommendation in connection with a tender or exchange offer, other than a recommendation against such offer or a stop, look and listen communication by the Pacific Biosciences Board (or a committee thereof) to Pacific Biosciences stockholders pursuant to Rule 14d-9(f) promulgated under the Exchange Act (or any substantially similar communication) (it being understood that the Pacific Biosciences Board (or a committee thereof) may refrain from taking a position with respect to an acquisition proposal until the close of business on the 10th business day after the commencement of a tender or exchange offer in connection with such acquisition proposal without such action being considered a violation of the merger agreement);

Table of Contents

following the date on which any acquisition proposal or any material modification thereto is first made public, fail to issue a press release reaffirming the Pacific Biosciences Board s recommendation within five business days after Illumina so requests in writing; or

fail to include the Pacific Biosciences Board s recommendation in this proxy statement.

Notwithstanding the restrictions described above, prior to the adoption of the merger agreement by stockholders, the Pacific Biosciences Board may, upon compliance with the procedures described below, effect an adverse recommendation change (1) in response to an intervening event (as defined below) other than in connection with a written acquisition proposal that constitutes a superior proposal; or (2) if Pacific Biosciences has received a bona fide written acquisition proposal that the Pacific Biosciences Board (or a committee thereof) has concluded in good faith (after consultation with its financial advisor and outside legal counsel) is a superior proposal, in each case, if the Pacific Biosciences Board (or a committee thereof) determines in good faith (after consultation with its financial advisor and outside legal counsel) that a failure to effect an adverse recommendation change would be inconsistent with the Pacific Biosciences Board s fiduciary duties pursuant to applicable law.

The Pacific Biosciences Board may effect an adverse recommendation change, but may not terminate the merger agreement, in response to an intervening event if and only if:

Pacific Biosciences has provided prior written notice to Illumina at least four business days in advance to the effect that the Pacific Biosciences Board (or a committee thereof) has (1) made the determination described above; and (2) resolved to effect an adverse recommendation change pursuant to the merger agreement, which notice must describe the applicable intervening event in reasonable detail; and

prior to effecting such adverse recommendation change, Pacific Biosciences and its representatives, during such four business day period, have negotiated with Illumina and its representatives in good faith to make such adjustments to the terms and conditions of the merger agreement so that the Pacific Biosciences Board (or a committee thereof) no longer determines in good faith (after consultation with its financial advisor and outside legal counsel) that the failure to make an adverse recommendation change in response to such intervening event would be inconsistent with its fiduciary duties pursuant to applicable law.

In addition, the Pacific Biosciences Board may effect an adverse recommendation change or terminate the merger agreement to enter into a definitive, written agreement in respect of an acquisition proposal that was not solicited in breach of the non-solicitation restrictions above, only if the Pacific Biosciences Board (or a committee thereof) has concluded in good faith (after consultation with its financial advisor and outside legal counsel) that such acquisition proposal is a superior proposal, and:

the Pacific Biosciences Board (or a committee thereof) has determined in good faith (after consultation with its financial advisor and outside legal counsel) that the failure to do so would be inconsistent with its fiduciary duties pursuant to applicable law;

Pacific Biosciences has provided prior written notice to Illumina at least four business days in advance to the effect that the Pacific Biosciences Board (or a committee thereof) has (1) received a written acquisition

proposal that has not been withdrawn; (2) concluded in good faith (after consultation with its financial advisor and outside legal counsel) that such acquisition proposal constitutes a superior proposal; and (3) resolved to effect an adverse recommendation change or to terminate the merger agreement, which notice will describe the basis for such adverse recommendation change or termination, including the identity of the person making such acquisition proposal, the material terms of such acquisition proposal and a copy of the current version of the proposed agreement under which such acquisition proposal is proposed to be consummated; and

prior to effecting such adverse recommendation change or termination, Pacific Biosciences and its representatives, during the four business day notice period described above, have negotiated with

Table of Contents

Illumina and its representatives in good faith to make such adjustments to the terms and conditions of the merger agreement so that such acquisition proposal would cease to constitute a superior proposal.

In the event of any material revision, amendment, update or supplement to any such acquisition proposal described above, Pacific Biosciences has also agreed to deliver a new written notice to Illumina and to comply with the above procedures with respect to such new written notice (with the notice period being two business days from the date of such notice) and no adverse recommendation change or termination will be permitted by Pacific Biosciences unless, at the end of such two day notice period, the Pacific Biosciences Board (or a committee thereof) has in good faith (after consultation with its financial advisor and outside legal counsel) reaffirmed its determination that such acquisition proposal is a superior proposal.

For purposes of this proxy statement and the merger agreement, an intervening event means any positive material change, effect, development, circumstance, condition, event or occurrence that, as of the date of the merger agreement was not known to Pacific Biosciences Board, or the consequences of which (based on facts known to the Pacific Biosciences Board as of the date of the merger agreement) were not reasonably foreseeable to the Pacific Biosciences Board as of the date of merger agreement, other than: (1) changes in the financial or securities markets or general economic, political or business conditions in the United States or other jurisdictions in which Pacific Biosciences or its any of its subsidiaries has operations; (2) changes (including changes of applicable law) or conditions generally affecting the industry in which Pacific Biosciences and its subsidiaries operate; (3) changes in GAAP or other applicable accounting rules; or (4) the receipt, existence or terms of any acquisition proposal or any inquiry, offer, request or proposal that would reasonably be expected to lead to an acquisition proposal.

Stockholder Meeting

Pacific Biosciences has agreed to take all action necessary to establish a record date for, duly call, give notice of, convene and hold the special meeting as promptly as reasonably practicable following the mailing of this proxy statement. Pacific Biosciences is permitted to postpone or adjourn the special meeting in certain circumstances related to soliciting additional proxies or requirements of applicable law.

Employee Benefits

For the period commencing on the effective time of the merger and ending one year later (or, if shorter, during the period of employment), Illumina will provide continuing employees with (1) an aggregate base salary or base wages and cash target bonus opportunity no less than the aggregate base salary or base wages and cash target bonus opportunity provided to such continuing employee immediately before the effective time of the merger; and (2) benefits (other than any equity or equity-based and change in control or transaction-based compensation or benefits or severance pay or benefits) that are substantially comparable in the aggregate to either (i) those offered to similarly situated employees of Illumina or its affiliates; or (ii) those offered by Pacific Biosciences to the continuing employees as of immediately before the effective time of the merger. The determination of the employee benefits under clause (2) will be made by Illumina, based on Illumina s evaluation of the nature and scope of the continuing employees duties, principal locations, grade level and performance, among other things. However, Illumina will not have any obligation to issue, or adopt any plans or arrangements providing for the issuance of, shares of capital stock, warrants, options, stock appreciation rights or other rights in respect of any shares of capital stock of any entity or any securities convertible into, or exchangeable or exercisable for, such shares pursuant to any such plans or arrangements.

With respect to any employee benefit plan maintained by Illumina in which any continuing employee will participate on or after the effective time of the merger, but excluding (1) any retiree healthcare or life insurance plans or programs maintained by Illumina or its affiliates; and (2) any equity compensation arrangement, Illumina will recognize all service with us or any subsidiary of ours provided before the effective time of the merger by continuing employees

who are active Pacific Biosciences employees immediately before the closing

Table of Contents

of the merger for purposes of vesting and eligibility (but not benefit accrual), to the extent such continuing employees otherwise would be eligible to participate or vest under the terms of such Illumina benefit plans. The service of a continuing employee before the effective time of the merger will not be recognized for the purpose of any entitlement to participate in, or receive benefits with respect to, (1) any retiree medical programs or other retiree welfare benefit programs maintained by Illumina or its affiliates; or (2) for purposes of early retirement subsidies under any Illumina benefit plan. In no event will these benefits result in any duplication of benefits for the same period of service. In addition, Illumina will use commercially reasonable efforts to (i) waive any limitations on benefits relating to pre-existing conditions to the same extent such limitations are waived under any comparable plan of Pacific Biosciences applicable to such continuing employee before the effective time of the merger and (ii) recognize, for purposes of satisfying the deductibles, out-of-pocket limits, offsets, co-payments, co-insurance, or similar costs or payments under its medical, dental and vision plans, the deductibles, out-of-pocket limits, offsets, co-payments, co-insurance, or similar costs or payments recognized under the corresponding employee plan with respect to a continuing employee (and his or her eligible dependents) for the plan year in which the effective time of the merger occurs.

Unless Illumina chooses otherwise, effective as of the date immediately before the closing date of the merger, Pacific Biosciences will terminate its 401(k) plan, subject to the completion of the merger.

Efforts to Close the Merger

General

Under the merger agreement, Illumina, Merger Sub and Pacific Biosciences agreed to use reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, and assist and cooperate with the other parties hereto in doing, all things necessary, proper or advisable under applicable law to consummate the merger, including: (1) preparing and filing as promptly as practicable with any governmental authority or other third party as promptly as practicable, all necessary filings, notices, petitions, statements, registrations, submissions of information, applications and other documents; and (2) obtaining and maintaining all permits required to be obtained from any governmental authority or other third party that are necessary, proper or advisable to consummate the transactions contemplated by the merger agreement.

Pacific Biosciences has agreed to, at the request of Illumina, divest, hold separate or otherwise take or commit to take any action with respect to, any of the businesses, services, or assets of Pacific Biosciences or any of its subsidiaries, if requested to do so by Illumina, if and to the extent such action is necessary to obtain clearance of the merger pursuant to the HSR Act any other competition laws applicable to the merger, but only so long as any such action is conditioned upon the consummation of merger.

However, nothing in the merger agreement requires Illumina to (1) enter into any settlement, undertaking, consent decree, stipulation or agreement with any governmental authority in connection with the merger; (2) agree, propose, negotiate, offer, sell, divest, lease, license, transfer, dispose of or otherwise encumber or hold separate (including by establishing a trust, licensing any intellectual property rights or otherwise), or take any other action (including by providing its consent to permit Pacific Biosciences or any of its subsidiaries to take any of the foregoing actions), or otherwise proffer or agree to do any of the foregoing, with respect to any of the businesses, assets or properties of Illumina, Pacific Biosciences or the surviving corporation or any of their respective affiliates or subsidiaries; (3) terminate any existing relationships or contractual rights or obligations; or (4) otherwise offer to take or offer to commit to take any action that would limit Illumina s or any of its affiliates freedom of action with respect to, or ability to retain, operate or otherwise exercise full rights of ownership with respect to, businesses, assets or properties of Illumina, Pacific Biosciences, the surviving corporation, or any of their respective affiliates or subsidiaries (or equity

interests held by Illumina or any of its affiliates in entities with businesses, assets or properties).

Table of Contents

Indemnification and Insurance

The merger agreement provides that, during the six year period commencing at the effective time of the merger, the surviving corporation will (and Illumina will cause the surviving corporation to) indemnify and hold harmless each the current and former directors and officers of Pacific Biosciences (whom we refer to as the indemnified persons), to the fullest extent permitted by law, from and against all costs, expenses (including reasonable attorneys fees), judgments, fines, losses, claims, damages, liabilities and amounts paid in settlement in connection with any claim, action, suit, proceeding or investigation, of whatever nature, in respect of, arising out of or related to such indemnified person s service as a director or officer of Pacific Biosciences in respect of acts or omissions occurring at or prior to the effective time of the merger (including, for the avoidance of doubt, in connection with the merger and the other transactions contemplated by the merger agreement), whether asserted or claimed prior to, at or after the effective time of the merger.

In addition, without limiting the foregoing but subject to the immediately forthcoming sentence, the merger agreement requires Illumina to cause the surviving corporation to maintain in effect Pacific Biosciences directors and officers insurance policies in respect of acts or omission occurring at or prior to the effective time, on terms that are at least as favorable to the indemnified persons as those policies that were in effect on the date of the merger agreement, for a period of at least six years commencing at the effective time of the merger. The surviving corporation is not required to pay premiums for such policy to the extent such premiums exceed 300 percent of the annual premiums currently paid by Pacific Biosciences, and if the premium for such insurance coverage would exceed such amount, the surviving corporation will be obligated to obtain the greatest coverage available for a cost not exceeding such amount. In lieu of the foregoing, prior to the effective time of the merger, Pacific Biosciences may purchase (or, if Illumina requests, Pacific Biosciences will purchase) a prepaid tail policy so long as the annual cost for such tail policy does not exceed 300 percent of the aggregate annual premiums currently paid).

The merger agreement also provides that the indemnified parties are third party beneficiaries of the indemnification and insurance provisions in the merger agreement and are entitled to enforce such provisions.

For more information, refer to the section of this proxy statement captioned The Merger Interests of Pacific Biosciences Directors and Executive Officers in the Merger.

Conditions to the Closing of the Merger

The obligations of Illumina, Merger Sub and Pacific Biosciences to consummate the merger are subject to the satisfaction or waiver (where permitted by law) of certain conditions, including the following:

- the adoption of the merger agreement by the requisite affirmative vote of Pacific Biosciences stockholders;
- the expiration or termination of the waiting period under the HSR Act and the affirmative approval or clearance under the competition laws of the European Union or one or more competent European Union member states; and
- the absence of (1) any applicable law in key jurisdictions and (2) any injunction, order or decree that a governmental authority in any key jurisdiction has enacted, issued, promulgated, enforced or entered, that, in

each case, remains in effect and makes illegal, enjoins or otherwise prohibits the consummation of the merger or the other transactions contemplated by the merger agreement.

Table of Contents

In addition, the obligations of Illumina and Merger Sub to consummate the merger are subject to the satisfaction or waiver of each of the following additional conditions, any of which may be waived exclusively by Illumina:

- Pacific Biosciences having performed in all material respects all obligations under the merger agreement required to be performed and complied with by it prior to the effective time of the merger;

- except as specified in the following bullets, the representations and warranties of Pacific Biosciences being true and correct (without giving effect to any materiality or Company Material Adverse Effect qualifications set forth therein) as of the date on which the closing occurs as if made at and as of such date (except to the extent that any such representation and warranty expressly speaks as of an earlier date, in which case such representation and warranty shall have been true and correct as of such earlier date), except for such failures to be true and correct that have not had and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect;

- the representations and warranties of Pacific Biosciences relating to certain aspects of Pacific Biosciences capitalization being true and correct as of 5:00 p.m., Pacific time, on October 30, 2018, except for such inaccuracies that are de minimis in the aggregate;

- the representations and warranties of Pacific Biosciences relating to corporate existence and power, corporate authorization, certain aspects of capitalization, finders fees, the opinion of Pacific Biosciences financial advisor, and antitakeover laws being true and correct in all material respects as of the date on which the closing occurs as if made at and as of such date (except to the extent that any such representation and warranty expressly speaks as of an earlier date, in which case such representation and warranty shall have been true and correct in all material respects as of such earlier date);

- receipt by Illumina and Merger Sub of a customary closing certificate of Pacific Biosciences;

- the absence of any Company Material Adverse Effect having occurred after the date of the merger agreement that is continuing; and

- the absence of (1) any applicable law in specified jurisdictions or other jurisdictions and (2) any injunction, order or decree that a governmental authority in any specified jurisdiction or other jurisdiction has enacted, issued, promulgated, enforced or entered, that, in each case, remains in effect and makes illegal, enjoins or otherwise prohibits the consummation of the merger or the other transactions contemplated by the merger agreement.

In addition, the obligations of Pacific Biosciences to consummate the merger are subject to the satisfaction or waiver (where permitted by applicable law) of each of the following additional conditions:

Illumina and Merger Sub having complied in all material respects all obligations under the merger agreement required to be performed by Illumina and Merger Sub prior to the effective time of the merger;

except as specified in the following bullet, the representations and warranties of Illumina being true and correct (without giving effect to any materiality or material adverse effect qualifications set forth therein) as of the date on which the closing occurs as if made at and as of such date (except to the extent that any such representation and warranty expressly speaks as of an earlier date, in which case such representation and warranty shall have been true and correct as of such earlier date), except for such failures to be true and correct that have not had and would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on Illumina s ability to consummate the transactions contemplated by the merger agreement;

the representations and warranties of Illumina relating to corporate authorization being true and correct in all material respects as of the date on which the closing occurs as if made at and as of such date

Table of Contents

(except to the extent that any such representation and warranty expressly speaks as of an earlier date, in which case such representation and warranty shall have been true and correct in all material respects as of such earlier date); and

receipt by Pacific Biosciences of a customary closing certificate of Illumina and Merger Sub.

Termination of the Merger Agreement

The merger agreement may be terminated at any time prior to the effective time of the merger, whether before or after the adoption of the merger agreement by Pacific Biosciences stockholders (except as otherwise provided in the merger agreement), in the following ways:

by mutual written agreement of Pacific Biosciences and Illumina;

by either Pacific Biosciences or Illumina if:

the merger has not been consummated on or before the termination date, provided that a party may not terminate the merger agreement pursuant to this provision if such party s action or failure to act constitutes a breach of the merger agreement and has resulted in the failure to satisfy the conditions to the closing of the merger or the failure to consummate the merger by the termination date; or

Pacific Biosciences stockholders do not adopt the merger agreement at the special meeting, except that a party may not terminate the merger agreement pursuant to this provision if such party s action or failure to act constitutes a breach of the merger agreement and results in the failure to obtain the approval of the Pacific Biosciences stockholders at the special meeting;

by Pacific Biosciences if:

after a 30-day cure period, Illumina or Merger Sub has materially breached or failed to perform any of its respective representations, warranties, covenants or other agreements in the merger agreement, such that the related closing condition would not be satisfied; or

prior to the adoption of the merger agreement by Pacific Biosciences stockholders: (1) the Pacific Biosciences Board has made an adverse recommendation change in compliance with the terms of the merger agreement in order to enter into a definitive, written agreement in respect of a superior proposal; and (2) Pacific Biosciences pays or causes to be paid to Illumina a $43.0 million termination fee; or

by Illumina if:

(1) after a 30-day cure period, Pacific Biosciences has materially breached or failed to perform any of its representations, warranties, covenants or other agreements in the merger agreement such that the related closing condition would not be satisfied; or (2) Pacific Biosciences has materially breached its non-solicitation restrictions, as described in more detail under the sections of this proxy statement captioned The Merger Agreement No Solicitation of Other Offers and The Merger Agreement The Pacific Biosciences Board s Recommendation; Adverse Recommendation Change ; or

the Pacific Biosciences Board has effected an adverse recommendation change.

In the event that the merger agreement is terminated pursuant to the termination rights above, the merger agreement will be of no further force or effect without liability of any party to the other parties (or their representatives), as applicable, except certain sections of the merger agreement will survive the termination of the merger agreement in accordance with their respective terms. Notwithstanding the foregoing, nothing in the merger agreement will relieve any party from any liability resulting from the (1) intentional failure of any party to fulfill a condition to the performance of the obligations of another party under the merger agreement;

Table of Contents

(2) material breach by any party of the covenants required to be performed by such party pursuant to the merger agreement; or (3) willful and intentional breach by any party of the representations and warranties made by such party pursuant to the merger agreement. In addition, no termination of the merger agreement will affect the rights or obligations of any party pursuant to the confidentiality agreement between Pacific Biosciences and Illumina, which rights, obligations and agreements will survive the termination of the merger agreement in accordance with their respective terms.

Termination Fees and Remedies

Pacific Biosciences has agreed to pay Illumina a termination fee of $43.0 million if the merger agreement is terminated in specified circumstances. Illumina will be entitled to receive the termination fee from Pacific Biosciences if:

- the merger agreement is validly terminated by Illumina because the Pacific Biosciences Board has effected an adverse recommendation change;

- the merger agreement is validly terminated by Pacific Biosciences in order to enter into a definitive, written agreement with respect to a superior proposal; or

- (1) the merger agreement is validly terminated by (i) either Illumina or Pacific Biosciences because Pacific Biosciences stockholders do not adopt the merger agreement at the special meeting or (ii) Illumina because Pacific Biosciences has either (a) breached or failed to perform its representations, warranties, covenants or other agreements in the merger agreement (and has not cured such breach or failure to perform during a cure period), such that the related closing condition would not be satisfied or (b) materially breached its non-solicitation restrictions; (2) following the date of the merger agreement and prior to its termination under certain circumstances, an acquisition proposal has been publicly announced or otherwise communicated to Pacific Biosciences, the Pacific Biosciences Board, or Pacific Biosciences stockholders; and (3) within one year of such termination of the merger agreement, either an acquisition proposal is consummated or Pacific Biosciences enters into a definitive agreement providing for the consummation of an acquisition proposal (provided that, for purposes of the termination fee, all percentages in the definition of acquisition proposal are deemed to be references to 50 percent).

Upon termination of the merger agreement under specified circumstances, Illumina will be required to pay Pacific Biosciences a termination fee of $98.0 million. Pacific Biosciences will be entitled to receive the termination fee from Illumina if: the merger agreement is terminated by either Illumina or Pacific Biosciences if (1) the merger has not been consummated on or before the termination date; and (2) all of the conditions applicable to Illumina, Merger Sub and Pacific Biosciences obligations to close the merger have been satisfied or waived (other than (i) those conditions relating to antitrust or competition laws in the United States and the key jurisdictions and (ii) those conditions that by their terms are to be satisfied at the closing of the merger, each of which is then capable of being satisfied).

If (1) the merger has not been consummated on or before the termination date; (2) all of the conditions applicable to Illumina, Merger Sub and Pacific Biosciences obligations to close the merger have been satisfied or waived (other than those conditions (i) relating to legal restraints (other than antitrust laws) in the specified jurisdictions; and (ii) that by their terms are to be satisfied at the closing of the merger, each of which is then capable of being satisfied); and (3) the merger agreement is terminated by Illumina or Pacific Biosciences, Pacific Biosciences may be entitled to a

specific remedy.

Neither Illumina nor Pacific Biosciences is required to pay to the other its termination fee on more than one occasion.

Table of Contents

Illumina s receipt of the termination fee payable by Pacific Biosciences is the sole and exclusive monetary remedy of Illumina and Merger Sub and each of their affiliates in respect of all losses, damages, costs or expenses in respect of the merger agreement. Pacific Biosciences receipt of the termination fee payable by Illumina is the sole and exclusive monetary remedy of Pacific Biosciences in respect of all losses, damages, costs or expenses in respect of the applicable termination of the merger agreement.

Specific Performance

Pacific Biosciences, Merger Sub and Illumina agree that irreparable damage would occur if any provision of the merger agreement were not performed in accordance with the terms of the merger agreement and that Pacific Biosciences, Merger Sub and Illumina will, in addition to any other remedy to which they are entitled at law or in equity, be entitled to an injunction or injunctions to prevent breaches of the merger agreement or to enforce specifically the performance of the terms and provisions of the merger agreement (and each of Pacific Biosciences, Merger Sub and Illumina further agrees to waive any requirement for the securing or posting of any bond in connection with such remedy).

Fees and Expenses

Except in specified circumstances, whether or not the merger is completed, Pacific Biosciences, on the one hand, and Illumina and Merger Sub, on the other hand, are each responsible for all of their respective costs and expenses incurred in connection with the merger agreement and the merger.

No Third Party Beneficiaries

The merger agreement is binding upon and inures solely to the benefit of each party thereto, and nothing in the merger agreement, express or implied, is intended to or will confer upon any other person any right, benefit or remedy, except, at and after the effective time (1) benefits to the directors and officers who are intended to be third-party beneficiaries of the indemnification and insurance provisions; (2) the rights of Pacific Biosciences stockholders to receive the merger consideration in accordance with the merger agreement; and (3) the rights of the holders of Pacific Biosciences stock awards and participants in the ESPP to receive treatment pursuant to the merger agreement.

Amendment and Waiver

Subject to applicable law, the merger agreement may be amended or waived in writing by the parties prior to the effective time of the merger, whether before or after adoption of the merger agreement by stockholders. However, after adoption of the merger agreement by stockholders, no amendment that requires further approval by such stockholders pursuant to the DGCL may be made without such approval.

At any time prior to the effective time, any party may extend the time for the performance of any of the obligations or other acts of the other parties, waive any inaccuracies in the representations and warranties in the merger agreement or waive compliance with any of the agreements or conditions contained in provisions of the merger agreement (subject to compliance with applicable law). Any agreement by a party to any such extension or waiver will be valid only if set forth in an instrument in writing signed by such party. Any delay in exercising any right pursuant to the merger agreement will not constitute a waiver of such right.

Governing Law and Venue

The merger agreement is governed by Delaware law. The venue for disputes relating to the merger and the guarantee is the Delaware Court of Chancery of the State of Delaware or, to the extent that the Delaware Court of Chancery of the State of Delaware does not have jurisdiction, any state or federal court in the State of Delaware.

Table of Contents

Waiver of Jury Trial

Each of the parties irrevocably waived any and all right to trial by jury in any action arising out of or relating to the merger agreement, or the transactions contemplated by the merger agreement.

Table of Contents

THE VOTING AGREEMENT

The following summary describes the material provisions of the voting agreement. The descriptions of the voting agreement in this summary and elsewhere in this proxy statement are not complete and are qualified in their entirety by reference to the voting agreement, a copy of the form of which is attached to this proxy statement as Annex D and incorporated by reference. We encourage you to read the voting agreement carefully and in its entirety because this summary may not contain all the information about the voting agreement that is important to you. ***The rights and obligations of the parties are governed by the express terms of the voting agreement and not by this summary or any other information contained in this proxy statement.***

In connection with the execution of the merger agreement, Illumina entered into a voting agreement with each of Susan K. Barnes, David Botstein, Ph.D., William W. Ericson, Christian Henry, Michael Hunkapiller, Ph.D., Randall Livingston, John Milligan, Ph.D., Marshall Mohr, Kathy Ordoñez, Michael Phillips, and Lucy Shapiro, Ph.D. As of the record date, these stockholders hold, in the aggregate, approximately two percent of the outstanding shares of common stock.

Voting Provisions

Under each voting agreement, each stockholder agreed, during the term of the voting agreement, to vote his or her shares of common stock (1) for the approval of the merger agreement and the approval of the transactions contemplated thereby, including the merger; (2) in favor of any proposal to adjourn or postpone a meeting of the stockholders to a later date if there are not a sufficient number of votes to adopt the merger agreement; (3) against any action, proposal, transaction or agreement that relates to an acquisition proposal; and (4) against any action, proposal, transaction or agreement that would result in any breach of any covenant, representation or warranty or any other obligation or agreement of Pacific Biosciences under the merger agreement or of the stockholder under the voting agreement.

Restrictions on Transfer

Pursuant to the voting agreement, each stockholder agreed that, until the earlier of (1) the end of the term of the voting agreement; and (2) the conclusion of the special meeting, he or she will not (i) sell, transfer, assign, tender in any tender or exchange offer, pledge, encumber, hypothecate or similarly dispose of (by merger, by testamentary disposition, by operation of law or otherwise) (which we refer to as a transfer), or enter into any contract, option or other arrangement or understanding providing for any of the foregoing of any common stock other than any transfer made solely for estate planning or philanthropic purposes; (ii) deposit any shares of common stock into a voting trust or enter into a voting agreement or arrangement or grant any proxy or power of attorney with respect thereto that is inconsistent with the voting agreement; or (iii) agree (whether or not in writing) to take any of the actions prohibited by the foregoing clause (i) or (ii).

Termination

The voting agreement terminates upon the earliest of (1) the consummation of the merger; (2) the termination of the merger agreement; and (3) the entry without the prior written consent of the stockholders into any amendment or modification of the merger agreement or any material waiver of any of Pacific Biosciences rights under the merger agreement, in each case, that results in a decrease in, or change in the composition of, the per share merger consideration or imposes any material restrictions or additional constraints on the payment of the merger consideration.

97

Table of Contents

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the beneficial ownership of our common stock as of November 26, 2018, as to (1) each person who is known by us to beneficially own more than five percent of our outstanding common stock; (2) each of the named executive officers; (3) each director; and (4) all directors and executive officers as a group. Unless otherwise indicated, the address of each listed stockholder is c/o Pacific Biosciences of California, Inc., 1305 O Brien Drive, Menlo Park, California 94025.

Applicable percentage ownership is based on 149,342,128 shares of common stock outstanding as of November 26, 2018. In computing the number of shares of stock beneficially owned by a person and the percentage ownership of that person, we deemed to be outstanding all shares subject to company options held by that person that are currently exercisable or are exercisable within 60 days of November 26, 2018. However, we did not deem these shares to be outstanding for the purpose of computing the percentage ownership of any other person.

Name	Number of Shares Beneficially Owned(1)(2)	Exercisable Company Options (3)	Percentage Beneficially Owned
5% Stockholders:			
Blackrock Inc.(4)	8,155,624		5.5%
Entities affiliated with Maverick Capital Ltd(5)	11,223,094		7.5%
Entities affiliated with Oracle Investment Management Inc.(6)	8,453,375		5.7%
Entities affiliated with Capital World Investors(7)	8,128,077		5.4%
Magnetar Financial LLC(8)	9,421,984		6.3%
Named Executive Officers and Directors:			
Susan K. Barnes	347,417	1,936,903	1.5%
David Botstein, Ph.D.		176,666	*
Kevin Corcoran(9).	163,115	1,033,744	*
William Ericson(10)	5,598,397	204,166	3.9%
Christian Henry			*
Michael Hunkapiller, Ph.D.(11)	4,937,246	2,982,048	5.3%
Randy Livingston		249,166	*
John Milligan, Ph.D.		151,666	*
Marshall Mohr		201,666	*
Kathy Ordoñez(12)		239,424	*
Michael Phillips	200,156	948,263	*
Lucy Shapiro, Ph.D.	101,666	176,666	*
All directors and Section 16 executive officers as a group (12 persons)	11,347,997	8,300,378	13.2%

* Represents beneficial ownership of less than 1%.

(1) The amounts shown in this column do not include company PRSUs since none of these will vest for any of the respective beneficial owners within 60 days after November 26, 2018, and thus the beneficial owners of such awards do not currently have the right to dispose of or to vote the underlying shares of common stock.

(2) The amounts shown in this column do not include company RSUs since none of these will vest for any of the respective beneficial owners within 60 days after November 26, 2018, and thus the beneficial owners of such awards do not currently have the right to dispose of or to vote the underlying shares of common stock.

(3) Includes shares of common stock that may be acquired within 60 days after November 26, 2018, upon the exercise of company options.

(4) Based solely on information taken from Schedule 13G/A filed on January 29, 2018, reporting on ownership as of December 31, 2017 by Blackrock Inc., which has sole voting power as to 7,977,124 of these shares and sole dispositive power as to 8,155,624 of these shares. The address of this entity is 55 East 52nd Street, New York, New York 10055.

(5) Based solely on information taken from Schedule 13G/A filed on February 12, 2018, reporting on ownership as of December 31, 2017. This Schedule 13G is being filed on behalf of each of the following persons: Maverick Capital, Ltd.; Maverick Capital Management, LLC; Lee S. Ainslie III (Mr. Ainslie); and Andrew H. Warford (Mr. Warford). According to the Schedule 13G/A, each of the Maverick Capital, Ltd., Maverick Capital Management, LLC, Lee S. Ainslie III (Mr. Ainslie) and Andrew H. Warford

Table of Contents

(Mr. Warford) has sole voting power as to 11,223,094 of these shares and sole dispositive power as to 11,223,094 of these shares. The address of the principal business office of (i) Maverick Capital, Ltd. and Maverick Capital Management, LLC is 300 Crescent Court, 18th Floor, Dallas, Texas 75201, and (ii) Mr. Ainslie and Mr. Warford is 767 Fifth Avenue, 11th Floor, New York, New York 10153.

(6) Based solely on information taken from Schedule 13G/A, Amendment No. 2 filed on February 14, 2018, reporting on ownership as of December 31, 2017 by Oracle Associates, LLC and direct or indirect subsidiaries. Oracle Associates, LLC has shared voting power as to 7,646,875 of these shares and shared dispositive power as to 7,646,875 of these shares; Oracle Investment Management, Inc. has shared voting power as to 7,836,875 of these shares and shared dispositive power as to 7,836,875 of these shares; Oracle Partners, L.P. has shared voting power as to 5,683,437 of these shares and shared dispositive power as to 5,683,437 of these shares; Oracle Institutional Partners, L.P. has shared voting power as to 838,818 of these shares and shared dispositive power as to 838,818 of these shares; Oracle Ten Fund Master, L.P. has shared voting power as to 1,124,620 of these shares and shared dispositive power as to 1,124,620 of these shares; Oracle Investment Management Employees Retirement Fund has shared voting power as to 190,000 of these shares and shared dispositive power as to 190,000 of these shares; The Feinberg Family Foundation has shared voting power as to 41,500 of these shares and shared dispositive power as to 41,500 of these shares. The addresses of these entities are not reported on Schedule 13G.

(7) Based solely on information taken from Schedule 13G filed on February 14, 2018 reporting on ownership as of December 31, 2017. Capital World Investors divisions of CRMC and Capital International Limited collectively provide investment management services under the name Capital World Investors. Capital World Investors has sole voting power as to 8,128,077 of these shares and sole dispositive power as to 8,128,077 of these shares. The address of this entity is 333 South Hope Street, Los Angeles, California 90071.

(8) Based solely on information taken from Schedule 13D filed on November 16, 2018 reporting on ownership as of November 6, 2018, by Magnetar Financial LLC and direct or indirect subsidiaries. Each of Magentar Financial LLC, Magnetar Capital Partners LP, Supernova Management LLC, and Alec N. Litowitz, has shared voting power as to 9,421,984 of these shares and shared dispositive power as to 9,421,984 of these shares. The address of each of the reporting persons is 1603 Orrington Avenue, 13th Floor, Evanston, Illinois 60201.

(9) On February 10, 2018, the Pacific Biosciences Board determined that Mr. Corcoran no longer met the definition of an executive officer under the Exchange Act. Mr. Corcoran s employment with Pacific Biosciences terminated on November 23, 2018.

(10) Number of shares owned includes 5,598,397 shares held of record by funds affiliated with Mohr Davidow Ventures where Mr. Ericson is a managing partner. Mr. Ericson disclaims beneficial ownership of any shares held of record by funds affiliated with Mohr Davidow Ventures except to the extent of his pecuniary interest therein. Based on information taken from Schedule 13G filed on February 17, 2015. Shares of record includes (1) 5,074,066 shares held by MDV VII, L.P. as nominee for MDV VII, L.P., MDV VII Leaders Fund, L.P., MDV ENF VII(A), L.P. and MDV ENF VII(B), L.P.; (2) 370,333 shares held by MDV VII Leaders Fund, L.P.; (3) 101,267 shares held by MDV ENF VII(A), L.P. and (4) 52,731 shares held by MDV ENF VII(B), L.P. The address of these entities is c/o Mohr Davidow Ventures, 3000 Sand Hill Road, Building 3, Suite 290, Menlo Park, California 94025. Each of Jonathan Feiber, Nancy Schoendorf, and Seventh may be deemed to share voting and dispositive power over the shares held by MDV.

(11) Number of shares owned includes 2,637,246 shares held of record by funds affiliated with Alloy Ventures where Dr. Hunkapiller is a general partner. Dr. Hunkapiller disclaims beneficial ownership of any shares held of record by funds affiliated with Alloy Ventures except to the extent of his pecuniary interest therein.

(12) On October 30, 2018, Kathy Ordoñez resigned from her role as chief commercial officer and executive vice president. Ms. Ordoñez will continue to serve as a Class III director on the Pacific Biosciences Board.

Table of Contents

FUTURE STOCKHOLDER PROPOSALS

If the merger is completed, we will have no public stockholders and there will be no public participation in any future meetings of stockholders of Pacific Biosciences. However, if the merger is not completed, stockholders will continue to be entitled to attend and participate in stockholder meetings.

Pacific Biosciences will hold an annual meeting of stockholders in 2019 only if the merger has not already been completed.

Stockholders who intend to have a proposal considered for inclusion in our proxy materials for presentation at our 2019 annual meeting of stockholders, if held, pursuant to Rule 14a-8 of the Exchange Act must submit the proposal to us no later than December 6, 2018.

Pacific Biosciences bylaws establish an advance notice procedure with regard to specified matters to be brought before an annual meeting of stockholders but not included in our proxy materials. In general, written notice must be received by Pacific Biosciences Corporate Secretary not less than 90 days nor more than 120 days prior to an annual meeting and must contain specified information concerning the matters to be brought before such meeting and concerning the stockholder proposing such matters. Therefore, to be presented at the 2019 annual meeting of stockholders, such a proposal must be received by our Corporate Secretary no earlier than 120 days nor later than 90 days prior to that meeting.

Table of Contents

WHERE YOU CAN FIND MORE INFORMATION

The SEC allows us to incorporate by reference information into this proxy statement, which means that we can disclose important information to you by referring you to other documents filed separately with the SEC. The information incorporated by reference is deemed to be part of this proxy statement, except for any information superseded by information in this proxy statement or incorporated by reference subsequent to the date of this proxy statement. This proxy statement incorporates by reference the documents set forth below that we have previously filed with the SEC. These documents contain important information about us and our financial condition and are incorporated by reference into this proxy statement.

The following Pacific Biosciences filings with the SEC are incorporated by reference:

- Annual Report on Form 10-K for the fiscal year ended December 31, 2017;
- Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2018; and
- Current Reports on Form 8-K filed on February 12, 2018, February 15, 2018, February 20, 2018, May 8, 2018, May 23, 2018, July 31, 2018, September 10, 2018, September 14, 2018, and November 5, 2018.

We also incorporate by reference into this proxy statement additional documents that we may file with the SEC between the date of this proxy statement and the earlier of the date of the special meeting or the termination of the merger agreement. These documents include periodic reports, such as Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q, as well as Current Reports on Form 8-K and proxy soliciting materials. The information provided on our website is not part of this proxy statement, and therefore is not incorporated by reference herein.

Information furnished under Item 2.02 or Item 7.01 of any Current Report on Form 8-K, including related exhibits, is not and will not be incorporated by reference into this proxy statement.

You may read and copy any reports, statements or other information that we file with the SEC at its public reference room at the following location: 100 F Street, N.E., Room 1580, Washington, DC 20549. You may also obtain copies of those documents at prescribed rates by writing to the Public Reference Section of the SEC at that address. Please call the SEC at (800) SEC-0330 for further information on the public reference room. These SEC filings are also available to the public from commercial document retrieval services and at *www.sec.gov*.

You may obtain any of the documents we file with the SEC, without charge, by requesting them in writing or by telephone from us at the following address:

Pacific Biosciences of California, Inc.

Attention: Investor Relations

1305 O Brien Drive

Menlo Park, California 94025

If you would like to request documents from us, please do so as soon as possible to receive them before the special meeting. If you request any documents from us, we will mail them to you by first class mail, or another equally prompt method. Please note that all of our documents that we file with the SEC are also promptly available through the Investor Relations section of our website, *www.pacb.com*. The information included on our website is not incorporated by reference into this proxy statement.

Table of Contents

If you have any questions concerning the merger, the special meeting or the accompanying proxy statement, would like additional copies of this proxy statement or need help voting your shares of common stock, please contact our proxy solicitor:

Innisfree M&A Incorporated

501 Madison Avenue, 20th Floor

New York, New York 10022

Stockholders may call toll-free: (888) 750-5834

Banks and brokers may call collect: (212) 750-5833

Table of Contents

MISCELLANEOUS

Pacific Biosciences has supplied all information relating to Pacific Biosciences, and Illumina has supplied, and Pacific Biosciences has not independently verified, all of the information relating to Illumina and Merger Sub contained in this proxy statement.

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROXY STATEMENT IN VOTING YOUR SHARES OF COMMON STOCK AT THE SPECIAL MEETING. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION THAT IS DIFFERENT FROM WHAT IS CONTAINED IN THIS PROXY STATEMENT. THIS PROXY STATEMENT IS DATED DECEMBER 17, 2018. YOU SHOULD NOT ASSUME THAT THE INFORMATION CONTAINED IN THIS PROXY STATEMENT IS ACCURATE AS OF ANY DATE OTHER THAN THAT DATE (OR AS OF AN EARLIER DATE IF SO INDICATED IN THIS PROXY STATEMENT), AND THE MAILING OF THIS PROXY STATEMENT TO STOCKHOLDERS DOES NOT CREATE ANY IMPLICATION TO THE CONTRARY. THIS PROXY STATEMENT DOES NOT CONSTITUTE A SOLICITATION OF A PROXY IN ANY JURISDICTION WHERE, OR TO OR FROM ANY PERSON TO WHOM, IT IS UNLAWFUL TO MAKE A PROXY SOLICITATION.

Table of Contents

Annex A

AGREEMENT AND PLAN OF MERGER

dated as of

November 1, 2018

among

PACIFIC BIOSCIENCES of CALIFORNIA, INC.,

ILLUMINA, INC.

and

FC OPS CORP.

Table of Contents

TABLE OF CONTENTS