

PACIFIC BIOSCIENCES OF CALIFORNIA, INC.

Form DEFM14A

December 18, 2018

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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):

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- (1) Amount Previously Paid:

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

- (3) Filing Party:

- (4) Date Filed:

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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.

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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.

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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

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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

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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

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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.

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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.

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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.

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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

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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

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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.

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

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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

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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.**

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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

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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

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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

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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.

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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.

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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.

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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

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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.

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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

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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,

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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**.

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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

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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.

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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

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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, 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

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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.

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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

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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

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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

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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

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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.

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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

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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.

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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;

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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.

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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.

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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).

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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.

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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.

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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.

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(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

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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

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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.

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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.

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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.