

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported)
September 20, 2021**

Pacific Biosciences of California, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-34899
(Commission
File Number)

16-1590339
(IRS Employer
Identification No.)

**1305 O'Brien Drive
Menlo Park, California 94025**
(Address of principal executive offices, including zip code)

(650) 521-8000
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	PACB	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.01 Completion of Acquisition or Disposition of Assets.*Acquisition of Omniome, Inc.*

As previously disclosed on a Current Report on Form 8-K filed by Pacific Biosciences of California, Inc. (the "Company") on July 20, 2021, the Company entered into an Agreement and Plan of Merger and Plan of Reorganization, dated July 19, 2021 (the "Merger Agreement") with Omniome, Inc. ("Omniome"), Apollo Acquisition Corp., a wholly owned subsidiary of the Company, Apollo Acquisition Sub, LLC, a wholly owned subsidiary of the Company, and Shareholder Representative Services, LLC, as the securityholder representative. Pursuant to the Merger Agreement, the Company agreed to acquire all of the outstanding equity interests of Omniome, with Omniome continuing as the surviving corporation and a wholly owned subsidiary of the Company (the "Merger"). The Merger was completed on September 20, 2021.

Total consideration paid by the Company at closing consisted of approximately \$316 million in cash, including adjustments for Omniome's indebtedness and working capital, and approximately 9.4 million shares of the Company's common stock. Of the 9.4 million shares of common stock issuable as part of the transaction, 8.8 million shares were issued at the close of the transaction with the remaining 0.6 million shares attributable to stock options issued by the Company in replacement of Omniome's unvested options as part of the transaction. Subject to the terms of the Merger Agreement and the achievement of a specified milestone, the former holders of Omniome's outstanding equity interests will also be entitled to receive \$200 million (composed of approximately \$100 million in cash and the rest in shares of the Company's common stock).

Pursuant to the Merger Agreement, the Company assumed (i) certain outstanding unvested options to purchase shares of common stock of Omniome granted under the Omniome, Inc. 2014 Equity Incentive Plan (the "Omniome Plan"); and (ii) the shares of common stock of Omniome that were available for issuance under the Omniome Plan. These reserved but unissued shares are now reserved for future issuance under the Omniome Equity Incentive Plan of Pacific Biosciences of California, Inc., a copy of which is attached as Exhibit 4.1 to this Current Report on Form 8-K and is incorporated herein by reference.

The foregoing description of the Merger and the Merger Agreement does not purport to be complete and is qualified in its entirety by reference to the Merger Agreement, which the Company filed with the SEC as Exhibit 10.1 in its Current Report on Form 8-K on July 20, 2021, and is incorporated herein by reference.

Item 3.02 Unregistered Sales of Equity Securities.

Acquisition of Omniome, Inc.

The information set forth above under Item 2.01 relating to the stock consideration issued in connection with the Merger is hereby incorporated by reference into this Item 3.02.

Private Placement

As previously disclosed on a Current Report on Form 8-K filed by the Company on July 20, 2021, the Company entered into a securities purchase agreement (the "Purchase Agreement") with certain qualified institutional buyers and institutional accredited investors (the "Investors") on July 19, 2021, pursuant to which the Company agreed to sell to the Investors an aggregate of 11,214,953 shares of the Company's common stock, par value \$0.001 per share (the "Shares"), at a price of \$26.75 per share, for aggregate gross proceeds to the Company of approximately \$300 million (the "Private Placement"). The closing of the Private Placement, which was conditioned upon the closing of the Merger, occurred on September 20, 2021.

The foregoing description of the Purchase Agreement does not purport to be complete and is qualified in its entirety by reference to the Purchase Agreement, which the Company filed with the SEC as Exhibit 10.2 in its Current Report on Form 8-K on July 20, 2021, and is incorporated herein by reference.

Item 8.01 Other Events.

On September 20, 2021, the Company issued a press release announcing the completion of the Merger and the Private Placement, a copy of which is attached as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(a) *Financial statements of businesses acquired.* The following financial statements are filed as Exhibits 99.2 and 99.3 to this Current Report on Form 8-K and incorporated by reference into this Item 9.01(a):

- Audited consolidated balance sheets of Omniome as of December 31, 2020 and 2019, the related audited consolidated statements of operations and comprehensive loss, stockholders' equity and cash flows for the years ended December 31, 2020 and 2019, and the related notes, which are filed as Exhibit 99.2; and
- Unaudited condensed consolidated balance sheets of Omniome as of June 30, 2021 and December 31, 2020, the related unaudited condensed consolidated statements of operations and comprehensive loss, stockholders' equity and cash flows for the six months ended June 30, 2021 and 2020, and the related notes, which are included as Exhibit 99.3.

(b) *Pro forma financial information.* The unaudited pro forma condensed combined financial statements of the Company giving effect to the acquisition of Omniome, which includes the unaudited pro forma condensed combined balance sheet as of June 30, 2021, the unaudited pro forma condensed combined statements of operations and comprehensive loss for the six months ended June 30, 2021 and for the fiscal year ended December 31, 2020, and the notes related thereto, are filed as Exhibit 99.4 and are incorporated by reference into this Item 9.01(b).

The pro forma financial information included in this Current Report on Form 8-K has been presented for informational purposes only. It does not purport to represent the actual results of operations that the Company and Omniome would have achieved had the companies been combined during the periods presented in the pro forma financial information and is not intended to project future results of operations that the combined company may achieve.

(d) Exhibits.

Exhibit No.	Description
4.1	Omniome Equity Incentive Plan of Pacific Biosciences of California, Inc. and related forms of agreement thereunder.
10.1	Agreement and Plan of Merger and Plan of Reorganization among Pacific Biosciences of California, Inc., Apollo Acquisition Corp., Apollo Acquisition Sub, LLC, Omniome, Inc. and Shareholder Representative Services, LLC, as securityholder representative, dated as of July 19, 2021 (incorporated by reference to Company's Current Report on Form 8-K filed with the SEC on July 20, 2021).*
10.2	Securities Purchase Agreement, dated as of July 19, 2021, by and between Pacific Biosciences of California, Inc. and each of the Investors (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on July 20, 2021).
23.1	Consent of KPMG LLP, independent auditors of Omniome, Inc.
99.1	Press Release issued on September 20, 2021, announcing the completion of the Mergers.
99.2	The audited consolidated balance sheets of Omniome, Inc. as of December 31, 2020 and 2019, the related consolidated statements of operations and comprehensive loss, stockholders' equity and cash flows for the years ended December 31, 2020 and 2019, the related notes and the related report of KPMG LLP, independent auditors of Omniome, Inc.
99.3	The unaudited condensed consolidated balance sheets of Omniome, Inc. as of June 30, 2021 and December 31, 2020, the related condensed consolidated statements of operations and comprehensive loss, stockholders' equity and cash flows for the six months ended June 30, 2021 and 2020, and the related notes.
99.4	The unaudited pro forma condensed combined financial statements of Pacific Biosciences of California, Inc., giving effect to the acquisition of Omniome, Inc.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).
*	The schedules to the Agreement and Plan of Merger have been omitted from this filing pursuant to Item 601(b)(2) of Regulation S-K. Registrant will furnish copies of such schedules to the Securities and Exchange Commission upon request by the Commission.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Pacific Biosciences of California, Inc.

By: /s/ Michele Farmer

Michele Farmer
Chief Accounting Officer

Date: September 20, 2021

**OMNIOME EQUITY INCENTIVE PLAN OF
PACIFIC BIOSCIENCES OF CALIFORNIA, INC.**

1. Purposes of the Plan. In connection with the Merger, the shares of common stock of Omniome are being assumed and converted into Shares that will be available for grant and issuance under the Plan, consistent with Nasdaq Listing Rule 5635(c). This Omniome Equity Incentive Plan of Pacific Biosciences of California, Inc. was established on September 20, 2021, in connection with the Merger. The purposes of this Plan are:

- to attract and retain the best available personnel for positions of substantial responsibility,
- to provide additional incentive to Employees, Directors and Consultants, and
- to promote the success of the Company's business.

The Plan permits the grant of Nonstatutory Stock Options, Restricted Stock, Restricted Stock Units, Stock Appreciation Rights, Performance Units and Performance Shares.

2. Definitions. As used herein, the following definitions will apply:

(a) "Administrator" means the Board or any of its Committees as will be administering the Plan, in accordance with Section 4 of the Plan.

(b) "Applicable Laws" means the legal and regulatory requirements relating to the administration of equity-based awards, including without limitation the related issuance of shares of Common Stock, including without limitation under U.S. state corporate laws, U.S. federal and state securities laws, the Code, any stock exchange or quotation system on which the Common Stock is listed or quoted and the applicable laws of any non-U.S. country or jurisdiction where Awards are, or will be, granted under the Plan.

(c) "Award" means, individually or collectively, a grant under the Plan of Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Units or Performance Shares.

(d) "Award Agreement" means the written or electronic agreement between the Company and Participant setting forth the terms and provisions applicable to an Award granted under the Plan. The Award Agreement is subject to the terms and conditions of the Plan.

(e) "Board" means the Board of Directors of the Company.

(f) "Change in Control" means the occurrence of any of the following events:

(i) Change in Ownership of the Company. A change in the ownership of the Company which occurs on the date that any one person, or more than one person acting as a group ("Person"), acquires ownership of the stock of the Company that, together with the stock held by such

Person, constitutes more than fifty percent (50%) of the total voting power of the stock of the Company; provided, however, that for purposes of this subsection, the acquisition of additional stock by any one Person, who is considered to own more than fifty percent (50%) of the total voting power of the stock of the Company will not be considered a Change in Control. Further, if the stockholders of the Company immediately before such change in ownership continue to retain immediately after the change in ownership, in substantially the same proportions as their ownership of shares of the Company's voting stock immediately prior to the change in ownership, direct or indirect beneficial ownership of fifty percent (50%) or more of the total voting power of the stock of the Company or of the ultimate parent entity of the Company, such event will not be considered a Change in Control under this subsection (i). For this purpose, indirect beneficial ownership will include, without limitation, an interest resulting from ownership of the voting securities of one or more corporations or other business entities which own the Company, as the case may be, either directly or through one or more subsidiary corporations or other business entities; or

(ii) Change in Effective Control of the Company. A change in the effective control of the Company which occurs on the date that a majority of members of the Board is replaced during any twelve (12) month period by Directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election. For purposes of this subsection (ii), if any Person is considered to be in effective control of the Company, the acquisition of additional control of the Company by the same Person will not be considered a Change in Control; or

(iii) Change in Ownership of a Substantial Portion of the Company's Assets. A change in the ownership of a substantial portion of the Company's assets which occurs on the date that any Person acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such Person) assets from the Company that have a total gross fair market value equal to or more than fifty percent (50%) of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions; provided, however, that for purposes of this subsection (iii), the following will not constitute a change in the ownership of a substantial portion of the Company's assets: (A) a transfer to an entity that is controlled by the Company's stockholders immediately after the transfer, or (B) a transfer of assets by the Company to: (1) a stockholder of the Company (immediately before the asset transfer) in exchange for or with respect to the Company's stock, (2) an entity, fifty percent (50%) or more of the total value or voting power of which is owned, directly or indirectly, by the Company, (3) a Person, that owns, directly or indirectly, fifty percent (50%) or more of the total value or voting power of all the outstanding stock of the Company, or (4) an entity, at least fifty percent (50%) of the total value or voting power of which is owned, directly or indirectly, by a Person described in this subsection (iii)(B)(3). For purposes of this subsection (iii), gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

For purposes of this definition, persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company.

Notwithstanding the foregoing, a transaction will not be deemed a Change in Control unless the transaction qualifies as a change in control event within the meaning of Section 409A.

Further and for the avoidance of doubt, a transaction will not constitute a Change in Control if: (x) its sole purpose is to change the jurisdiction of the Company's incorporation, or (y) its sole purpose is to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

(g) "Code" means the Internal Revenue Code of 1986, as amended. Any reference to a section of the Code or regulation thereunder will include such section or regulation, any valid regulation or other official guidance promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing, or superseding such section or regulation.

(h) "Committee" means a committee of Directors or of other individuals satisfying Applicable Laws appointed by the Board, or a duly authorized committee of the Board, in accordance with Section 4 hereof.

(i) "Common Stock" means the common stock of the Company.

(j) "Company." means Pacific Biosciences of California, Inc., a Delaware corporation, or any successor thereto.

(k) "Consultant" means any natural person, including an advisor, engaged by the Company or a Parent or Subsidiary of the Company to render bona fide services to such entity, provided the services (i) are not in connection with the offer or sale of securities in a capital-raising transaction, and (ii) do not directly promote or maintain a market for the Company's securities, in each case, within the meaning of Form S-8 promulgated under the Securities Act, and provided, further, that a Consultant will include only those persons to whom the issuance of Shares may be registered under Form S-8 promulgated under the Securities Act.

(l) "Director" means a member of the Board.

(m) "Disability." means total and permanent disability as defined in Section 22(e)(3) of the Code, provided that the Administrator in its discretion may determine whether a permanent and total disability exists in accordance with uniform and non-discriminatory standards adopted by the Administrator from time to time.

(n) "Employee" means any person, including Officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. Neither service as a Director nor payment of a director's fee by the Company will be sufficient to constitute "employment" by the Company.

(o) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(p) "Exchange Program" means a program under which (i) outstanding Awards are surrendered or cancelled in exchange for awards of the same type (which may have higher or lower exercise prices and different terms), awards of a different type, and/or cash, (ii) Participants would

have the opportunity to transfer any outstanding Awards to a financial institution or other person or entity selected by the Administrator, and/or (iii) the exercise price of an outstanding Award is reduced.

(q) “Fair Market Value” means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the New York Stock Exchange, the Nasdaq Global Select Market, the Nasdaq Global Market or the Nasdaq Capital Market of The Nasdaq Stock Market, its Fair Market Value will be the closing sales price for such stock (or, if no closing sales price was reported on that date, as applicable, on the last Trading Day such closing sales price was reported) as quoted on such exchange or system on the day of determination, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable;

(ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share will be the mean between the high bid and low asked prices for the Common Stock on the day of determination (or, if no bids and asks were reported on that date, as applicable, on the last Trading Day such bids and asks were reported), as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable; or

(iii) In the absence of an established market for the Common Stock, the Fair Market Value will be determined in good faith by the Administrator.

(r) “Fiscal Year” means the fiscal year of the Company.

(s) “Incentive Stock Option” means an Option intended to qualify, and actually qualifies, as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(t) “Inside Director” means a Director who is an Employee.

(u) “Merger” means the consummation, on September 20, 2021, of the transactions contemplated in that certain Agreement and Plan of Merger and Plan of Reorganization among the Company, Apollo Acquisition Corp., Apollo Acquisition Sub, LLC, Omniome, and Shareholder Representative Services LLC as Securityholder Representative, dated July 19, 2021, pursuant to which upon the completion of such transactions, Omniome became a wholly owned Subsidiary of the Company.

(v) “Nonstatutory Stock Option” means an Option that by its terms does not qualify or is not intended to qualify as an Incentive Stock Option.

(w) “Officer” means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(x) “Omniome” means Omniome, Inc., a Delaware corporation.

(y) “Option” means a stock option granted pursuant to the Plan, provided that all Options granted under the Plan will be Nonstatutory Stock Options.

(z) “Outside Director” means a Director who is not an Employee.

(aa) “Parent” means a “parent corporation,” whether now or hereafter existing, as defined in Code Section 424(e).

(bb) “Participant” means the holder of an outstanding Award.

(cc) “Performance Share” means an Award denominated in Shares which may be earned in whole or in part upon attainment of performance goals or other vesting criteria as the Administrator may determine pursuant to Section 10.

(dd) “Performance Unit” means an Award which may be earned in whole or in part upon attainment of performance goals or other vesting criteria as the Administrator may determine and which may be settled for cash, Shares or other securities or a combination of the foregoing pursuant to Section 10.

(ee) “Period of Restriction” means the period (if any) during which the transfer of Shares of Restricted Stock are subject to restrictions and therefore, the Shares are subject to a substantial risk of forfeiture. Such restrictions may be based on the passage of time, the achievement of target levels of performance, or the occurrence of other events as determined by the Administrator.

(ff) “Plan” means this Omniome Equity Incentive Plan of Pacific Biosciences of California, Inc..

(gg) “Restricted Stock” means Shares issued pursuant to a Restricted Stock award under Section 7 of the Plan, or issued pursuant to the early exercise of an Option.

(hh) “Restricted Stock Unit” means a bookkeeping entry representing an amount equal to the Fair Market Value of one Share, granted pursuant to Section 8. Each Restricted Stock Unit represents an unfunded and unsecured obligation of the Company.

(ii) “Rule 16b-3” means Rule 16b-3 of the Exchange Act or any successor to Rule 16b-3, as in effect when discretion is being exercised with respect to the Plan.

(jj) “Section 16(b)” means Section 16(b) of the Exchange Act.

(kk) “Section 409A” means Section 409A of the Code, as it has been and may be amended from time to time, and any proposed or final Treasury Regulations and Internal Revenue Service guidance that has been promulgated or may be promulgated thereunder from time to time, or any state law equivalent.

(ll) “Securities Act” means the Securities Act of 1933, as amended.

(mm) “Service Provider” means an Employee, Director or Consultant.

(nn) "Share" means a share of the Common Stock, as adjusted in accordance with Section 14 of the Plan.

(oo) "Stock Appreciation Right" means an Award, granted alone or in connection with an Option, that pursuant to Section 9 is designated as a Stock Appreciation Right.

(pp) "Subsidiary." means a "subsidiary corporation," whether now or hereafter existing, as defined in Code Section 424(f).

(qq) "Trading Day." means a day that the primary stock exchange, national market system, or other trading platform, as applicable, upon which the Common Stock is listed, is open for trading.

3. Stock Subject to the Plan.

(a) Stock Subject to the Plan. Subject to the provisions of Section 14 of the Plan, the maximum aggregate number of Shares that may be issued under the Plan is (i) 1,649,792 Shares, which is the number of shares of common stock of Omniome that were reserved but not issued or subject to outstanding equity awards under Omniome's 2014 Equity Incentive Plan, as amended (the "Omniome Plan"), as of the consummation of the Merger and as adjusted to reflect the Merger, plus (ii) any Shares subject to stock options granted under the Omniome Plan that were assumed by the Company in connection with the Merger that terminate and are cancelled without being exercised, and that if such termination and cancellation had occurred prior to the Merger otherwise would have returned to the Omniome Plan. In addition, Shares may become available for issuance under the Plan pursuant to Sections 3(b) and 3(c). The Shares may be authorized, but unissued, or reacquired Common Stock.

(b) Lapsed Awards. If an Award expires or becomes unexercisable without having been exercised in full, is surrendered pursuant to an Exchange Program, or, with respect to Restricted Stock, Restricted Stock Units, Performance Units or Performance Shares, is forfeited to or repurchased by the Company due to failure to vest, then the unpurchased Shares (or for Awards other than Options or Stock Appreciation Rights, the forfeited or repurchased Shares), which were subject thereto will become available for future grant or sale under the Plan (unless the Plan has terminated). With respect to Stock Appreciation Rights that are settled in Shares, the gross number of Shares covered by the portion of the Award so exercised will cease to be available under the Plan. Shares that actually have been issued under the Plan under any Award will not be returned to the Plan and will not become available for future distribution under the Plan; provided, however, that if Shares issued pursuant to Awards of Restricted Stock, Restricted Stock Units, Performance Shares or Performance Units are repurchased by the Company or are forfeited to the Company due to failure to vest, such Shares will become available for future grant under the Plan. Shares used to pay the exercise price of an Award or to satisfy the tax withholding obligations related to an Award will not become available for future grant or sale under the Plan. To the extent an Award under the Plan is paid out in cash rather than Shares, the cash payment will not result in reducing the number of Shares available for issuance under the Plan.

(c) Share Reserve. The Company, at all times during the term of this Plan, will reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of the Plan.

4. Administration of the Plan.

(a) Procedure.

(i) Multiple Administrative Bodies. Different Committees with respect to different groups of Service Providers may administer the Plan.

(ii) Rule 16b-3. To the extent desirable to qualify transactions hereunder as exempt under Rule 16b-3, the transactions contemplated hereunder will be structured to satisfy the requirements for exemption under Rule 16b-3.

(iii) Other Administration. Other than as provided above, the Plan will be administered by (A) the Board or (B) a Committee, which committee will be constituted to satisfy Applicable Laws.

(b) Powers of the Administrator. Subject to the provisions of the Plan, and in the case of a Committee, the specific duties delegated by the Board to such Committee, the Administrator will have the authority, in its discretion:

- (i) to determine the Fair Market Value;
- (ii) to select the Service Providers to whom Awards may be granted hereunder;
- (iii) to determine the number of Shares to be covered by each Award granted hereunder;
- (iv) to approve forms of Award Agreement for use under the Plan;

(v) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder. The terms and conditions include, but are not limited to, the exercise price, the time or times when Awards may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Award or the Shares relating thereto, based in each case on such factors as the Administrator will determine;

(vi) to prescribe, amend and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans established for the purpose of satisfying applicable non-U.S. laws or for qualifying for favorable tax treatment under applicable non-U.S. laws;

- (vii) to construe and interpret the terms of the Plan and Awards granted under the Plan;

(viii) to modify or amend each Award (subject to Section 19(c) of the Plan), including without limitation the discretionary authority to extend the post-termination exercisability period of Awards; provided, however, that in no event will the term of an Option or Stock Appreciation Right be extended beyond its original maximum term;

(ix) to allow Participants to satisfy tax withholding obligations in a manner prescribed in Section 15 of the Plan;

(x) to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Award previously granted by the Administrator;

(xi) to temporarily suspend the exercisability of an Award if the Administrator deems such suspension to be necessary or appropriate for administrative purposes;

(xii) to allow a Participant to defer the receipt of the payment of cash or the delivery of Shares that otherwise would be due to the Participant under an Award; and

(xiii) to make all other determinations deemed necessary or advisable for administering the Plan.

(c) No Exchange Program or Repricing. Notwithstanding the powers of the Administrator set forth herein, the Administrator will not be permitted to implement an Exchange Program.

(d) Dividends. With respect to any Options and Stock Appreciation Rights, until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) thereunder, no right to receive dividends or any other rights as a stockholder will exist with respect to the Shares subject to such Award, including without limitation notwithstanding any exercise of such Award. Further, no adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued under an Option or Stock Appreciation Right, except as provided in Section 14 of the Plan. During any applicable Period of Restriction, Service Providers holding Shares of Restricted Stock will be entitled to receive all dividends and other distributions paid with respect to such Shares, unless the Administrator provides otherwise; provided, however, that any such dividends or distributions payable with respect to such Shares will be subject to the same restrictions on transferability and/or forfeitability as the Shares of Restricted Stock with respect to which they were paid. With respect to Awards of Restricted Stock Units, Performance Units and Performance Shares, until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or a duly authorized transfer agent of the Company), no right to receive dividends or any other rights as a stockholder will exist with respect to the Shares subject to such Award, unless determined otherwise by the Administrator; provided, however, that any such dividends or distributions that the Administrator determines will be payable with respect to such Shares will be subject to the same vesting criteria and forfeitability provisions as the Shares subject to such Award with respect to which they were paid. For the avoidance of doubt, the number of Shares available for issuance under the Plan will not be reduced to reflect any dividends or other distributions that are reinvested into additional Shares or credited as additional Shares subject to or paid with respect to an Award.

(e) Effect of Administrator's Decision. The Administrator's decisions, determinations and interpretations will be final and binding on all Participants and any other holders of Awards and will be given the maximum deference permitted by Applicable Laws.

5. Eligibility. Subject to compliance with Nasdaq Listing Rule 5635(c), all Service Providers who were not employed by the Company or a Parent or Subsidiary of the Company as of September 20, 2021, may be granted Nonstatutory Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Shares and Performance Units.

6. Stock Options.

(a) Grant of Options. Subject to the terms and provisions of the Plan, the Administrator, at any time and from time to time, may grant Options to Service Providers in such amounts as the Administrator, in its sole discretion, will determine.

(b) Stock Option Agreement. Each Award of an Option will be evidenced by an Award Agreement that will specify the exercise price, the number of Shares subject to the Option, the exercise restrictions, if any, applicable to the Option, and such other terms and conditions as the Administrator, in its sole discretion, will determine.

(c) Limitations. Each Option will be designated in the Award Agreement as a Nonstatutory Stock Option.

(d) Term of Option. The term of each Option will be stated in the Award Agreement.

(e) Option Exercise Price and Consideration.

(i) Exercise Price. The per share exercise price for the Shares to be issued pursuant to exercise of an Option will be determined by the Administrator, subject to the following:

(1) The per Share exercise price of an Option will be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant.

(2) Notwithstanding the foregoing, Options may be granted with a per Share exercise price of less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant pursuant to a transaction described in, and in a manner consistent with, Section 424(a) of the Code.

(ii) Waiting Period and Exercise Dates. At the time an Option is granted, the Administrator will fix the period within which the Option may be exercised and will determine any conditions that must be satisfied before the Option may be exercised.

(iii) Form of Consideration. The Administrator will determine the acceptable form of consideration for exercising an Option, including the method of payment. Such consideration may consist entirely of: (1) cash; (2) check; (3) promissory note, to the extent permitted by Applicable Laws, (4) other Shares, provided that such Shares have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which such Option will be

exercised and provided that accepting such Shares will not result in any adverse accounting consequences to the Company, as the Administrator determines in its sole discretion; (5) consideration received by the Company under a broker-assisted (or other) cashless exercise program (whether through a broker or otherwise) implemented by the Company in connection with the Plan; (6) by net exercise; (7) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws; or (8) any combination of the foregoing methods of payment.

(f) Exercise of Option.

(i) Procedure for Exercise; Rights as a Stockholder. Any Option granted hereunder will be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the Award Agreement. An Option may not be exercised for a fraction of a Share.

An Option will be deemed exercised when the Company receives: (i) notice of exercise (in accordance with the procedures that the Administrator may specify from time to time) from the person entitled to exercise the Option, and (ii) full payment for the Shares with respect to which the Option is exercised (together with any applicable tax withholdings). Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Award Agreement and the Plan. Shares issued upon exercise of an Option will be issued in the name of the Participant or, if requested by the Participant, in the name of the Participant and his or her spouse. The Company will issue (or cause to be issued) such Shares promptly after the Option is exercised.

Exercising an Option in any manner will decrease the number of Shares thereafter available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(ii) Termination of Relationship as a Service Provider. If a Participant ceases to be a Service Provider, other than upon the cessation of the Participant's Service Provider status as the result of the Participant's death or Disability, the Participant may exercise his or her Option within such period of time as is specified in the Award Agreement to the extent that the Option is vested on the date of cessation of the Participant's Service Provider status (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement). In the absence of a specified time in the Award Agreement, the Option will remain exercisable for three (3) months following cessation of the Participant's Service Provider status. Unless otherwise provided by the Administrator, if on the date of cessation of the Participant's Service Provider status the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will revert to the Plan. If, after cessation of the Participant's Service Provider status, the Participant does not exercise his or her Option within the time specified by the Administrator, the Option will terminate, and the Shares covered by such Option will revert to the Plan.

(iii) Disability of Participant. If a Participant ceases to be a Service Provider as a result of the Participant's Disability, the Participant may exercise his or her Option within such period of time as is specified in the Award Agreement to the extent the Option is vested on the date of cessation of the Participant's Service Provider status (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement). In the absence of a specified time in the

Award Agreement, the Option will remain exercisable for twelve (12) months following cessation of the Participant's Service Provider status. Unless otherwise provided by the Administrator, if on the date of cessation of the Participant's Service Provider status the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will revert to the Plan. If, after cessation of the Participant's Service Provider status, the Participant does not exercise his or her Option within the time specified herein, the Option will terminate, and the Shares covered by such Option will revert to the Plan.

(iv) Death of Participant. If a Participant dies while a Service Provider, the Option may be exercised following the Participant's death within such period of time as is specified in the Award Agreement to the extent that the Option is vested on the date of death (but in no event may the Option be exercised later than the expiration of the term of such Option as set forth in the Award Agreement), by the Participant's designated beneficiary, provided such beneficiary has been designated prior to the Participant's death in a form acceptable to the Administrator. If no such beneficiary has been designated by the Participant, then such Option may be exercised by the personal representative of the Participant's estate or by the person(s) to whom the Option is transferred pursuant to the Participant's will or in accordance with the laws of descent and distribution. In the absence of a specified time in the Award Agreement, the Option will remain exercisable for twelve (12) months following Participant's death. Unless otherwise provided by the Administrator, if at the time of death, the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will immediately revert to the Plan. If the Option is not so exercised within the time specified herein, the Option will terminate, and the Shares covered by such Option will revert to the Plan.

(v) Tolling Expiration. A Participant's Award Agreement also may provide that:

(1) if the exercise of the Option following the cessation of Participant's status as a Service Provider (other than upon the Participant's death or Disability) would result in liability under Section 16(b), then the Option will terminate on the earlier of (A) the expiration of the term of the Option set forth in the Award Agreement, or (B) the tenth (10th) day after the last date on which such exercise would result in liability under Section 16(b); or

(2) if the exercise of the Option following the cessation of the Participant's status as a Service Provider (other than upon the Participant's death or Disability) would be prohibited at any time solely because the issuance of Shares would violate the registration requirements under the Securities Act, then the Option will terminate on the earlier of (A) the expiration of the term of the Option or (B) the expiration of a period of thirty (30) days after the cessation of the Participant's status as a Service Provider during which the exercise of the Option would not be in violation of such registration requirements.

7. Restricted Stock.

(a) Grant of Restricted Stock. Subject to the terms and provisions of the Plan, the Administrator, at any time and from time to time, may grant Shares of Restricted Stock to Service Providers in such amounts as the Administrator, in its sole discretion, will determine.

(b) Restricted Stock Agreement. Each Award of Restricted Stock will be evidenced by an Award Agreement that will specify any Period of Restriction, the number of Shares granted, and such other terms and conditions as the Administrator, in its sole discretion, will determine. Unless the Administrator determines otherwise, the Company as escrow agent will hold Shares of Restricted Stock until the restrictions on such Shares have lapsed.

(c) Transferability. Except as provided in this Section 7 or the Award Agreement, Shares of Restricted Stock may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of any applicable Period of Restriction.

(d) Other Restrictions. The Administrator, in its sole discretion, may impose such other restrictions on Shares of Restricted Stock as it may deem advisable or appropriate.

(e) Removal of Restrictions. Except as otherwise provided in this Section 7, Shares of Restricted Stock covered by each Restricted Stock grant made under the Plan will be released from escrow as soon as practicable after the last day of any applicable Period of Restriction or at such other time as the Administrator may determine. The Administrator, in its discretion, may accelerate the time at which any restrictions will lapse or be removed.

(f) Voting Rights. During any applicable Period of Restriction, Service Providers holding Shares of Restricted Stock granted hereunder may exercise full voting rights with respect to those Shares, unless the Administrator determines otherwise.

(g) Return of Restricted Stock to Company. On the date set forth in the Award Agreement, the Restricted Stock for which restrictions have not lapsed will revert to the Company and again will become available for grant under the Plan.

8. Restricted Stock Units.

(a) Grant. Restricted Stock Units may be granted at any time and from time to time as determined by the Administrator. After the Administrator determines that it will grant Restricted Stock Units under the Plan, it will advise the Participant in an Award Agreement of the terms, conditions, and restrictions related to the grant, including the number of Restricted Stock Units.

(b) Vesting Criteria and Other Terms. The Administrator will set vesting criteria in its discretion, which, depending on the extent to which the criteria are met, will determine the number of Restricted Stock Units that will be paid out to the Participant. The Administrator may set vesting criteria based upon the achievement of Company-wide, divisional, business unit, or individual goals (including, but not limited to, continued employment or service), applicable federal or state securities laws or any other basis determined by the Administrator in its discretion.

(c) Earning Restricted Stock Units. Upon meeting the applicable vesting criteria, the Participant will be entitled to receive a payout as determined by the Administrator. Notwithstanding the foregoing, at any time after the grant of Restricted Stock Units, the Administrator, in its sole discretion, may reduce or waive any vesting criteria that must be met to receive a payout.

(d) Form and Timing of Payment. Payment of earned Restricted Stock Units will be made as soon as practicable after the date(s) determined by the Administrator and set forth in the

Award Agreement. The Administrator, in its sole discretion, may settle earned Restricted Stock Units only in cash, Shares, or a combination of both.

(e) Cancellation. On the date set forth in the Award Agreement, all unearned Restricted Stock Units will be forfeited to the Company.

9. Stock Appreciation Rights.

(a) Grant of Stock Appreciation Rights. Subject to the terms and conditions of the Plan, a Stock Appreciation Right may be granted to Service Providers at any time and from time to time as will be determined by the Administrator, in its sole discretion.

(b) Number of Shares. The Administrator will have complete discretion to determine the number of Stock Appreciation Rights granted to any Service Provider.

(c) Exercise Price and Other Terms. The per share exercise price for the Shares to be issued pursuant to exercise of a Stock Appreciation Right will be determined by the Administrator and will be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant. Otherwise, the Administrator, subject to the provisions of the Plan, will have complete discretion to determine the terms and conditions of Stock Appreciation Rights granted under the Plan.

(d) Stock Appreciation Right Agreement. Each Stock Appreciation Right grant will be evidenced by an Award Agreement that will specify the exercise price, the term of the Stock Appreciation Right, the conditions of exercise, and such other terms and conditions as the Administrator, in its sole discretion, will determine.

(e) Expiration of Stock Appreciation Rights. A Stock Appreciation Right granted under the Plan will expire upon the date as determined by the Administrator, in its sole discretion, and set forth in the Award Agreement. Notwithstanding the foregoing, the rules of Section 6(f) relating to exercise also will apply to Stock Appreciation Rights.

(f) Payment of Stock Appreciation Right Amount. Upon exercise of a Stock Appreciation Right, a Participant will be entitled to receive payment from the Company in an amount determined as the product of:

(i) The difference between the Fair Market Value of a Share on the date of exercise over the exercise price; and

(ii) The number of Shares with respect to which the Stock Appreciation Right is exercised.

At the discretion of the Administrator, the payment upon exercise of a Stock Appreciation Right may be in cash, in Shares of equivalent value, or in some combination of both.

10. Performance Units and Performance Shares.

(a) Grant of Performance Units/Shares. Performance Units and Performance Shares may be granted to Service Providers at any time and from time to time, as will be determined

by the Administrator, in its sole discretion. The Administrator will have complete discretion in determining the number of Performance Units and Performance Shares granted to each Participant.

(b) Value of Performance Units/Shares. Each Performance Unit will have an initial value that is established by the Administrator on or before the date of grant. Each Performance Share will have an initial value equal to the Fair Market Value of a Share on the date of grant.

(c) Performance Objectives and Other Terms. The Administrator will set performance objectives or other vesting provisions (including, without limitation, continued status as a Service Provider) in its discretion which, depending on the extent to which they are met, will determine the number or value of Performance Units/Shares that will be paid out to the Service Providers. The time period during which the performance objectives or other vesting provisions must be met will be called the "Performance Period." Each Award of Performance Units/Shares will be evidenced by an Award Agreement that will specify the Performance Period, and such other terms and conditions as the Administrator, in its sole discretion, will determine. The Administrator may set performance objectives based upon the achievement of Company-wide, divisional, business unit or individual goals (including, but not limited to, continued employment or service), applicable federal or state securities laws, or any other basis determined by the Administrator in its discretion.

(d) Earning of Performance Units/Shares. After the applicable Performance Period has ended, the holder of Performance Units/Shares will be entitled to receive a payout of the number of Performance Units/Shares earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding performance objectives or other vesting provisions have been achieved. After the grant of a Performance Unit/Share, the Administrator, in its sole discretion, may reduce or waive any performance objectives or other vesting provisions for such Performance Unit/Share.

(e) Form and Timing of Payment of Performance Units/Shares. Payment of earned Performance Units/Shares will be made as soon as practicable after the expiration of the applicable Performance Period. The Administrator, in its sole discretion, may pay earned Performance Units/Shares in the form of cash, in Shares (which have an aggregate Fair Market Value equal to the value of the earned Performance Units/Shares at the close of the applicable Performance Period) or in a combination thereof.

(f) Cancellation of Performance Units/Shares. On the date set forth in the Award Agreement, all unearned or unvested Performance Units/Shares will be forfeited to the Company, and again will be available for grant under the Plan.

11. Outside Director Award Limitations. No Outside Director may be granted, in any Fiscal Year, Awards (the value of which will be based on their grant date fair value determined in accordance with U.S. generally accepted accounting principles) and any other compensation (including without limitation any cash retainers or fees) that, in the aggregate, exceed \$500,000, provided that such amount is increased to \$1,000,000 in the Fiscal Year of his or her initial service as an Outside Director. Any Awards or other compensation provided to an individual for his or her services as an Employee, or for his or her services as a Consultant other than as an Outside Director, will be excluded for purposes of this Section 11.

12. Leaves of Absence/Transfer Between Locations. Unless the Administrator provides otherwise, vesting of Awards granted hereunder will be suspended during any unpaid leave of absence. A Participant will not cease to be an Employee in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company, its Parent, or any of its Subsidiaries.

13. Transferability of Awards. Unless determined otherwise by the Administrator, an Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent and distribution, and may be exercised, during the lifetime of the Participant, only by the Participant. If the Administrator makes an Award transferable, such Award will contain such additional terms and conditions as the Administrator deems appropriate.

14. Adjustments; Dissolution or Liquidation; Merger or Change in Control.

(a) Adjustments. In the event that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, reclassification, repurchase, or exchange of Shares or other securities of the Company, or other change in the corporate structure of the Company affecting the Shares occurs (other than any ordinary dividends or other ordinary distributions), the Administrator, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the Plan, will adjust the number and class of shares of stock that may be delivered under the Plan and/or the number, class, and price of shares of stock covered by each outstanding Award, and the numerical Share limits in Sections 3 and 11 of the Plan.

(b) Dissolution or Liquidation. In the event of a proposed dissolution or liquidation of the Company, the Administrator will notify each Participant as soon as practicable prior to the effective date of such proposed transaction. To the extent it has not been previously exercised, an Award will terminate immediately prior to the consummation of such proposed action.

(c) Merger or Change in Control. In the event of a merger of the Company with or into another corporation or other entity or a Change in Control, each outstanding Award will be treated as the Administrator determines (subject to the provisions of the following paragraph) without a Participant's consent, including, without limitation, that (i) Awards will be assumed, or substantially equivalent awards will be substituted, by the acquiring or succeeding corporation (or an affiliate thereof) with appropriate adjustments as to the number and kind of shares and prices; (ii) upon written notice to a Participant, that the Participant's Awards will terminate upon or immediately prior to the consummation of such merger or Change in Control; (iii) outstanding Awards will vest and become exercisable, realizable, or payable, or restrictions applicable to an Award will lapse, in whole or in part prior to or upon consummation of such merger or Change in Control, and, to the extent the Administrator determines, terminate upon or immediately prior to the effectiveness of such merger or Change in Control; (iv) (A) the termination of an Award in exchange for an amount of cash and/or property, if any, equal to the amount that would have been attained upon the exercise of such Award or realization of the Participant's rights as of the date of the occurrence of the transaction (and, for the avoidance of doubt, if as of the date of the occurrence of the transaction the Administrator determines in good faith that no amount would have been attained upon the exercise of such Award or realization of the Participant's rights, then such Award may be terminated by the Company without payment), or

(B) the replacement of such Award with other rights or property selected by the Administrator in its sole discretion; or (v) any combination of the foregoing. In taking any of the actions permitted under this Section 14(c), the Administrator will not be obligated to treat all Awards, all Awards held by a Participant, all Awards of the same type, or all portions of Awards, similarly.

In the event that the successor corporation does not assume or substitute for the Award (or portion thereof), the Participant will fully vest in and have the right to exercise the Participant's outstanding Option and Stock Appreciation Right (or portion thereof) that is not assumed or substituted for, including Shares as to which such Award would not otherwise be vested or exercisable, all restrictions on Restricted Stock, Restricted Stock Units, Performance Shares and Performance Units (or portions thereof) not assumed or substituted for will lapse, and, with respect to such Awards with performance-based vesting (or portions thereof) not assumed or substituted for, all performance goals or other vesting criteria will be deemed achieved at one hundred percent (100%) of target levels and all other terms and conditions met, in each case, unless specifically provided otherwise under the applicable Award Agreement or other written agreement between the Participant and the Company or any of its Subsidiaries or Parents, as applicable. In addition, if an Option or Stock Appreciation Right (or portion thereof) is not assumed or substituted for in the event of a merger or Change in Control, the Administrator will notify the Participant in writing or electronically that such Option or Stock Appreciation Right (or its applicable portion) will be exercisable for a period of time determined by the Administrator in its sole discretion, and the Option or Stock Appreciation Right (or its applicable portion) will terminate upon the expiration of such period.

For the purposes of this subsection (c) (and subsection (d) below), an Award will be considered assumed if, following the merger or Change in Control, the Award confers the right to purchase or receive, for each Share subject to the Award immediately prior to the merger or Change in Control, the consideration (whether stock, cash, or other securities or property) received in the merger or Change in Control by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the merger or Change in Control is not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of an Option or Stock Appreciation Right or upon the payout of a Restricted Stock Unit, Performance Unit or Performance Share, for each Share subject to such Award, to be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the merger or Change in Control.

Notwithstanding anything in this subsection (c) to the contrary, and unless otherwise provided in an Award Agreement or other written agreement between the Participant and the Company or any of its Subsidiaries or Parents, as applicable, an Award that vests, is earned or paid-out upon the satisfaction of one or more performance goals will not be considered assumed if the Company or its successor modifies any of such performance goals without the Participant's consent; provided, however, a modification to such performance goals only to reflect the successor corporation's post-Change in Control corporate structure will not be deemed to invalidate an otherwise valid Award assumption.

Notwithstanding anything in this subsection (c) to the contrary, if a payment under an Award Agreement is subject to Section 409A and if the change in control definition contained in the Award Agreement or other agreement related to the Award does not comply with the definition of “change in control” for purposes of a distribution under Section 409A, then any payment of an amount that otherwise is accelerated under this Section will be delayed until the earliest time that such payment would be permissible under Section 409A without triggering any penalties applicable under Section 409A.

(d) Outside Director Awards. With respect to Awards granted to an Outside Director that are assumed or substituted for, if on the date of or following such assumption or substitution the Participant’s status as a Director or a director of the successor corporation, as applicable, is terminated other than upon a voluntary resignation by the Participant (unless such resignation is at the request of the acquirer), then as of such date of termination, the Participant’s Awards will be treated as described in the second paragraph of Section 14(c) above with respect to vesting acceleration (for clarity, as though the Awards were not assumed or substituted).

15. Tax.

(a) Withholding Requirements. Prior to the delivery of any Shares or cash pursuant to an Award (or exercise thereof) or such earlier time as any tax withholding obligations are due, the Company (or any of its Subsidiaries, Parents or affiliates employing or retaining the services of a Participant, as applicable) will have the power and the right to deduct or withhold, or require a Participant to remit to the Company (or any of its Subsidiaries, Parents or affiliates, as applicable), an amount sufficient to satisfy U.S. federal, state, and local, non-U.S., and other taxes (including the Participant’s FICA obligation) required to be withheld with respect to such Award (or exercise thereof).

(b) Withholding Arrangements. The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit a Participant to satisfy such tax withholding obligation, in whole or in part by (without limitation) (i) paying cash, check or other cash equivalents, (ii) electing to have the Company withhold otherwise deliverable cash or Shares having a fair market value equal to the minimum statutory amount required to be withheld or such greater amount as the Administrator may determine if such amount would not have adverse accounting consequences, as the Administrator determines in its sole discretion, (iii) delivering to the Company already-owned Shares having a fair market value equal to the minimum statutory amount required to be withheld or such greater amount as the Administrator may determine, in each case, provided the delivery of such Shares will not result in any adverse accounting consequences, as the Administrator determines in its sole discretion, (iv) selling a sufficient number of Shares otherwise deliverable to the Participant through such means as the Administrator may determine in its sole discretion (whether through a broker or otherwise) equal to the amount required to be withheld, or (v) any combination of the foregoing methods of payment. The amount of the withholding requirement will be deemed to include any amount which the Administrator agrees may be withheld at the time the election is made, not to exceed the amount determined by using the maximum federal, state or local marginal income tax rates applicable to the Participant with respect to the Award on the date that the amount of tax to be withheld is to be determined or such greater amount as the Administrator may determine if such amount would not have adverse accounting consequences, as the Administrator

determines in its sole discretion. The fair market value of the Shares to be withheld or delivered will be determined as of the date that the taxes are required to be withheld.

(c) Compliance With Section 409A. Awards will be designed and operated in such a manner that they are either exempt from the application of, or comply with, the requirements of Section 409A such that the grant, payment, settlement or deferral will not be subject to the additional tax or interest applicable under Section 409A, except as otherwise determined in the sole discretion of the Administrator. The Plan and each Award Agreement under the Plan is intended to meet the requirements of Section 409A and will be construed and interpreted in accordance with such intent, except as otherwise determined in the sole discretion of the Administrator. To the extent that an Award or payment, or the settlement or deferral thereof, is subject to Section 409A the Award will be granted, paid, settled or deferred in a manner that will meet the requirements of Section 409A, such that the grant, payment, settlement or deferral will not be subject to the additional tax or interest applicable under Section 409A. In no event will the Company or any of its Subsidiaries or Parents have any obligation or liability under the terms of this Plan to reimburse, indemnify, or hold harmless any Participant or any other person in respect of Awards, for any taxes, interest or penalties imposed, or other costs incurred, as a result of Section 409A.

16. No Effect on Employment or Service. Neither the Plan nor any Award will confer upon a Participant any right with respect to continuing the Participant's relationship as a Service Provider, nor interfere in any way with the Participant's right or the right of the Company and its Subsidiaries or Parents, as applicable, to terminate such relationship at any time, with or without cause, to the extent permitted by Applicable Laws.

17. Date of Grant. The date of grant of an Award will be, for all purposes, the date on which the Administrator makes the determination granting such Award, or such other later date as is determined by the Administrator. Notice of the determination will be provided to each Participant within a reasonable time after the date of such grant.

18. Term of Plan. Subject to Section 22 of the Plan, the Plan will continue in effect until January 6, 2031, unless terminated earlier under Section 19 of the Plan.

19. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Administrator, at any time, may amend, alter, suspend or terminate the Plan.

(b) Stockholder Approval. The Company will obtain stockholder approval of any Plan amendment to the extent necessary and desirable to comply with Applicable Laws.

(c) Effect of Amendment or Termination. No amendment, alteration, suspension or termination of the Plan will materially impair the rights of any Participant, unless mutually agreed otherwise between the Participant and the Administrator, which agreement must be in writing and signed by the Participant and the Company. Termination of the Plan will not affect the Administrator's ability to exercise the powers granted to it hereunder with respect to Awards granted under the Plan prior to the date of such termination.

20. Conditions Upon Issuance of Shares.

(a) Legal Compliance. Shares will not be issued pursuant to the exercise of an Award unless the exercise of such Award and the issuance and delivery of such Shares will comply with Applicable Laws and will be further subject to the approval of counsel for the Company with respect to such compliance.

(b) Investment Representations. As a condition to the exercise of an Award, the Company may require the person exercising such Award to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

21. Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction or to complete or comply with the requirements of any registration or other qualification of the Shares under any U.S. state or federal law or non-U.S. law or under the rules and regulations of the Securities and Exchange Commission, the stock exchange on which Shares of the same class are then listed, or any other governmental or regulatory body, which authority, registration, qualification or rule compliance is deemed by the Company's counsel to be necessary or advisable for the issuance and sale of any Shares hereunder, will relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority, registration, qualification or rule compliance will not have been obtained.

22. Stockholder Approval. The Plan will be subject to approval by the stockholders of the Company within twelve (12) months after the date the Plan is adopted by the Board. Such stockholder approval will be obtained in the manner and to the degree required under Applicable Laws.

23. Forfeiture Events. The Administrator may specify in an Award Agreement that the Participant's rights, payments, and benefits with respect to an Award will be subject to reduction, cancellation, forfeiture, recoupment, reimbursement, or reacquisition upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Notwithstanding any provisions to the contrary under this Plan, an Award will be subject to the Company's clawback policy as may be established and/or amended from time to time to comply with Applicable Laws (including without limitation pursuant to the listing standards of any national securities exchange or association on which the Company's securities are listed or as may be required by the Dodd-Frank Wall Street Reform and Consumer Protection Act) (the "Clawback Policy"). The Administrator may require a Participant to forfeit, return or reimburse the Company all or a portion of the Award and any amounts paid thereunder pursuant to the terms of the Clawback Policy or as necessary or appropriate to comply with Applicable Laws. Unless this Section 23 specifically is mentioned and waived in an Award Agreement or other document, no recovery of compensation under a Clawback Policy or otherwise will constitute an event that triggers or contributes to any right of a Participant to resign for "good reason" or "constructive termination" (or similar term) under any agreement with the Company or any Parent or Subsidiary of the Company.

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**OMNIOME EQUITY INCENTIVE PLAN OF
PACIFIC BIOSCIENCES OF CALIFORNIA, INC.
GLOBAL STOCK OPTION AGREEMENT**

NOTICE OF STOCK OPTION GRANT

Unless otherwise defined herein, the terms defined in the Omniome Equity Incentive Plan of Pacific Biosciences of California, Inc. (the "Plan") will have the same defined meanings in this Global Stock Option Agreement which includes the Notice of Stock Option Grant (the "Notice of Grant"), the Terms and Conditions of Stock Option Grant, attached hereto as Exhibit A, the Exercise Notice, attached hereto as Exhibit B and all other exhibits, appendices, and addenda attached hereto (together, the "Option Agreement").

Participant Name:
Address:

The undersigned Participant has been granted an Option to purchase Common Stock of Biosciences of California, Inc. (the "Company"), subject to the terms and conditions of the Plan and this Option Agreement, as follows:

Grant Number: _____

Date of Grant: _____

Vesting Commencement Date: _____

Exercise Price per Share (in U.S. Dollars): \$ _____

Total Number of Shares Subject to Option: _____

Total Exercise Price (in U.S. Dollars): \$ _____

Type of Option: Nonstatutory Stock Option

Term/Expiration Date: _____

Vesting Schedule:

Subject to any acceleration provisions contained in the Plan or this Option Agreement or any other written agreement between Participant and the Company or any applicable Subsidiary of the Company governing the terms of this Option, this Option will be scheduled to vest and be exercisable, in whole or in part, in accordance with the following schedule:

[Insert Vesting Schedule, e.g.: Twenty-five percent (25%) of the Total Number of Shares Subject to Option will be scheduled to vest on the one (1) year anniversary of the Vesting Commencement Date, and one forty-eighth (1/48th) of the Total Number of Shares Subject to Option will be scheduled to vest each month thereafter on the same day of the

EXHIBIT A

TERMS AND CONDITIONS OF STOCK OPTION GRANT

1. Grant of Option.

(a) The Company hereby grants to the individual (“Participant”) named in the Notice of Stock Option Grant of this Option Agreement (the “Notice of Grant”) an option (the “Option”) to purchase the number of Shares set forth in the Notice of Grant, at the exercise price per Share set forth in the Notice of Grant (the “Exercise Price”), subject to all of the terms and conditions in this Option Agreement, including any country-specific provisions set forth in Exhibit C, and the Plan, which is incorporated herein by this reference. Subject to Section 19(c) of the Plan, in the event of a conflict between the terms and conditions of the Plan and the terms and conditions of this Option Agreement, including any country-specific provisions set forth in Exhibit C, the terms and conditions of the Plan will prevail.

(b) The Option will be designated as a Nonstatutory Stock Option.

2. Vesting Schedule. Except as provided in Section 3, the Option awarded by this Option Agreement will vest in accordance with the vesting provisions set forth in the Notice of Grant. Unless specifically provided otherwise in this Option Agreement or other written agreement between Participant and the Company or any applicable Subsidiary of the Company governing the terms of this Option, Shares subject to this Option that are scheduled to vest on a certain date or upon the occurrence of a certain condition will not vest in accordance with any of the provisions of this Option Agreement, unless Participant will have been continuously a Service Provider from the Date of Grant until the date such vesting occurs. The Administrator will have the exclusive discretion to determine when Participant no longer is providing services for purposes of determining Service Provider status under this Option (including without limitation whether Participant will be considered to be providing services while on a leave of absence).

3. Discretionary Acceleration. The Administrator, in its discretion, may accelerate the vesting of the balance, or some lesser portion of the balance, of the unvested Option at any time, subject to the terms of the Plan. If so accelerated, such Option will be considered as having vested as of the date specified by the Administrator.

4. Exercise of Option.

(a) Right to Exercise. This Option may be exercised only within the term set out in the Notice of Grant, and may be exercised during such term only in accordance with the Vesting Schedule set out in the Notice of Option Grant and with the applicable provisions of the Plan and the terms of this Option Agreement.

(b) Method of Exercise. This Option is exercisable by delivery of an exercise notice (the “Exercise Notice”) in the form attached as Exhibit B to the Notice of Grant or in a manner and pursuant to such procedures as the Administrator may determine, which will state the election to exercise the Option, the number of Shares in respect of which the Option is being exercised (the “Exercised Shares”), and such other representations and agreements as may be required by the

Company pursuant to the provisions of the Plan. The Exercise Notice will be completed by Participant and delivered to the Company. The Exercise Notice will be accompanied by payment of the aggregate Exercise Price as to all Exercised Shares and of any Tax Obligations (as defined in Section 6(a)). This Option will be deemed to be exercised upon receipt by the Company of such fully executed Exercise Notice accompanied by the aggregate Exercise Price, together with any applicable Tax Obligations.

5. Method of Payment. Payment of the aggregate Exercise Price will be by any of the following, or a combination thereof, at the election of Participant:

(a) cash in U.S. dollars;

(b) check designated in U.S. dollars;

(c) consideration received by the Company under a formal cashless exercise program adopted by the Company in connection with the Plan; or

(d) if Participant is a U.S. employee, surrender of other Shares which have a Fair Market Value on the date of surrender equal to the aggregate Exercise Price of the Exercised Shares and that are owned free and clear of any liens, claims, encumbrances, or security interests, provided that accepting such Shares, in the sole discretion of the Administrator, will not result in any adverse accounting consequences to the Company.

6. Tax Obligations.

(a) Responsibility for Taxes. Participant acknowledges that, regardless of any action taken by the Company or, if different, Participant's employer (the "Employer") or any Parent or Subsidiary of the Company to which Participant is providing services (together, the "Service Recipients"), the ultimate liability for any tax and/or social insurance liability obligations and requirements in connection with the Option, including, without limitation, (i) all federal, state, and local taxes (including Participant's Federal Insurance Contributions Act (FICA) obligations) that are required to be withheld by any Service Recipient or other payment of tax-related items related to Participant's participation in the Plan and legally applicable to Participant, (ii) Participant's and, to the extent required by any Service Recipient, the Service Recipient's fringe benefit tax liability, if any, associated with the grant, vesting, or exercise of the Option or sale of Shares, and (iii) any other Service Recipient taxes the responsibility for which Participant has, or has agreed to bear, with respect to the Option (or exercise thereof or issuance of Shares thereunder) (collectively, the "Tax Obligations"), is and remains Participant's sole responsibility and may exceed the amount actually withheld by the applicable Service Recipient(s). Participant further acknowledges that no Service Recipient (A) makes any representations or undertakings regarding the treatment of any Tax Obligations in connection with any aspect of the Option, including, but not limited to, the grant, vesting or exercise of the Option, the subsequent sale of Shares acquired pursuant to such exercise and the receipt of any dividends or other distributions, and (B) makes any commitment to and is under any obligation to structure the terms of the grant or any aspect of the Option to reduce or eliminate Participant's liability for Tax Obligations or achieve any particular tax result. Further, if Participant is subject to Tax Obligations in more than one jurisdiction between the Date of Grant and the date of any relevant taxable or tax withholding event, as applicable, Participant acknowledges that the

applicable Service Recipient(s) (or former employer, as applicable) may be required to withhold or account for Tax Obligations in more than one jurisdiction. If Participant fails to make satisfactory arrangements for the payment of any required Tax Obligations hereunder at the time of the applicable taxable event, Participant acknowledges and agrees that the Company may refuse to honor the exercise and/or issue or deliver the Shares.

(b) Tax Withholding. Pursuant to such procedures as the Administrator may specify from time to time, the applicable Service Recipient(s) shall withhold the amount required to be withheld for the payment of Tax Obligations. The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit Participant to satisfy such Tax Obligations, in whole or in part (without limitation), if permissible by applicable local law, by (i) paying cash in U.S. dollars or by check designated in U.S. dollars, (ii) electing to have the Company withhold otherwise deliverable Shares having a fair market value equal to the minimum amount that is necessary to meet the withholding requirement for such Tax Obligations (or such greater amount as Participant may elect if permitted by the Administrator, if such greater amount would not result in adverse financial accounting consequences), (iii) having the amount of such Tax Obligations withheld from Participant's wages or other cash compensation paid to Participant by the applicable Service Recipient(s), (iv) delivering to the Company Shares that Participant owns and that have vested with a fair market value equal to the minimum withholding requirement for such Tax Obligations, or (v) selling a sufficient number of such Shares otherwise deliverable to Participant through such means as the Company may determine in its sole discretion (whether through a broker or otherwise) equal to the minimum amount that is necessary to meet the withholding requirement for such Tax Obligations (or such greater amount as Participant may elect if permitted by the Administrator, if such greater amount would not result in adverse financial accounting consequences). To the extent determined appropriate by the Administrator in its discretion, the Administrator will have the right (but not the obligation) to satisfy any Tax Obligations by reducing the number of Shares otherwise deliverable to Participant. If the Tax Obligations are satisfied by withholding in Shares, for tax purposes, Participant is deemed to have been issued the full number of Exercised Shares, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax Obligations. Further, if Participant is subject to tax in more than one jurisdiction between the Date of Grant and a date of any relevant taxable or tax withholding event, as applicable, Participant acknowledges and agrees that the applicable Service Recipient(s) (and/or former employer, as applicable) may be required to withhold or account for tax in more than one jurisdiction.

(c) Section 409A. Under Section 409A, a stock right (such as the Option) that vests after December 31, 2004 (or that vested on or prior to such date but which was materially modified after October 3, 2004) that was granted with a per share exercise price that is determined by the Internal Revenue Service (the "IRS") to be less than the fair market value of an underlying share on the date of grant (a "discount option") may be considered "deferred compensation." A stock right that is a "discount option" may result in (i) income recognition by the recipient of the stock right prior to the exercise of the stock right, (ii) an additional twenty percent (20%) federal income tax, and (iii) potential penalty and interest charges. The "discount option" also may result in additional state income, penalty and interest tax to the recipient of the stock right. Participant acknowledges that the Company cannot and has not guaranteed that the IRS will agree that the per Share exercise price of this Option equals or exceeds the fair market value of a Share on the date of grant in a later examination. Participant agrees that if the IRS determines that the Option was granted with a per

Share exercise price that was less than the fair market value of a Share on the date of grant, Participant shall be solely responsible for Participant's costs related to such a determination. In no event will the Company or any of its Parent or Subsidiaries have any liability, responsibility or obligation to reimburse, indemnify, or hold harmless Participant for any taxes, penalties and interest that may be imposed, or other costs that may be incurred, as a result of Section 409A.

7. Rights as Stockholder. Neither Participant nor any person claiming under or through Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until certificates representing such Shares (which may be in book entry form) will have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to Participant (including through electronic delivery to a brokerage account). After such issuance, recordation and delivery, Participant will have all the rights of a stockholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares.

8. No Guarantee of Continued Service. PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS A SERVICE PROVIDER, WHICH UNLESS PROVIDED OTHERWISE UNDER APPLICABLE LAW IS AT THE WILL OF THE APPLICABLE SERVICE RECIPIENT AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS OPTION OR ACQUIRING SHARES HEREUNDER. PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS OPTION AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS A SERVICE PROVIDER FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE IN ANY WAY WITH PARTICIPANT'S RIGHT OR THE RIGHT OF ANY SERVICE RECIPIENT TO TERMINATE PARTICIPANT'S RELATIONSHIP AS A SERVICE PROVIDER, SUBJECT TO APPLICABLE LAW, WHICH TERMINATION, UNLESS PROVIDED OTHERWISE UNDER APPLICABLE LAW, MAY BE AT ANY TIME, WITH OR WITHOUT CAUSE.

9. Option is Not Transferable. This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Participant only by Participant.

10. Insider Trading Restrictions/Market Abuses. Participant acknowledges that Participant may be subject to insider trading restrictions and/or market abuse laws in applicable jurisdictions, including the United States and Participant's country of residence, which may affect Participant's ability, directly or indirectly, for Participant or for a third party, to acquire or sell, or attempt to sell, Shares or rights to Shares under the Plan during such times as Participant is considered to have "inside information" regarding the Company (as defined by the laws in the applicable jurisdiction, including the United States and Participant's country of residence). Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy. Participant acknowledges that it is Participant's responsibility to be compliant with all such requirements and Participant should consult Participant's personal legal advisers to ensure compliance.

11. Foreign Asset/Account Reporting Requirements; Exchange Controls. Participant's country may have certain foreign asset and/or account reporting requirements and exchange controls which may affect Participant's ability to acquire or hold Shares under the Plan or cash received from participating in the Plan (including from any dividends received or sale proceeds arising from the sale of Shares) in a brokerage or bank account outside Participant's country. Participant understands that Participant may be required to report such accounts, assets or transactions to the tax or other authorities in Participant's country. Participant also may be required to repatriate sale proceeds or other funds received as a result of participation in the Plan to Participant's country through a designated bank or broker and/or within a certain time after receipt. In addition, Participant may be subject to tax payment and/or reporting obligations in connection with any income realized under the Plan and/or from the sale of Shares. Participant acknowledges that it is Participant's responsibility to be compliant with all such requirements, and that Participant should consult Participant's personal legal and tax advisers, as applicable, to ensure compliance.

12. Nature of Grant. In accepting the Option, Participant acknowledges, understands and agrees that:

(a) the grant of the Option is voluntary and occasional and does not create any contractual or other right to receive future grants of options, or benefits in lieu of options, even if options have been granted in the past;

(b) all decisions with respect to future option or other grants, if any, will be at the sole discretion of the Administrator;

(c) Participant is voluntarily participating in the Plan;

(d) the Option and any Shares acquired under the Plan are not intended to replace any pension rights or compensation;

(e) the Option and Shares acquired under the Plan and the income and value of same, are not part of normal or expected compensation for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, holiday pay, pension or retirement or welfare benefits or similar payments;

(f) the future value of the Shares underlying the Option is unknown, indeterminable, and cannot be predicted with certainty;

(g) if the underlying Shares do not increase in value, the Option will have no value;

(h) if Participant exercises the Option and acquires Shares, the value of such Shares may increase or decrease in value, even below the Exercise Price;

(i) for purposes of the Option, Participant's status as a Service Provider will be considered terminated as of the date Participant is no longer actively providing services to the Company or any Parent or Subsidiary of the Company (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is a Service Provider or the terms of Participant's employment or service agreement, if

any), and unless otherwise expressly provided in this Option Agreement (including by reference in the Notice of Grant to other arrangements or contracts) or determined by the Administrator, (i) Participant's right to vest in the Option under the Plan, if any, will terminate as of such date and will not be extended by any notice period (e.g., Participant's period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where Participant is a Service Provider or the terms of Participant's employment or service agreement, if any, unless Participant is providing bona fide services during such time); and (ii) the period (if any) during which Participant may exercise the Option after such termination of Participant's engagement as a Service Provider will commence on the date Participant ceases to actively provide services and will not be extended by any notice period mandated under employment laws in the jurisdiction where Participant is employed or terms of Participant's engagement agreement, if any; the Administrator shall have the exclusive discretion to determine when Participant is no longer actively providing services for purposes of this Option grant (including whether Participant may still be considered to be providing services while on a leave of absence and consistent with local law);

(j) unless otherwise provided in the Plan or by the Administrator in its discretion, the Option and the benefits evidenced by this Option Agreement do not create any entitlement to have the Option or any such benefits transferred to, or assumed by, another company nor be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares; and

(k) the following provisions apply only if Participant is providing services outside the United States:

(i) the Option and the Shares subject to the Option are not part of normal or expected compensation or salary for any purpose;

(ii) Participant acknowledges and agrees that no Service Recipient shall be liable for any foreign exchange rate fluctuation between Participant's local currency and the United States Dollar that may affect the value of the Option or of any amounts due to Participant pursuant to the exercise of the Option or the subsequent sale of any Shares acquired upon exercise; and

(iii) no claim or entitlement to compensation or damages shall arise from forfeiture of the Option resulting from the termination of Participant's status as a Service Provider (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is a Service Provider or the terms of Participant's employment or service agreement, if any), and in consideration of the grant of the Option to which Participant is otherwise not entitled, Participant irrevocably agrees never to institute any claim against any Service Recipient, waives his or her ability, if any, to bring any such claim, and releases each Service Recipient from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, Participant shall be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claim.

13. No Advice Regarding Grant. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Participant's participation in the

Plan, or Participant's acquisition or sale of the Shares underlying the Option. Participant is hereby advised to consult with his or her own personal tax, legal and financial advisers regarding his or her participation in the Plan before taking any action related to the Plan.

14. **Data Privacy.** *Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of Participant's personal data as described in this Option Agreement and any other Option grant materials by and among, as applicable, the Service Recipients for the exclusive purpose of implementing, administering and managing Participant's participation in the Plan.*

Participant understands that the Company and the Service Recipient may hold certain personal information about Participant, including, but not limited to, Participant's name, home address, email address and telephone number, date of birth, social insurance number, passport or other identification number (e.g., resident registration number), salary, nationality, job title, any Shares or directorships held in the Company, details of all equity awards or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in Participant's favor ("Data"), for the exclusive purpose of implementing, administering and managing the Plan.

Participant understands that Data may be transferred to a stock plan service provider, as may be selected by the Company in the future, assisting the Company with the implementation, administration and management of the Plan. Participant understands that the recipients of the Data may be located in the United States or elsewhere, and that the recipients' country of operation (e.g., the United States) may have different data privacy laws and protections than Participant's country. Participant understands that if he or she resides outside the United States, he or she may request a list with the names and addresses of any potential recipients of the Data by contacting his or her local human resources representative. Participant authorizes the Company, any stock plan service provider selected by the Company and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing his or her participation in the Plan. Participant understands that Data will be held only as long as is necessary to implement, administer and manage Participant's participation in the Plan. Participant understands if he or she resides outside the United States, he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing his or her local human resources representative. Further, Participant understands that he or she is providing the consents herein on a purely voluntary basis. If Participant does not consent, or if Participant later seeks to revoke his or her consent, his or her status as a Service Provider and career with the Service Recipient will not be adversely affected. The only adverse consequence of refusing or withdrawing Participant's consent is that the Company would not be able to grant Participant Options or other equity awards or administer or maintain such awards. Therefore, Participant understands that refusing or withdrawing his or her consent may affect Participant's ability to participate in the Plan. For more information on the consequences of Participant's refusal to consent or withdrawal of consent, Participant understands that he or she may contact his or her local human resources representative.

15. Address for Notices. Any notice to be given to the Company under the terms of this Option Agreement will be addressed to the Company, in care of its Chief Financial Officer at Pacific Biosciences of California, Inc., 1305 O'Brien Drive, Menlo Park, CA 94025, or at such other address as the Company may hereafter designate in writing.

16. Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to the Option awarded under the Plan or future options that may be awarded under the Plan by electronic means or require Participant to participate in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through any on-line or electronic system established and maintained by the Company or a third party designated by the Company.

17. No Waiver. Either party's failure to enforce any provision or provisions of this Option Agreement shall not in any way be construed as a waiver of any such provision or provisions, nor prevent that party from thereafter enforcing each and every other provision of this Option Agreement. The rights granted both parties herein are cumulative and shall not constitute a waiver of either party's right to assert all other legal remedies available to it under the circumstances.

18. Successors and Assigns. The Company may assign any of its rights under this Option Agreement to single or multiple assignees, and this Option Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Option Agreement shall be binding upon Participant and his or her heirs, executors, administrators, successors and assigns. The rights and obligations of Participant under this Option Agreement may be assigned only with the prior written consent of the Company.

19. Additional Conditions to Issuance of Stock. If at any time the Company will determine, in its discretion, that the listing, registration, qualification or rule compliance of the Shares upon any securities exchange or under any U.S. federal, state, local or non-U.S. law, the tax code and related regulations or under the rulings or regulations of the United States Securities and Exchange Commission or any other governmental regulatory body, or under any Applicable Laws, or the clearance, consent or approval of the United States Securities and Exchange Commission or any other governmental regulatory authority is necessary or desirable as a condition to the exercise of the Options or the purchase by, or issuance of Shares, to Participant (or his or her estate) hereunder, such exercise, purchase or issuance will not occur unless and until such listing, registration, qualification, rule compliance, clearance, consent or approval will have been completed, effected or obtained free of any conditions not acceptable to the Company. Subject to the terms of the Option Agreement and the Plan, the Company shall not be required to issue any certificate or certificates for (or make any entry on the books of the Company or of a duly authorized transfer agent of the Company of) the Shares hereunder prior to the lapse of such reasonable period of time following the date of exercise of the Option as the Administrator may establish from time to time for reasons of administrative convenience. The Company will make all reasonable efforts to meet the requirements of any such Applicable Laws and to obtain any such registration, qualification, rule compliance, clearance, consent or approval of any such governmental regulatory authority.

20. Language. If Participant has received this Option Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

21. Interpretation. The Administrator will have the power to interpret the Plan and this Option Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any Shares subject to the Option have vested). All actions taken and all interpretations and determinations made by the Administrator in good faith will be final and binding upon Participant, the Company and all other interested persons. Neither the Administrator nor any person acting on behalf of the Administrator will be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or this Option Agreement.

22. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Option Agreement.

23. Amendment, Suspension or Termination of the Plan. By accepting this Option, Participant expressly warrants that he or she has received an Option under the Plan, and has received, read and understood a description of the Plan. Participant understands that the Plan is discretionary in nature and may be amended, suspended or terminated by the Administrator at any time.

24. Governing Law; Venue; Severability. This Option Agreement and the Option are governed by the internal substantive laws, but not the choice of law rules, of the State of California. For purposes of litigating any dispute that arises under this Option or this Option Agreement, the parties hereby submit to and consent to the jurisdiction of the State of California, and agree that such litigation will be conducted in the courts of San Mateo County, California, or the United States federal courts for the Northern District of California, and no other courts, where this Option Agreement is made and/or to be performed. In the event that any provision in this Option Agreement, including the country-specific provisions set forth in an attachment to this Option Agreement (if any), will be held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Option Agreement.

25. Modifications to the Option Agreement. This Option Agreement constitutes the entire understanding of the parties on the subjects covered. Participant expressly warrants that he or she is not accepting this Option Agreement in reliance on any promises, representations, or inducements other than those contained herein. Modifications to this Option Agreement or the Plan can be made only in an express written contract executed by a duly authorized officer of the Company. Notwithstanding anything to the contrary in the Plan or this Option Agreement, the Company reserves the right to revise this Option Agreement as it deems necessary or advisable, in its sole discretion and without the consent of Participant, to comply with Section 409A or to otherwise avoid imposition of any additional tax or income recognition under Section 409A in connection with the Option. Further, the Company reserves the right to impose other requirements on Participant's participation in the Plan, on this Option and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require Participant to execute any additional agreements or undertakings that may be necessary to accomplish the foregoing.

26. Tax Consequences. Participant has reviewed with his or her own tax advisers the U.S. federal, state, local and non-U.S. tax consequences of this investment and the transactions contemplated by this Option Agreement. With respect to such matters, Participant relies solely on such advisers and not on any statements or representations of the Company or any of its agents, written or oral. Participant understands that Participant (and not the Company) shall be responsible for Participant's own tax liability that may arise as a result of this investment or the transactions contemplated by this Option Agreement.

27. Entire Agreement. The Plan is incorporated herein by this reference. The Plan and this Option Agreement (including the appendices and exhibits referenced herein) constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof, and may not be modified adversely to the Participant's interest except by means of a writing signed by the Company and Participant.

28. Country Addendum. This Option shall be subject to any special terms and conditions set forth in an exhibit, appendix, addendum or other attachment (if any) to this Option Agreement for any country whose laws are applicable to Participant and this Option (as determined by the Administrator in its sole discretion (the "Country Addendum"). Moreover, if Participant relocates to one of the countries included in the Country Addendum (if any), the special terms and conditions for such country will apply to Participant, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Country Addendum (if any) constitutes a part of this Option Agreement.

* * *

EXHIBIT B

**OMNIOME EQUITY INCENTIVE PLAN OF
PACIFIC BIOSCIENCES OF CALIFORNIA, INC.**

EXERCISE NOTICE

Pacific Biosciences of California, Inc.
1305 O'Brien Drive
Menlo Park, CA 94025

Attention: Chief Financial Officer

1. **Exercise of Option.** Effective as of today, _____, _____, the undersigned ("Purchaser") hereby elects to purchase _____ shares (the "Shares") of the Common Stock of Pacific Biosciences of California, Inc. (the "Company") under and pursuant to the Omniome Equity Incentive Plan of Pacific Biosciences of California, Inc. (the "Plan") and the Global Stock Option Agreement, dated _____ and including the Notice of Grant, the Terms and Conditions of Stock Option Grant, the Country Addendum attached as **Exhibit C** thereto, and other exhibits, appendices and addenda attached thereto (the "Option Agreement"). Unless otherwise defined herein, capitalized terms used in this Exercise Notice shall be ascribed the same defined meanings as set forth in the Option Agreement (or, as applicable, the Plan or other written agreement or arrangement as specified in the Option Agreement).

2. **Delivery of Payment.** Purchaser herewith delivers to the Company the full purchase price of the Shares and any Tax Obligations (as defined in Section 6(a) of the Option Agreement) to be paid in connection with the exercise of the Option.

3. **Representations of Purchaser.** Purchaser acknowledges that Purchaser has received, read and understood the Plan and the Option Agreement (including **Exhibit C**) and agrees to abide by and be bound by their terms and conditions.

4. **Rights as Stockholder.** Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the Shares, no right to vote or receive dividends or any other rights as a stockholder will exist with respect to the Shares subject to the Option, notwithstanding the exercise of the Option. The Shares so acquired will be issued to Purchaser as soon as practicable after the Option is exercised in accordance with the Option Agreement. No adjustment will be made for a dividend or other right for which the record date is prior to the date of issuance, except as provided in Section 14 of the Plan.

5. **Tax Consultation.** Purchaser understands that Purchaser may suffer adverse tax consequences as a result of Purchaser's purchase or disposition of the Shares. Purchaser represents that Purchaser has consulted with any tax consultants Purchaser deems advisable in connection with

the purchase or disposition of the Shares and that Purchaser is not relying on the Company for any tax advice.

6. Entire Agreement; Governing Law. The Plan and Option Agreement are incorporated herein by this reference. This Exercise Notice, the Plan and the Option Agreement (including the exhibits, appendices, and addenda thereto) constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Purchaser with respect to the subject matter hereof, and may not be modified adversely to the Purchaser's interest except by means of a writing signed by the Company and Purchaser. This Option Agreement is governed by the internal substantive laws, but not the choice of law rules, of California.

Submitted by:

Accepted by:

PURCHASER

PACIFIC BIOSCIENCES OF CALIFORNIA, INC.

Signature

Signature

Print Name

Print Name

Address:

Title

Date Received

EXHIBIT C

GLOBAL STOCK OPTION AGREEMENT

COUNTRY ADDENDUM

This Country Addendum includes additional terms and conditions that govern the Option granted to the terms and conditions of the Omniome Equity Incentive Plan of Pacific Biosciences of California, Inc. (the “Plan”) and the Global Stock Option Agreement to which this Country Addendum is attached (the “Option Agreement”) to the extent the individual to whom the Option was granted (“Participant”) resides in one of the countries listed below. Capitalized terms used but not defined herein will have the meanings set forth in the Option Agreement or the Plan, as applicable.

This Country Addendum also includes information regarding exchange controls and certain other issues of which Participant should be aware with respect to Participant’s participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of **[August 2020]**. Such laws often are complex and change frequently. As a result, the Company strongly recommends that Participant not rely on the information in this Country Addendum as the only source of information relating to the consequences of Participant’s participation in the Plan because the information may be out of date at the time Participant exercises the Option, acquires Shares or sells Shares acquired under the Plan.

In addition, the information contained herein is general in nature and may not apply to Participant’s particular situation, and the Company is not in a position to assure Participant of any particular result. Accordingly, Participant is advised to seek appropriate professional advice as to how the relevant laws in Participant’s country may apply to Participant’s situation.

Finally, if Participant is a citizen or resident of a country other than the one in which Participant is currently is working or transfers to another country after the grant of the Option, is considered a resident of another country for local law purposes, the information contained herein may not be applicable to Participant in the same manner. In addition, the Company, in its sole discretion, shall determine the extent to which the terms and conditions contained herein shall apply to Participant under these circumstances.

[Australia

Notifications

Tax Information. The Plan is a plan to which Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies (subject to the conditions in that Act).

Securities Law Information. If Participant acquires Shares under the Plan and subsequently offers the Shares for sale to a person or entity resident in Australia, such an offer may be subject to disclosure requirements under Australian law and Participant should obtain legal advice regarding any applicable disclosure requirements prior to making any such offer.

Canada

Terms and Conditions

Method of Payment. This provision supplements Section 5 of the Option Agreement:

Due to tax considerations in Canada, Participant may not pay the exercise price or Tax Obligations by surrendering Shares that he or she already owns or by attesting to the ownership of Shares.

Nature of Grant. This provision replaces Section 12(i) of the Option Agreement:

For purposes of the Option grant, Participant's employment or service relationship will be considered terminated as of the date that is the earlier of: (i) the date Participant's employment is terminated, (ii) the date Participant receives notice of termination, and (iii) the date Participant is no longer actively providing services to the Company or any Parent or Subsidiary of the Company (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is employed or the terms of Participant's employment agreement, if any) and, unless otherwise expressly provided in this Agreement or determined by the Company, (i) Participant's right to vest in the Option will terminate as of such date and will not be extended by any notice period (e.g., Participant's period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where Participant is employed or the terms of Participant's employment agreement, if any), and (ii) Participant's right, if any, to exercise the Option after termination of employment or service will be measured by such date and will not be extended by any notice period; the Administrator, in its sole discretion, shall determine when Participant is no longer actively providing services for purposes of this Option grant (including whether Participant may still be considered to be providing services while on a leave of absence).

The following provisions will apply to Participant if he or she is a resident of Quebec:

Language Consent. The parties acknowledge that it is their express wish that the Option Agreement, including this Appendix, as well as all documents, notices, and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Consentement Relatif à la Langue Utilisée. *Les parties reconnaissent avoir expressément souhaité que la convention («Option Agreement») ainsi que cette Annexe, ainsi que tous les documents, avis et procédures judiciaires, exécutés, donnés ou intentés en vertu de, ou liés directement ou indirectement à la présente convention, soient rédigés en langue anglaise.*

Data Privacy. This provision supplements Section 14 of the Option Agreement:

Participant hereby authorizes the Company and the Company's representatives to discuss with and obtain all relevant information from all personnel, professional or not, involved in the administration and operation of the Plan. Participant further authorizes the Company and the Company's Parent or Subsidiary employing or retaining Participant to disclose and discuss Participant's participation in the Plan with their respective advisers. Participant further authorizes the Company and the Company's

Parent or Subsidiary employing or retaining Participant to record such information and to keep such information in Participant's employee file.

Notifications

Securities Law Information. Participant understands that Participant is permitted to sell Shares acquired pursuant to the Plan through the designated broker appointed under the Plan, if any, provided the sale of the Shares acquired pursuant to the Plan takes place outside of Canada through the facilities of a stock exchange on which the Shares are listed. The Company's common stock are currently traded on the NASDAQ Global Select Market, which is located outside of Canada, under the ticker symbol "PACB" and Shares acquired under the Plan may be sold through this exchange.

Foreign Asset/Account Reporting Information. Foreign specified property, including Shares and rights to Shares (e.g., Options), held by a Canadian resident must be reported annually on Form T1135 (Foreign Income Verification Statement) if the total cost of such foreign specified property exceeds C\$100,000 at any time during the year. If applicable, Form T1135 is due by April 30th of the following year. Options must be reported – generally at a nil cost – if the C\$100,000 cost threshold is exceeded because of other foreign specified property held by the resident. When Shares are acquired, their cost generally is the adjusted cost base ("ACB") of the Shares. The ACB would ordinarily equal the fair market value of the Shares at the time of acquisition, but if other Shares are owned, this ACB may have to be averaged with the ACB of the other Shares. *Participant is responsible for ensuring his or her compliance with any applicable reporting obligations and should speak to his or her personal legal adviser on this matter.*

France

Terms and Conditions

Type of Option. The Option is not intended to qualify for specific tax or social security treatment in France.

Language Consent. By accepting the Option Agreement providing for the terms and conditions of the grant, Participant confirms having read and understood the documents relating to this grant (the Plan and this Option Agreement) which were provided in English language. Participant accepts the terms of those documents accordingly.

Consentement Relatif à la Langue Utilisée. *En acceptant le Contrat d'Attribution décrivant les termes et conditions de l'attribution, le Participant confirme avoir lu et compris les documents relatifs à cette attribution (le Plan et ce Contrat d'Attribution) qui ont été communiqués en langue anglaise. Le Participant accepte les termes de ces documents en connaissance de cause.*

Germany

Notifications

Exchange Control Information. Cross-border payments in excess of €12,500 must be reported electronically, on a monthly basis, to the *Servicezentrum Außenwirtschaftsstatistik*, which is the competent federal office of the *Deutsche Bundesbank* (the German Central Bank) for such notifications in Germany. The *Allgemeines Meldeportal Statistik* (General Statistics Reporting Portal) can be accessed at www.bundesbank.de.

Japan

Notifications

Exchange Control Information. If the payment amount to purchase Shares in one transaction exceeds ¥30,000,000, Participant must file a Payment Report with the Ministry of Finance (the “MOF”) (through the Bank of Japan or the bank through which the payment was effected). If the payment amount to purchase Shares in one transaction exceeds ¥100,000,000, Participant must file a Securities Acquisition Report, in addition to a Payment Report, with the MOF (through the Bank of Japan).

Foreign Asset / Account Reporting Information. Participant will be required to report details of any assets held outside of Japan as of December 31st to the extent such assets have a total net fair market value exceeding ¥50,000,000. Such report will be due by March 15th each year. *Participant should consult with his or her personal tax adviser as to whether the reporting obligation applies to him or her and whether the requirement extends to any outstanding Options, Shares and/or cash acquired under the Plan.*

Netherlands

There are no country-specific provisions.

Singapore

Notifications

Securities Law Information. The grant of the Option under the Plan is being made pursuant to the “Qualifying Person” exemption under section 273(1)(f) of the Securities and Futures Act (Chapter 289, 2006 Ed.) (“SFA”). The Plan has not been lodged or registered as a prospectus with the Monetary Authority of Singapore. Participant should note that the Option is subject to section 257 of the SFA and the Participant should not make (i) any subsequent sale of the Shares in Singapore or (ii) any offer of such subsequent sale of the Shares subject to the Option in Singapore, unless such sale or offer is made more than six (6) months after the Date of Grant or pursuant to the exemptions under Part XIII Division 1 Subdivision (4) (other than section 280) of the SFA. The Company’s common stock is traded on the Nasdaq Global Select Market, which is located outside of Singapore, under the ticker symbol “PACB” and Shares acquired under the Plan may be sold through this exchange.

CEO and Director Notification Information. If Participant is the Chief Executive Officer ("CEO") or a director, associate director or shadow director¹ of a Singaporean Parent or Subsidiary, Participant is subject to certain notification requirements under the Singapore Companies Act. Among these requirements is an obligation to notify the Singaporean Parent or Subsidiary in writing when Participant receives an interest (e.g., an Option or Shares) in the Company. In addition, Participant must notify the Singaporean Parent or Subsidiary when Participant disposes of an interest in the Company (including when Participant sells Shares acquired at exercise of the Option). These notifications must be made within two (2) business days of (i) acquiring or disposing of any interest in the Company, (ii) any change in a previously-disclosed interest (e.g., upon exercise of the options or when Shares acquired under the Plan are subsequently sold), or (iii) becoming the CEO or a director, associate director or shadow director if such an interest exists at such time.

Switzerland

Notifications

Securities Law Information. The grant of the Option under the Plan is considered a private offering in Switzerland and is therefore not subject to registration in Switzerland. Neither this document nor any other materials relating to the Option constitute a prospectus as such term is understood pursuant to article 652a of the Swiss Code of Obligations, and neither this document nor any other materials relating to the Option may be publicly distributed nor otherwise made publicly available in Switzerland. Neither this document nor any other offering or marketing material relating to the Option has been filed with, approved, or supervised by any Swiss regulatory authority (in particular, the Swiss Financial Market Supervisory Authority (FINMA)).

Taiwan

Notifications

Securities Law Information. The offer of the Option and the Shares to be issued upon exercise of the Option is available only for employees of the Company and any Parent or Subsidiary. It is not a public offer of securities by a Taiwanese company; therefore, it is exempt from registration in Taiwan.

Exchange Control Information. Participant may acquire and remit foreign currency (including funds for the purchase of Shares and proceeds from the sale of Shares) up to US\$5,000,000 per year without justification. If the transaction amount is TWD500,000 or more in a single transaction, Participant must submit a Foreign Exchange Transaction Form. If the transaction amount is US\$500,000 or more in a single transaction, Participant must also provide supporting documentation to the satisfaction of the remitting bank.

¹ A shadow director is an individual who is not on the board of directors of the Singapore Subsidiary but who has sufficient control so that the board of directors of the Singapore Parent or Subsidiary acts in accordance with the directions and instructions of the individual.

United Kingdom

Terms and Conditions

Tax Obligations. The following provision supplements Section 6 of the Option Agreement:

Without limitation to Section 6 of the Option Agreement, Participant agrees that Participant is liable for all Tax Obligations and hereby covenants to pay all such Tax Obligations, as and when requested by the Company or the Company's Parent or Subsidiary employing or retaining Participant or by Her Majesty's Revenue and Customs ("HMRC") (or any other tax authority or any other relevant authority). Participant also agrees to indemnify and keep indemnified the Company and the Company's Parent or Subsidiary employing or retaining Participant against any Tax-Related Items that they are required to pay or withhold on Participant's behalf or have paid or will pay to HMRC (or any other tax authority or any other relevant authority).]

* * *

**OMNIOME EQUITY INCENTIVE PLAN OF
PACIFIC BIOSCIENCES OF CALIFORNIA, INC.
GLOBAL RESTRICTED STOCK UNIT AGREEMENT**

NOTICE OF RESTRICTED STOCK UNIT GRANT

Unless otherwise defined herein, the terms defined in the Omniome Equity Incentive Plan of Pacific Biosciences of California, Inc. (the "Plan") will have the same defined meanings in this Global Restricted Stock Unit Agreement which includes the Notice of Restricted Stock Unit Grant (the "Notice of Grant"), the Terms and Conditions of Restricted Stock Unit Grant, attached hereto as Exhibit A, and all other exhibits, appendices, and addenda attached hereto (the "Award Agreement").

Participant Name:
Address:

The undersigned Participant has been granted an Award of Restricted Stock Units, subject to the terms and conditions of the Plan and this Award Agreement, as follows:

Grant Number: _____

Date of Grant: _____

Vesting Commencement Date: _____

Total Number of Restricted Stock Units: _____

Vesting Schedule:

Subject to any acceleration provisions contained in the Plan or this Award Agreement or any other written agreement between Participant and the Company or any applicable Subsidiary of the Company governing the terms of this Award, the Restricted Stock Units (the "RSUs") will be scheduled to vest in accordance with the following schedule:

[Insert Vesting Schedule, e.g.: Twenty-five percent (25%) of the Total Number of Restricted Stock Units will be scheduled to vest on each of the one (1), two (2), three (3) and four (4) year anniversaries of the Vesting Commencement Date, subject to Participant continuing to be a Service Provider through such applicable vesting dates.]

By Participant's signature and the signature of the representative of Pacific Biosciences of California, Inc. (the "Company") below, Participant and the Company agree that this Award of Restricted Stock Units is granted under and governed by the terms and conditions of the Plan and this Award Agreement, including the Terms and Conditions of Restricted Stock Unit Grant, attached hereto as Exhibit A, and all other exhibits, appendices and addenda attached hereto, all of which are made a part of this document. Participant acknowledges receipt of a copy of the Plan. Participant has reviewed the Plan and this Award Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Award Agreement and fully understands all provisions of the

Plan and this Award Agreement. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions relating to the Plan and Award Agreement. Participant further agrees to notify the Company upon any change in the residence address indicated below.

PARTICIPANT

PACIFIC BIOSCIENCES OF CALIFORNIA, INC.

Signature

By

Print Name

Title

Residence Address:

EXHIBIT A

TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT GRANT

1. Grant of Restricted Stock Units. The Company hereby grants to the individual (“Participant”) named in the Notice of Grant of Restricted Stock Units of this Award Agreement (the “Notice of Grant”) under the Plan an Award of Restricted Stock Units, and subject to all of the terms and conditions of this Award Agreement, including any country-specific provisions set forth in Exhibit B, and the Plan, which is incorporated herein by reference. Subject to Section 19(c) of the Plan, in the event of a conflict between the terms and conditions of the Plan and this Award Agreement, including any country-specific provisions set forth in Exhibit B, the terms and conditions of the Plan shall prevail.

2. Company’s Obligation to Pay. Each Restricted Stock Unit represents the right to receive a Share on the date it vests. Unless and until the Restricted Stock Units will have vested in the manner set forth in Section 3 or 4, Participant will have no right to payment of any such Restricted Stock Units. Prior to actual payment of any vested Restricted Stock Units, such Restricted Stock Unit will represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company.

3. Vesting Schedule. Except as provided in Section 4, and subject to Section 5, the Restricted Stock Units awarded by this Award Agreement will vest in accordance with the vesting provisions set forth in the Notice of Grant. Unless specifically provided otherwise in this Award Agreement or other written agreement between Participant and the Company or any applicable Subsidiary of the Company governing the terms of this Award, Restricted Stock Units that are scheduled to vest on a certain date or upon the occurrence of a certain condition will not vest in accordance with any of the provisions of this Award Agreement, unless Participant will have been continuously a Service Provider from the Date of Grant through the applicable vesting date. The Administrator will have the exclusive discretion to determine when Participant no longer is providing services for purposes of determining Service Provider status under this Award of Restricted Stock Units (including without limitation whether Participant will be considered to be providing services while on a leave of absence).

4. Payment after Vesting.

(a) General Rule. Subject to Section 8, any Restricted Stock Units that vest will be paid to Participant (or in the event of Participant’s death, to his or her properly designated beneficiary or estate) in whole Shares. Subject to the provisions of this Section 4, such vested Restricted Stock Units shall be paid in whole Shares as soon as practicable after vesting, but in each such case within sixty (60) days following the vesting date. In no event will Participant be permitted, directly or indirectly, to specify the taxable year of payment of any Restricted Stock Units payable under this Award Agreement.

(b) Acceleration.

(i) Discretionary Acceleration. The Administrator, in its discretion, may accelerate the vesting of the balance, or some lesser portion of the balance, of the unvested Restricted

Stock Units at any time, subject to the terms of the Plan. If so accelerated, such Restricted Stock Units will be considered as having vested as of the date specified by the Administrator. If Participant is a U.S. taxpayer, the payment of Shares vesting pursuant to this Section 4 in all cases shall be paid at a time or in a manner that is exempt from, or complies with, Section 409A. The prior sentence may be superseded in a future agreement or amendment to this Award Agreement only by direct and specific reference to such sentence.

(ii) Notwithstanding anything in the Plan or this Award Agreement or any other agreement (whether entered into before, on or after the Date of Grant) to the contrary, if the vesting of the balance, or some lesser portion of the balance, of the Restricted Stock Units is accelerated in connection with the cessation of Participant's status as an Employee or other Service Provider (provided that such termination is a "separation from service" within the meaning of Section 409A, as determined by the Company), other than due to Participant's death, and if (x) Participant is a U.S. taxpayer and a "specified employee" within the meaning of Section 409A at the time of such termination as a Service Provider and (y) the payment of such accelerated Restricted Stock Units will result in the imposition of additional tax under Section 409A if paid to Participant on or within the six (6) month period following the cessation of Participant's status as a Service Provider, then the payment of such accelerated Restricted Stock Units will not be made until the date six (6) months and one (1) day following the date of cessation of such Participant's status, unless Participant dies following cessation of such Participant's status, in which case, the Restricted Stock Units will be paid in Shares to Participant's estate as soon as practicable following his or her death.

(c) Section 409A. It is the intent of this Award Agreement that it and all payments and benefits to U.S. taxpayers hereunder be exempt from, or comply with, the requirements of Section 409A so that none of the Restricted Stock Units provided under this Award Agreement or Shares issuable thereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities or ambiguous terms herein will be interpreted to be so exempt or to so comply. Each payment payable under this Award Agreement is intended to constitute a separate payment for purposes of Treasury Regulation Section 1.409A-2(b)(2). However, in no event will the Company or any of its Parents or Subsidiaries have any liability, responsibility or obligation to reimburse, indemnify, or hold harmless Participant for any taxes, penalties and interest that may be imposed, or other costs that may be incurred, as a result of Section 409A.

5. Forfeiture Upon Termination as a Service Provider. Unless specifically provided otherwise in this Award Agreement or other written agreement between Participant and the Company or any of its Subsidiaries or Parents, as applicable, if Participant ceases to be a Service Provider for any or no reason, the then-unvested Restricted Stock Units awarded by this Award Agreement will thereupon be forfeited at no cost to the Company and Participant will have no further rights thereunder.

6. Death of Participant. Any distribution or delivery to be made to Participant under this Award Agreement, if Participant is then deceased, will be made to Participant's designated beneficiary (if applicable and to the extent the Administrator has permitted such beneficiary designation with respect to this Award) or, absent a designated beneficiary or if no beneficiary survives Participant, the administrator or executor of Participant's estate. Any such transferee must furnish the Company with (a) written notice of his or her status as transferee, and (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

7. Tax Obligations

(a) Responsibility for Taxes. Participant acknowledges that, regardless of any action taken by the Company or, if different, Participant's employer (the "Employer") or any Parent or Subsidiary of the Company to which Participant is providing services (together, the "Service Recipients"), the ultimate liability for any tax and/or social insurance liability obligations and requirements in connection with the Restricted Stock Units, including, without limitation, (i) all federal, state, and local taxes (including Participant's Federal Insurance Contributions Act (FICA) obligations) that are required to be withheld by any Service Recipient or other payment of tax-related items related to Participant's participation in the Plan and legally applicable to Participant, (ii) Participant's and, to the extent required by any Service Recipient, the Service Recipient's fringe benefit tax liability, if any, associated with the grant, vesting, or settlement of the Restricted Stock Units or sale of Shares, and (iii) any other Service Recipient taxes the responsibility for which Participant has, or has agreed to bear, with respect to the Restricted Stock Units (or settlement thereof or issuance of Shares thereunder) (collectively, the "Tax Obligations"), is and remains Participant's sole responsibility and may exceed the amount actually withheld by the applicable Service Recipient(s). Participant further acknowledges that no Service Recipient (A) makes any representations or undertakings regarding the treatment of any Tax Obligations in connection with any aspect of the Restricted Stock Units, including, but not limited to, the grant, vesting or settlement of the Restricted Stock Units, the subsequent sale of Shares acquired pursuant to such settlement and the receipt of any dividends or other distributions, and (B) makes any commitment to and is under any obligation to structure the terms of the grant or any aspect of the Restricted Stock Units to reduce or eliminate Participant's liability for Tax Obligations or achieve any particular tax result.

(b) Tax Withholding. Pursuant to such procedures as the Administrator may specify from time to time, the Service Recipient shall withhold the amount required to be withheld for the payment of Tax Obligations. The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit Participant to satisfy such Tax Obligations, in whole or in part (without limitation), if permissible by applicable local law, by (i) paying cash in U.S. dollars, (ii) electing to have the Company withhold otherwise deliverable Shares having a fair market value equal to the minimum amount that is necessary to meet the withholding requirement for such Tax Obligations (or such greater amount as Participant may elect if permitted by the Administrator, if such greater amount would not result in adverse financial accounting consequences), (iii) withholding the amount of such Tax Obligations from Participant's wages or other cash compensation paid to Participant by the applicable Service Recipient(s), (iv) delivering to the Company Shares that Participant owns and that already have vested with a fair market value equal to the Tax Obligations (or such greater amount as Participant may elect if permitted by the Administrator, if such greater amount would not result in adverse financial accounting consequences), (v) selling a sufficient number of such Shares otherwise deliverable to Participant, through such means as the Company may determine in its sole discretion (whether through a broker or otherwise) equal to the minimum amount that is necessary to meet the withholding requirement for such Tax Obligations (or such greater amount as Participant may elect if permitted by the Administrator, if such greater amount would not result in adverse financial accounting consequences), or (v) such other means as the Administrator deems appropriate. Further, if Participant is subject to Tax Obligations in more than one jurisdiction between the Date of Grant and the date of any relevant taxable or tax withholding event, as applicable, Participant acknowledges that the applicable Service Recipient(s) (or former employer, as applicable) may be required to withhold or account for Tax Obligations in more than one

jurisdiction. If the Tax Obligations are satisfied by withholding in Shares, for tax purposes, Participant is deemed to have been issued the full number of Shares subject to the vested Restricted Stock Units, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax Obligations. **If Participant is an officer of the Company within the meaning of Section 16 of the Exchange Act, then the Company will withhold from proceeds of the sale of a sufficient number of Shares otherwise deliverable to Participant to satisfy the Tax Obligations and any associated broker or other fees upon the relevant taxable or tax withholding event, as applicable, and Participant agrees and acknowledges that Participant may not satisfy them by any means other than such sale of Shares, unless required to do so by the Administrator.** To the extent the use of such withholding method is problematic under Applicable Laws or has materially adverse accounting consequences, then the Tax Obligations may be satisfied by one or a combination of the methods specified under clauses (i), (ii), (iii) and (v) above.

(c) No Representations. Participant has reviewed with his or her own tax advisers the U.S. federal, state, local and non-U.S. tax consequences of this investment and the transactions contemplated by this Award Agreement. With respect to such matters, Participant relies solely on such advisers and not on any statements or representations of the Company or any of its agents, written or oral. Participant understands that Participant (and not the Company) shall be responsible for Participant's own tax liability that may arise as a result of this investment or the transactions contemplated by this Award Agreement.

(d) Company's Obligation to Deliver Shares. For clarification purposes, in no event will the Company issue Participant any Shares unless and until arrangements satisfactory to the Administrator have been made for the payment of Participant's Tax Obligations. If Participant fails to make satisfactory arrangements for the payment of such Tax Obligations hereunder at the time any applicable Restricted Stock Units otherwise are scheduled to vest pursuant to Sections 3 or 4 or Participant's Tax Obligations otherwise become due, Participant will permanently forfeit such Restricted Stock Units to which Participant's Tax Obligation relates and any right to receive Shares thereunder and such Restricted Stock Units will be returned to the Company at no cost to the Company. Participant acknowledges and agrees that the Company may refuse to issue or deliver the Shares if such Tax Obligations are not delivered at the time they are due.

8. Rights as Stockholder. Neither Participant nor any person claiming under or through Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until certificates representing such Shares (which may be in book entry form) will have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to Participant (including through electronic delivery to a brokerage account). After such issuance, recordation and delivery, Participant will have all the rights of a stockholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares.

9. No Guarantee of Continued Service. PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE VESTING OF THE RESTRICTED STOCK UNITS PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS A SERVICE PROVIDER, WHICH UNLESS PROVIDED OTHERWISE UNDER APPLICABLE LAW IS AT THE WILL OF THE APPLICABLE SERVICE RECIPIENT AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS RESTRICTED STOCK UNIT AWARD OR

ACQUIRING SHARES HEREUNDER. PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS AWARD AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS A SERVICE PROVIDER FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE IN ANY WAY WITH PARTICIPANT'S RIGHT OR THE RIGHT OF ANY SERVICE RECIPIENT TO TERMINATE PARTICIPANT'S RELATIONSHIP AS A SERVICE PROVIDER, SUBJECT TO APPLICABLE LAW, WHICH TERMINATION, UNLESS PROVIDED OTHERWISE UNDER APPLICABLE LAW, MAY BE AT ANY TIME, WITH OR WITHOUT CAUSE.

10. Grant is Not Transferable. Except to the limited extent provided in Section 7, this grant and the rights and privileges conferred hereby will not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and will not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of this grant, or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment or similar process, this grant and the rights and privileges conferred hereby immediately will become null and void.

11. Insider Trading Restrictions/Market Abuses. Participant acknowledges that Participant may be subject to insider trading restrictions and/or market abuse laws in applicable jurisdictions, including the United States and Participant's country of residence, which may affect Participant's ability, directly or indirectly, for Participant or for a third party, to acquire or sell, or attempt to sell, Shares or rights to Shares under the Plan during such times as Participant is considered to have "inside information" regarding the Company (as defined by the laws in the applicable jurisdiction, including the United States and Participant's country of residence). Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy. Participant acknowledges that it is Participant's responsibility to be compliant with all such requirements and Participant should consult Participant's personal legal advisers to ensure compliance.

12. Foreign Asset/Account Reporting Requirements; Exchange Controls. Participant's country may have certain foreign asset and/or account reporting requirements and exchange controls which may affect Participant's ability to acquire or hold Shares under the Plan or cash received from participating in the Plan (including from any dividends received or sale proceeds arising from the sale of Shares) in a brokerage or bank account outside Participant's country. Participant understands that Participant may be required to report such accounts, assets or transactions to the tax or other authorities in Participant's country. Participant also may be required to repatriate sale proceeds or other funds received as a result of participation in the Plan to Participant's country through a designated bank or broker and/or within a certain time after receipt. In addition, Participant may be subject to tax payment and/or reporting obligations in connection with any income realized under the Plan and/or from the sale of Shares. Participant acknowledges that it is Participant's responsibility to be compliant with all such requirements, and that Participant should consult Participant's personal legal and tax advisers, as applicable, to ensure compliance.

13. Nature of Grant. In accepting this Award of Restricted Stock Units, Participant acknowledges, understands and agrees that:

- (a) the grant of the Restricted Stock Units is voluntary and occasional and does not create any contractual or other right to receive future grants of restricted stock units, or benefits in lieu of restricted stock units, even if restricted stock units have been granted in the past;
- (b) all decisions with respect to future restricted stock units or other grants, if any, will be at the sole discretion of the Administrator;
- (c) Participant is voluntarily participating in the Plan;
- (d) the Restricted Stock Units and the Shares subject to the Restricted Stock Units are not intended to replace any pension rights or compensation;
- (e) the Restricted Stock Units and the Shares subject to the Restricted Stock Units, and the income and value of same, are not part of normal or expected compensation for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, holiday pay, pension or retirement or welfare benefits or similar payments;
- (f) the future value of the Shares underlying the Restricted Stock Units is unknown, indeterminable and cannot be predicted with certainty;
- (g) for purposes of the Restricted Stock Units, Participant's status as a Service Provider will be considered terminated as of the date Participant is no longer actively providing services to the Company or any Parent or Subsidiary of the Company (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is a Service Provider or the terms of Participant's employment or service agreement, if any), and unless otherwise expressly provided in this Award Agreement (including by reference in the Notice of Grant to other arrangements or contracts) or determined by the Administrator, Participant's right to vest in the Restricted Stock Units under the Plan, if any, will terminate as of such date and will not be extended by any notice period (e.g., Participant's period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where Participant is a Service Provider or the terms of Participant's employment or service agreement, if any, unless Participant is providing bona fide services during such time); the Administrator shall have the exclusive discretion to determine when Participant is no longer actively providing services for purposes of the Restricted Stock Units grant (including whether Participant may still be considered to be providing services while on a leave of absence and consistent with local law);
- (h) unless otherwise provided in the Plan or by the Administrator in its discretion, the Restricted Stock Units and the benefits evidenced by this Award Agreement do not create any entitlement to have the Restricted Stock Units or any such benefits transferred to, or assumed by, another company nor be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares; and
- (i) the following provisions apply only if Participant is providing services outside the United States:

(i) the Restricted Stock Units and the Shares subject to the Restricted Stock Units are not part of normal or expected compensation or salary for any purpose;

(ii) Participant acknowledges and agrees that no Service Recipient shall be liable for any foreign exchange rate fluctuation between Participant's local currency and the United States Dollar that may affect the value of the Restricted Stock Units or of any amounts due to Participant pursuant to the settlement of the Restricted Stock Units or the subsequent sale of any Shares acquired upon settlement; and

(iii) no claim or entitlement to compensation or damages shall arise from forfeiture of the Restricted Stock Units resulting from the termination of Participant's status as a Service Provider (for any reason whatsoever whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is a Service Provider or the terms of Participant's employment or service agreement, if any), and in consideration of the grant of the Restricted Stock Units to which Participant is otherwise not entitled, Participant irrevocably agrees never to institute any claim against any Service Recipient, waives his or her ability, if any, to bring any such claim, and releases each Service Recipient from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, Participant shall be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claim.

14. **No Advice Regarding Grant.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Participant's participation in the Plan, or Participant's acquisition or sale of the Shares underlying the Restricted Stock Units. Participant is hereby advised to consult with his or her own personal tax, legal and financial advisers regarding his or her participation in the Plan before taking any action related to the Plan.

15. **Data Privacy.** *Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of Participant's personal data as described in this Award Agreement and any other Restricted Stock Unit grant materials by and among, as applicable, the Service Recipients for the exclusive purpose of implementing, administering and managing Participant's participation in the Plan.*

Participant understands that the Company and the Service Recipient may hold certain personal information about Participant, including, but not limited to, Participant's name, home address, email address and telephone number, date of birth, social insurance number, passport or other identification number (e.g., resident registration number), salary, nationality, job title, any Shares or directorships held in the Company, details of all equity awards or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in Participant's favor ("Data"), for the exclusive purpose of implementing, administering and managing the Plan.

Participant understands that Data may be transferred to a stock plan service provider, as may be selected by the Company in the future, assisting the Company with the implementation, administration and management of the Plan. Participant understands that the recipients of the Data may be located in the United States or elsewhere, and that the recipients' country of operation (e.g., the United States) may have different data privacy laws and protections than Participant's country. Participant understands that if he or she resides outside the United States, he or she may

request a list with the names and addresses of any potential recipients of the Data by contacting his or her local human resources representative. Participant authorizes the Company, any stock plan service provider selected by the Company and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing his or her participation in the Plan. Participant understands that Data will be held only as long as is necessary to implement, administer and manage Participant's participation in the Plan. Participant understands if he or she resides outside the United States, he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing his or her local human resources representative. Further, Participant understands that he or she is providing the consents herein on a purely voluntary basis. If Participant does not consent, or if Participant later seeks to revoke his or her consent, his or her status as a Service Provider and career with the Service Recipient will not be adversely affected. The only adverse consequence of refusing or withdrawing Participant's consent is that the Company would not be able to grant Participant Restricted Stock Units or other equity awards or administer or maintain such awards. Therefore, Participant understands that refusing or withdrawing his or her consent may affect Participant's ability to participate in the Plan. For more information on the consequences of Participant's refusal to consent or withdrawal of consent, Participant understands that he or she may contact his or her local human resources representative.

16. Address for Notices. Any notice to be given to the Company under the terms of this Award Agreement will be addressed to the Company, in care of its Chief Financial Officer at Pacific Biosciences of California, Inc., 1305 O'Brien Drive, Menlo Park, CA 94025, U.S.A., or at such other address as the Company may hereafter designate in writing.

17. Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to the Restricted Stock Units awarded under the Plan or future Restricted Stock Units that may be awarded under the Plan by electronic means or require Participant to participate in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through any on-line or electronic system established and maintained by the Company or a third party designated by the Company.

18. No Waiver. Either party's failure to enforce any provision or provisions of this Award Agreement shall not in any way be construed as a waiver of any such provision or provisions, nor prevent that party from thereafter enforcing each and every other provision of this Award Agreement. The rights granted both parties herein are cumulative and shall not constitute a waiver of either party's right to assert all other legal remedies available to it under the circumstances.

19. Successors and Assigns. The Company may assign any of its rights under this Award Agreement to single or multiple assignees, and this Award Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Award Agreement shall be binding upon Participant and his or her heirs, executors, administrators, successors and assigns. The rights and obligations of Participant under this Award Agreement may be assigned only with the prior written consent of the Company. Subject to the limitation on

transferability of this Award contained herein, this Award Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

20. Additional Conditions to Issuance of Stock. If at any time the Company will determine, in its discretion, that the listing, registration, qualification or rule compliance of the Shares upon any securities exchange or under any U.S. federal, state, local or non-U.S. law, the tax code and related regulations or under the rulings or regulations of the United States Securities and Exchange Commission or any other governmental regulatory body or the clearance, consent or approval of the United States Securities and Exchange Commission or any other governmental regulatory authority is necessary or desirable as a condition to the issuance of Shares to Participant (or his or her estate) hereunder, such issuance will not occur unless and until such listing, registration, qualification, rule compliance, clearance, consent or approval will have been completed, effected or obtained free of any conditions not acceptable to the Company. Subject to the terms of the Award Agreement and the Plan, the Company shall not be required to issue any certificate or certificates for (or make any entry on the books of the Company or of a duly authorized transfer agent of the Company of) the Shares hereunder prior to the lapse of such reasonable period of time following the date of vesting of the Restricted Stock Units as the Administrator may establish from time to time for reasons of administrative convenience. The Company will make all reasonable efforts to meet the requirements of any such Applicable Laws and to obtain any such registration, qualification, rule compliance, clearance, consent or approval of any such governmental regulatory authority.

21. Language. If Participant has received this Award Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

22. Interpretation. The Administrator will have the power to interpret the Plan and this Award Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any Restricted Stock Units have vested). All actions taken and all interpretations and determinations made by the Administrator in good faith will be final and binding upon Participant, the Company and all other interested persons. Neither the Administrator nor any person acting on behalf of the Administrator will be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or this Award Agreement.

23. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Award Agreement.

24. Amendment, Suspension or Termination of the Plan. By accepting this Award, Participant expressly warrants that he or she has received an Award of Restricted Stock Units under the Plan, and has received, read and understood a description of the Plan. Participant understands that the Plan is discretionary in nature and may be amended, suspended or terminated by the Administrator at any time.

25. Modifications to the Award Agreement. This Award Agreement constitutes the entire understanding of the parties on the subjects covered. Participant expressly warrants that he or she is not accepting this Award Agreement in reliance on any promises, representations, or inducements other than those contained herein. Modifications to this Award Agreement or the Plan can be made

only in an express written contract executed by a duly authorized officer of the Company. Notwithstanding anything to the contrary in the Plan or this Award Agreement, the Company reserves the right to revise this Award Agreement as it deems necessary or advisable, in its sole discretion and without the consent of Participant, to comply with Section 409A or to otherwise avoid imposition of any additional tax or income recognition under Section 409A in connection with this Award of Restricted Stock Units. Further, the Company reserves the right to impose other requirements on Participant's participation in the Plan, on this Award of Restricted Stock Units and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require Participant to execute any additional agreements or undertakings that may be necessary to accomplish the foregoing.

26. Governing Law; Venue; Severability. This Award Agreement and the Restricted Stock Units are governed by the internal substantive laws, but not the choice of law rules, of the State of California. For purposes of litigating any dispute that arises under these Restricted Stock Units or this Award Agreement, the parties hereby submit to and consent to the jurisdiction of the State of California, and agree that such litigation will be conducted in the courts of San Mateo County, California, or the United States federal courts for the Northern District of California, and no other courts, where this Award Agreement is made and/or to be performed. In the event that any provision of this Award Agreement, including the country-specific provisions set forth in an attachment to this Award Agreement (if any), will be held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Award Agreement.

27. Entire Agreement. The Plan is incorporated herein by this reference. The Plan and this Award Agreement (including the appendices and exhibits referenced herein) constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof, and may not be modified adversely to the Participant's interest except by means of a writing signed by the Company and Participant.

28. Country Addendum. The Restricted Stock Unit grant shall be subject to any special terms and conditions set forth in an exhibit, appendix, addendum or other attachment (if any) to this Award Agreement for any country whose laws are applicable to Participant and this Award of Restricted Stock Units (as determined by the Administrator in its sole discretion) (the "Country Addendum"). Moreover, if Participant relocates to one of the countries included in the Country Addendum (if any), the special terms and conditions for such country will apply to Participant, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Country Addendum constitutes part of this Award Agreement.

* * *

EXHIBIT B

GLOBAL RESTRICTED STOCK UNIT AGREEMENT

COUNTRY ADDENDUM

This Country Addendum includes additional terms and conditions that govern the Award of Restricted Stock Units granted pursuant to the terms and conditions of the Omniome Equity Incentive Plan of Pacific Biosciences of California, Inc. (the “Plan”) and the Global Restricted Stock Unit Agreement to which this Country Addendum is attached (the “Award Agreement”) to the extent the individual to whom the Restricted Stock Units were granted (“Participant”) resides in one of the countries listed below. Capitalized terms used but not defined herein will have the meanings set forth in the Award Agreement or the Plan, as applicable.

This Country Addendum also includes information regarding exchange controls and certain other issues of which Participant should be aware with respect to Participant’s participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of **[August 2020]**. Such laws often are complex and change frequently. As a result, the Company strongly recommends that Participant not rely on the information in this Country Addendum as the only source of information relating to the consequences of Participant’s participation in the Plan because the information may be out of date at the time Participant vest in or receives or sells the Shares covered by the Restricted Stock Units.

In addition, the information contained herein is general in nature and may not apply to Participant’s particular situation and the Company is not in a position to assure Participant of any particular result. Accordingly, Participant is advised to seek appropriate professional advice as to how the relevant laws of Participant’s country may apply to Participant’s situation.

Finally, if Participant is a citizen or resident of a country other than the one in which Participant currently is working or transfers to another country after the grant of the Restricted Stock Units, or is considered a resident of another country for local law purposes, the information contained herein may not be applicable to Participant in the same manner. In addition, the Company, in its sole discretion, shall determine the extent to which the terms and conditions contained herein shall apply to Participant under these circumstances.

[Australia]

Notifications

Tax Information. The Plan is a plan to which Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies (subject to the conditions in that Act).

Canada

Terms and Conditions

Company's Obligation to Pay. This provision supplements Section 2 of the Award Agreement:

Notwithstanding any discretion set out in Section 8(d) of the Plan, vested Restricted Stock Units will be paid in Shares and not in cash or a combination of Shares and cash.

Nature of Grant. This provision replaces Section 13(g) of the Award Agreement:

For purposes of the Award of Restricted Stock Units, Participant's employment or service relationship will be considered terminated as of the date that is the earlier of: (i) the date Participant's employment is terminated, (ii) the date Participant receives notice of termination, and (iii) the date Participant is no longer actively providing services to the Company or any Parent or Subsidiary of the Company (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is employed or the terms of Participant's employment agreement, if any) and, unless otherwise expressly provided in this Award Agreement or determined by the Company, Participant's right to vest in the Restricted Stock Units will terminate as of such date and will not be extended by any notice period (e.g., Participant's period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where Participant is employed or the terms of Participant's employment agreement, if any).

The following provisions will apply to Participant if he or she is a resident of Quebec:

Language Consent. The parties acknowledge that it is their express wish that the Award Agreement, including this Exhibit B, as well as all documents, notices, and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Consentement Relatif à la Langue Utilisée. *Les parties reconnaissent avoir expressément souhaité que la convention («Award Agreement») ainsi que cette Annexe B, ainsi que tous les documents, avis et procédures judiciaires, exécutés, donnés ou intentés en vertu de, ou liés directement ou indirectement à la présente convention, soient rédigés en langue anglaise.*

Data Privacy. This provision supplements Section 15 of the Award Agreement:

Participant hereby authorizes the Company and the Company's representatives to discuss with and obtain all relevant information from all personnel, professional or not, involved in the administration and operation of the Plan. Participant further authorizes the Company and the Company's Parent or Subsidiary employing or retaining Participant to disclose and discuss Participant's participation in the Plan with their respective advisers. Participant further authorizes the Company and the Company's Parent or Subsidiary employing or retaining Participant to record such information and to keep such information in Participant's employee file.

Notifications

Securities Law Information. Participant understands that Participant is permitted to sell Shares acquired pursuant to the Plan through the designated broker appointed under the Plan, if any, provided the sale of the Shares acquired pursuant to the Plan takes place outside of Canada through the facilities of a stock exchange on which the Shares are listed. The Company's common stock are currently traded on the NASDAQ Global Select Market, which is located outside of Canada, under the ticker symbol "PACB" and Shares acquired under the Plan may be sold through this exchange.

Foreign Asset/Account Reporting Information. Foreign specified property, including Shares and rights to Shares (e.g., Restricted Stock Units), held by a Canadian resident must be reported annually on Form T1135 (Foreign Income Verification Statement) if the total cost of such foreign specified property exceeds C\$100,000 at any time during the year.

If applicable, Form T1135 is due by April 30th of the following year. Restricted Stock Units must be reported – generally at a nil cost – if the C\$100,000 cost threshold is exceeded because of other foreign specified property held by Participant. When Shares are acquired, their cost generally is the adjusted cost base ("ACB") of the Shares. The ACB would ordinarily equal the fair market value of the Shares at the time of acquisition, but if other Shares are owned, this ACB may have to be averaged with the ACB of the other Shares. *Participant is responsible for ensuring his or her compliance with any applicable reporting obligations and should speak to his or her personal legal adviser on this matter.*

France

Terms and Conditions

Type of Restricted Stock Units. The Restricted Stock Units are not intended to qualify for specific tax or social security treatment in France.

Language Consent. By accepting the Award Agreement providing for the terms and conditions of the grant, Participant confirms having read and understood the documents relating to this grant (the Plan and this Award Agreement) which were provided in English language. Participant accepts the terms of those documents accordingly.

Consentement Relatif à la Langue Utilisée. *En acceptant le Contrat d'Attribution décrivant les termes et conditions de l'attribution, le Participant confirme avoir lu et compris les documents relatifs à cette attribution (le Plan et ce Contrat d'Attribution) qui ont été communiqués en langue anglaise. Le Participant accepte les termes de ces documents en connaissance de cause.*

Notifications

Foreign Asset/Account Reporting Information. Participant may hold Shares acquired under the Plan outside of France provided Participant annually declares all foreign bank and stock accounts, whether open, current, or closed, together with Participant's personal income tax returns.

Germany

Notifications

Exchange Control Information.

Cross-border payments in excess of €12,500 must be reported electronically, on a monthly basis, to the *Servicezentrum Außenwirtschaftsstatistik*, which is the competent federal office of the *Deutsche Bundesbank* (the German Central Bank) for such notifications in Germany. The *Allgemeines Meldeportal Statistik* (General Statistics Reporting Portal) can be accessed at www.bundesbank.de.

Japan

Notifications

Foreign Asset / Account Reporting Information. Participant will be required to report details of any assets held outside of Japan as of December 31st to the extent such assets have a total net fair market value exceeding ¥50,000,000.

Such report will be due by March 15th each year. *Participant should consult with his or her personal tax adviser as to whether the reporting obligation applies to him or her and whether the requirement extends to any outstanding Restricted Stock Units, Shares and/or cash acquired under the Plan.*

Netherlands

There are no country-specific provisions.

Singapore

Notifications

Securities Law Information. The Award of Restricted Stock Units under the Plan is being made pursuant to the “Qualifying Person” exemption under section 273(1)(f) of the Securities and Futures Act (Chapter 289, 2006 Ed.) (“SFA”). The Plan has not been lodged or registered as a prospectus with the Monetary Authority of Singapore.

Participant should note that the Restricted Stock Units are subject to section 257 of the SFA and the Participant should not make (i) any subsequent sale of the Shares in Singapore or (ii) any offer of such subsequent sale of the Shares subject to the Restricted Stock Units in Singapore, unless such sale or offer is made more than six (6) months after the Date of Grant or pursuant to the exemptions under Part XIII Division 1 Subdivision (4) (other than section 280) of the SFA. The Company’s common stock is traded on the Nasdaq Global Select Market, which is located outside of Singapore, under the ticker symbol “PACB” and Shares acquired under the Plan may be sold through this exchange.

CEO and Director Notification Information. If Participant is the Chief Executive Officer (“CEO”) or a director, associate director or shadow director¹ of a Singaporean Parent or Subsidiary, Participant is subject to certain notification requirements under the Singapore Companies Act. Among these requirements is an obligation to notify the Singaporean Parent or Subsidiary in writing when Participant receives an interest in the Company (e.g., Restricted Stock Units or Shares). In addition, Participant must notify the Singaporean Parent or Subsidiary when Participant disposes of an interest in the Company (including when Participant sells Shares acquired at vesting of the Restricted Stock

¹ A shadow director is an individual who is not on the board of directors of the Singapore Parent or Subsidiary but who has sufficient control so that the board of directors of the Singapore Parent or Subsidiary acts in accordance with the directions and instructions of the individual.

Units). These notifications must be made within two (2) business days of (i) acquiring or disposing of any interest in the Company, (ii) any change in a previously-disclosed interest (*e.g.*, upon vesting of the Restricted Stock Units or when Shares acquired under the Plan are subsequently sold), or (iii) becoming the CEO or a director, associate director or shadow director if such an interest exists at such time.

Switzerland

Notifications

Securities Law Information. The Award of Restricted Stock Units under the Plan is considered a private offering in Switzerland and is therefore not subject to registration in Switzerland. Neither this document nor any other materials relating to the Restricted Stock Units constitutes a prospectus as such term is understood pursuant to article 652a of the Swiss Code of Obligations, and neither this document nor any other materials relating to the Restricted Stock Units may be publicly distributed nor otherwise made publicly available in Switzerland. Neither this document nor any other offering or marketing material relating to the Restricted Stock Units has been filed with, approved, or supervised by any Swiss regulatory authority (in particular, the Swiss Financial Market Supervisory Authority (FINMA)).

Taiwan

Notifications

Securities Law Information. The Award of Restricted Stock Units and the Shares to be issued upon vesting of the Restricted Stock Units is available only for employees of the Company and any Parent or Subsidiary. It is not a public offer of securities by a Taiwanese company; therefore, it is exempt from registration in Taiwan.

Exchange Control Information. Participant may acquire and remit foreign currency (including funds for the purchase of Shares and proceeds from the sale of Shares) up to US\$5,000,000 per year without justification. If the transaction amount is TWD500,000 or more in a single transaction, Participant must submit a Foreign Exchange Transaction Form. If the transaction amount is US\$500,000 or more in a single transaction, Participant must also provide supporting documentation to the satisfaction of the remitting bank.

United Kingdom

Terms and Conditions

Taxes. The following provision supplements Section 7 of the Award Agreement:

Without limitation to Section 7 of the Award Agreement, Participant agrees that Participant is liable for all Tax-Related Items and hereby covenants to pay all such Tax-Related Items, as and when requested by the Company or the Parent or Subsidiary employing or retaining Participant or by Her Majesty's Revenue and Customs ("HMRC") (or any other tax authority or any other relevant authority). Participant also agrees to indemnify and keep indemnified the Company and the Company's Parent or Subsidiary employing or retaining Participant against any Tax-Related Items

that they are required to pay or withhold or have paid or will pay to HMRC (or any other tax authority or any other relevant authority) on Participant's behalf.]

* * *

Consent of Independent Auditors

We consent to the incorporation by reference in the registration statements listed below of Pacific Biosciences of California, Inc. of our report dated August 30, 2021, with respect to the financial statements of Omniome, Inc., which report appears in the Form 8-K of Pacific Biosciences of California, Inc. dated September 20, 2021. Our report dated August 30, 2021 contains an explanatory paragraph that states that Omniome's recurring losses from operations raise substantial doubt about the entity's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of that uncertainty.

- Form S-8 dated October 29, 2010 (File No. 333-170211),
- Form S-8 dated February 29, 2012 (File No. 333-179810),
- Form S-8 dated January 16, 2013 (File No. 333-186065),
- Form S-8 dated January 17, 2014 (File No. 333-193437),
- Form S-8 dated January 23, 2015 (File No. 333-201678),
- Form S-8 dated January 28, 2016 (File No. 333-209157),
- Form S-8 dated January 26, 2017 (File No. 333-215746),
- Form S-8 dated January 25, 2018 (File No. 333-222696),
- Form S-8 dated January 25, 2019 (File No. 333- 229368),
- Form S-8 dated January 24, 2020 (File No. 333-236061),
- Form S-8 dated August 6, 2020 (File No. 333-241687),
- Form S-8 dated December 4, 2020 (File No. 333-251153),
- Form S-8 dated February 26, 2021 (File No. 333-253669),
- Form S-8 dated April 19, 2021 (File No. 333-255342),
- Form S-3 dated June 10, 2020 (File No. 333-239071),
- Form S-3 dated November 10, 2020 (File No. 333-249999), and
- Form S-3 dated April 16, 2021 (File No. 333-255324).

/s/ KPMG LLP

San Diego, California
September 20, 2021



Pacific Biosciences Closes Acquisition of Omniome and Establishes San Diego Presence

*Omniome's high accuracy short-read sequencing platform
expected to significantly expand PacBio's market opportunity*

*Acquisition expected to accelerate the adoption of SMRT Sequencing,
PacBio's leading long-read sequencing platform*

PacBio also closes \$300 million PIPE financing in support of transaction

MENLO PARK, Calif., September 20, 2021 (GLOBE NEWSWIRE) — Pacific Biosciences of California, Inc. (Nasdaq: PACB) ("Pacific Biosciences" or "PacBio"), a leading provider of high-quality, long-read sequencing platforms, and Omniome, a San Diego-based biotechnology company developing a proprietary and highly differentiated short-read sequencing platform capable of delivering increased sequencing accuracy, announced today the companies have closed the transaction under which Pacific Biosciences acquired Omniome. With this acquisition, we believe PacBio will be uniquely positioned as the only company with both highly accurate long-read and short-read sequencing platforms.

Omniome's platform, Sequencing by Binding (SBB®), has fundamental advantages over other technologies and the potential to deliver higher sensitivity at a lower cost to unlock new markets. Omniome developed the chemistry because clinical applications require a level of accuracy that is difficult to achieve with current sequencing technologies.

"We believe our combined teams and technology can transform the genomics landscape by delivering a differentiated set of products and applications across a broad spectrum of markets, including the high growth clinical market," said Christian Henry, President and CEO of PacBio. "In the 60 days since announcing this deal, the Omniome team has continued to make progress on the development of their highly differentiated and accurate short-read sequencing platform which we believe has the potential to advance cancer diagnostics, drive higher fidelity for single-cell applications, and broadly enable clinical sequencing. We are pleased with their momentum and look forward to releasing this product to customers in the near future."

Building on the deep expertise of the PacBio team in its Bay Area global headquarters, this transaction adds a new location for PacBio in San Diego. Please visit the Careers section of our website to view our 100+ current openings and apply today.



Transaction Terms

As previously disclosed, the merger consideration included cash and shares of Pacific Biosciences common stock as well as additional consideration upon the achievement of a specified milestone. Total consideration paid by PacBio at closing consisted of approximately \$316 million in cash, including adjustments for Omniome's indebtedness and working capital, and 9.4 million shares of Pacific Biosciences common stock. Of the 9.4 million shares of common stock issuable as part of the transaction, 8.8 million shares were issued at the close of the transaction with the remaining 0.6 million shares attributable to stock options issued by PacBio in replacement of Omniome's unvested options as part of the transaction. Subject to the terms of the Merger Agreement and the achievement of a specified milestone, the former holders of Omniome's outstanding equity interests will also be entitled to receive \$200 million (composed of approximately \$100 million in cash and the rest in shares of Pacific Biosciences common stock).

Financing Activities – Closing of Private Placement

In connection with the completed acquisition, PacBio sold approximately 11.2 million shares of PacBio common stock in a private placement transaction at a price of \$26.75 per share, for aggregate gross proceeds to PacBio of approximately \$300 million, to a premier syndicate of life sciences investors.

About Pacific Biosciences

Pacific Biosciences of California, Inc. (NASDAQ: PACB) is empowering life scientists with highly accurate long-read sequencing. The company's innovative instruments are based on Single Molecule, Real-Time (SMRT®) Sequencing technology, which delivers a comprehensive view of genomes, transcriptomes, and epigenomes, enabling access to the full spectrum of genetic variation in any organism. Cited in thousands of peer-reviewed publications, PacBio® sequencing systems are in use by scientists around the world to drive discovery in human biomedical research, plant and animal sciences, and microbiology. For more information, please visit www.pacb.com and follow [@PacBio](https://twitter.com/PacBio).

PacBio products are provided for research use only. Not for use in diagnostic procedures.

Forward-Looking Statements

This press release may contain "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and the U.S. Private Securities Litigation Reform Act of 1995, including statements relating to the benefits of the acquisition of Omniome, including market opportunity expansion and accelerated adoption of SMRT sequencing; the potential use of SMRT sequencing technology; the applications, insights, and attributes of SMRT sequencing technology; the only company to have both long and short read sequencing technologies; the fundamental advantages of SBB over other technologies, including the potential to deliver higher sensitivity at a lower cost to unlock new markets and to advance cancer diagnostics, drive higher fidelity for single-cell applications



and broadly enable clinical sequencing; the potential ability of a combined product portfolio to deliver a differentiated set of products and applications across a broad spectrum of markets, including the clinical market; expectations regarding the timing of new product releases, including short-read products; the potential for additional payments to Omniome's former holders upon the achievement of specified milestones; the benefits of PacBio sequencing; and other future events. Readers are cautioned not to place undue reliance on these forward-looking statements and any such forward-looking statements are qualified in their entirety by reference to the following cautionary statements. All forward-looking statements speak only as of the date of this press release and are based on current expectations and involve a number of assumptions, risks and uncertainties that could cause the actual results to differ materially from such forward-looking statements. Readers are strongly encouraged to read the full cautionary statements contained in the Company's filings with the Securities and Exchange Commission, including the risks set forth in the company's Forms 8-K, 10-K, and 10-Q. The Company disclaims any obligation to update or revise any forward-looking statements.

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OMNIOME, INC.
(A Delaware Corporation)

Financial Statements

December 31, 2020 and 2019

(With Independent Auditors' Report Thereon)

Independent Auditors' Report

The Board of Directors
Omniome, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Omniome, Inc., which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of operations and comprehensive loss, statements of stockholders' equity, and statements of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Omniome, Inc. as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has suffered recurring losses from operations and has stated that substantial doubt exists about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

/s/ KPMG LLP

San Diego, California
August 30, 2021

OMNIOME, INC.
(A Delaware Corporation)

Balance Sheets

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 17,186,648	71,351,539
Accounts receivable	15,036	—
Short-term investments	45,535,091	21,098,933
Prepaid expenses and other current assets	1,023,226	10,206,943
Total current assets	63,760,001	102,657,415
Property and equipment, net	6,274,679	3,597,324
Total assets	<u>\$ 70,034,680</u>	<u>106,254,739</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,009,927	8,878,066
Accrued compensation and benefits	3,118,378	1,959,682
Capital equipment lease liability, current portion	51,136	64,433
Term loans payable, current portion	13,831,965	—
Other current liabilities	1,210,469	389,171
Total current liabilities	19,221,875	11,291,352
Long-term liabilities:		
Capital equipment lease liability	—	51,136
Term loans payable	16,999,764	9,921,637
Other liabilities	3,857,055	51,891
Total long-term liabilities	20,856,819	10,024,664
Total liabilities	40,078,694	21,316,016
Commitments and contingencies (note 8)		
Stockholders' equity:		
Series A convertible preferred stock, \$0.0001 par value. Authorized 30,817,988 shares; issued and outstanding 30,817,988 shares as of December 31, 2020 and 2019 (aggregate liquidation value of \$32,794,350)	30,179,414	30,179,414
Series B convertible preferred stock, \$0.0001 par value. Authorized 28,318,084 shares; issued and outstanding 28,107,280 shares as of December 31, 2020 and 2019 (aggregate liquidation value of \$59,999,995)	59,764,517	59,764,517
Series C convertible preferred stock, \$0.0001 par value. Authorized 14,388,490 shares; issued and outstanding 14,388,490 shares as of December 31, 2020 and 2019 (aggregate liquidation value of \$60,000,003)	59,865,433	59,865,433
Common stock, \$0.0001 par value. Authorized 105,257,399 shares; issued and outstanding 6,761,531 and 6,388,028 shares as of December 31, 2020 and 2019, respectively	682	639
Additional paid-in capital	2,529,271	1,379,483
Accumulated other comprehensive income	4,484	12,694
Accumulated deficit	(122,387,815)	(66,263,457)
Total stockholders' equity	29,955,986	84,938,723
Total liabilities and stockholders' equity	<u>\$ 70,034,680</u>	<u>106,254,739</u>

See accompanying notes to financial statements.

OMNIOME, INC.
(A Delaware Corporation)

Statements of Operations and Comprehensive Loss

Years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenue	\$ —	—
Operating expenses:		
Research and development	42,977,566	24,944,073
General and administrative	11,941,519	7,970,232
Total operating expenses	<u>54,919,085</u>	<u>32,914,305</u>
Loss from operations	<u>(54,919,085)</u>	<u>(32,914,305)</u>
Other income (expense):		
Interest income and other income	1,096,314	1,412,252
Interest expense	(2,167,081)	(567,013)
Other expense	(133,706)	—
Total other income (expense)	<u>(1,204,473)</u>	<u>845,239</u>
Loss before income taxes	(56,123,558)	(32,069,066)
Provision for income taxes	(800)	(800)
Net loss	(56,124,358)	(32,069,866)
Other comprehensive income (loss)	(8,210)	12,694
Comprehensive loss	<u>\$ (56,132,568)</u>	<u>(32,057,172)</u>

See accompanying notes to financial statements.

OMNIOME, INC.
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Statements of Stockholders' Equity

Years ended December 31, 2020 and 2019

	Series A convertible		Series B convertible		Series C convertible		Common stock		Additional paid-in capital	Accumulated	Accumulated	Total		
	preferred stock		preferred stock		preferred stock					other			deficit	stockholders'
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount		income			equity	
Balance at December 31, 2018	30,817,988	\$ 30,179,414	21,080,368	\$ 39,776,272	—	\$ —	6,091,637	\$ 609	627,931	—	(34,193,591)	36,390,635		
Issuance of preferred stock, net of issuance costs of \$146,322	—	—	7,026,912	19,988,245	14,388,490	59,865,433	—	—	—	—	—	79,853,678		
Exercise of stock options	—	—	—	—	—	—	296,391	30	89,838	—	—	89,868		
Stock-based compensation	—	—	—	—	—	—	—	—	561,584	—	—	561,584		
Issuance of preferred stock warrants	—	—	—	—	—	—	—	—	100,130	—	—	100,130		
Accumulated other comprehensive income	—	—	—	—	—	—	—	—	—	12,694	—	12,694		
Net loss	—	—	—	—	—	—	—	—	—	—	(32,069,866)	(32,069,866)		
Balance at December 31, 2019	30,817,988	30,179,414	28,107,280	59,764,517	14,388,490	59,865,433	6,388,028	639	1,379,483	12,694	(66,263,457)	84,938,723		
Exercise of stock options	—	—	—	—	—	—	373,503	43	213,956	—	—	213,999		
Stock-based compensation	—	—	—	—	—	—	—	—	1,035,962	—	—	1,035,962		
Reclassification of preferred stock warrants	—	—	—	—	—	—	—	—	(100,130)	—	—	(100,130)		
Accumulated other comprehensive loss	—	—	—	—	—	—	—	—	—	(8,210)	—	(8,210)		
Net loss	—	—	—	—	—	—	—	—	—	—	(56,124,358)	(56,124,358)		
Balance at December 31, 2020	<u>30,817,988</u>	<u>\$ 30,179,414</u>	<u>28,107,280</u>	<u>\$ 59,764,517</u>	<u>14,388,490</u>	<u>\$ 59,865,433</u>	<u>6,761,531</u>	<u>\$ 682</u>	<u>2,529,271</u>	<u>4,484</u>	<u>(122,387,815)</u>	<u>29,955,986</u>		

See accompanying notes to financial statements.

OMNIOME, INC.
(A Delaware Corporation)

Statements of Cash Flows

Years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Net loss	\$ (56,124,358)	(32,069,866)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and accretion	1,626,814	613,660
Stock-based compensation	1,035,962	561,584
Remeasurement of warrant liability	125,648	—
Interest paid on capital equipment lease	—	2,086
Accretion of debt discount	828,026	21,767
Changes in assets and liabilities:		
Accounts receivable, net	(15,036)	1,280
Prepaid expenses and other assets	9,295,132	(9,484,311)
Accounts payable and accrued expenses	(7,578,154)	8,089,522
Accrued compensation and benefits	1,158,696	737,250
Other liabilities	4,300,554	276,271
Net cash used in operating activities	<u>(45,346,716)</u>	<u>(31,250,757)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(4,607,798)	(2,735,130)
Purchases of short-term investments	(49,045,190)	(46,286,240)
Maturities of short-term investments	24,500,000	25,200,000
Proceeds from sale of property and equipment	3,053	—
Net cash used in investing activities	<u>(29,149,935)</u>	<u>(23,821,370)</u>
Cash flows from financing activities:		
Proceeds from exercise of common stock options	213,999	89,868
Proceeds from issuance of preferred stock, net of issuance costs of \$146,322	—	79,853,678
Proceeds from tenant security deposit	—	51,891
Proceeds from issuance of term loans and warrants	20,182,194	10,000,000
Principal payments under capital equipment lease	(64,433)	(17,513)
Net cash provided by financing activities	<u>20,331,760</u>	<u>89,977,924</u>
Net increase (decrease) in cash and cash equivalents	(54,164,891)	34,905,797
Cash and cash equivalents at beginning of year	<u>71,351,539</u>	<u>36,445,742</u>
Cash and cash equivalents at end of year	<u>\$ 17,186,648</u>	<u>71,351,539</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ (787,963)	(545,246)
Cash paid for income taxes	(800)	(800)
Amounts accrued for property and equipment	(2,545)	(254,601)
Issuance of convertible preferred stock warrants	100,130	100,130

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies and Practices

(a) Description of Business

Omniome, Inc. (Omniome or the Company), a Delaware corporation, was founded in 2013 and is headquartered in San Diego, California. Omniome is focused on developing a proprietary DNA sequencing platform capable of providing high sequencing accuracy and that can evolve to be the most accurate and trusted DNA sequencing platform.

(b) Going Concern, Liquidity and Capital Resources

The Company does not have revenues, has incurred operating losses since inception and expects to continue to incur significant operating losses for at least the next several years and may never become profitable. As of December 31, 2020, and 2019, the Company had an accumulated deficit of \$122.4 million and \$66.3 million, respectively, and working capital of \$44.5 million and \$91.4 million, respectively. The Company has historically funded its operations primarily through the issuance of debt and sale of equity securities.

The Company evaluated whether there are any conditions and events, considered in the aggregate, that raise substantial doubt about its ability to continue as a going concern over the next twelve months through August 2022. The Company's cash requirements include, but are not limited to, product research and development resources, capital expenditures and working capital requirements. The Company has concluded that there is substantial doubt about its ability to continue as a going concern within one year after the date that the financial statements are issued.

The accompanying financial statements have been prepared assuming the Company will continue to operate as a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business, and do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from uncertainty related to its ability to continue as a going concern.

As discussed in Note 10, on July 19, 2021, the Company entered into an Agreement and Plan of Merger and Plan of Reorganization (the "Merger Agreement") with Pacific Biosciences of California, Inc. ("Pacific Biosciences"). Pursuant to the Merger Agreement, Pacific Biosciences has agreed to acquire all of the outstanding equity interests of the Company, with the Company continuing as a wholly owned subsidiary of Pacific Biosciences. The merger is expected to close in the quarter ending September 30, 2021.

If the merger does not close, in order to proceed with the Company's business plan, the Company will need to raise substantial additional funds through issuance of additional debt, equity, or both. Such equity or debt financings may not be available to the Company when needed or on terms that the Company would consider favorable, which may materially and adversely affect its financial condition and results of operations.

(c) Use of Estimates

The preparation of the Company's financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions relating to the reported amount of assets, liabilities, and expenses, and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

On an ongoing basis, management evaluates its estimates, primarily related to stock based compensation, fair value of common stock, fair value of available-for-sale investments, and accrued research and development costs. These estimates are based on historical data and experience, as well as various other factors that management believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources.

(d) Cash and Cash Equivalents

The Company considers all highly liquid instruments with an original maturity of three months or less at the time of purchase to be cash equivalents. As of December 31, 2020 and 2019, the Company had cash equivalents totaling \$14.6 million and \$16.7 million, respectively. The Company maintains most of its cash in accounts at a financial institution in the United States with funds that are partially insured by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2020 and 2019, the Company's cash at this financial institution totaled \$2.6 million and \$54.7 million, respectively. The Company's cash insured by the FDIC is limited at \$250,000 per account holder. The Company has not experienced any losses in such accounts, and generally, these deposits may be redeemed upon demand and, therefore, bear minimal risk.

(e) Short-Term Investments

The Company invests primarily in U.S. Treasury securities. As of December 31, 2020 and 2019, the Company had \$45.5 million and \$21.1 million, respectively, in short-term investments. The Company has the ability, if necessary, to liquidate any of its short-term debt securities to meet their liquidity needs in the next 12 months. The Company classifies short-term debt investments as available-for-sale at the time of purchase and evaluates such classification as of each balance sheet date. All short-term debt investments are recorded at estimated fair value. Unrealized gains and losses for available-for-sale debt securities are included in accumulated other comprehensive income (loss), a component of stockholders' equity.

At each balance sheet date, the Company assesses available-for-sale securities in an unrealized loss position to determine whether the unrealized loss is other-than-temporary. The Company considers factors including: the significance of the decline in value as compared to the cost basis; the underlying factors contributing to the decline in the prices of securities in a single asset class; how long the market value of the security has been less than its cost basis; the security's relative performance versus its peers, sector or asset class; expected market volatility; the market and economy in general; analyst recommendations and price targets; views of external investment managers; news or financial information that has been released specific to the investee; and the outlook for the overall industry in which the investee operates. For the years ended December 31, 2020 and 2019, no impairment losses were recorded.

(f) Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Equipment under capital leases is initially recognized at the present value of the minimum lease payments.

Depreciation is computed on a straight-line basis over the following estimated useful lives:

Machinery and equipment	3–10 Years
Computer equipment and software	3–5 Years
Furniture and fixtures	3–10 Years
Leasehold improvements	Shorter of estimated useful life or remaining life of lease

Equipment under capital leases is depreciated on a straight-line basis over the shorter of the lease term or the estimated useful life of the asset. Depreciation of equipment under capital leases is included in depreciation expense.

(g) Long-Lived Assets

The Company accounts for the impairment of long-lived assets, such as property and equipment, subject to depreciation, by reviewing these assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group to be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying value. If the carrying value of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds its fair value. The Company did not recognize impairment losses for the years ended December 31, 2020 and 2019.

(h) Stock-Based Compensation

The Company grants stock options to purchase the Company's common stock to employees, directors, and consultants under its stock option plan. Stock-based compensation for equity-classified stock option awards is measured at the grant date based on the estimated fair value of the award using the Black-Scholes option pricing model. The value of the awards is recognized as an expense under the straight-line method over the requisite service period (generally the vesting period of the equity grant). The authoritative guidance allows companies to account for forfeitures of awards as reduction of expense based on an estimated forfeiture rate or as they occur. The Company recognizes the effect of forfeitures as they occur.

Stock-based awards issued to nonemployees are accounted for at fair value which is determined using the Black-Scholes option-pricing model. Management believes that the fair value of the stock options granted is more reliably measured than the fair value of the services received. Expense from awards granted to consultants is recognized straight-line over the vesting period, which approximates how the Company would recognize the expense if instead of stock-based awards the consultants were paid in cash.

For the inputs to the Black-Scholes option pricing model, given the absence of a public trading market, the board of directors of the Company considered numerous objective and subjective factors to determine the fair value of common stock at each grant date. These factors included, but were not limited to (i) contemporaneous valuations of common stock performed by unrelated third-party specialists; (ii) the prices for preferred stock sold to outside investors; (iii) the rights, preferences, and privileges of preferred stock relative to common stock; (iv) the lack of marketability of common stock; (v) developments in the business; and (vi) the likelihood of achieving a liquidity event, such as an initial public offering or a merger or acquisition of the Company, given prevailing market conditions. The Company determines the appropriate risk-free interest rate, expected term (for employee option awards) or contractual term (for nonemployee option awards), and volatility assumptions. The weighted average expected option term for the years ended December 31, 2020 and 2019 reflects the application of the simplified method set out in Financial Accounting Standards Board (FASB) authoritative guidance. The simplified method defines the life as the average of the contractual term of the options and the weighted average vesting period for all option tranches. Estimated volatility for the years ended December 31, 2020 and 2019 incorporates historical volatility of similar entities whose share prices are publicly available. The risk-free interest rate is based upon U.S. Treasury securities with remaining terms similar to the expected term of the stock-based payment awards. The assumed dividend yield is based on the Company's practice of not paying dividends historically or in the foreseeable future.

(i) Research and Development

Costs associated with research and development activities are expensed as incurred. Research and development costs primarily include contracted services, materials costs, salaries and personnel-related costs, licensing fees, and facility-related costs.

(j) Fair Value Measurements

The carrying values of the Company's financial instruments, including cash, short-term investments, accounts receivable, accounts payable, and accrued expenses approximate their fair values due to the short maturity of these instruments. The carrying value of the term loans with the Silicon Valley Bank approximates their fair value as the loans carry a floating interest rate that resets as market conditions change, and as the Company's credit standing has not changed significantly since the agreement with the Silicon Valley Bank was entered into. The carrying value of the term loans with ATEL Ventures approximate their fair value as the loans are secured with equipment, and there has not been a significant change in the Company's credit standing or applicable market rates since the loans were issued.

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels in accordance with authoritative accounting guidance:

- Level 1 inputs: Observable inputs such as unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date

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- Level 2 inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability
- Level 3 inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

The following table sets forth the fair value of our financial assets and liabilities that were measured on a recurring basis as of December 31, 2020 and December 31, 2019.

<u>Fair value measurements at end of period using</u>					
<u>Fair value</u>	<u>Quoted market price for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>	<u>Total</u>	
At December 31, 2020:					
Assets:					
U.S. treasury securities	\$ 45,535,091	45,535,091	—	—	45,535,091
Liabilities:					
Preferred Stock Warrants	325,908	—	—	325,908	325,908
At December 31, 2019:					
U.S. treasury securities	\$ 21,098,933	21,098,933	—	—	21,098,933

There have been no transfers between levels within the fair value hierarchy.

During each of the years ended December 31, 2020 and 2019, the Company issued a preferred stock warrant with a fair value of \$100,130. The loss from remeasurement of these warrants to fair value during the year ended December 31, 2020 was \$125,648. There was no significant change in the fair value of the warrant during 2019.

(k) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and net operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. If it is more likely than not that some portion or all of a deferred tax asset will not be realized, a valuation allowance is recognized. The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is more likely than not of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

(1) Recently Issued Accounting Standards

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (the new leasing standard known as *Topic 842*). During 2018-2021, the FASB issued several additional ASUs modifying and/or clarifying the application of *Topic 842* and extending its effective date. The new leasing standard will generally require lessees to record a right-of-use asset and a lease liability on the balance sheet for all leases longer than 12 months. *Topic 842* is currently required to be adopted by private companies for annual reporting periods beginning after December 15, 2021. The Company is still assessing the impact that the new leasing standard will have on its financial statements.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation – Stock Compensation (Topic 718): Improvements to Nonemployees Share-Based Payment Accounting*. ASU No. 2018-07 expands the scope of *Topic 718* (which previously only included share-based payments to employees) to include share-based payments issued to nonemployees for goods or services. With the adoption of ASU No. 2018-07, the accounting for various aspects of share-based payments for nonemployees and employees has become substantially the same. ASU No. 2018-07 is effective for private companies for fiscal years beginning after December 15, 2019 and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted, but no earlier than an entity's adoption date of *Topic 606*. The Company has adopted ASU 2018-07 on January 1, 2020. The Company evaluated the impact and determined it was immaterial to the Company's financial statements.

(2) Composition of Certain Financial Statement Components

(a) Prepaid Expense and Other Current Assets

Prepaid expenses and other current assets at December 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Prepaid licenses and expenses	\$ 708,226	635,265
Deposits	235,240	217,347
Landlord receivable (tenant improvement allowance)	—	9,091,522
Other current assets	79,760	262,809
	<u>\$ 1,023,226</u>	<u>10,206,943</u>

(b) Property and Equipment

Property and equipment at December 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Lab equipment	\$ 5,190,938	3,344,952
Leasehold improvements	1,789,152	683,553
Office equipment and software	1,392,533	828,598
Furniture and fixtures	875,577	—
Assets in progress	2,545	292,530
	<u>9,250,745</u>	<u>5,149,633</u>
Less accumulated depreciation	<u>(2,976,066)</u>	<u>(1,552,309)</u>
Net property and equipment	\$ <u>6,274,679</u>	<u>3,597,324</u>

(c) Accrued Compensation and Benefits

Accrued compensation and benefits at December 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Accrued salaries and wages	\$ 282,985	—
Accrued bonus	1,818,864	1,375,643
Accrued vacation	830,542	429,792
Other accrued liabilities	185,987	154,247
	<u>\$ 3,118,378</u>	<u>1,959,682</u>

(d) Other Current Liabilities

Other current liabilities at December 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Deferred rent	\$ 378,243	126,455
Accrued expenses	357,615	262,716
Preferred stock warrant liability	325,908	—
Accrued interest	148,703	—
	<u>\$ 1,210,469</u>	<u>389,171</u>

(3) Short-Term investments

Short-term investments for the years ended December 31, 2020 and 2019 are classified as available-for-sale debt securities and consisted of the following:

	2020		
	Amortized cost	Gross unrealized gains	Estimated fair value
Available-for-sale securities, short-term:			
U.S. Treasuries	\$ 45,530,607	4,484	45,535,091
Total available- for-sale securities	\$ 45,530,607	4,484	45,535,091
	2019		
	Amortized cost	Gross unrealized gains	Estimated fair value
Available-for-sale securities, short-term:			
U.S. Treasuries	\$ 21,086,239	12,694	21,098,933
Total available- for-sale securities	\$ 21,086,239	12,694	21,098,933

As of December 31, 2020, all of the Company's available-for-sale securities have maturities of one year or less.

(4) Income Taxes

The provision for income taxes for the years ended December 31, 2020 and 2019 consists of the following:

	2020	2019
Current provision:		
Federal	\$ —	—
State	800	800
Total current income tax expense	800	800
Deferred provision:		
Federal	—	—
State	—	—
Total net deferred taxes	—	—
Total income tax expense	\$ 800	800

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The components of income tax expense for the years ended December 31, 2020 and 2019 relate to the following:

	<u>2020</u>	<u>2019</u>
Provision at statutory rate	\$ (11,785,947)	(6,729,933)
State income tax expense, net of federal benefit	632	632
Permanent differences	120,711	121,541
Change in valuation allowance	11,753,999	6,605,098
Other true-up	(88,595)	3,462
Total income tax expense	\$ <u>800</u>	<u>800</u>

The tax effects of temporary differences that give rise to portions of the deferred tax assets and liabilities as of December 31, 2020 and 2019 are presented below:

	<u>2020</u>	<u>2019</u>
Deferred tax assets:		
Net operating loss	\$ 32,906,133	17,679,490
Accruals	734,759	529,592
Other	1,512,893	77,298
Total gross deferred tax assets	35,153,785	18,286,380
Valuation allowance	(33,858,525)	(18,187,642)
Total deferred tax assets, net	1,295,260	98,738
Deferred tax liabilities:		
Fixed assets	(1,295,260)	(98,738)
Total deferred tax liabilities	(1,295,260)	(98,738)
Net deferred taxes	\$ <u>—</u>	<u>—</u>

The realization of deferred tax assets is dependent on the Company's ability to generate sufficient taxable income in future years in the associated jurisdiction to which the deferred tax assets relate. As of December 31, 2020, a valuation allowance of \$33.9 million has been established against the deferred tax assets, as the Company has determined that it is currently not more likely than not that these assets will be realized. During the year ended December 31, 2020, the federal and state valuation allowances increased by \$11.7 million and \$4.0 million, respectively.

In determining the need for a valuation allowance, the Company considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies, and recent financial performance. Based on the review of all positive and negative evidence, including a three-year cumulative pre-tax loss, the Company determined that a full valuation allowance should be recorded against its deferred tax assets.

At December 31, 2020, the Company had federal and California net operating loss carry forwards of \$119.0 million and \$113.3 million, respectively. Federal tax loss carryforwards generated in years ended through December 31, 2017 and state tax loss carryforwards begin to expire in 2033 if unused. Federal net operating losses generated in years ending after December 31, 2017 can be carried forward indefinitely. Utilization of the net operating loss may become subject to annual limitations due to ownership change limitations that could occur in the future as provided by Section 382 and 383 of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), as well as similar state provisions. These ownership changes may limit the amount of the net operating loss that can be utilized annually to offset future taxable income, if the Company experiences a cumulative change in ownership of more than 50% within a three-year testing period. The Company has not completed formal study through the year ended December 31, 2020 to determine if ownership changes within the meaning of IRC Section 382 had occurred.

The impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more-likely than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. The Company's policy is to recognize interest and penalties related to income tax matters in the provision for income taxes. As of December 31, 2020 and 2019, there are no interest and penalties or uncertain tax positions.

As of December 31, 2020, the Company's tax years from inception are subject to examination by the tax authorities due to net operating losses all years since inception. The Company is not currently under examination by the Internal Revenue Service, foreign or state and local tax authorities.

(5) Equity

(a) Preferred Stock

For December 31, 2020 and 2019, the Company has 73,524,562 authorized shares of \$0.0001 par value preferred stock, of which 14,388,490 shares have been designated as Series C convertible preferred stock, 28,318,084 shares have been designated as Series B convertible preferred stock and 30,817,988 shares have been designated as Series A convertible preferred stock.

In May 2015, the Company issued 10,869,495 shares of Series A-1 preferred stock for gross cash proceeds of \$7.5 million and the conversion of the Company's then outstanding bridge notes issued from May 2014 through August 2014. The purchase price for the Series A-1 preferred stock was \$0.90 per share and the conversion price of the bridge notes was \$0.2846645 per share.

In June 2016, the Company issued 7,446,748 shares of Series A-1 preferred stock for gross cash proceeds of \$6.7 million under the same terms and conditions of the Series A-1 preferred stock issued in May 2015.

In October 2016, the Company issued 3,627,778 shares of Series A-1 preferred stock for gross cash proceeds of \$3.2 million under the same terms and conditions of the Series A-1 preferred stock issued in May 2015.

In October 2016, the Company issued 8,873,967 shares of Series A-2 preferred stock for gross cash proceeds of \$13.0 million. The purchase price for the Series A-2 preferred stock was \$1.47 per share.

In June 2018, the Company issued 21,080,368 shares of Series B-1 preferred stock for gross cash proceeds of \$40.0 million. The purchase price for the Series B-1 preferred stock was \$1.8975 per share. Total issuance costs for the offering were \$223,725.

In March 2019, the Company issued 7,026,912 shares of Series B-2 preferred stock for gross cash proceeds of \$20.0 million. The purchase price for the Series B-2 preferred stock was \$2.8462 per share. Total issuance costs for the offering were \$11,752.

In November 2019, the Company issued 14,388,490 shares of Series C preferred stock for gross cash proceeds of \$60.0 million. The purchase price for the Series C preferred stock was \$4.17 per share. Total issuance costs for the offering were \$134,570.

Holders of convertible preferred stock are entitled to one vote per share on all actions submitted to a vote of stockholders. The holders of preferred stock are entitled to receive, on a pari passu basis, when and if declared by the board of directors, out of funds legally available, noncumulative dividends at the rate of 8% per share of the original issue price for such series of preferred stock per annum from the date of original issuance of such share. After the foregoing dividends on the preferred stock are paid, then the board of directors may declare and distribute in such year dividends among the holders of preferred stock and the holders of common stock pro rata based on the number of shares of common stock held by each, determined on an as-if-converted basis (assuming full conversion of all such preferred stock) as of the record date with respect to the declaration of such dividends. The holders of preferred stock shall participate in any distribution or dividend declared or paid to any series of preferred stock ranking junior to the preferred stock on the basis of the number of shares of common stock into which it is then convertible. No dividends have been declared as of and through December 31, 2020 and 2019.

Each share of preferred stock is convertible at the option of the holder, at any time, into the number of fully paid and nonassessable shares of common stock determined using the conversion rate for such series of preferred stock at the time of conversion. Preferred stock will be automatically converted, without the payment of any additional consideration, into the number of fully paid and nonassessable shares of common stock determined using the conversion rate for such series of preferred stock immediately prior to, but subject to, the closing of the Company's first underwritten public offering on a firm commitment basis by a nationally recognized investment banking organization or organizations pursuant to an effective registration statement under the Securities Act of 1933, as amended, covering the offer and sale of common stock with respect to which the Company receives aggregate gross proceeds attributable to sales for the account of the Company (before deduction of underwriting discounts and commissions) of not less than \$50,000,000 (a qualifying public offering, or QPO).

During the years ended December 31, 2019 and 2020, the conversion rates in effect provided for each share of preferred stock to be convertible into one share of common stock. The conversion rates are subject to ratable adjustments in the event of stock split, stock dividends, other dividends and distributions. The conversion rates will increase in the event the Company issues or is deemed to issue shares or convertible securities at consideration per share less than the conversion price ("down round"). The conversion prices are currently equal to the original prices at which the shares were sold, but would be adjusted down based on a defined formula in the event of a down round.

Upon any liquidation, dissolution, or winding up of the Company (a Liquidation Event), the holders of outstanding shares of Series C preferred stock and Series B preferred stock shall be entitled to be concurrently paid, on a pari passu basis, in cash, before any amount shall be paid or distributed to the holders of Series A preferred stock or common stock, a liquidation preference amount per share equal to the greater of (A) the original price at which such shares were sold, plus any accrued and declared but unpaid dividends, and (B) the amount that would be received if such share were converted to common stock in a Liquidation Event. If the amounts available for distribution to the holders of Series C Preferred Stock and Series B Preferred Stock are not sufficient to pay the entire liquidation preference amounts, the holders of Series C Preferred Stock and Series B Preferred Stock will share ratably in any distribution.

After the payment in full of the Series C and Series B liquidation preference amounts, each holder of Series A preferred stock shall be entitled to be paid, in cash, before any amount shall be paid or distributed to the holders of common stock, a liquidation preference amount per share equal to the greater of (A) the original price at which such series were sold, plus any accrued and declared but unpaid dividends, and (B) the amount that would be received if such share were converted to common stock in a Liquidation Event. If the amounts available for distribution to holders of Series A preferred stock are not sufficient to pay the entire liquidation preference amounts, the holders of Series A preferred stock will share ratably in any distribution.

After the payment in full of the Series C, Series B and Series A liquidation preference amounts, the remaining assets and funds of the Company will be distributed among the holders of shares of common stock then outstanding.

A merger of the Company into another entity which results in a change of control, a sale of all or substantially all assets or a sale or exclusive license of all or substantially all intellectual property of the Company are also deemed to be Liquidation Events.

(b) Common Stock

At December 31, 2020 and 2019, the Company has 105,257,399 authorized shares of \$0.0001 par value common stock. Holders of common stock are entitled to one vote per share on all actions submitted to a vote of stockholders. As of December 31, 2020 and 2019, 6,761,531 and 6,388,028 common shares are outstanding.

(6) Stock Compensation Plan

In 2014, the Company adopted a stock compensation plan (the 2014 Equity Incentive Plan or the Plan) pursuant to which the Company's board of directors may grant stock options or non-vested shares to employees, directors, advisors, and consultants. The Plan allows for the grant of incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock, and restricted stock units up to an aggregate amount of 22,048,912 authorized shares. At December 31, 2020, an aggregate of 6,003,155 shares were available for grant under the Plan.

Options issued to new hires under the Plan generally vest over a 4-year period with cliff vesting at the end of the first year and expire no later than 10 years from the date of grant unless exercised or terminated earlier in accordance with the stock options agreements. Follow-on grants to existing employees also vest over a 4-year period but do not have a cliff.

The Company records employee stock-based compensation expense and, beginning January 1, 2020, nonemployee stock-based compensation expense, based on the grant-date fair value estimated using a Black-Scholes option valuation model and the weighted average assumptions in the table below for the years ended December 31, 2020 and 2019:

	2020	2019
Expected volatility	40%	40%
Dividend yield	— %	— %
Expected term in years	6.4	6.0
Risk free rate	0.70%	1.83%

Expected Volatility – The expected volatility is based on a peer group in the industry in which the Company does business, which management believes is indicative of expected volatility.

Dividend Yield – The Company has not, and does not, intend to pay dividends.

Risk-free Interest Rate – The Company applies the risk-free interest rate based on the U.S. Treasury yield in effect at the time of the grant.

Expected Term in Years – The Company calculated the expected term for employee stock options, using the simplified method, as the average of the contractual term of the option and the vesting period. The Company has elected to set the expected term used for options granted to consultants as the contractual term of the option.

The weighted average grant-date fair value of options granted during 2020 was \$0.50. The weighted-average grant-date fair value of options granted to employees during 2019 was \$0.33.

A summary of the Company's stock option activity is as follows:

	Number of shares	Weighted average exercise price
Options outstanding at December 31, 2019	14,111,487	\$ 0.39
Granted	3,832,278	1.27
Forfeited	(1,470,245)	0.93
Expired	(1,801,932)	0.11
Exercised	(373,503)	0.57
Options outstanding at December 31, 2020	<u>14,298,085</u>	0.60

Options outstanding at December 31, 2020 had an aggregate intrinsic value of approximately \$9.0 million and a weighted-average remaining contractual term of 7.6 years. The Company had 8,173,348 exercisable options at December 31, 2020, which had a weighted average exercise price of \$0.39 and a weighted-average remaining contractual term of 7.0 years. The aggregate intrinsic value of options outstanding and exercisable at December 31, 2020 was approximately \$6.8 million. The total unrecognized compensation expense was approximately \$2.1 million as of December 31, 2020, and is expected to be recognized over a weighted-average period of 1.4 years.

The aggregate intrinsic value of options exercised during 2020 and 2019 was approximately \$242 thousand and \$287 thousand, respectively.

(7) Employee Benefit Plan

The Company has a 401(k) plan that allows participating employees to contribute a percentage of their salary, subject to annual limits. Matching contributions are at the Company's discretion. The Company made no matching contributions to the 401(k) plan during the years ended December 31, 2020 and 2019.

(8) Commitments and Contingencies

(a) Operating Leases

In prior years, the Company entered into noncancelable operating leases for approximately 15,500 square feet of office and laboratory space in San Diego, with the term ending in June 2021. In July 2019, the Company entered into sublease agreements to sublet this space through May 2021. Sublease rental fees owed to the Company equal the Company's lease payments. The Company also entered into an additional noncancelable operating lease for 5,500 square feet of office and laboratory space, with the term commencing January 2018 and ending February 2023.

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Notes to Financial Statements
December 31, 2020 and 2019

In May 2019, the Company entered into a noncancelable operating lease for an additional 82,500 square feet of space, with an initial term of 11 months ending in April 2020. Rent was abated for the entire lease term, in consideration of execution of a noncancelable operating lease for an additional 73,500 square feet of space to commence in April 2020 and ending in September 2027. In association with this lease, the Company obtained a letter of credit from Silicon Valley Bank for \$1.6 million. The landlord provided a tenant improvement allowance of \$14,332,500. An additional allowance of \$1,102,500 is available at an interest rate of 8%, and is to be amortized to increase monthly base rent on a straight-line basis over the term of the lease.

Total rent expense for the years ended December 31, 2020 and 2019 was \$5,873,160 and \$687,781, respectively. Sublease rental income was \$537,633 and \$227,579, respectively. At December 31, 2020, future minimum rental payments on operating leases are as follows:

2021	\$	3,618,342
2022		3,451,717
2023		3,383,116
2024		3,449,146
2025		3,552,621
Thereafter		6,479,019
	\$	<u>23,933,961</u>

The total minimum rentals to be received in the future under noncancelable subleases were \$220,148 as of December 31, 2020.

(b) Capital Leases

The Company's capital leases consist of equipment utilized for research and development. The term for the capital leases ends in 2021. The Company has recorded a capital lease obligation of \$51,136 and \$115,569 as of December 31, 2020 and 2019, respectively, of which \$51,136 and \$64,433, respectively, are classified as a current liability.

(9) Term Loans and Warrants

(a) Silicon Valley Bank

In February 2019, the Company obtained a term loan facility from Silicon Valley Bank, pursuant to which Silicon Valley Bank agreed to lend the Company up to \$25.0 million, issuable in two separate term loans of \$10.0 million (the Term A Loan) and \$15.0 million (the Term B Loan). Once repaid, the term loans may not be reborrowed. In February 2019, the Company received \$5.0 million in proceeds from the Term A Loan. In March 2019, the Company received an additional \$5.0 million in proceeds from the Term A Loan. In February 2020, the Company received \$15.0 million in proceeds from the Term B Loan.

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Notes to Financial Statements
December 31, 2020 and 2019

All outstanding term loans will mature on December 1, 2022, and the Company had interest-only payments through December 31, 2020. Beginning January 1, 2021, the Company will be repaying the Term Loans in equal monthly installments of principal equaling 1,041,667. The final payment, due on December 1, 2022, will also include a fee equal to 8% of all advanced amounts. The aggregate yearly payments of principal and the 8% fee are shown in the table below:

Year ending December 31:	
2021	\$ 12,500,000
2022	14,500,000
	<u>\$ 27,000,000</u>

The terms loans bear interest at a floating per annum rate equal to 1.25% above the prime rate reported in *The Wall Street Journal*. The average interest rate for the year ending December 31, 2020 was 5%.

The terms loans are secured with substantially all of the Company's assets, excluding intellectual property, but including any proceeds from the sale of such intellectual property. The collateral also does not include the equipment purchased by the Company using the proceeds from the ATEL Ventures loans.

The Company is subject to certain financial and non-financial debt covenants, with which the Company was in compliance as of December 31, 2020. In the event of a default, the term loans bear interest at a rate per annum which is five percentage points above the loan interest rate.

The Company has the option to prepay all, but not less than all, of the borrowed amounts, provided the Company pays a prepayment fee equal to (i) for a prepayment made on or prior to the first anniversary of the effective date, 3% of the principal amount of the term loans prepaid; (ii) for a prepayment made after the date which is the first anniversary of the effective date through and including the second anniversary of the effective date, 2% of the principal amount of the term loans prepaid; and (iii) for a prepayment made after the date, which is the second anniversary of the effective date and prior to the maturity date, 1% of the principal amount of the term loans prepaid. In addition, the Company would also be required to pay the fee equal to 8% of the prepaid principal. The same prepayment fees and 8% fee will also be owed if the term loans are called by Silicon Valley Bank upon an event of default (including a change in control of the Company, absent a consent from Silicon Valley Bank) or if there is a material adverse change in the Company's business or financial condition. The repayment upon an event of default represents an embedded derivative, separately accounted for at fair value, which was insignificant throughout 2020 and 2019.

Upon funding the Term A Loan in 2019 and Term B Loan in 2020, in accordance with the loan agreement, the Company granted to the lender warrants to purchase 105,400 shares of Series B-1 convertible preferred stock and 105,402 shares of Series B-2 convertible preferred stock, respectively. The warrants have exercise prices of \$1.90 (for Series B-1) and \$2.85 (for Series B-2) and a contractual term of 10 years. Each of the warrants was determined to have an initial fair value of \$100,130, determined using the Black-Scholes option pricing model with the following assumptions: expected term of 3.2 years, volatility of 46%, risk-free interest rate of 0.24%, dividend rate of 0%. The warrants resulted in a discount to the Term A and Term B Loans as of the issuance date. The discount is being amortized to interest expense using the effective interest method over the term of the loan.

The warrants are classified as a current liability carried at fair value, with changes recognized in other income (expense) in the statement of operations. During 2020, the loss from the remeasurement of the warrants was \$125,648. There was no significant change in the fair value of the warrant for Series B-1 shares during 2019.

The aggregate fair value of the warrants as of December 31, 2020 was \$325,908 and was determined using the Black-Scholes model with the following assumptions: expected term of 4.0 years, volatility of 55%, risk-free interest rate of 0.27%, and dividend rate of 0%. The warrant liabilities are included in other current liabilities in the balance sheet as of December 31, 2020.

(b) ATEL Ventures

In April 2020, the Company secured a term loan facility with ATEL Ventures, pursuant to which during 2020 it drew three term loans totaling \$5.9 million. The term loans were used to fund the company's purchases of equipment which serves as collateral. Each term loan has a term of 43 months and bears a fixed interest rate of approximately 17% annually. Payments are made in equal monthly installments including principal and interest, with the first and last payment due upon the term loan draw date. The table below demonstrates the future annual payments of principal for the ATEL loans:

Year ending December 31:	
2021	\$ 1,329,216
2022	1,608,167
2023	1,842,261
2024	489,489
Total	\$ <u>5,269,133</u>

(10) Subsequent Events

The Company has evaluated subsequent events from the balance sheets date through August 30, 2021, the date the financial statements were available to be issued.

(a) New Sublease Tenant

In June 2021, the Company signed a new sublease agreement to sublet a total of approximately 2,736 square feet of office and laboratory space in San Diego, California, for a term of 21 months, ending in February of 2023. The total expected proceeds from the sublease is \$220,506.

(11)

(b) Merger Agreement

On July 19, 2021, the Company entered into the Merger Agreement with Pacific Biosciences. Pursuant to the Merger Agreement, Pacific Biosciences has agreed to acquire all of the outstanding equity interests of the Company, with the Company continuing as a wholly owned subsidiary of Pacific Biosciences. Holders of the Company's outstanding equity interests will be entitled to receive approximately \$300 million in cash and approximately 9.4 million shares of the Pacific Biosciences common stock. Subject to the terms of the Merger Agreement and the achievement of a specified milestone, they may additionally be entitled to receive \$100 million in cash and approximately \$100 million in shares of Pacific Bioscience's common stock. All amounts are subject to adjustment as specified in the Merger Agreement. The merger is expected to close during the quarter ending September 30, 2021.

OMNIOME, INC.
(A Delaware Corporation)
Condensed Financial Statements
June 30, 2021 (Unaudited)

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OMNIOME, INC.
(A Delaware Corporation)
Condensed Balance Sheets (Unaudited)
June 30, 2021 and December 31, 2020

Assets	June 2021	December 2020
Current assets:		
Cash and cash equivalents	\$ 27,933,438	17,186,648
Accounts receivable	35,682	15,036
Short-term investments	—	45,535,091
Prepaid expenses and other current assets	1,265,523	1,023,226
Total current assets	29,234,643	63,760,001
Property and equipment, net	6,056,273	6,274,679
Total assets	\$ 35,290,916	70,034,680
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 836,452	1,009,927
Accrued compensation and benefits	2,426,778	3,118,378
Capital equipment lease liability, current portion	17,324	51,136
Term loans payable, current portion	13,829,216	13,831,965
Other current liabilities	2,129,321	1,210,469
Total current liabilities	19,239,091	19,221,875
Long-term liabilities:		
Term loans payable	10,490,806	16,999,764
Other liabilities	3,658,659	3,857,055
Total long-term liabilities	14,149,465	20,856,819
Total liabilities	33,388,556	40,078,694
Commitments and contingencies (note 8)		
Stockholders' equity:		
Series A convertible preferred stock, \$0.0001 par value. Authorized 30,817,988 shares; issued and outstanding 30,817,988 shares as of June 30, 2021 and December 31, 2020 (aggregate liquidation value \$32,794,350)	30,179,414	30,179,414
Series B convertible preferred stock, \$0.0001 par value. Authorized 28,318,084 shares; issued and outstanding 28,107,280 shares as of June 30, 2021 and December 31, 2020 (aggregate liquidation value of \$59,999,995)	59,764,517	59,764,517
Series C convertible preferred stock, \$0.0001 par value. Authorized 14,388,490 shares; issued and outstanding 14,388,490 shares as of June 30, 2021 and December 31, 2020 (aggregate liquidation value of \$60,000,003)	59,865,433	59,865,433
Common stock, \$0.0001 par value. Authorized 105,257,399 shares; issued and outstanding 9,312,361 and 6,761,531 shares as of June 30, 2021 and December 31, 2020, respectively	906	682
Additional paid-in capital	3,816,153	2,529,271
Accumulated other comprehensive income	—	4,484
Accumulated deficit	(151,724,063)	(122,387,815)
Total stockholders' equity	1,902,360	29,955,986
Total liabilities and stockholders' equity	\$ 35,290,916	70,034,680

See accompanying notes to condensed financial statements.

OMNIOME, INC.
(A Delaware Corporation)

Condensed Statements of Operations and Comprehensive Loss (Unaudited)

Six Months ended June 30, 2021 and 2020

	2021	2020
Revenue	\$ —	—
Operating expenses:		
Research and development	22,389,528	20,317,549
General and administrative	5,654,731	6,309,834
Total operating expenses	<u>28,044,259</u>	<u>26,627,383</u>
Loss from operations	<u>(28,044,259)</u>	<u>(26,627,383)</u>
Other income (expense):		
Interest income	318,773	687,126
Interest expense	(1,171,297)	(940,083)
Other	(439,465)	(106,992)
Total other expense, net	<u>(1,291,989)</u>	<u>(359,949)</u>
Loss before income taxes	<u>(29,336,248)</u>	<u>(26,987,332)</u>
Provision for income taxes	—	—
Net loss	<u>(29,336,248)</u>	<u>(26,987,332)</u>
Other comprehensive loss	<u>(4,484)</u>	<u>(12,527)</u>
Comprehensive loss	<u>\$ (29,340,732)</u>	<u>(26,999,859)</u>

See accompanying notes to condensed financial statements.

OMNIOME, INC.
(A Delaware Corporation)

Condensed Statements of Stockholders' Equity (Unaudited)

Six Months ended June 30, 2021 and 2020

	Series A convertible preferred stock		Series B convertible preferred stock		Series C convertible preferred stock		Common stock		Additional paid-in capital	Accumulated other comprehensive income	Accumulated deficit	Total stockholders' equity
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at December 31, 2020	30,817,988	\$ 30,179,414	28,107,280	\$ 59,764,517	14,388,490	\$ 59,865,433	6,761,531	\$ 682	2,529,271	4,484	(122,387,815)	29,955,986
Exercise of stock options	—	—	—	—	—	—	2,550,830	224	706,955	—	—	707,179
Stock-based compensation	—	—	—	—	—	—	—	—	579,927	—	—	579,927
Accumulated other comprehensive loss	—	—	—	—	—	—	—	—	—	(4,484)	—	(4,484)
Net loss	—	—	—	—	—	—	—	—	—	—	(29,336,248)	(29,336,248)
Balance at June 30, 2021	30,817,988	\$ 30,179,414	28,107,280	\$ 59,764,517	14,388,490	\$ 59,865,433	9,312,361	\$ 906	3,816,153	—	(151,724,063)	1,902,360
Balance at December 31, 2019	30,817,988	\$ 30,179,414	28,107,280	\$ 59,764,517	14,388,490	\$ 59,865,433	6,388,028	\$ 639	1,379,483	12,694	(66,263,457)	84,938,723
Exercise of stock options	—	—	—	—	—	—	56,734	13	31,525	—	—	31,538
Stock-based compensation	—	—	—	—	—	—	—	—	509,789	—	—	509,789
Reclassification of preferred stock warrants	—	—	—	—	—	—	—	—	(100,130)	—	—	(100,130)
Accumulated other comprehensive loss	—	—	—	—	—	—	—	—	—	(12,527)	—	(12,527)
Net loss	—	—	—	—	—	—	—	—	—	—	(26,987,332)	(26,987,332)
Balance at June 30, 2020	30,817,988	\$ 30,179,414	28,107,280	\$ 59,764,517	14,388,490	\$ 59,865,433	6,444,762	\$ 652	1,820,667	167	(93,250,789)	58,380,061

See accompanying notes to condensed financial statements.

OMNIOME, INC.
(A Delaware Corporation)

Condensed Statements of Cash Flows (Unaudited)

Six Months ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Net loss	\$ (29,336,248)	(26,987,332)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, amortization and accretion	885,659	649,620
Stock-based compensation	579,927	509,789
Amortization of debt discount	362,528	453,731
Remeasurement of preferred stock warrant liability	439,096	98,565
Changes in assets and liabilities:		
Accounts receivable, net	(20,646)	(41,072)
Prepaid expenses and other assets	(233,945)	7,886,996
Accounts payable and accrued expenses	438,602	(6,456,594)
Accrued compensation and benefits	(691,600)	354,420
Other current liabilities	(490,343)	2,199,828
Net cash used in operating activities	<u>(28,066,970)</u>	<u>(21,332,049)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(488,121)	(2,883,229)
Purchases of short-term investments	—	(6,992,565)
Maturities of short-term investments	45,500,000	21,000,000
Net cash provided by investing activities	<u>45,011,879</u>	<u>11,124,206</u>
Cash flows from financing activities:		
Proceeds from exercise of common stock options	707,179	31,538
Proceeds from term loan issuance	—	16,893,580
Principal payments under capital equipment lease	(33,812)	(35,863)
Principal payments on long term debt	(6,871,486)	—
Net cash (used in) provided by financing activities	<u>(6,198,119)</u>	<u>16,889,255</u>
Net increase in cash and cash equivalents	10,746,790	6,681,412
Cash and cash equivalents at beginning of year	17,186,648	71,351,539
Cash and cash equivalents at end of year	<u>\$ 27,933,438</u>	<u>78,032,951</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 718,787	486,352
Amounts accrued for property and equipment	159,423	—
Issuance of convertible preferred stock warrants	—	100,130

See accompanying notes to condensed financial statements.

(1) Summary of Significant Accounting Policies and Practices

(a) Description of Business

Omniome, Inc. (Omniome or the Company), a Delaware corporation, was founded in 2013 and is headquartered in San Diego, California. Omniome is focused on developing a proprietary DNA sequencing platform capable of providing high sequencing accuracy and that can evolve to be the most accurate and trusted DNA sequencing platform.

(b) Going Concern, Liquidity and Capital Resources

The Company does not have revenues, has incurred operating losses since inception and expects to continue to incur significant operating losses for at least the next several years and may never become profitable. As of June 30, 2021 and December 31, 2020, the Company had an accumulated deficit of \$151.7 million and \$122.4 million, respectively, and working capital of \$10.0 million and \$44.5 million, respectively. The Company has historically funded its operations primarily through the issuance of debt and sale of equity securities.

The Company evaluated whether there are any conditions and events, considered in the aggregate, that raise substantial doubt about its ability to continue as a going concern over the next twelve months through September 2022. The Company's cash requirements include, but are not limited to, product research and development resources, capital expenditures and working capital requirements. The Company has concluded that there is substantial doubt about its ability to continue as a going concern within one year after the date that the financial statements are issued.

The accompanying financial statements have been prepared assuming the Company will continue to operate as a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business, and do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from uncertainty related to its ability to continue as a going concern.

As discussed in Note 10, on July 19, 2021, the Company entered into an Agreement and Plan of Merger and Plan of Reorganization (the "Merger Agreement") with Pacific Biosciences of California, Inc. ("Pacific Biosciences"). Pursuant to the Merger Agreement, Pacific Biosciences has agreed to acquire all of the outstanding equity interests of the Company, with the Company continuing as a wholly owned subsidiary of Pacific Biosciences. The merger is expected to close in the quarter ending September 30, 2021.

If the merger does not close, in order to proceed with the Company's business plan, the Company will need to raise substantial additional funds through issuance of additional debt, equity, or both. Such equity or debt financings may not be available to the Company when needed or on terms that the Company would consider favorable, which may materially and adversely affect its financial condition and results of operations.

(c) Unaudited Interim Condensed Financial Information

The accompanying interim condensed financial statements and the related footnote disclosures are unaudited. The interim financial statements include all normal and recurring adjustments that are considered necessary for the fair statement of results for the interim periods presented. The information included should be read in conjunction with the audited financial statements for the year ended December 31, 2020. In management's opinion, the unaudited interim condensed financial statements include all adjustments necessary to state fairly the Company's financial position as of June 30, 2021 and the results of operations and cash flows for the six months ended June 30, 2021 and 2020. The results for the six months ended June 30, 2021 and June 30, 2020 are not necessarily indicative of the operating results expected for the full fiscal year or any future period.

(d) Use of Estimates

The preparation of the Company's financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions relating to the reported amount of assets, liabilities, and expenses, and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

On an ongoing basis, management evaluates its estimates, primarily related to stock-based compensation, fair value of common stock, fair value of the preferred stock warrant, and accrued research and development costs. These estimates are based on historical data and experience, as well as various other factors that management believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources.

(e) Fair Value Measurements

The carrying values of the Company's financial instruments, including cash, short-term investments, accounts receivable, accounts payable, and accrued expenses approximate their fair values due to the short maturity of these instruments. The carrying value of the term loans with the Silicon Valley Bank approximates their fair value as the loans carry a floating interest rate that resets as market conditions change, and as the Company's credit standing has not changed significantly since the agreement with the Silicon Valley Bank was entered into. The carrying value of the term loans with ATEL Ventures approximate their fair value as the loans are secured with equipment, and there has not been a significant change in the Company's credit standing or applicable market rates since the loans were issued.

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels in accordance with authoritative accounting guidance:

- Level 1 inputs: Observable inputs such as unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability

Level 3 inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

The following table sets forth the fair value of our financial assets and liabilities that were measured on a recurring basis as of June 30, 2021 and December 31, 2020.

<u>Fair value measurements at end of period using:</u>					
	<u>Fair value</u>	<u>Quoted market Price for Identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>	<u>Total</u>
At June 30, 2021:					
Preferred stock warrants	\$ 765,004	—	—	765,004	765,004
At December 31, 2020:					
U.S. treasury securities	\$ 45,535,091	45,535,091	—	—	45,535,091
Preferred stock warrants	325,908	—	—	325,908	325,908

There have been no transfers between levels within the fair value hierarchy.

During each of the years ended December 31, 2020 and 2019, the Company issued a preferred stock warrant with an initial fair value of \$100,130. The losses from remeasurement of these warrants to fair value during the periods ended June 30, 2021 and June 30, 2020 were \$439,096 and \$98,565, respectively.

(f) Recently Issued Accounting Standards

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, Leases (the new leasing standard known as Topic 842). During 2018-2021, the FASB issued several additional ASUs modifying and/or clarifying the application of Topic 842 and extending its effective date. The new leasing standard will generally require lessees to record a right-of-use asset and a lease liability on the balance sheet for all leases longer than 12 months. Topic 842 is currently required to be adopted by private companies for annual reporting periods beginning after December 15, 2021. The Company is still assessing the impact that the new leasing standard will have on its financial statements.

(2) Composition of Certain Financial Statement Components

(a) Prepaid Expense and Other Current Assets

Prepaid expenses and other current assets at June 30, 2021 and December 31, 2020 consisted of the following:

	June 30, 2021	December 31, 2020
Prepaid licenses and expenses	\$ 878,411	708,266
Deposits	234,710	235,240
Other current assets	152,402	79,760
	<u>\$ 1,265,523</u>	<u>1,023,266</u>

(b) Property and Equipment

Property and equipment at June 30, 2021 and December 31, 2020 consisted of the following:

	June 30, 2021	December 31, 2020
Lab equipment	\$ 5,280,304	5,190,938
Leasehold improvements	1,851,434	1,789,152
Office equipment and software	1,594,338	1,392,533
Furniture & fixtures	875,576	875,577
Assets in progress	159,423	2,545
	9,761,075	9,250,745
Less accumulated depreciation and amortization	<u>(3,704,802)</u>	<u>(2,976,066)</u>
Net property and equipment	<u>\$ 6,056,273</u>	<u>6,274,679</u>

Depreciation expense was \$833,197 and \$669,103 for the six months ended June 30, 2021 and 2020, respectively.

(c) Accrued Compensation and Benefits

Accrued compensation and benefits at June 30, 2021 and December 31, 2020 consisted of the following:

	June 30, 2021	December 31, 2020
Accrued salaries & wages	\$ 162,688	282,985
Accrued bonus	1,048,234	1,818,864
Accrued vacation	823,880	830,542
Other accrued liabilities	391,976	185,987
	\$ 2,426,778	3,118,378

(d) Other Current Liabilities

Other current liabilities at June 30, 2021 and December 31, 2020 consisted of the following:

	June 30, 2021	December 31 , 2020
Deferred rent	\$ 398,586	378,243
Accrued expenses	829,502	357,615
Preferred stock warrant liability	765,004	325,908
Accrued interest	136,229	148,703
	\$ 2,129,321	1,210,469

(3) Short-Term investments

Short-term investments as of December 31, 2020 are primarily classified as available-for-sale debt securities that consisted of the following (there were no short-term investments held at June 30, 2021):

	December 31, 2020		
	Amortized cost	Gross unrealized gains	Estimated fair value
U.S. Treasuries:			
Available-for-sale securities, short-term	\$ 45,530,607	4,484	45,535,091
Total available-for-sale securities	\$ 45,530,607	4,484	45,535,091

(4) Income Taxes

The effective income tax rate was 0% for the six months ended June 30, 2021 and 2020.

(5) Equity

(a) Preferred Stock

As of June 30, 2021, the Company has 73,524,562 authorized shares of \$0.0001 par value preferred stock, of which 14,388,490 shares have been designated as Series C convertible preferred stock, 28,318,084 shares have been designated as Series B convertible preferred stock and 30,817,988 shares have been designated as Series A convertible preferred stock.

In May 2015, the Company issued 10,869,495 shares of Series A-1 preferred stock for gross cash proceeds of \$7.5 million and the conversion of the Company's then outstanding bridge notes issued from May 2014 through August 2014. The purchase price for the Series A-1 preferred stock was \$0.90 per share and the conversion price of the bridge notes was \$0.2846645 per share.

In June 2016, the Company issued 7,446,748 shares of Series A-1 preferred stock for gross cash proceeds of \$6.7 million under the same terms and conditions of the Series A-1 preferred stock issued in May 2015.

In October 2016, the Company issued 3,627,778 shares of Series A-1 preferred stock for gross cash proceeds of \$3.2 million under the same terms and conditions of the Series A-1 preferred stock issued in May 2015.

In October 2016, the Company issued 8,873,967 shares of Series A-2 preferred stock for gross cash proceeds of \$13.0 million. The purchase price for the Series A-2 preferred stock was \$1.47 per share.

In June 2018, the Company issued 21,080,368 shares of Series B-1 preferred stock for gross cash proceeds of \$40.0 million. The purchase price for the Series B-1 preferred stock was \$1.8975 per share. Total issuance costs for the offering were \$223,725.

In March 2019, the Company issued 7,026,912 shares of Series B-2 preferred stock for gross cash proceeds of \$20.0 million. The purchase price for the Series B-2 preferred stock was \$2.8462 per share. Total issuance costs for the offering were \$11,752.

In November 2019, the Company issued 14,388,490 shares of Series C preferred stock for gross cash proceeds of \$60.0 million. The purchase price for the Series C preferred stock was \$4.17 per share. Total issuance costs for the offering were \$134,570.

Holders of convertible preferred stock are entitled to one vote per share on all actions submitted to a vote of stockholders. The holders of preferred stock are entitled to receive, on a pari passu basis, when and if declared by the board of directors, out of funds legally available, noncumulative dividends at the rate of 8% per share of the original issue price for such series of preferred stock per annum from the date of original issuance of such share. After the foregoing dividends on the preferred stock are paid, then the board of directors may declare and distribute in such year dividends among the holders of preferred stock and the holders of common stock pro rata based on the number of shares of common

stock held by each, determined on an as-if-converted basis (assuming full conversion of all such preferred stock) as of the record date with respect to the declaration of such dividends. The holders of preferred stock shall participate in any distribution or dividend declared or paid to any series of preferred stock ranking junior to the preferred stock on the basis of the number of shares of common stock into which it is then convertible. No dividends have been declared as of and through June 30, 2021 and December 31, 2020.

Each share of preferred stock is convertible at the option of the holder, at any time, into the number of fully paid and nonassessable shares of common stock determined using the conversion rate for such series of preferred stock at the time of conversion. Preferred stock will be automatically converted, without the payment of any additional consideration, into the number of fully paid and nonassessable shares of common stock determined using the conversion rate for such series of preferred stock immediately prior to, but subject to, the closing of the Company's first underwritten public offering on a firm commitment basis by a nationally recognized investment banking organization or organizations pursuant to an effective registration statement under the Securities Act of 1933, as amended, covering the offer and sale of common stock with respect to which the Company receives aggregate gross proceeds attributable to sales for the account of the Company (before deduction of underwriting discounts and commissions) of not less than \$50,000,000 (a qualifying public offering, or QPO).

During the six months ended June 30, 2021 and 2020, the conversion rates in effect provided for each share of preferred stock to be convertible into one share of common stock. The conversion rates are subject to ratable adjustments in the event of stock split, stock dividends, other dividends and distributions. The conversion rates will increase in the event the Company issues or is deemed to issue shares or convertible securities at consideration per share less than the conversion price ("down round"). The conversion prices are currently equal to the original prices at which the shares were sold, but would be adjusted down based on a defined formula in the event of a down round.

Upon any liquidation, dissolution, or winding up of the Company (a Liquidation Event), the holders of outstanding shares of Series C preferred stock and Series B preferred stock shall be entitled to be concurrently paid, on a pari passu basis, in cash, before any amount shall be paid or distributed to the holders of Series A preferred stock or common stock, a liquidation preference amount per share equal to the greater of (A) the original price at which such shares were sold, plus any accrued and declared but unpaid dividends, and (B) the amount that would be received if such share were converted to common stock in a Liquidation Event. If the amounts available for distribution to the holders of Series C Preferred Stock and Series B Preferred Stock are not sufficient to pay the entire liquidation preference amounts, the holders of Series C Preferred Stock and Series B Preferred Stock will share ratably in any distribution.

After the payment in full of the Series C and Series B liquidation preference amounts, each holder of Series A preferred stock shall be entitled to be paid, in cash, before any amount shall be paid or distributed to the holders of common stock, a liquidation preference amount per share equal to the greater of (A) the original price at which such series were sold, plus any accrued and declared but unpaid dividends, and (B) the amount that would be received if such share were converted to common stock in a Liquidation Event. If the amounts available for distribution to holders of Series A preferred stock are not sufficient to pay the entire liquidation preference amounts, the holders of Series A preferred stock will share ratably in any distribution.

After the payment in full of the Series C, Series B and Series A liquidation preference amounts, the remaining assets and funds of the Company will be distributed among the holders of shares of common stock then outstanding.

A merger of the Company into another entity which results in a change of control, a sale of all or substantially all assets or a sale or exclusive license of all or substantially all intellectual property of the Company are also deemed to be Liquidation Events.

(b) Common Stock

At June 30, 2021 and December 31, 2020, the Company has 105,257,399 authorized shares of \$0.0001 par value common stock. Holders of common stock are entitled to one vote per share on all actions submitted to a vote of stockholders. As of June 30, 2021, and December 31, 2020, there were 9,312,361 and 6,761,531 common shares outstanding, respectively. These shares contain certain transfer restrictions.

(6) Stock Compensation Plan

In 2014, the Company adopted a stock compensation plan (the 2014 Equity Incentive Plan or the Plan) pursuant to which the Company's board of directors may grant stock options or non-vested shares to employees, directors, advisors, and consultants. The Plan allows for the grant of incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock, and restricted stock units up to an aggregate amount of 24,704,815 authorized shares.

Options issued to new hires under the Plan generally vest over a 4-year period with cliff vesting at the end of the first year and expire no later than 10 years from the date of grant unless exercised or terminated earlier in accordance with the stock options agreements. Follow-on grants to existing employees also vest over a 4-year period but do not have a cliff.

The Company records employee stock-based compensation expense and, beginning January 1, 2020, nonemployee stock-based compensation expense, based on the grant-date fair value estimated using a Black-Scholes option valuation model and the weighted average assumptions in the table below during the six months ended June 30, 2021 and 2020:

	2021	2020
Expected volatility	40.69%	39.44%
Dividend yield	—	—
Expected term in years	5.76	5.58
Risk free rate	0.69	0.72

The weighted average grant-date fair value of options granted was \$0.50 and \$0.49 during the six months ended June 30, 2021 and June 30, 2020, respectively.

A summary of the Company's stock option activity is as follows:

	Number of shares	Weighted average exercise price
Options outstanding at December 31, 2020	14,298,085	0.60
Granted	9,883,193	1.22
Forfeited	(6,974,038)	1.07
Expired	(236,963)	1.04
Exercised	(2,550,830)	0.28
Options outstanding at June 30, 2021	<u>14,419,447</u>	0.85

Options outstanding at June 30, 2021 had an aggregate intrinsic value of approximately \$5.4 million and a weighted average remaining contractual term of 6.9 years. The Company had 7,177,012 exercisable options at June 30, 2021, which had a weighted average exercise price of \$0.55 and a weighted average remaining contractual term of 4.6 years. The aggregate intrinsic value of options outstanding and exercisable at June 30, 2021 was approximately \$4.8 million. The total unrecognized compensation expense was approximately \$3.3 million as of June 30, 2021, and is expected to be recognized over a weighted average period of 1.5 years.

The aggregate intrinsic value of options exercised during the six months ended June 30, 2021 and 2020 was approximately \$2.4 million and \$0.05 million, respectively.

(7) Employee Benefit Plan

The Company has a 401(k) plan that allows participating employees to contribute a percentage of their salary, subject to annual limits. Matching contributions are at the Company's discretion. The Company made no matching contributions to the 401(k) plan during the six months ended June 30, 2021 and 2020.

(8) Commitments and Contingencies

(a) Operating Leases

In prior years, the Company entered into noncancelable operating leases for approximately 15,500 square feet of office and laboratory space and in San Diego, with the term that ended in June 2021. In July 2019, the Company entered into sublease agreements to sublet this space through May 2021. Sublease rental fees owed to the company equal the Company's lease payments. The Company also entered into an additional noncancelable operating lease for 5,500 square feet of office and laboratory space, with the term commencing January 2018, and ending February 2023. In June 2021, the Company signed a new sublease agreement to sublet a total of approximately 2,736 square feet of office and laboratory space in San Diego, California, for a term of 21 months, ending in February of 2023. Sublease rental fees owed to the company equal the Company's lease payments.

In May 2019, the Company entered into a noncancelable operating lease for an additional 82,500 square feet of space, with an initial term of 11 months ending in April 2020. Rent was abated for the entire lease term, in consideration of execution of a noncancelable operating lease for an additional 73,500 square feet of space to commence in April 2020 and ending in September 2027. In association with this lease, the Company obtained a letter of credit from Silicon Valley Bank for \$1.6 million. The landlord provided a tenant improvement allowance of \$14,332,500.

Total rent expense for the six months ended June 30, 2021 and 2020 was \$1,849,432 and \$2,935,491, respectively. Sublease rental income was \$317,226 and \$344,658, respectively. At June 30, 2021, future minimum rental payments on operating leases are as follows:

2021	\$	1,727,782
2022		3,451,717
2023		3,383,116
2024		3,449,146
2025		3,552,621
Thereafter		6,479,019
	\$	<u>22,043,401</u>

The total minimum rentals to be received in the future under noncancelable leases were \$215,318 as of June 30, 2021.

(b) Capital Leases

The Company's capital leases consist of equipment utilized for research and development. The term for the capital leases ends in 2021. The Company has recorded a capital lease obligation of \$17,324 and \$51,136 as of June 30, 2021 and December 31, 2020, respectively, of which \$17,324 and \$51,136, respectively, are classified as a current liability.

(9) Term Loan and Warrants

(a) Silicon Valley Bank

In February 2019, the Company obtained a term loan facility from Silicon Valley Bank, pursuant to which Silicon Valley Bank agreed to lend the Company up to \$25.0 million, issuable in two separate term loans of \$10.0 million (the Term A Loan) and \$15.0 million (the Term B Loan). Once repaid, the term loans may not be reborrowed. In February 2019, the Company received \$5.0 million in proceeds from the Term A Loan. In March 2019, the Company received an additional \$5.0 million in proceeds from the Term A Loan. In February 2020, the Company received \$15.0 million in proceeds from the Term B Loan.

All outstanding term loans will mature on December 1, 2022, and the Company had interest-only payments through December 31, 2020. Beginning January 1, 2021, the Company began repaying the Term Loans in equal monthly installments of principal equaling \$1,041,667. The final payment, due on December 1, 2022, will also include a fee equal to 8% of all advanced amounts. The aggregate yearly payments shown in the table below:

		Year ending December 31
2021	\$	6,250,000
2022		14,500,000
	\$	<u>20,750,000</u>

The terms loans bear interest at a floating per annum rate equal to 1.25% above the prime rate reported in *The Wall Street Journal*. The average interest rate for the six months ended June 30, 2021 and 2020 was 5%.

The terms loans are secured with substantially all of the Company's assets, excluding intellectual property, but including any proceeds from the sale of such intellectual property. The collateral also does not include the equipment purchased by the Company using the proceeds from the ATEL Ventures loans.

The Company is subject to certain financial and non-financial debt covenants, with which the Company was in compliance as of June 30, 2021. In the event of a default, the term loans bear interest at a rate per annum which is five percentage points above the loan interest rate.

The Company has the option to prepay all, but not less than all, of the borrowed amounts, provided the Company pays a prepayment fee equal to (i) for a prepayment made on or prior to the first anniversary of the effective date, 3% of the principal amount of the term loans prepaid; (ii) for a prepayment made after the date which is the first anniversary of the effective date through and including the second anniversary of the effective date, 2% of the principal amount of the term loans prepaid; and (iii) for a prepayment made after the date, which is the second anniversary of the effective date and prior to the maturity date, 1% of the principal amount of the term loans prepaid. In addition, the Company would also be required to pay the fee equal to 8% of the prepaid principal. The same prepayment fees and the 8% fee will also be owed if the term loans are called by Silicon Valley Bank upon an event of default (including a change in control of the Company, absent a consent from Silicon Valley Bank) or if there is a material adverse change in the Company's business or financial condition. The repayment upon an event of default represents an embedded derivative, separately accounted for at fair value, which was insignificant throughout 2021 and 2020.

Upon funding the Term A Loan in 2019 and Term B loan in 2020, in accordance with the loan agreement, the Company granted to the lender warrants to purchase 105,400 shares of Series B-1 convertible preferred stock and 105,402 shares of Series B-2 convertible preferred stock, respectively. The warrants have exercise prices of \$1.90 (for Series B-1) and \$2.85 (for Series B-2) and a

contractual term of 10 years. Each of the warrants was determined to have an initial fair value of \$100,130, determined using the Black-Scholes option pricing model. The warrants resulted in a discount to the Term A and Term B Loans as of the issuance date. The discount is being amortized to interest expense using the effective interest method over the term of the loan.

The warrants are classified as a current liability carried at fair value, with changes recognized in other income (expense) in the statement of operations. The aggregate fair value of the warrants as of June 30, 2021 was \$765,004 and was determined using the Black-Scholes model with the following assumptions: expected term of 0.25 years, volatility of 55%, risk-free interest rate of 0.05%, and dividend rate of 0%. The aggregate fair value of the warrants as of December 31, 2020 was \$325,908 and was determined using the Black-Scholes model with the following assumptions: expected term of 4.0 years, volatility of 55%, risk-free interest rate of 0.27%, and dividend rate of 0%.

(b) ATEL Ventures

In April 2020, the Company secured a term loan facility with ATEL Ventures, pursuant to which during 2020 it drew three term loans totaling \$5.9 million. The term loans were used to fund the Company's purchases of equipment which serves as collateral. Each term loan has a term of 43 months and bears a fixed interest rate of approximately 17% annually. Payments are made in equal monthly installments, including principal and interest, with the first and last payment due upon the term loan draw date. The table below demonstrates the future annual payments of principal for the ATEL loans:

	Year ending December 31
2021	\$ 707,730
2022	1,608,167
2023	1,842,261
2024	489,489
	\$ 4,647,647

(10) Subsequent Events

(a) Acquisition

On July 19, 2021, the Company entered into the Merger Agreement with Pacific Biosciences. Pursuant to the Merger Agreement, Pacific Biosciences has agreed to acquire all of the outstanding equity interests of the Company, with the Company continuing as a wholly owned subsidiary of Pacific Biosciences. Holders of the Company's outstanding equity interests will be entitled to receive approximately \$300 million in cash and approximately 9.4 million shares of the Pacific Biosciences common stock. Subject to the terms of the Merger Agreement and the achievement of a specified milestone, they may additionally be entitled to receive \$100 million in cash and approximately \$100 million in shares of Pacific Bioscience's common stock. All amounts are subject to adjustment as specified in the Merger Agreement. The merger is expected to close during the quarter ending September 30, 2021.

PACIFIC BIOSCIENCES OF CALIFORNIA, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

On September, 20, 2021 (“Closing Date”), Pacific Biosciences of California, Inc. (“Pacific Biosciences” or the “Company”) completed the acquisition of Omniome, Inc. (the “Target” or “Omniome”), a San Diego-based company developing a highly differentiated, proprietary short-read sequencing platform capable of delivering high accuracy. Under the terms of the Agreement and Plan of Merger and Plan of Organization dated July 19, 2021 (the “Merger Agreement”), and at the Closing Date, Apollo Acquisition Corp., a wholly owned subsidiary of the Company, merged with and into Omniome, with Omniome continuing as the surviving corporation and a wholly owned subsidiary of Pacific Biosciences. Immediately after, Apollo Acquisition Sub, LLC, also a wholly owned subsidiary of the Company, merged with Omniome, with Apollo Acquisition Sub, LLC continuing as the surviving company and a wholly owned subsidiary of Pacific Biosciences.

The following unaudited pro forma condensed combined balance sheet as of June 30, 2021 and the unaudited pro forma condensed combined statements of operations for the year ended December 31, 2020 and for the six months ended June 30, 2021 are based on the historical consolidated financial statements of the Company and Omniome.

The unaudited pro forma condensed combined balance sheet as of June 30, 2021 gives effect to the acquisition as if it had occurred on June 30, 2021. The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2020 and the six months ended June 30, 2021 give effect to the acquisition as if it had occurred on January 1, 2020. The transaction accounting adjustments for the acquisition consist of those necessary to account for the acquisition.

Separately, in connection with the acquisition, on the Closing Date the Company issued and sold 11.2 million shares of common stock in a private placement transaction at a price of \$26.75 per share, for aggregate proceeds of approximately \$294.4 million, net of estimated issuance costs of \$5.6 million. The related adjustments are included in the pro forma condensed combined financial statements in the column under the heading “Other transaction accounting adjustments”.

The unaudited pro forma condensed combined financial statements are presented for informational purposes only, in accordance with Article 11 of Regulation S-X, and are not intended to represent or to be indicative of the income or financial position that the Company would have reported had the acquisition been completed as of the dates set forth in the unaudited pro forma condensed combined financial statements, due to various factors. The unaudited pro forma condensed combined balance sheet does not purport to represent the future financial position of the Company and the unaudited pro forma condensed combined statements of operations do not purport to represent the future results of operations of the Company.

The unaudited pro forma condensed combined financial statements reflect management’s preliminary estimates of the fair value of acquisition consideration and the fair values of tangible and intangible assets acquired and liabilities assumed in the acquisition, with the remaining estimated acquisition consideration recorded as goodwill. Detailed valuations and assessments, including valuations of intangible assets, the contingent milestone payment, share-based compensation awards as well as the assessment of the tax positions and rates of the combined business, are in process. As these unaudited pro forma condensed combined financial statements have been prepared based on preliminary estimates of the fair value of acquisition consideration transferred and fair values of assets acquired and liabilities assumed, the actual amounts to be reported in future filings may differ materially from the amounts used in the pro forma condensed combined financial statements. These unaudited pro forma condensed combined financial statements should be read in conjunction with the following:

- The accompanying notes to the unaudited pro forma condensed combined financial statements;
 - The Company’s historical audited consolidated financial statements and notes thereto contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020;
 - The Company’s historical unaudited condensed consolidated financial statements and notes thereto contained in the Company’s Quarterly Report on Form 10-Q as of and for the quarterly period ended June 30, 2021;
 - Omniome’s audited financial statements and notes thereto as of December 31, 2020 and 2019 and for the years then ended, included as Exhibit 99.2 to this Form 8-K; and
 - Omniome’s unaudited condensed financial statements as of June 30, 2021 and for the six month periods ended June 30, 2021 and 2020, included as Exhibit 99.3 to this on Form 8-K.
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PACIFIC BIOSCIENCES OF CALIFORNIA, INC.
 UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
 AS OF JUNE 30, 2021

(in thousands)	Pacific Biosciences June 30, 2021	Omniome June 30, 2021	Transaction Accounting Adjustments	Notes	Other Transaction Accounting Adjustments	Notes	Total Pro Forma Adjustments	Combined Pro Forma June 30, 2021
Assets								
Current assets								
Cash and cash equivalents	\$ 459,794	\$ 27,933	\$ (315,739)	A	\$ 294,361	L	\$ (21,378)	\$ 466,349
Investments	684,579	-	-		-		-	684,579
Accounts receivable	19,936	-	-		-		-	19,936
Inventory	17,985	-	-		-		-	17,985
Prepaid expenses and other current assets	6,542	1,301	-		-		-	7,843
Short-term restricted cash	300	-	-		-		-	300
Total current assets	1,189,136	29,234	(315,739)		294,361		(21,378)	1,196,992
Property and equipment, net	25,000	6,056	-		-		-	31,056
Operating lease right-of-use assets, net	28,580	-	18,662	B	-		18,662	47,242
Long-term restricted cash	3,000	-	-		-		-	3,000
Intangible Assets	-	-	382,000	C	-		382,000	382,000
Goodwill	-	-	392,230	D	-		392,230	392,230
Other long-term assets	65	-	-		-		-	65
Total assets	\$ 1,245,781	\$ 35,290	\$ 477,153		\$ 294,361		\$ 771,514	\$ 2,052,585
Liabilities and Stockholders' Equity								
Accounts payable	\$ 4,761	\$ 836	\$ -		\$ -		\$ -	\$ 5,597
Accrued expenses	22,907	2,427	12,699	E	-		12,699	38,033
Deferred revenue, current	9,534	-	-		-		-	9,534
Operating lease liabilities, current	4,644	-	2,483	B	-		2,483	7,127
Notes payable, current	-	13,829	(12,500)	F	-		(12,500)	1,329
Other liabilities, current	3,587	2,147	(1,164)	B,G	-		(1,164)	4,570
Total current liabilities	45,433	19,239	1,518		-		1,518	66,190
Deferred revenue, non-current	10,158	-	-		-		-	10,158
Operating lease liabilities, non-current	35,431	-	16,178	B	-		16,178	51,609
Notes payable, non-current	-	10,490	(5,318)	F	-		(5,318)	5,172
Convertible senior notes, net, non-current	895,762	-	-		-		-	895,762
Contingent consideration liability, non-current	-	-	165,163	H	-		165,163	165,163
Other liabilities, non-current	752	3,659	(2,512)	B,I	-		(2,512)	1,899
Total liabilities	987,536	33,388	175,029		-		175,029	1,195,953
Commitments and contingencies								
Stockholders' equity								
Preferred stock	-	149,809	(149,809)	J	-		(149,809)	-
Common stock	199	1	8	A,J	11	L	19	219
Additional paid-in capital	1,423,357	3,816	245,443	A,J	294,350	L	539,793	1,966,966
Accumulated other comprehensive income	(6)	-	-		-		-	(6)
Accumulated deficit	(1,165,305)	(151,724)	206,482	E,J,K	-		206,482	(1,110,547)
Total stockholders' equity	258,245	1,902	302,124		294,361		596,485	856,632
Total liabilities and stockholders' equity	\$ 1,245,781	\$ 35,290	\$ 477,153		\$ 294,361		\$ 771,514	\$ 2,052,585

PACIFIC BIOSCIENCES OF CALIFORNIA, INC.
 UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
 FOR THE YEAR ENDED DECEMBER 31, 2020

(in thousands, except per share amounts)	Pacific Biosciences December 31, 2020	Omniome December 31, 2020	Transaction Accounting Adjustments	Notes	Other Transaction Accounting Adjustments	Notes	Total Pro Forma Adjustments	Pro Forma
Revenue:								
Product revenue	65,424	-	-		-		-	65,424
Service and other revenue	13,469	-	-		-		-	13,469
Total revenue	78,893	-	-		-		-	78,893
Cost of Revenue:								
Cost of product revenue	35,424	-	-		-		-	35,424
Cost of service and other revenue	10,903	-	-		-		-	10,903
Total cost of revenue	46,327	-	-		-		-	46,327
Gross profit	32,566	-	-		-		-	32,566
Operating Expense:								
Research and development	64,152	42,978	-		-		-	107,130
Sales, general and administrative	72,799	11,941	-		-		-	84,740
Merger-related costs	-	-	49,985	AA,BB	-		49,985	49,985
Total operating expense	136,951	54,919	49,985		-		49,985	241,855
Operating loss	(104,385)	(54,919)	(49,985)		-		(49,985)	(209,289)
Gain from Reverse Termination Fee from Illumina	98,000	-	-		-		-	98,000
Gain from Continuation Advances from Illumina	34,000	-	-		-		-	34,000
Interest expense	(267)	(2,167)	-		670	FF	670	(1,764)
Other income, net	2,055	962	-		-		-	3,017
Income (loss) before benefit from income taxes	29,403	(56,124)	(49,985)		670		(49,315)	(76,036)
Benefit from income taxes	-	-	(88,101)	CC	-		(88,101)	(88,101)
Net income (loss)	29,403	(56,124)	38,116		670		38,786	12,065
Other comprehensive income (loss):								
Unrealized gain (loss) on investments	80	(8)	-		-		-	72
Comprehensive income (loss)	\$ 29,483	\$ (56,132)	\$ 38,116		\$ 670		\$ 38,786	\$ 12,137
Net income (loss) per share:								
Basic	\$ 0.18							\$ 0.07
Diluted	\$ 0.17							\$ 0.06
Weighted average shares outstanding used in calculating net income (loss) per share								
Basic	165,187	-	8,755	DD	11,215	GG	19,970	185,157
Diluted	174,970	-	8,931	DD,EE	11,215	GG	20,146	195,116

PACIFIC BIOSCIENCES OF CALIFORNIA, INC.
 UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS
 FOR THE SIX MONTHS ENDED JUNE 30, 2021

(in thousands, except per share amounts)	Pacific Biosciences June 30, 2021	Omniome June 30, 2021	Transaction Accounting Adjustments	Notes	Other Transaction Accounting Adjustments	Notes	Total Pro Forma Adjustments	Pro Forma
Revenue:								
Product revenue	51,836	-	-		-		-	51,836
Service and other revenue	7,771	-	-		-		-	7,771
Total revenue	59,607	-	-		-		-	59,607
Cost of Revenue:								
Cost of product revenue	25,919	-	-		-		-	25,919
Cost of service and other revenue	6,958	-	-		-		-	6,958
Total cost of revenue	32,877	-	-		-		-	32,877
Gross profit	26,730	-	-		-		-	26,730
Operating Expense:								
Research and development	42,815	22,389	-		-		-	65,204
Sales, general and administrative	55,198	5,655	-		-		-	60,853
Total operating expense	98,013	28,044	-		-		-	126,057
Operating loss	(71,283)	(28,044)	-		-		-	(99,327)
Loss from Continuation Advances	(52,000)	-	-		-		-	(52,000)
Interest expense	(5,378)	(1,171)	-		851	FF	851	(5,698)
Other income, net	225	(121)	-		-		-	104
Net income (loss)	(128,436)	(29,336)	-		851		851	(156,921)
Other comprehensive income (loss):								
Unrealized loss on investments	(91)	(4)	-		-		-	(95)
Comprehensive income (loss)	\$ (128,527)	\$ (29,340)	\$ -		\$ 851		\$ 851	\$ (157,017)
Net loss per share:								
Basic	\$ (0.65)							\$ (0.72)
Diluted	\$ (0.65)							\$ (0.72)
Weighted average shares outstanding used in calculating net loss per share								
Basic	196,690	-	8,755	DD	11,215	GG	19,970	216,660
Diluted	196,690	-	8,755	DD	11,215	GG	19,970	216,660

1. Description of the Acquisition and Basis of Presentation

On September 20, 2021, the Company acquired Omniome. Total consideration estimated to be paid by the Company consists of \$315.7 million in cash, including adjustments for Omniome's indebtedness and working capital, and 9.4 million shares of the Company's common stock. Of the 9.4 million shares of common stock issuable as part of the transaction, 8.8 million shares with an aggregate estimated value of \$249.3 million is estimated to be issued at the close of the transaction with the remaining 0.6 million shares attributable to stock options issued by the Company in replacement of Omniome's unvested options as part of the transaction. The amounts paid are additionally subject to adjustments for standard seller warranties and representations. Subject to the terms of the Merger Agreement and the achievement of a specified milestone, the Company may be required to pay additional amounts of consideration of \$100.0 million in cash and \$100.0 million in shares of the Company's common stock. The number of shares of stock will be determined using the volume-weighted average of the trading prices of the Company's common stock during a period preceding the achievement of the milestone. Of the \$100.0 million shares of the Company's common stock attributable to the milestone, \$5.5 million is attributable to stock options for 0.2 million shares issued by the Company in replacement of Omniome's unvested options as part of the transaction.

Separately, in connection with the acquisition, on the Closing Date the Company issued and sold 11.2 million shares of common stock in a private placement transaction at a price of \$26.75 per share, for aggregate proceeds of approximately \$294.4 million, net of estimated issuance costs of \$5.6 million.

The unaudited pro forma condensed combined financial statements have been prepared by the Company using the acquisition method of accounting in accordance with accounting principles generally accepted in the United States ("US GAAP"). The unaudited pro forma condensed combined financial statements are based on the historical consolidated financial statements of the Company and Omniome, giving effect to the acquisition and related adjustments described in these notes to show how the acquisition might have affected the historical financial statements if it had been completed on January 1, 2020 for the purposes of the condensed combined statements of operations and comprehensive income (loss), and as of June 30, 2021 for purposes of the condensed combined balance sheet. In addition, certain items presented in Omniome's historical financial statements, which have been prepared in accordance with US GAAP, have been reclassified to align them with the Company's financial statement presentation and accounting policies. The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2020 included non-operating gains and the six months ended June 30, 2021 included non-operating losses from the amended merger and termination agreements with Illumina. The unaudited pro forma condensed combined financial information is provided for informational purposes only and is based on available information and reasonable assumptions. It does not purport to represent what the actual consolidated results of operations or the consolidated financial position would have been if the acquisition occurred on the dates indicated, nor is it necessarily indicative of future consolidated results of operations or consolidated financial position. The actual financial position and results of operations will differ, perhaps significantly, from the pro forma amounts reflected herein due to a variety of factors, including access to additional information, changes in value not currently identified and changes in financial position and operating results following the date of the unaudited pro forma condensed combined financial information.

The Company accounts for business combinations in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 805, *Business Combinations* ("ASC 805") using the acquisition method of accounting. The unaudited pro forma condensed combined financial statements reflect management's preliminary estimates of the fair value of acquisition consideration and the fair values of tangible and intangible assets acquired and liabilities assumed in the acquisition, with the remaining estimated acquisition consideration recorded as goodwill. The actual amounts to be reported in future filings may differ materially from the amounts used in these unaudited pro forma condensed combined financial statements. The Company expects to finalize the acquisition accounting as soon as practicable within the required measurement period, but in no event later than one year from the Closing Date.

Accounting Policies

The unaudited pro forma condensed combined financial information is prepared using the accounting policies described in the Company's audited consolidated financial statements as of and for the year ended December 31, 2020. As such, transaction accounting adjustments have been reflected to conform Omniome's results to the Company's accounting policies, including the application of ASC 842, *Leases* ("ASC 842") and ASC 326, *Financial Instruments - Credit Losses* ("ASC 326") to Omniome's consolidated financial statements.

The Company adopted ASC 842 on January 1, 2019, whereas Omniome, a private company, had not yet adopted ASC 842 as of the Closing Date. Based on a preliminary assessment, the primary impact of the application of ASC 842 to Omniome’s consolidated financial statements relates to the recognition of operating lease right-of-use assets of \$18.7 million and operating lease liabilities of \$18.7 million, and the derecognition of deferred rent of \$4.0 million. The unaudited pro forma condensed combined balance sheet has been adjusted to reflect the application of ASC 842.

The Company adopted ASC 326 on January 1, 2020, whereas Omniome, a private company, had not yet adopted ASC 326 as of the Closing Date. The Company does not expect the application of ASC 326 to have a material impact on Omniome’s consolidated financial statements. As such, no adjustments were made to the unaudited pro forma condensed combined balance sheet.

Reclassifications

Certain reclassifications have been made to the historical consolidated statement of operations of Omniome to conform with the Company’s financial statement presentation. These reclassifications had no effect on the previously reported net loss of Omniome.

2. Estimated consideration and preliminary purchase price allocation

The total estimated preliminary purchase consideration is as follows (in thousands):

Cash	\$	315,739
Fair value of estimated share consideration*		249,268
Less: amounts excluded from purchase consideration**		(20,645)
Fair value of contingent consideration		165,163
Total estimated purchase consideration	\$	709,525

*Calculated using the Company’s share price of \$28.47 at September 13, 2021

** A portion of the consideration paid to holders of Omniome’s stock options that were accelerated upon the acquisition and that did not relate to pre-combination services prior to the Closing Date, is excluded from purchase consideration and is recognized by the Company as expense on the Closing Date.

The value of the purchase consideration will change to reflect the share price of the Company’s common stock and the number of Omniome shares and stock options outstanding on the Closing Date, as well as the final allocation of consideration to stock-based compensation expense. The ultimate fair value of the share consideration will be determined using the market price of the Company’s common shares on the Closing Date. The Company believes that a 25% fluctuation in the market price of its common stock is reasonably possible based on historical volatility, and the potential effect on the purchase price would be:

	Company's share price	Purchase price
As presented	\$28.47	\$709,525
25% increase	35.59	767,652
25% decrease	21.35	651,392

The purchase agreement also includes contingent consideration dependent upon the achievement of a specified operational milestone associated with the in-process research and development (“IPR&D”) acquired as part of the acquisition. Upon the milestone achievement, the Company will be required to pay additional amounts of consideration of \$100.0 million in cash and \$100.0 million in shares of the Company’s common stock. The number of shares of stock will be determined using the volume-weighted average of the trading prices of the Company’s common stock for the twenty trading days ending with and including the trading day that is two days immediately prior to the achievement of the milestone. Of the \$100.0 million in shares of the Company’s common stock to be issued as part of the milestone, \$5.5 million is attributable to stock options issued by the Company in replacement of Omniome’s unvested options as part of the transaction.

Contingent consideration will be accounted for as a liability at fair value, with changes during each reporting period recognized in the Company's consolidated statement of operations and comprehensive loss. The fair value of the contingent consideration liability is based on a scenario-based method which considers a range of possible outcomes and their assigned probabilities of occurrence. The potential outcomes are discounted to present value at a discount rate equal to the sum of the term-matched risk-free-interest rate plus Company credit spread.

In connection with the closing of the acquisition, certain of Omniome's unvested stock options were accelerated. Omniome's vested stock options, including those that were accelerated, were deemed exercised into Omniome shares on a net basis, and their holders received a portion of the total cash and share consideration paid by the Company. The consideration paid to these former option holders attributable to pre-combination service is included in the purchase consideration. The consideration paid that was not attributable to pre-combination service of \$20.6 million is excluded from the purchase consideration and is recognized by the Company as expense on the Closing Date.

Omniome's unvested stock options that were not accelerated upon the Closing Date were exchanged into stock options to purchase the Company's common stock, with the number of shares and the exercise price determined pursuant to the ratios established by the Merger Agreement, and the remaining vesting period generally reduced by 12 months. The fair value of these replacement stock options will be recognized by the Company as expense over the post-combination service period.

For purposes of the pro forma condensed combined balance sheet as of June 30, 2021, the preliminary purchase consideration has been allocated as follows based on preliminary estimates of the fair value of assets acquired and liabilities assumed (in thousands):

Assets acquired	\$	53,952
In-process research and development ("IPR&D")		382,000
Goodwill		392,230
Deferred tax liability		(89,196)
Liabilities assumed		(29,461)
	<u>\$</u>	<u>709,525</u>

This preliminary purchase price allocation has been used to prepare the transaction accounting adjustments in the unaudited pro forma condensed combined financial information. The final purchase price allocation will be determined when the Company has completed the detailed valuations and necessary calculations as described in more detail in the explanatory notes below. The final allocation is expected to be completed within the measurement period, as defined in ASC 805, and could differ materially from the preliminary allocation used in the Transaction accounting adjustments detailed below.

3. Transaction accounting adjustments

Adjustments included in the column under the heading "Transaction accounting adjustments" are necessary to reflect the acquisition consideration exchanged and to adjust amounts related to the tangible and intangible assets acquired and liabilities assumed of Omniome to a preliminary estimate of their fair values, and to reflect the impact of the acquisition on the unaudited pro forma condensed combined financial statements as if the companies had been combined during the periods presented therein. Adjustments included in the column under the heading "Other transaction accounting adjustments" represent the related financing through the private equity placement transaction. The transaction adjustments included in the unaudited pro forma condensed combined financial statements are as follows:

Balance Sheet Adjustments

- A Reflects estimated consideration paid by the Company to the selling Omniome shareholders or their agents on the Closing Date, including estimated cash of \$315.7 million and the issuance of 8.8 million common shares with a fair market value of \$28.47 per share.
- B Reflects the application of ASC 842 to Omniome's leases effective June 30, 2021. The application results in the recognition of operating lease right-of-use assets of \$18.7 million and operating lease liabilities of \$18.7 million. Additionally, Omniome's deferred rent of \$4.0 million, included in other current liabilities and in other liabilities (for the current and noncurrent portion, respectively), is derecognized.

- C Reflects the preliminary estimate of an acquired IPR&D intangible asset of \$382.0 million. The IPR&D will remain on the balance sheet as an indefinite-lived intangible asset until the completion or abandonment of the associated research and development activities. During the development period following the acquisition, IPR&D will not be amortized but, instead will be tested for impairment annually and more frequently if events or changes in circumstances indicate that it is more likely than not that the asset is impaired. The valuation of IPR&D is preliminary and could differ materially from the final valuation which is expected to be completed by the end of the measurement period.
- D Reflects the recognition of goodwill arising from the acquisition. Goodwill, representing the excess of the purchase consideration over the fair value of the net assets acquired, is estimated to be \$392.2 million. This amount is based on preliminary estimates, and the final amount may differ materially as changes in the estimated value of the purchase consideration or net assets acquired will affect goodwill. The goodwill is primarily attributable to the assembled workforce and increased synergies that are expected to be achieved from the integration of Omniome and is not expected to be deductible for income tax purposes.
- E Reflects the estimated transaction expenses not accrued at June 30, 2021 of \$12.7 million.
- F Reflects repayment of certain of Omniome's pre-existing debt and related pre-payment penalty fees of \$17.8 million (based on the amount paid on the Closing Date).
- G Reflects the derecognition of Omniome's warrant liability of \$1.0 million as the warrants were settled in connection with the transaction.
- H Reflects the recognition of estimated fair value of the contingent consideration. As part of the Merger Agreement, the Company could be required to make an additional payment subject to the achievement of a specified operational milestone associated with the IPR&D acquired as part of the acquisition. As the contingent consideration is based on the achievement of a specified operational milestone, the possible outcomes of the contingency are either no payment (a value of \$0), if the specified operational milestone is not met, or approximately \$200.0 million less the \$5.5 million, which is attributable to stock options issued by the Company in replacement of Omniome's unvested stock options as part of the transaction, if the specified operational milestone is met.
- After the Closing Date, the contingent consideration will be accounted for as a liability at fair value, with changes during each reporting period recognized in the Company's statement of operations. No amounts related to the remeasurement of the contingent consideration are included in the pro forma condensed combined statements of operations, as such remeasurements cannot be meaningfully estimated.
- I Reflects the deferred tax liability of \$89.2 million arising upon the acquisition, primarily related to the acquired IPR&D which is expected to have no tax basis for future deductions. The deferred tax liability is offset by a \$88.1 million reduction of the Company's deferred tax asset valuation allowance as a result of the Omniome transaction. Refer to Note CC for further information.
- J Reflects the elimination of Omniome's historical stockholders' equity as of the closing date.
- K Reflects the estimated portion of consideration paid by the Company related to the acceleration of certain Omniome stock options not attributed to pre-combination services of \$20.6 million which will be recognized by the Company as stock-based compensation expense on the Closing Date.
- L Reflects the 11.2 million common shares sold by the Company in a private placement transaction at a price of \$26.75 per share, net of \$5.6 million in estimated issuance costs. The proceeds will be used to finance the acquisition.

Statements of Operations Adjustments

- AA Reflects the estimated transaction expenses of the Company (\$12.7 million) and Omniome (\$16.6 million) not reflected in the statements of operations and comprehensive loss through June 30, 2021. Approximately \$0.5 million of transaction expenses are included in the Company's statement of operations and comprehensive loss for the six months ended June 30, 2021.
- BB Reflects the recognition of estimated share-based compensation expense of \$20.6 million related to the acceleration of certain Omniome stock options not attributed to pre-combination services.
- CC Reflects a one-time income tax benefit from the reduction of the Company's deferred tax asset valuation allowance, as a result of the Omniome transaction.
- DD Reflects the issuance of approximately 8.8 million common shares as stock consideration for the acquisition.
- EE Reflects an adjustment to the diluted weighted average shares outstanding to include the stock options issued by the Company in replacement of Omniome's unvested stock options as part of the transaction, based on Omniome options that were outstanding as of June 30, 2021.
- FF Reflects the elimination of Omniome's historical interest expense for the period related to Omniome's pre-existing debt that was settled in connection with the acquisition. For the year-ended December 31, 2020, the adjustment also includes the accretion of fees due upon repayment of \$1.2 million.
- GG Reflects the issuance by the Company of approximately 11.2 million common shares in a private placement transaction. Refer to Note L for further information.