COMPLETE GENOMICS INC

FORM S-1
(Securities Registration Statement)

Filed 07/30/10

Address 2071 STIERLIN COURT
          MOUNTAIN VIEW, CA 94043
Telephone 650-943-2843
CIK 0001361103
Fiscal Year 12/31
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

COMPLETE GENOMICS, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)

8731 (Primary Standard Industrial Classification Code Number)

2071 Stierlin Court, Mountain View, CA 94043 (Address, including zip code, and telephone number, including area code, of registrant’s principal executive offices)

Clifford A. Reid, Ph.D. President and Chief Executive Officer Complete Genomics, Inc. 2071 Stierlin Court Mountain View, CA 94043 (650) 943-2800

(Exact name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Alan C. Mendelson Gregory Chin Latham & Watkins LLP 140 Scott Drive Menlo Park, California 94025-1008 Telephone: (650) 328-4600 Facsimile: (650) 463-2600

Donald J. Murray Dewey & LeBoeuf LLP 1301 Avenue of the Americas New York, New York 10019-6092 Telephone: (212) 259-8000 Facsimile: (212) 259-6333

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

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The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐
Non-accelerated filer ☒ (Do not check if a smaller reporting company) Smaller reporting company ☐

CALCULATION OF REGISTRATION FEE

<table>
<thead>
<tr>
<th>Title of Each Class of Securities to be Registered</th>
<th>Proposed Maximum Aggregate Offering Price(1)</th>
<th>Amount of Registration Fee(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common Stock, $0.001 par value</td>
<td>$86,250,000</td>
<td>$6,149.63</td>
</tr>
</tbody>
</table>

(1) Includes shares which may be purchased by the underwriters to cover over-allotments, if any.
(2) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.
This is the initial public offering of our common stock. No public market currently exists for our common stock. We are offering all of the shares of our common stock offered by this prospectus. We expect the public offering price to be between $ \text{ and } $ per share.

We intend to apply to list our common stock on The NASDAQ Global Market under the symbol “GNOM.”

Investing in our common stock involves a high degree of risk. Before buying any shares, you should carefully read the discussion of material risks of investing in our common stock in “Risk Factors” beginning on page 12 of this prospectus.

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

The underwriters have the option, exercisable on or before the thirtieth day after the date of this prospectus, to purchase up to an additional shares of our common stock at the public offering price, less the underwriting discounts and commissions payable by us, to cover over-allotments, if any. If the underwriters exercise this option in full, the total underwriting discounts and commissions will be $ , and our total proceeds, before expenses, will be $ .

The underwriters are offering the common stock as set forth under “Underwriting.” Delivery of the shares will be made on or about 2010.

UBS Investment Bank  Jefferies & Company
Baird  Cowen and Company

The date of this prospectus is , 2010.
Complete Human Genome Sequencing Service

Simple, Complete Solution

1. Researcher sends DNA samples to Complete Genomics.

2. Complete Genomics performs library prep, sequencing, data assembly and analysis.

3. Large-scale data center supports advanced informatics and data management software.

4. Complete Genomics uploads finished, research-ready data to Amazon Web Services for delivery to customers.

5. Customers have access to a suite of analytical tools to enable them to rapidly analyze the genomic data that is generated from their samples.
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You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized anyone to provide you with additional information or information different from that contained in this prospectus. We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of shares of our common stock.

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Through and including , 2010 (25 days after the date of this prospectus), federal securities laws may require all dealers that effect transactions in our common stock, whether or not participating in this offering, to deliver a prospectus. This is in addition to the dealers’ obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

Our logo, “Complete Genomics,” “Complete Genomics Analysis Platform,” “CGA Platform,” “cPAL” and “DNB” and other trademarks or service marks of Complete Genomics, Inc. appearing in this prospectus are the property of Complete Genomics, Inc. This prospectus contains additional trade names, trademarks and service marks of other companies. We do not intend our use or display of other companies’ trade names, trademarks or service marks to imply relationships with, or endorsement or sponsorship of us by, these other companies.
Prospectus Summary

This summary highlights information contained elsewhere in this prospectus and does not contain all of the information you should consider in making your investment decision. You should read this summary together with the more detailed information, including our financial statements and the related notes, elsewhere in this prospectus. You should carefully consider, among other things, the matters discussed in “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” before making an investment decision. Unless otherwise indicated, “Complete Genomics, Inc.,” “Complete Genomics,” “the Company,” “we,” “us” and “our” refer to Complete Genomics, Inc.

Our Company

We are a life sciences company that has developed and commercialized an innovative DNA sequencing platform that we believe will become the preferred solution for complete human genome sequencing and analysis. Our Complete Genomics Analysis Platform, or CGA Platform, combines our proprietary human genome sequencing technology with our advanced informatics and data management software and our innovative, end-to-end, outsourced service model to provide our customers with data that is immediately ready to be used for genome-based research. We believe that our solution will provide academic and biopharmaceutical researchers with complete human genomic data and analysis at an unprecedented quality, cost and scale without requiring them to invest in in-house sequencing instruments, high-performance computing resources and specialized personnel. By removing these constraints and broadly enabling researchers to conduct large-scale complete human genome studies, we believe that our solution has the potential to revolutionize medical research and expand understanding of the basis, treatment and prevention of complex diseases.

We believe that our human genome sequencing technology, which is based on our proprietary DNA arrays and ligation-based read technology, is superior to existing commercially available complete human genome sequencing methods in terms of quality, cost and scale. In the DNA sequencing industry, complete human genome sequencing is generally deemed to be coverage of at least 90% of the nucleotides in the genome. Because we have optimized our technology platform and our operations for the unique requirements of high-throughput complete human genome sequencing, we are able to achieve accuracy levels of 99.999% at a total cost that is significantly less than the total cost of purchasing and using commercially available DNA sequencing instruments. We believe that we will be able to further improve our accuracy levels and reduce the total cost of sequencing and analysis, enabling us to maintain significant competitive advantages over the next several years. Because our technology resides only in our centralized facilities, we can quickly and easily implement enhancements and provide their benefits to our entire customer base. We believe that we will be the first company to sequence and analyze high-quality complete human genomes, at scale, for a total cost of under $1,000 per genome.

While our competitors primarily sell DNA sequencing instruments and reagents that produce raw sequenced data, requiring their customers to invest significant additional resources to process that raw data into a form usable for research, we offer our customers an end-to-end, outsourced solution that delivers research-ready genomic data. As the cost of complete human genome sequencing declines, we believe the basis of competition in our industry will shift from the cost of sequencing to the value of the entire sequencing solution. We believe that our integrated, advanced informatics and data management services will emerge as a key competitive advantage as this shift occurs.

Our genome sequencing center, which began commercial operations in May 2010, combines a high-throughput sample preparation facility, a collection of our proprietary high-throughput sequencing instruments and a large-scale data center. Our customers ship us their samples via common carrier services such as Federal Express and
United Parcel Service. We then sequence and analyze these samples and provide our customers with finished, research-ready data, enabling them to focus exclusively on their single highest priority, discovery.

As of March 31, 2010, there had been approximately 24 published and 200 unpublished complete human genomes sequenced worldwide, as reported in the April 2010 edition of Nature. As of July 20, 2010, we have sequenced over 200 complete human genomes year-to-date, including more than 100 in the first three weeks of July 2010, and have an order backlog of over 500 genomes. Our customers include some of the leading global academic and government research centers and biopharmaceutical companies. By the end of 2010, we expect our facility to have the capacity to sequence and analyze over 400 complete human genomes per month. We expect this capacity to increase over threefold in 2011. In future years, we plan to construct additional genome centers in the United States and other strategic markets to accommodate an expected growing global demand for high-quality, low-cost complete human genome sequencing on a large scale.

Our Industry

Studying how genes differ between species and among individuals within a species, or genetic variations, helps scientists to determine their functions and roles in health and disease. Improving our understanding of the genome and its functions has driven and, we expect, will continue to drive advancements in medical research and diagnostics. Genetic analysis products comprise instruments and consumables, as well as associated hardware, software and services directly involved in the study of DNA and RNA. Scientia Advisors, a third-party research firm, estimated genomic revenue in 2009 to be approximately $5.8 billion and projects the market to grow to approximately $9.0 billion by 2014.

The primary genetic analysis methods traditionally used by genetic researchers fall into three categories: DNA sequencing, genotyping and gene expression analysis. DNA sequencing is the process of determining the exact order, or sequence, of the individual nucleotides in a DNA strand so that this information can be correlated to the genetic activity influenced by that segment of DNA. Genotyping is the process of examining certain known mutations or variations in the DNA sequence of genes to determine whether the particular variant can be associated with a specific disease susceptibility or drug response. Gene expression analysis is the process of examining the molecules that are produced when a gene is activated, or expressed, to determine whether a particular gene is expressed in a specific biological tissue.

The Importance of Complete Human Genome Sequencing and the Limitations of Existing Technologies

One of the most difficult challenges facing the genetic research and analysis industry is improving our understanding of how genes contribute to diseases that have a complex pattern of inheritance. For many diseases, multiple genes each make a subtle contribution to a person’s predisposition or susceptibility to a disease or response to a drug treatment protocol. Accordingly, we believe that unraveling this complex network will be critical to understanding human health and disease. We believe that sequencing complete human genomes is the most comprehensive and accurate method by which to achieve these objectives and improve our understanding of human disease.

Innovations in DNA sequencing have led to the development of high-throughput sequencing technologies, commonly referred to as next-generation or second-generation sequencing, which produce thousands to millions of sequences at once. Although second-generation sequencing technologies have led to dramatic reductions in cost and improvements in quality and throughput for complete human genome sequencing, they were designed as general-purpose instruments for sequencing the DNA or RNA of plants, animals, bacteria and viruses. We believe the key limitations of using second-generation technologies for sequencing large numbers of complete human genomes include the following:

- **High Cost**. Commercially available DNA sequencing instruments cannot sequence complete human genomes at a price low enough to make large-scale projects affordable to researchers.
Our Solution

We have developed a novel approach to complete human genome sequencing. Our solution combines our proprietary sequencing technology, which achieves accuracy levels of 99.999%, with our advanced informatics and data management software and our innovative, end-to-end service model to deliver research-ready genomic data at a total cost that is significantly less than the total cost of purchasing and operating commercially available DNA sequencing instruments.

Proprietary Sequencing Technology

Our patterned DNA nanoball, or DNB, arrays, due to their small size and biochemical characteristics, enable us to pack DNA very efficiently on a silicon chip. In addition, we have developed a highly accurate combinatorial probe-anchor ligation, or cPAL, read technology, which enables us to read DNA fragments efficiently using small concentrations of low-cost reagents, while retaining extremely high single-read accuracy. We believe this unique combination of our proprietary DNB and cPAL technologies is superior in both quality and cost when compared to other commercially available approaches and provides us with significant competitive advantages. As reported in the January 2010 edition of *Science*, we sequenced a complete human genome at a consumables cost of approximately $1,800 and with a consensus error rate of approximately 1 error in 100,000 nucleotides. Our read accuracy was further independently validated by one of our customers, the Institute for Systems Biology, or ISB, as published in *Science Express* in March 2010.

Advanced Informatics and Data Management

Sequencing complete human genomes generates substantial amounts of data that must be managed, stored and analyzed. To address this potential need by our customers, we have built a genomics data processing facility with computing infrastructure for managing both small- and large-scale genomic sequencing projects. Our proprietary assembly software uses advanced data analysis algorithms and statistical modeling techniques to accurately reconstruct over 90% of the complete human genome from approximately two billion 70-base reads. After assembling the genomic data, we use our analysis software to identify and annotate key differences, or variants, in each genome.

By using our analytical tools and data management software, our customers can significantly reduce their investments in computing infrastructure. Our customers are provided with reliable access to assembled and annotated sequence data in multiple formats to ease data sharing and comparative analyses. In addition, our data storage options provide flexibility and allow customers to customize their data management strategy based on their particular business and scientific requirements. We are also developing a suite of web-based analytical tools designed to enable our customers to rapidly analyze the genomic data that is generated from their samples. As the reagent cost of sequencing declines, we believe that the cost and complexity of data analysis and management will emerge as the primary limiting factor for conducting complete human genome analysis.

Innovative, End-to-End Outsourced Solution

While our competitors primarily sell DNA sequencing instruments and reagents that produce raw sequenced data, our end-to-end, outsourced solution enables our customers to offload to us the complex processes of sample preparation, sequencing, computing and data storage and management. We believe our services will expand the
potential addressable market by enabling a broad base of researchers who may lack sufficient capital and the specialized personnel necessary to build and operate a sequencing laboratory, or who have historically been constrained by the high total cost of sequencing, to conduct large-scale complete human genome studies.

Our end-to-end solution provides the following advantages to our customers:

- **High-Quality Data.** Our technology delivers what we believe is the industry’s highest quality complete human genome data.
- **Cost-Savings.** Our customers are not required to purchase expensive sequencing instruments and high-performance computing resources or hire the necessary specialized personnel to sequence and analyze large sets of complete human genome data.
- **Speed at Scale.** Our customers can complete their large-scale projects more quickly by using our services than by using commercially available sequencing instruments.
- **Ease of Use.** Our customers can avoid the difficulty and time-consuming process of purchasing and operating their own sequencing instruments and can outsource the entire process to us, from sample preparation to delivery of research-ready data.
- **Operational Flexibility.** By outsourcing their large-scale complete human genome sequencing projects to us, our customers can free up the capacity of in-house instruments to run smaller or more targeted sequencing projects and applications.
- **Technological Flexibility.** As DNA sequencing technology improves, our customers avoid the risk of their expensive instruments becoming technologically obsolete.
- **Enables Customers to Focus on Discovery.** Outsourcing offloads the operational burdens of managing large-scale genome sequencing projects and enables our customers to focus their resources on research, which can reduce the time to discovery.

We have more than 30 past and current customers, which include some of the leading global academic and government research centers and biopharmaceutical companies. In May 2010, we received an order from SAIC-Frederick, Inc., a prime contractor for the National Cancer Institute’s research and development facility in Frederick, Maryland, to sequence 50 tumor-normal pairs, or 100 complete human genomes, over a six-month period. This contract contains an option for SAIC-Frederick to engage us to sequence 564 additional cancer cases, or 1,128 complete human genomes, over an additional 18-month period. In addition, we sequenced complete genomes that enabled ISB to pinpoint the causal gene, and subsequently confirm that gene’s role, in Miller Syndrome. This work has led to a follow-on project with the ISB to sequence an additional 122 genomes. We also worked with Genentech, Inc. (a member of the Roche Group) on a non-small cell lung cancer study that was the first complete human genome sequence of a primary non-small cell lung tumor and matched normal tissue. The data we delivered allowed Genentech to measure the rate of smoking-induced mutations accumulated over time.

**Applications for Our Sequencing Service**

Potential applications for our complete human genome sequencing service include:

- **Cancer Research.** We believe understanding genetic mutations in cancer patients will guide development of new cancer therapeutics and diagnostics and ultimately enable doctors to select the best course of therapy based on the specific mutations found in a tumor.
- **Mendelian Disease Research.** By sequencing the complete genomes of families affected with Mendelian diseases, which likely have a significant genetic component, we believe the genetic causes of these diseases can be discovered, which could lead to the development of novel diagnostics and therapeutics.
In addition to these research studies, we expect future clinical applications to include:

- **Competitive Strengths**
  
  We believe that our competitive strengths are as follows:
  
  - **Rare Variant Disease Research.** Large-scale genomic studies of central nervous system disorders, cardiac disease and certain metabolic disorders may help to identify disrupted pathways and lead to the development of novel diagnostics and therapeutics.
  
  - **Clinical Trial Optimization.** We believe that selecting or stratifying patients on the basis of their genetic profiles could enable the preferential admission of high responders into clinical trials, lowering costs and resulting in faster clinical trials and drug commercialization.
  
  In addition to these research studies, we expect future clinical applications to include:
  
  - **Companion Diagnostics.** We believe that therapeutics that are not first-line treatments for the general population may be elevated to first-line treatments or used in combination therapies for subsets of the population that share a common genetic profile. Complete human genome studies may unlock new market opportunities for these therapies or combination therapies.
  
  - **Cancer Pathology.** We believe that analyzing complex cancer genomes that involve large and unpredictable structural changes will be most reliably and economically implemented using complete human genome sequencing.
  
  - **Universal Diagnostics.** As medical records technology and public health policy advance, we believe that large numbers of people will have their complete human genomes sequenced and stored in their electronic medical records for use by their physicians in managing their health care decisions.

**Competitive Strengths**

We believe that our competitive strengths are as follows:

- **Proprietary Human Genome Sequencing Technology.** Our proprietary sequencing technology achieves accuracy levels of 99.999% at a total cost that is significantly less than the total cost of purchasing and operating commercially available DNA sequencing instruments.

- **Fully Integrated Advanced Informatics and Data Management Software.** Our solution enables our customers to manage and gain useful information from the massive data sets generated in complete human genome sequencing.

- **Highly Scalable and Capital-Efficient Business Model.** Consolidating volume across our entire customer base enables us to sequence large numbers of genomes while avoiding the cost and complexity of employing a large field installation and support organization. By implementing a high degree of automation, we have reduced the possibility of human errors that could adversely affect quality and increase costs.

- **Unique Insight Into Customer Needs.** We interact directly with our customers on their discovery projects, which enables us to develop and enhance our analysis software to meet our customers’ specific needs while expanding our understanding of variation in the human genome.

- **Fast and Efficient Deployment of Operational and Technological Enhancements.** Because our sequencing operations and data center are centralized, we can rapidly upgrade our technology and deliver the benefits to our customers. In addition, our access to genomic data allows our software engineers to continually refine and improve our software with each genome we sequence.

- **Expanded Market Opportunity.** We believe our outsourced model will expand the potential addressable market by providing academic and biopharmaceutical researchers who lack sufficient budgets or the specialized personnel necessary to build and operate a sequencing laboratory with access to high-quality, low-cost complete human genome data.
Our Strategy
We intend to become the leading complete human genome sequencing and analysis company and the preferred platform for human genome discovery by:

- continuing to deliver the highest quality genomic data and analysis at a low total cost;
- maintaining and strengthening our technological leadership position;
- capitalizing on our scalable model;
- establishing ourselves as the leader in outsourced complete human genome sequencing;
- expanding globally to increase capacity and reach new markets; and
- expanding applications for the use of our technology.

Risks Associated with our Business
Our business is subject to numerous risks, as discussed more fully in the section entitled “Risk Factors” immediately following this prospectus summary. These risks include the following, among others:

- We are an early, commercial-stage company and have a limited operating history.
- We have a history of losses, and we may not achieve or sustain profitability in the future, on a quarterly or annual basis.
- We may need substantial additional capital in the future in order to maintain and expand our business.
- Our only source of revenue is our human genome sequencing service, which is a new business model in an emerging industry, and failure to achieve market acceptance will harm our business.
- Our success depends on the growth of markets for analysis of genetic variation and biological function, and the shift of these markets to complete human genome sequencing.
- We face significant competition from large, well-capitalized companies. The emergence of new competitive genome sequencing technologies may also harm our business.
- We must significantly expand our capacity in order to meet projected demand.
- If our Mountain View genome sequencing facility becomes inoperable, we will be unable to perform our genome sequencing services, and our business will be harmed.
- If third parties assert that we have infringed their patents or other proprietary rights or challenge the validity of our patents or other proprietary rights, we may become involved in costly and time-consuming disputes and litigation that could affect our ability to sell our services.

Corporate Information
We were incorporated in the state of Delaware on June 14, 2005. The address of our principal executive offices is 2071 Stierlin Court, Mountain View, California 94043, and our telephone number is (650) 943-2800. Our website address is www.completegenomics.com. We do not incorporate the information on, or that can be accessed through, our website into this prospectus, and you should not consider it part of this prospectus.
### The Offering

<table>
<thead>
<tr>
<th>Description</th>
<th>Shares (or)</th>
</tr>
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<tbody>
<tr>
<td>Common stock offered by Complete Genomics</td>
<td>shares if the underwriters exercise their over-allotment option in full.</td>
</tr>
<tr>
<td>Common stock to be outstanding after this offering</td>
<td>shares if the underwriters exercise their over-allotment option in full.</td>
</tr>
<tr>
<td>Proposed NASDAQ Global Market symbol</td>
<td>“GNOM”</td>
</tr>
</tbody>
</table>

#### Use of proceeds

We currently intend to use the net proceeds of this offering to finance the further development and commercialization of our technology and for sales and marketing activities, capital expenditures to expand our facilities and operations and working capital and other general corporate purposes, including the costs associated with being a public company. Please see “Use of Proceeds.”

#### Risk factors

See “Risk Factors” starting on page 12 of this prospectus for a discussion of factors you should carefully consider before deciding to invest in our common stock.

The number of shares of common stock to be outstanding after this offering is based on shares outstanding as of July 15, 2010 and excludes:

- 2,248,953 shares of common stock issuable upon exercise of options outstanding as of July 15, 2010 with a weighted-average exercise price of $1.50 per share;
- 1,217,868 shares of common stock reserved for future issuance under our 2006 Equity Incentive Plan as of July 15, 2010, which will become available for issuance under our 2010 Equity Incentive Award Plan after completion of this offering;
- shares of common stock that will be reserved for future issuance under our 2010 Equity Incentive Award Plan, as well as any automatic increases in the number of shares of our common stock reserved for future issuance under this benefit plan, which will become effective immediately prior to the consummation of this offering;
- shares of common stock subject to warrants outstanding as of July 15, 2010 that will not expire upon completion of this offering, with a weighted-average exercise price of $ per share; and
- up to shares of common stock issuable upon conversion of the $22,121,452 aggregate principal amount of convertible notes that we issued in April, May and June of 2010, if the holders of those notes elect to convert their notes in connection with this offering.

The number of shares of our common stock outstanding after this offering assumes:

- the conversion of all 7,819,758 shares of our convertible preferred stock outstanding on July 15, 2010 into an aggregate of 10,533,490 shares of our common stock, which will be effective immediately prior to the consummation of this offering;
- the exercise, on a net issuance basis, of warrants outstanding as of July 15, 2010, which will expire upon completion of this offering if unexercised, to purchase shares of our common stock, resulting in the issuance of shares of common stock, assuming an initial public offering price of $ per share (the midpoint of the price range set forth on the cover page of this prospectus); and
Except as otherwise indicated, all information in this prospectus reflects or assumes no exercise of the underwriters’ over-allotment option. We refer to our Series A, Series B, Series C and Series D preferred stock collectively as “convertible preferred stock” for financial reporting purposes and in the financial tables included in this prospectus, as more fully explained in Note 6 to our financial statements. In other parts of this prospectus, we refer to our Series A, Series B, Series C and Series D preferred stock collectively as “preferred stock.”
Summary Financial Data

The following tables set forth a summary of our historical financial data as of, and for the periods ended on, the dates indicated. You should read these tables together with our financial statements and the related notes, “Selected Financial Data” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this prospectus. The statement of operations data for the years ended December 31, 2007, 2008 and 2009 are derived from our audited financial statements included elsewhere in this prospectus. The statement of operations data for the three months ended March 31, 2009 and 2010 and for the cumulative period from June 14, 2005 (date of inception) to March 31, 2010, and the balance sheet data as of March 31, 2010 are derived from our unaudited financial statements included elsewhere in this prospectus. The unaudited financial statements have been prepared on a basis consistent with our audited financial statements and include, in the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of the financial information in those statements. Our historical results are not necessarily indicative of the results to be expected in any future period, and the results for the three months ended March 31, 2010 are not necessarily indicative of the results to be expected for the year ending December 31, 2010.

The unaudited pro forma and pro forma as adjusted financial data is presented for informational purposes only and does not purport to represent what our results of operations or financial position actually would have been had the transactions reflected occurred on the dates indicated or to project our financial condition as of any future date or results of operations for any future period.

<table>
<thead>
<tr>
<th>Statement of Operations Data:</th>
<th>Years ended December 31,</th>
<th>Three months ended March 31,</th>
<th>Cumulative period from June 14, 2005 (date of inception) to March 31, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$ —</td>
<td>$ —</td>
<td>$ 623</td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Start-up production costs (1)</td>
<td></td>
<td></td>
<td>5,033</td>
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<td>Research and development (1)</td>
<td>10,305</td>
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<td>General and administrative (1)</td>
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<td>Sales and marketing (1)</td>
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<td>1,045</td>
<td>1,798</td>
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<tr>
<td>Total operating expenses (1)</td>
<td>12,201</td>
<td>27,857</td>
<td>34,208</td>
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<tr>
<td>Loss from operations</td>
<td>(12,201)</td>
<td>(27,857)</td>
<td>(33,585)</td>
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<tr>
<td>Interest expense</td>
<td>(215)</td>
<td>(974)</td>
<td>(3,465)</td>
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<tr>
<td>Interest and other income (expense), net</td>
<td>163</td>
<td>437</td>
<td>1,101</td>
</tr>
<tr>
<td>Net loss</td>
<td>$(12,253)</td>
<td>$(28,394)</td>
<td>$(35,949)</td>
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<tr>
<td>Net loss per share, basic and diluted</td>
<td>$(211.00)</td>
<td>$(369.36)</td>
<td>$(510.92)</td>
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<tr>
<td>Weighted-average shares of common stock outstanding used in computing net loss per share, basic and diluted</td>
<td>58,072</td>
<td>76,873</td>
<td>92,998</td>
</tr>
<tr>
<td>Pro forma net loss per share of common stock, basic and diluted (unaudited) (2)</td>
<td>$ (6.59)</td>
<td>$ (1.45)</td>
<td></td>
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<tr>
<td>Net loss used in computing pro forma net loss per share of common stock, basic and diluted (unaudited) (2)</td>
<td>$ (37,037)</td>
<td>$ (14,545)</td>
<td></td>
</tr>
<tr>
<td>Weighted-average shares of common stock outstanding used in computing the pro forma net loss per share of common stock, basic and diluted (unaudited) (2)</td>
<td>5,619,600</td>
<td>10,062,693</td>
<td></td>
</tr>
</tbody>
</table>

(footnotes on following page)
The table below presents our balance sheet data as of March 31, 2010:

- on an actual basis;
- on a pro forma basis to give effect to our issuance and sale, during April, May and June 2010, of an aggregate of $22,121,452 in principal amount of convertible notes, and warrants to purchase an aggregate of shares of our common stock at an exercise price of $1.50 per share; and
- on a pro forma as adjusted basis to give further effect to:
  - the sale of shares of common stock in this offering at an assumed initial public offering price of $ per share (the midpoint of the price range set forth on the cover page of this prospectus), after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us;
  - the conversion of all 7,819,758 shares of our convertible preferred stock outstanding on March 31, 2010 into an aggregate of 10,533,490 shares of our common stock, which will be effective immediately prior to the consummation of this offering;
  - the conversion of all of our warrants for convertible preferred stock into warrants for common stock immediately prior to the consummation of this offering, and the related reclassification of convertible preferred stock warrant liability to additional paid-in capital;
  - the exercise, on a net issuance basis, of warrants outstanding as of March 31, 2010, which will expire upon completion of this offering if unexercised, to purchase shares of our common stock, resulting in the issuance of shares of common stock, assuming an initial public offering price of $ per share (the midpoint of the price range set forth on the cover page of this prospectus); and
  - the exercise, on a net issuance basis, of warrants outstanding as of March 31, 2010, which will expire upon completion of this offering if unexercised, to purchase shares of our convertible preferred stock, and the conversion of those shares of preferred stock immediately prior to the consummation of this offering, resulting in the issuance of shares of common stock, assuming an initial public offering price of $ per share (the midpoint of the price range set forth on the cover page of this prospectus).

(1) Includes stock-based compensation expense as follows:

<table>
<thead>
<tr>
<th></th>
<th>Years ended December 31,</th>
<th>Three months ended March 31,</th>
<th>Cumulative period from June 14, 2005 (date of inception) to March 31, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Start-up production costs</td>
<td>$</td>
<td>$</td>
<td>$81</td>
</tr>
<tr>
<td>Research and development</td>
<td>78</td>
<td>246</td>
<td>992</td>
</tr>
<tr>
<td>General and administrative</td>
<td>22</td>
<td>90</td>
<td>262</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>—</td>
<td>—</td>
<td>75</td>
</tr>
<tr>
<td>Total stock-based compensation</td>
<td>$100</td>
<td>$336</td>
<td>$1,410</td>
</tr>
</tbody>
</table>

(2) Net loss used in computing pro forma basic and diluted net loss per share of common stock, and the number of weighted-average common shares used in computing pro forma basic and diluted net loss per share of common stock, in the table above assume the conversion of all of our outstanding convertible preferred stock into common stock immediately prior to the consummation of this offering. See Note 2 to our financial statements for an explanation of the method used to compute pro forma basic and diluted net loss per share of common stock and the number of shares used in computing those per share amounts.
March 31, 2010

<table>
<thead>
<tr>
<th>Balance Sheet Data:</th>
<th>Actual</th>
<th>Pro forma</th>
<th>Pro forma as adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>(in thousands)</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 2,371</td>
<td>$ 24,492</td>
<td></td>
</tr>
<tr>
<td>Working capital (deficit)</td>
<td>(10,620)</td>
<td>11,501</td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>30,818</td>
<td>52,939</td>
<td></td>
</tr>
<tr>
<td>Current and long-term notes payable</td>
<td>6,928</td>
<td>23,676</td>
<td></td>
</tr>
<tr>
<td>Convertible preferred stock warrant liability</td>
<td>1,344</td>
<td>1,344</td>
<td></td>
</tr>
<tr>
<td>Convertible preferred stock</td>
<td>95,893</td>
<td>95,893</td>
<td></td>
</tr>
<tr>
<td>Total stockholders’ equity (deficit)</td>
<td>(89,638)</td>
<td>(84,264)</td>
<td></td>
</tr>
</tbody>
</table>

(1) A $1.00 increase (decrease) in the assumed initial public offering price of $ per share (the midpoint of the price range set forth on the cover page of this prospectus) would increase (decrease) each of pro forma as adjusted cash and cash equivalents, working capital, total assets and stockholders’ equity (deficit) by approximately $ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same. We may also increase or decrease the number of shares we are offering. An increase (decrease) of 1,000,000 in the number of shares we are offering would increase (decrease) each of pro forma as adjusted cash and cash equivalents, working capital, total assets and stockholders’ equity (deficit) by approximately $ million, assuming the initial public offering price per share, as set forth on the cover page of this prospectus, remains the same. An increase of 1,000,000 in the number of shares we are offering, together with a $1.00 increase in the assumed initial public offering price per share, would increase each of pro forma as adjusted cash and cash equivalents, working capital, total assets and stockholders’ equity (deficit) by approximately $ million. A decrease of 1,000,000 in the number of shares we are offering, together with a $1.00 decrease in the assumed initial public offering price per share, would decrease each of pro forma as adjusted cash and cash equivalents, working capital, total assets and stockholders’ equity (deficit) by approximately $ million. The pro forma as adjusted information is illustrative only, and we will adjust this information based on the actual initial public offering price and other terms of this offering determined at pricing.

(2) The outstanding principal of, and interest on, the $22,121,452 aggregate principal amount of convertible notes we issued and sold during April, May and June 2010 will become due upon the closing of this offering, subject to the right of the holders of these notes to elect instead to convert their notes into shares of our preferred stock. However, if we issue and sell a new series of preferred stock before the closing of this offering, resulting in aggregate gross cash proceeds of at least $17.0 million, then these convertible notes will instead convert into shares of that series of preferred stock, which will convert into shares of our common stock immediately prior to the consummation of this offering.
Investing in our common stock involves a high degree of risk. You should carefully consider the following risk factors, as well as the other information in this prospectus, before deciding whether to invest in shares of our common stock. The occurrence of any of the events described below could harm our business, financial condition, results of operations and growth prospects. In such an event, the trading price of our common stock may decline and you may lose all or part of your investment.

Risks Related to Our Limited Operating History, Financial Condition and Capital Requirements

We are an early, commercial-stage company and have a limited operating history, which may make it difficult to evaluate our current business and predict our future performance.

We are an early, commercial-stage company and have a limited operating history. We were incorporated in Delaware in June 2005 and began operations in March 2006. From March 2006 until mid-2009, our operations focused on research and developing our DNA sequencing technology platform. In December 2009, we recognized our first revenue from the sale of our genome sequencing services. Our limited operating history, particularly in light of our novel, service-based business model in the rapidly evolving genome sequencing industry, may make it difficult to evaluate our current business and predict our future performance. Our lack of a long operating history, and especially our very short history as a revenue-generating company, make any assessment of our profitability or prediction about our future success or viability subject to significant uncertainty. We have encountered and will continue to encounter risks and difficulties frequently experienced by early, commercial-stage companies in rapidly evolving industries. If we do not address these risks successfully, our business will suffer.

Our quarterly operating results may fluctuate in the future. As a result, we may fail to meet or exceed the expectations of research analysts or investors, which could cause our stock price to decline.

Our financial condition and operating results may fluctuate from quarter to quarter and year to year in the future due to a variety of factors, many of which are beyond our control. Factors relating to our business that may contribute to these fluctuations include the following, as well as other factors described elsewhere in this prospectus:

- our ability to achieve profitability;
- the size and frequency of customer orders;
- our ability to expand our sequencing operations;
- our need for and ability to obtain capital necessary to operate and expand our business;
- the cost of our sequencing services;
- the demand for the sequencing of complete human genomes;
- the existence and extent of government funding for research and development relating to genome sequencing;
- the emergence of alternative genome sequencing technologies;
- risks associated with expanding our business into international markets;
- our ability to lower the average cost per genome that we sequence;
- our dependence on single-source suppliers;
- our ability to manage our growth;
- our ability to successfully partner with other businesses in joint ventures or collaborations, or integrate any businesses we may acquire with our business;
Due to the various factors mentioned above, and others, the results of any prior quarterly or annual periods are not necessarily indicative of our future operating performance.

We have a history of losses, and we may not achieve or sustain profitability in the future, on a quarterly or annual basis.

We have not been profitable in any quarterly period since we were formed. We incurred net losses of $12.3 million, $28.4 million and $35.9 million for the years ended December 31, 2007, 2008 and 2009, respectively, and $14.3 million for the three months ended March 31, 2010. As of March 31, 2010, our deficit accumulated during the development stage was $95.5 million. As a result of our historical losses from operations since inception and negative cash flow from operations, our independent registered public accounting firm’s report on our financial statements as of and for the year ended December 31, 2009 includes an explanatory paragraph expressing substantial doubt about our ability to continue as a going concern. Based on our current operating plans and assumptions, we do not expect to achieve profitability on an annual basis in the near future. In addition, we expect our cash expenditures to increase significantly in the near term, including significant expenditures for the expansion of our Mountain View, California sequencing facility and the development of additional sequencing centers, research and development, sales and marketing and general and administrative expenses. In order to continue operations, we must obtain additional debt or equity financing. As a public company, we will also incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, we may encounter unforeseen difficulties, complications and delays in expanding our Mountain View sequencing facility or in establishing additional genome sequencing centers and other unforeseen factors that require additional expenditures. These costs, among other factors, have had and will continue to have an adverse effect on our working capital and stockholders’ equity. We will have to generate and sustain substantially increased revenue to achieve and maintain profitability, which we may never do. If we are unable to achieve and then maintain profitability, the market value of our common stock will decline.

We may need substantial additional capital in the future in order to maintain and expand our business.

Our future capital requirements may be substantial, particularly as we further develop our business, expand the sequencing capacity in our Mountain View, California facility and establish additional genome sequencing centers. Historically, we have financed our operations through private placements of preferred stock and convertible debt and borrowings under our credit facility.

We believe that, based on our current level of operations and anticipated growth, the net proceeds from this offering, together with our cash and cash equivalent balances and interest income we earn on these balances, will be sufficient to meet our anticipated cash requirements through at least the next 12 months. However, we may
need additional capital if our current plans and assumptions change. Our need for additional capital will depend on many factors, including:

- the financial success of our genome sequencing business;
- our ability to increase the genome sequencing capacity in our Mountain View facility;
- the rate at which we establish additional genome sequencing centers and whether we can find suitable partners to establish such centers;
- whether we are successful in obtaining payments from customers;
- whether we can enter into collaborations or establish a recurring customer base;
- the progress and scope of our research and development projects;
- the effect of any joint ventures or acquisitions of other businesses or technologies that we may enter into or make in the future;
- the filing, prosecution and enforcement of patent claims; and
- lawsuits brought against us by third parties.

If our capital resources are insufficient to meet our capital requirements, and we are unable to enter into joint ventures or collaborations with partners able or willing to fund our development efforts or purchase our genome sequencing services, we will have to raise additional funds. If future financings involve the issuance of equity securities, our existing stockholders would suffer dilution. If we raise additional debt financing, we may be subject to restrictive covenants that limit our ability to conduct our business. We may not be able to raise sufficient additional funds on terms that are favorable to us, if at all. If we fail to raise sufficient funds and continue to incur losses, our ability to fund our operations, take advantage of strategic opportunities, further develop and enhance our technology or otherwise respond to competitive pressures could significantly suffer. If this happens, we may be forced to:

- slow or halt the expansion of our Mountain View facility and the establishment of additional genome sequencing centers;
- slow the commercialization of our services;
- delay or terminate research or development programs;
- curtail or cease operations; or
- seek to obtain funds through collaborative and licensing arrangements, which may require us to relinquish commercial rights or grant licenses on terms that are not favorable to us.

**Risks Related to Our Business**

*Our only source of revenue is our human genome sequencing service, which is a new business model in an emerging industry, and failure to achieve market acceptance will harm our business.*

Since our inception, all of our efforts have been focused on the creation of a technology platform for our human genome sequencing service, which we have only just recently commercialized. We expect to generate all of our revenue from our human genome sequencing service for the foreseeable future. As a result, market acceptance of our human genome sequencing service is critical to our future success.

Providing genome sequencing as a service is a new and unproven business model in a relatively new and rapidly evolving industry. We are using proprietary technology, involving multiple scientific and engineering disciplines, and a novel service model to bring complete human genome sequencing to an unproven market. Historically, companies in this industry have sold sequencing instruments directly to customers, and the customer performs the sequencing itself. We do not know if the purchasers and users of sequencing instruments will adopt our
service model. For example, many potential customers want to sequence human genomes for proprietary studies that may lead to discoveries which they would seek to exploit, either commercially or through the publication of scientific literature. Accordingly, these potential customers may have significant reservations about allowing a third party to control the sequencing processes for their proprietary studies. Alternatively, other potential customers may want to sequence only portions of human genomes, rather than complete human genomes. There are many reasons why our services might not become widely adopted, ranging from logistical or quality problems to a failure by our sales force to engage potential customers, and including the other reasons stated in this “Risk Factors” section. As a result, our genome sequencing service may not achieve sufficient market acceptance to allow us to become profitable.

Our success depends on the growth of markets for analysis of genetic variation and biological function, and the shift of these markets to complete human genome sequencing.

We are currently targeting customers for our genome sequencing service in academic and government research institutions and in the pharmaceutical and other life science industries. Our customers are using our service for large-scale human genome studies for a wide variety of diagnostic and discovery applications. These markets are new and emerging, and they may not develop as quickly as we anticipate, or reach their full potential. The development of the market for complete human genome sequencing and the success of our service depend in part on the following factors:

- demand by researchers for complete human genome sequencing;
- the usefulness of genomic data in identifying or treating disease;
- the ability of our customers to successfully analyze the genomic data we provide;
- the ability of researchers to convert genomic data into medically valuable information;
- the capacity and scalability of the hardware storage components necessary to store, manage, backup, retain and safeguard genomic data; and
- the development of software tools to efficiently search, correlate and manage genomic data.

For instance, demand for our genome sequencing service may decrease if researchers fail to find meaningful correlations between genetic variation and disease susceptibility through genome-wide association studies. In addition, factors affecting research and development spending generally, such as changes in the regulatory environment affecting pharmaceutical and other life science companies and changes in government programs that provide funding to companies and research institutions, could harm our business. If our target markets do not develop in a timely manner, demand for our service may grow at a slower rate than we expect, or may fall, and we may not achieve profitability.

To date, relatively few complete human genomes have been sequenced, in large part due to the high cost of large-scale sequencing. Our business plan assumes that the demand for sequencing complete human genomes will increase significantly as the cost of complete human genome sequencing decreases. This assumption may prove to be incorrect, or the increase in demand may take significantly more time than we anticipate. For example, potential customers may not think our cost reductions are sufficient to permit or justify large-scale sequencing. Moreover, some companies and institutions have focused on sequencing targeted areas of the genome that are believed to be primarily associated with disorders and diseases, as opposed to the entire genome. Demand for sequencing complete human genomes may not increase if these targeted sequencing strategies, such as exome sequencing, where selected regions containing key portions of genes are sequenced, prove to be more cost effective or are viewed as a more efficient method of genetic analysis than complete human genome sequencing.

We face significant competition. Our failure to compete effectively could adversely affect our sales and results of operations.

We currently compete with companies that develop, manufacture and market genome sequencing instruments or provide genome sequencing services. We expect competition to increase as our competitors develop new,
The market for genome sequencing technology is highly competitive and is served by several large companies with significant market shares. For example, established companies such as Illumina, Inc., Life Technologies Corporation and Roche Diagnostics Corporation are marketing instruments for genetic sequencing that are directly competitive with our services, and these companies have significantly greater financial, technical, marketing and other resources than we do to invest in new technologies and have substantial intellectual property portfolios and substantial experience in product development and regulatory expertise. Also, there are many smaller companies, such as Ion Torrent Systems, Inc., NABsys, Inc., Oxford Nanopore Technologies, Ltd., Pacific Biosciences, Inc. and Helicos Biosciences Corporation, that are developing sequencing technology that would compete with ours. Moreover, large established companies may acquire smaller companies, such as these, with emerging technologies and use their extensive resources to develop and commercialize such technologies or incorporate such technologies into their instruments and services.

In addition, there are many research, academic and other non-profit institutions that are pursuing new sequencing technologies. These institutions often have access to significant government and other funding. For example, BGI (formerly known as Beijing Genomics Institute) in the People’s Republic of China offers a service that is similar to ours and is funded by the government of China. In the United States, agencies such as the National Human Genome Research Institute provide funding to institutions to discover new sequencing technology. We may compete directly with these institutions, or these institutions may license their technologies to third parties with whom we would compete.

While many of our existing competitors primarily sell sequencing instruments, they may also begin to provide sequencing services like us. Since these competitors have already developed their own sequencing technology, they will not experience significant technological barriers to entry and can likely enter the sequencing services market fairly quickly and with little additional cost. For example, Illumina has recently announced that it will be providing individual genome sequencing services for as low as $9,500 per genome, and Life Technologies has recently announced a collaboration to build a genome sequencing facility. Illumina also announced that it is pursuing a global program designed to provide researchers with access to academic and commercial institutions that can perform large-scale whole human genome sequencing projects using Illumina’s technology. Furthermore, many of these instrumentation companies have already established a significant market presence and are trusted by customers in the industry. As established instrumentation companies enter the sequencing services market, many potential customers may purchase sequencing services from these companies instead of us, even if we offer superior technology and services.

For more information regarding our existing and potential competitors, please see “Business—Competition.”

**The emergence of competitive genome sequencing technologies may harm our business.**

The success of our genome sequencing services will depend, in part, on our ability to continue to enhance the performance and decrease the cost of our genome sequencing technology. A number of genome sequencing technologies exist, and new methods and improvement to existing methods are currently being developed, including technology platforms developed by companies that we expect will directly compete with us as providers of sequencing services or instruments. These new technologies may result in faster, more cost-effective and more accurate sequencing methods than ours. For example, our sequencing technology does not currently cover all of the nucleotides in the genome. If competitive technologies emerge that sequence portions of the genome that our technology does not, our business could suffer if those portions contain important genomic information. We expect to face competition from emerging companies, including Ion Torrent Systems, NABsys, Oxford Nanopore Technologies and Pacific Biosciences. As a result of the emergence of these competitive sequencing technologies, demand for our service may decline or never develop sufficiently to sustain our operations.

Our industry is rapidly changing, with emerging and continually evolving technologies that increase the efficiency and reduce the cost of sequencing genomes. As new technologies emerge, we believe that the cost
and error rates of, and the time required to, sequence human genomes will eventually decrease to a level where competition in the industry will shift to other factors, such as providing related services and analytical technologies. We may not be able to maintain any technological advantage over these new sequencing technologies, and if we fail to compete effectively on other factors relevant to our customers, our business will suffer.

**Our order backlog may never be completed, and we may never earn revenue on backlogged contracts to sequence genomes.**

In various sections of this prospectus, we have disclosed that, as of July 20, 2010, we have an order backlog for the sequencing of over 500 genomes. This figure represents the number of genomes for which we have executed purchase orders from our customers that we believe are firm and for which we have not yet recognized revenue. We have also disclosed that, as of March 31, 2010, our order backlog for which we believe we will sequence, bill and gain customer acceptance within twelve months was $7.0 million. We may never sequence these genomes or receive revenue from these backlogged orders, and the order backlog we report may not be indicative of our future revenue.

Many events can cause a backlogged order not to be completed. Currently, many orders are considered backlog because we do not presently have sufficient capacity to immediately sequence all the genomes which we have agreed to sequence. If we delay fulfilling customer orders, those customers may seek to cancel their contracts with us or may turn to one of our competitors. For example, we have in the past had a customer cancel a contract with us due, in part, to a delay in sequencing their samples. If our backlogged orders do not result in sales, our operating results will suffer.

**We must significantly increase our production capabilities in order to meet expected demand.**

We have only just recently commercialized our complete human genome sequencing service, and we have very limited experience in running a commercial-scale production facility. We have only one sequencing facility, and we project that facility to have the capacity to sequence over 400 complete human genomes per month by the end of 2010. This capacity is significantly less than what would be required to achieve profitability, if demand for our sequencing services grows as anticipated. Our business plan assumes that we will be able to increase our capacity multiple fold.

We plan to increase the capacity of our sequencing facility by installing additional sequencing machines, improving our software and purchasing higher resolution cameras to image the DNA arrays. We also plan to construct additional genome sequencing centers in the United States and elsewhere. We may encounter difficulties in expanding our sequencing infrastructure, and we may not build and improve this infrastructure in time to meet the volume, quality or timing requirements necessary to be successful. Manufacturing and supply quality issues may arise, including due to third parties who provide the components of our technology platform. Implementing improvements to our sequencing technology may involve significant changes, which may result in delays, or may not achieve expected results. For example, we are experimenting with increasing the density of the silicon wafers that we use for our DNA arrays by reducing the grid size of those wafers and correspondingly reducing the diameter of our DNA nanoballs, or DNBs, and the sticky spots on those wafers. These experiments may be unsuccessful and may not lead to feasible technological improvements that increase the capacity or reduce the costs of our sequencing services. If capacity or cost limitations prevent us from meeting our customers’ expectations, we will lose revenue and our potential customers may take their business to our competitors.

**Our genome sequencing technology platform was developed for human DNA and is not currently optimized to sequence non-human DNA.**

Our technology platform was developed and has been optimized for sequencing human DNA, and we do not intend to sequence non-human DNA. We face significant competition from established companies who sell genome sequencing instruments that can sequence both human and non-human DNA. Many of the academic and research institutions that are our target customers conduct studies on both human and non-human DNA. Prospective customers may choose to purchase sequencing instruments from a competitor because of their broader sequencing application. Our competitors may also choose to provide sequencing services for non-human
DNA. As a result, there may not be sufficient demand for our human genome sequencing service, which will harm our business.

We depend on a limited number of suppliers, including single-source suppliers, of various critical components for our sequencing process. The loss of these suppliers, or their failure to supply us with the necessary components on a timely basis, could cause delays in our sequencing center and adversely affect our business.

We depend on a limited number of suppliers, including some single-source suppliers, of various critical components for our sequencing process. We do not have long-term contracts with our suppliers or service providers. Because we do not have long-term contracts, our suppliers generally are not required to provide us with any guaranteed minimum production levels. As a result, we may not be able to obtain sufficient quantities of critical components in the future.

A delay or interruption by our suppliers may harm our business. For example, the wafers that comprise the base of our sample slide are fabricated by SVTC Technologies, L.L.C. We currently do not have an alternative source for the supply of these wafers, which are critical to our sequencing process, and the custom manner in which these wafers are made may make it difficult to locate other semiconductor suppliers to manufacture them for us. We recently experienced a significant delay in the delivery, from one of our suppliers, of certain components for our sequencing system, which delayed our planned expansion of our Mountain View sequencing facility. Similarly, an interruption of services by Amazon Web Services, on whom we rely to deliver finished genomic data to our customers, would result in our customers not receiving their data on time.

In addition, the lead time needed to establish a relationship with a new supplier can be lengthy, and we may experience delays in meeting demand in the event we must switch to a new supplier. The time and effort to qualify a new supplier could result in additional costs, diversion of resources or reduced manufacturing yields, any of which would negatively impact our operating results. Our dependence on single-source suppliers exposes us to numerous risks, including the following:

- our suppliers may cease or reduce production or deliveries, raise prices or renegotiate terms;
- delays by our suppliers could significantly limit our ability to sequence customer data;
- we may be unable to locate a suitable replacement on acceptable terms or on a timely basis, if at all; and
- delays caused by supply issues may harm our reputation, frustrate our customers and cause them to turn to our competitors for future projects.

If our Mountain View genome sequencing facility becomes inoperable, we will be unable to perform our genome sequencing services and our business will be harmed.

We currently do not have redundant sequencing facilities on a scale that could support our business. We perform all of our commercial genome sequencing in our facility located in Mountain View, California. Mountain View is situated on or near earthquake fault lines. Our facility, the equipment we use to perform our sequencing services and our other business process systems are costly to replace and could require substantial time to repair or replace. The facility may be harmed or rendered inoperable by natural or man-made disasters, including earthquakes, wildfires, floods, acts of terrorism or other criminal activities, infectious disease outbreaks and power outages, which may render it difficult or impossible for us to sequence genomes for some period of time. In addition, these events may temporarily interrupt our ability to receive samples from our customers or materials from our suppliers and our access to our various systems necessary to operate our business. The inability to perform our sequencing service would result in the loss of customers and harm our reputation. Our insurance covering damage to our property and the disruption of our business may not be sufficient to cover all of our potential losses and may not continue to be available to us on acceptable terms, or at all.
Failure to achieve expected sequencing process yields, or variability in our sequencing process yields, could harm our operating results and damage our reputation.

Our sequencing process, like any other commercial-scale production process, is not flawless. For example, our DNBs may not adhere to all of the “sticky” spots on the surface of the silicon wafers we use to sequence DNA, or parts of the wafers may be unreadable. We refer to the efficiency of our sequencing process as its yield. The sequencing process yields we achieve depend on the design and operation of our sequencing process, which uses a number of complex and sophisticated biochemical, informatics, optical and mechanical processes. An operational or technology failure in one of these complex processes may result in sequencing processing yields that are lower than we anticipate or that vary between sequencing runs. In addition, we are regularly evaluating and refining our sequencing process. These refinements may initially result in unanticipated issues that further reduce our sequencing process yields or increase the variability of our sequencing yields. Low sequencing yields, or higher than anticipated variability, increases total sequencing costs and reduces the number of genomes we can sequence in a given time period, which can cause variability in our operating results and damage our reputation.

We may have to resequence genomes due to contamination of DNA samples in the sequencing process, and we may inadvertently mishandle our customers’ samples.

In the past, we have had to resequence various genome samples as a result of contamination occurring in the sample preparation and library construction process. The sequencing process is highly sensitive, and the presence of any foreign substances during the preparation of the slide samples can corrupt the results of the sequencing process. Resequencing requires additional expense, time and capacity and delays the recognition of revenue from the service. Samples may be contaminated in the future, which may damage our reputation and decrease the demand for our service.

In addition, we may unintentionally mishandle DNA samples. For example, if customer samples or sequencing results are switched, our customers would receive the wrong sequencing data, which could have significant consequences, particularly if that data is used to diagnose or treat disease. Mishandling customer samples or data would harm our reputation and could result in litigation against us.

If we are not successful in reducing the average cost of our sequencing service, demand for our services, and therefore our business, will suffer.

Our ability to expand our customer base depends highly on our ability to reduce the average cost of sequencing a human genome. For example, certain academic or government-sponsored research organizations may forgo or delay whole genome-wide studies based on the cost required to sequence complete human genomes, in favor of other less expensive studies. Additionally, certain of our target customers may decide it is more cost-effective to purchase sequencing instruments from a competitor than contract for our sequencing service. To compete effectively with competitors who sell and market sequencing instruments, our service must provide cost advantages, superior quality and time savings over the purchase of sequencing instruments. In addition, as new competitors enter the market or expand their business model to include sequencing services, we expect increased pricing pressure, which may force us to decrease the price of our genome sequencing service. Our gross profit and operating results will suffer if we are unable to offset any reductions in our prices by reducing our costs by developing new or enhanced technologies or methods, or increasing our sales volumes.
Reduction or delay in research and development budgets and government funding may adversely impact our sales.

We expect that for the foreseeable future, our revenue will be derived primarily from selling our genome sequencing service to a relatively small number of academic, governmental and other research institutions, as well as pharmaceutical and other life science companies. Our revenue may decline substantially due to reductions and delays in research and development expenditures by these customers, which depend, in part, on their budgets and the availability of government funding. Factors that could affect the spending levels of our customers include:

- weakness in the global economy and changing market conditions that affect our customers;
- changes in the extent to which the pharmaceutical and life science industry may use genetic information and genetic testing as a methodology for drug discovery and development;
- changes in government programs that provide funding to companies and research institutions;
- changes in the regulatory environment affecting pharmaceutical and life science companies and research;
- impact of consolidation within the pharmaceutical and life science industry; and
- cost-reduction initiatives of customers.

Also, government funding of research and development is subject to the political process, which is inherently unpredictable. Any reduction in the funding of life science research and development or delay surrounding the approval of government budget proposals may cause our customers to delay or forgo purchases of our services. A reduction or delay in demand for our service will adversely affect our ability to achieve profitability.

The timing and extent of funding provided by the American Recovery and Reinvestment Act of 2009 could adversely affect our business, financial condition or results of operations.

In February 2009, the U.S. government enacted the American Recovery and Reinvestment Act of 2009, which we refer to as the Recovery Act, to provide stimulus to the U.S. economy in the wake of the economic downturn. As part of the Recovery Act, over $10 billion in research funding was provided to the National Institutes of Health, or NIH, through September 2010 to support the advancement of scientific research. A portion of the stimulus funding supported the analysis of genetic variation and biological function and may have a significant positive long-term impact on our business and the industry generally. In the short-term, however, potential customers may delay or forgo their purchases of our services as they wait to learn whether, and to what extent, they will receive stimulus funding. If potential customers are unable to obtain stimulus money, they may reduce their research and development budgets, resulting in a decrease in demand for our service. In addition, even if potential customers receive these stimulus funds, they may not purchase our services, and we may not benefit from the Recovery Act.

Ethical, legal and social concerns related to the use of genetic information could reduce demand for our genome sequencing services.

Our genome sequencing services are intended to facilitate large-scale human genome studies for a wide variety of diagnostic and discovery applications. However, genetic testing has raised ethical, legal and social issues regarding privacy and the appropriate uses of the resulting information. Governmental authorities could, for social or other purposes, limit or regulate the use of genetic testing or prohibit testing for genetic predisposition to certain conditions, particularly for those that have no known cure. Similarly, these concerns may lead individuals to refuse to use genetics tests even if permissible.

In addition, we do not control how our customers use the genomic data we provide. In most cases, we do not know the identity of the individuals whose DNA we sequence, the reason why their DNA is being sequenced or the intended use of the genomic data we provide. If our customers use our services or the resulting genomic data irresponsibly or in violation of legal restrictions, our reputation could be harmed and litigation may be brought against us.
Ethical and social concerns may also influence U.S. and foreign patent offices and courts with regard to patent protection for technology relevant to our business. These and other ethical, legal and social concerns may limit market acceptance of our technology for certain applications or reduce the potential markets for our technology, either of which could have an adverse effect on our business, financial condition or results of operations.

**We use biological and hazardous materials that require considerable expertise and expense for handling, storage and disposal and may result in claims against us.**

We work with materials, including chemicals, biological agents and compounds and DNA samples, that could be hazardous to human health and safety or the environment. Our operations also produce hazardous and biological waste products. Federal, state and local laws and regulations govern the use, generation, manufacture, storage, handling and disposal of these materials and wastes. Compliance with applicable environmental laws and regulations is expensive, and current or future environmental laws and regulations may restrict our operations. If we do not comply with applicable regulations, we may be subject to fines and penalties.

In addition, we cannot eliminate the risk of accidental injury or contamination from these materials or wastes. Our general liability insurance and workers’ compensation insurance policies may not cover damages and fines arising from biological or hazardous waste exposure or contamination. Accordingly, in the event of contamination or injury, we could be liable for damages or penalized with fines in an amount exceeding our resources and our operations could be suspended or otherwise adversely affected.

**We have limited selling and marketing resources and may be unable to successfully commercialize our human genome sequencing service.**

We currently have a small sales and marketing team. To grow our business as planned, we must expand our sales, marketing and customer support capabilities. We may be unable to attract, retain and manage the specialized workforce necessary to gain market acceptance and successfully commercialize our services. In addition, developing these functions is time consuming and expensive.

The sale of genome sequencing services involves extensive knowledge about genomic research and sequencing technology, including the sequencing technology of our competitors. To be successful, our sales force and related personnel must be technically proficient in a variety of disciplines. For example, many of our existing salespersons have Ph.D. degrees in various scientific fields. There are relatively few people that have the necessary knowledge and qualifications to be successful salespersons or support personnel in our industry. We may not be able to recruit a sufficient number of these people, many of whom do not reside close to the locations of our existing and planned future sequencing centers.

In certain regions or markets, we may seek to partner with others to assist us with sales, marketing and customer support functions. However, we may be unable to find appropriate third parties with whom to enter into these arrangements. Furthermore, if we do enter into these arrangements, these third parties may not perform as expected.

**Our software may incorrectly analyze the raw genomic data produced by our sequencing equipment.**

Our sequencing instruments generate raw genomic data from various segments of the genome being sequenced. This data must be arranged into the correct order to reconstruct the original genomic structure of the sample. We have developed software algorithms that facilitate this reconstruction. However, these algorithms rely on statistical models that provide only relative assurance, and not absolute assurance, that the original genomic structure has been reconstructed.

In addition, the genomic data we provide our customers includes a comparison of the sequenced genome against a reference genome to help identify possible mutations or variations. This reference genome is designed to approximate a “standard” human genome. However, this approximation may not be accurate.

If the algorithms we use to reconstruct genomic data incorrectly reconstruct the sequenced genome, or if our reference genome is significantly flawed, the genomic data we deliver could be inaccurate and of little or no use to our customers.
An inability to manage our planned growth or expansion of our operations could adversely affect our business, financial condition or results of operations.

Our business has grown rapidly, and we expect this growth to continue as we expand our sequencing capacity. For example, we had three employees at the end of 2005 and 159 employees as of June 30, 2010. The rapid expansion of our business and addition of new personnel may place a strain on our management and operational systems. To effectively manage our operations and growth, we must continue to expend funds to enhance our operational, financial and management controls, reporting systems and procedures and to attract and retain sufficient numbers of talented employees. If we are unable to expand our genome sequencing capacity and implement improvements to our control systems efficiently and quickly, or if we encounter deficiencies in existing systems and controls, then we will not be able to successfully expand the commercialization of our services. In addition to enhancing our sequencing capacity, our future operating results will depend on our management’s ability to:

- implement and improve our sales, marketing and customer support programs and our research and development efforts;
- enhance our operational and financial control systems;
- expand, train and manage our employee base;
- integrate acquired businesses, if applicable; and
- effectively address new issues related to our growth as they arise.

We may not manage our expansion successfully, which could adversely affect our business, financial condition or results of operations.

If we expand our operations outside of the United States, we will face risks that may increase our operating costs.

We plan to expand our operations to include additional genome sequencing centers outside of the United States. Because the laws of certain countries currently prohibit the export of DNA, we will have to establish local facilities to access those markets and establish a presence in other markets. To date, we have not expanded our operations outside the United States. Operating in international markets requires significant resources and management attention and will subject us to regulatory, economic and political risks that are different from those in the United States. Because of our limited experience with international operations, our international expansion efforts may be unsuccessful. In addition, we will face risks in doing business internationally that could increase our operating costs, including the following:

- economic conditions in various parts of the world;
- unexpected and more restrictive laws and regulations, including those laws governing ownership of intellectual property, collection and use of personal information and other privacy considerations, hazardous materials and other activities important to our business;
- new and different sources of competition;
- multiple, conflicting and changing tax laws and regulations that may affect both our international and domestic tax liabilities and result in increased complexity and costs;
- the difficulty of managing and staffing additional genome sequencing centers and the increased travel, infrastructure and legal compliance costs associated with multiple international locations;
- difficulties in enforcing contracts and collecting accounts receivable, especially in developing countries;
- fluctuations in exchange rates; and
- tariffs and trade barriers, import/export controls and other regulatory or contractual limitations on our ability to sell or develop our services in certain foreign markets.
The success of the expansion of our business internationally will depend, in part, on our ability to anticipate and effectively manage these and other risks associated with international operations. Our failure to manage any of these risks successfully could increase our operating costs.

Certain of our potential customers may require that we become certified under the Clinical Laboratory Improvement Amendments of 1988. Although we are not currently subject to the Clinical Laboratory Improvement Amendment of 1988, or CLIA, we may in the future be required by certain customers to obtain a CLIA certification. CLIA, which extends federal oversight over clinical laboratories by requiring that they be certified by the federal government or by a federally approved accreditation agency, is designed to ensure the quality and reliability of clinical laboratories by mandating specific standards in the areas of personnel qualifications, administration and participation in proficiency testing, patient test management, quality control, quality assurance and inspections. If our customers require a CLIA certification, we will have to continually expend time, money and effort to ensure that we meet the applicable quality and safety requirements, which may divert the attention of management and disrupt our core business operations.

Because the market for genome sequencing is relatively new and rapidly evolving, we may become subject to additional future governmental regulation, which may place additional cost and time burdens on our operations.

We are subject, both directly and indirectly, to the adverse impact of existing and potential future government regulation of our operations and markets. The life sciences and pharmaceutical industries, which are significant target markets for our services, have historically been heavily regulated. There are comprehensive federal and state laws regarding matters such as the privacy of patient information and research in genetic engineering. For example, if we inadvertently disclose private patient information in the course of providing our sequencing services, we could be prosecuted for violations of federal law.

Legislative bodies or regulatory authorities may adopt additional regulation that adversely affects our market opportunities. They could also extend existing regulations to cover our services. For example, medical diagnostic products may, depending on their intended use, be regulated as medical devices by the Food and Drug Administration, or FDA, if they are:

- used in the diagnosis of disease or other conditions;
- used in the cure, mitigation, treatment or prevention of disease; or
- intended to affect the structure or any function of the body.

Medical devices generally cannot be marketed without first receiving clearance or approval (depending on the regulatory pathway) from the FDA. We do not believe that our sequencing services are currently subject to the FDA’s medical device requirements because we do not intend our services to be used for the diagnosis of disease. However, we cannot control how the genomic information we provide will be used by our customers.

In addition, the FDA is focusing on our market, which has created uncertainty regarding the regulatory landscape. The FDA has recently taken actions suggesting that it interprets the applicable regulations expansively to cover certain genomic devices and services, particularly those sold directly to consumers. Since June 2010, the FDA has sent numerous letters to certain companies in this market, including 23andMe, Inc., deCODE Genetics, Knome, Inc., Navigenics, Inc. and Pathway Genomics. In these letters, the FDA noted that it considers genetic tests marketed by these companies to be subject to FDA regulation and, accordingly, unapproved medical devices. The FDA may extend this position to services such as ours. In addition, the FDA may implement new regulations that may be broad enough to cover our operations. Changes to the current regulatory framework, including the imposition of new regulations, could arise anytime, and we may be unable to obtain or maintain FDA or comparable regulatory approval or clearance for our services, if required. For example, the FDA may impose restrictions on the types of customers to which we can market and sell our services and the types of persons whose DNA we may sequence. Also, future legislation may require that patients provide specific consent.
to have their DNA sequenced. This could require our customers to obtain new consents before they can submit DNA samples to us for sequencing.

In any event, if we expand our business to include sequencing services intended to be used for the diagnosis of disease, we will likely become subject to regulation by the FDA or other comparable agencies of other countries, which may require us to obtain regulatory approval or clearance before we can market those services.

These regulatory approval processes may be expensive, time-consuming and uncertain, and our failure to obtain or comply with these approvals or clearances could harm our business, financial condition or operating results.

Disruption to or failure of our data center or other technical systems may disrupt our business and harm our operating results.

We rely on our network infrastructure, data centers, enterprise applications and technology systems for the development and support of our sequencing service, including the preparation, analysis and transmission of data from our sequencing center, as well as for the internal operation of our business. These systems are susceptible to disruption or failure in the event of natural disasters such as a major earthquake, fire, flood, cyber-attack, terrorist attack, telecommunications failure, power outage or other catastrophic event. Further, our data center and our sequencing facility, which houses certain of our technology systems, are located near major earthquake faults. Disruptions to or the failure of our data center or any of these technology systems, including the network connection between our Mountain View facility and our data center, and the resulting loss of critical data, could cause delays in the transmission and analysis of the sequencing data, prevent us from fulfilling our customers’ orders and severely affect our ability to conduct normal business operations.

Our credit facility contains restrictions that limit our flexibility in operating our business.

In July 2008, we entered into a loan and security agreement, which we refer to as our credit facility. Our credit facility contains various covenants that limit our ability to engage in specified types of transactions. These covenants limit our ability to, among other things:

- sell, transfer, lease or dispose of our assets;
- create, incur or assume additional indebtedness;
- encumber or permit liens on certain of our assets;
- make restricted payments, including paying dividends on, repurchasing or making distributions with respect to our common stock;
- make specified investments (including loans and advances);
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets; and
- enter into certain transactions with our affiliates.

A breach of any of these covenants could result in a default under our credit facility. Upon the occurrence of an event of default under our credit facility, our lenders could elect to declare all amounts outstanding under our credit facility to be immediately due and payable and terminate all commitments to extend further credit. If we were unable to repay those amounts, the lenders under our credit facility could proceed against the collateral granted to them to secure such indebtedness. We have pledged substantially all of our assets, other than our intellectual property, as collateral under our credit facility.

If we fail to retain the services of our key executives or if we are unable to attract and retain skilled personnel, our ability to grow our business and our competitive position would be impaired.

We believe our future success will depend in large part upon our ability to attract, retain and motivate highly skilled personnel. In particular, we depend highly on the contributions of Clifford A. Reid, Ph.D., our President and Chief Executive Officer, and Radoje Drmanac, Ph.D., our Chief Scientific Officer. The loss of either of these
executives could make it more difficult to manage our operations and research and development activities, reduce our employee retention and revenue and impair our ability to compete. If either of these key executives were to leave us unexpectedly, we could face substantial difficulty in hiring qualified successors and could experience a loss in productivity, both during the search for, and integration of, any such successor.

Our research and development, operations and sales and marketing personnel represent a significant asset and serve as the source of our business strategy, scientific and technological innovations and sales and marketing initiatives. As a result, our success substantially depends on our ability to attract additional personnel for all areas of our organization, particularly in our research and development department. Competition for qualified personnel is intense, and we may not be successful in attracting and retaining qualified personnel on a timely basis or on competitive terms, if at all. In addition, many qualified personnel are located outside of Northern California, where we are located, and some qualified personnel that we may recruit may not be interested in relocating. If we are unable to attract and retain the necessary personnel on a cost-effective basis, our ability to grow our business and our competitive position would be impaired.

We may engage in joint ventures or acquisitions that could disrupt our business, cause dilution to our stockholders, reduce our financial resources and result in increased expenses.

In the future, we may enter into joint ventures or acquire other businesses, products or technologies. Because we have not entered into any joint ventures or made any acquisitions to date, our ability to do so successfully is unproven. We may not be able to find suitable partners or acquisition candidates, and we may not be able to complete such transactions on favorable terms, if at all, or successfully integrate any acquired business, products or technologies into our operations. If we do enter into any joint ventures or complete acquisitions, we may not strengthen our competitive position or achieve our goals, or these transactions may be viewed negatively by customers or investors. In addition, we may have difficulty integrating and motivating personnel, technologies and operations from acquired businesses and retaining and motivating key personnel from those businesses. Joint ventures and acquisitions may disrupt our ongoing operations, divert management from day-to-day responsibilities and increase our expenses. Future acquisitions may reduce our cash available for operations and other uses, and could result in an increase in amortization expense related to identifiable intangible assets acquired, potentially dilutive issuances of equity securities or the incurrence of debt. We cannot predict the number, timing or size of future joint ventures or acquisitions, or the effect that any such transactions might have on our operating results.

We will incur significant costs as a result of operating as a public company, and our management will devote substantial time to new compliance initiatives. We may fail to comply with the rules that apply to public companies, including section 404 of the Sarbanes-Oxley Act of 2002.

We will incur significant legal, accounting and other expenses as a public company, including costs resulting from public company reporting obligations under the Securities Exchange Act of 1934, as amended, and regulations regarding corporate governance practices. The listing requirements of The NASDAQ Global Market require that we satisfy certain corporate governance requirements relating to director independence, distributing annual and interim reports, stockholder meetings, approvals and voting, soliciting proxies, conflicts of interest and a code of conduct. Our management and other personnel will need to devote a substantial amount of time to all of these requirements. Moreover, the reporting requirements, rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. These reporting requirements, rules and regulations, coupled with the increase in potential litigation exposure associated with being a public company, could make it more difficult for us to attract and retain qualified persons to serve on our board of directors or board committees or to serve as executive officers.

After this offering, we will be subject to section 404 of The Sarbanes-Oxley Act of 2002 and the related rules of the Securities and Exchange Commission, which generally require our management and independent registered public accounting firm to report on the effectiveness of our internal control over financial reporting. We expect that our management and independent registered public accounting firm will have to provide the first of such reports with our annual report for the fiscal year ending December 31, 2011. To date, we have never conducted a
review of our internal control for the purpose of providing the reports required by these rules. During the course of our review and testing, we may identify deficiencies and be unable to remediate them before we must provide the required reports. We or our independent registered public accounting firm may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting, which could harm our operating results, cause investors to lose confidence in our reported financial information and cause the trading price of our stock to fall.

**Our ability to use our net operating loss carryforwards to offset future taxable income may be subject to certain limitations.**

In general, under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, a corporation that undergoes an “ownership change” is subject to limitations on its ability to use its pre-change net operating loss carryforwards, or NOLs, to offset future taxable income. If the Internal Revenue Service challenges our analysis that our existing NOLs will not expire before utilization due to previous ownership changes, or if we undergo an ownership change in connection with or after this public offering, our ability to use our NOLs could be limited by Section 382 of the Code. Future changes in our stock ownership, some of which are outside of our control, could result in an ownership change under Section 382 of the Code. Furthermore, our ability to use NOLs of companies that we may acquire in the future may be subject to limitations. For these reasons, we may not be able to use a material portion of the NOLs reflected on our balance sheet, even if we attain profitability.

**Unfavorable global economic conditions could adversely affect our business, financial condition or results of operations.**

Our results of operations could be adversely affected by general conditions in the global economy and in the global financial markets. The recent global financial crisis caused extreme volatility and disruptions in the capital and credit markets. A severe or prolonged economic downturn, such as the recent global financial crisis, could result in a variety of risks to our business, including, reductions or delays in planned research and development and other expenditures by our customers or decreased funding of genomic research by governmental entities. A weak or declining economy could also put strain on our suppliers, possibly resulting in supply disruption, or cause our customers to delay making payments for our services. Any of the foregoing could harm our business.

**Risks Related to Intellectual Property**

**We could become subject to litigation regarding patent and other proprietary rights that could harm our business.**

Our commercial success depends in part on not infringing patents and proprietary rights of third parties. As we enter our markets, we expect that competitors will likely claim that our services infringe their intellectual property rights as part of a business strategy to impede our successful entry into those markets. Such competitors and other third parties may have obtained and may in the future obtain patents covering products or processes that are similar to or may include steps or processes used in our sequencing technology, allowing them to claim that the use of our technologies infringes these patents. In particular, we are aware of issued U.S. patents owned by competitors and other third parties to which we do not have licenses that may relate to our sequencing technology and which pertain to, among other things:

- sample preparation techniques;
- processes for making nucleic acid templates ("library construction");
- processes for making DNBs from nucleic acid templates;
- nucleic acid arrays;
- methods of making arrays of DNBs;
- sequencing methods, including those involving ligation;
- identifying genomic sequences on nucleic acid arrays;
- devices and apparatus used in nucleic acid detection systems, including optical systems; and
Some of the third parties that own these patents have strong economic incentives, and substantial financial resources, to claim that we are infringing their patent rights. If a third party asserts a patent infringement claim against us, we may assert, as a defense, that we do not infringe the relevant patent claims, that the patent is invalid or both. The strength of our defenses will depend on the patents asserted, the interpretation of these patents, our ability to identify invalidating “prior art” (that is, publication of the patent holder’s invention or technology prior to the stated invention date) in order to invalidate the asserted patent and on other factors. However, we could be unsuccessful in advancing non-infringement and/or invalidity arguments in our defense if we are sued. In the United States, issued patents enjoy a presumption of validity, and the party challenging the validity of a patent claim must present clear and convincing evidence of invalidity, which is a high burden of proof. Conversely, the patent owner need only prove infringement by a preponderance of the evidence, which is a lower burden of proof.

If we were found by a court to have infringed a valid patent claim, we could be prevented from using the patented technology or be required to pay the owner of the patent rights for the rights to use that technology. If we decide to pursue a license to one or more of these patents, we may not be able to obtain such a license on commercially reasonable terms, if at all, or the license we obtain may require us to pay substantial royalties or grant cross licenses to our patent rights. For example, if the relevant patent is owned by a competitor, that competitor may choose not to license patent rights to us, as it would be under no obligation to do so. If we decide to develop alternative technology, we may not be able to do so on a timely or cost-effective manner, if at all.

In addition, because patent applications can take years to issue and are often afforded confidentiality for some period of time, there may currently be pending applications, unknown to us, which later result in issued patents that processes in our sequencing technology infringe. Processes in our sequencing technology may also infringe existing issued patents of which we are currently unaware. Even though we own or have other rights to patents, these patents do not provide us with the freedom to offer our sequencing services unimpeded by the patent rights of others. For example, we may be required to pursue or defend a patent infringement action in order to protect our intellectual property rights or practice our sequencing technology.

In light of the above, we expect that we may in the future receive, particularly as a public company, communications from competitors and other companies alleging that we may be infringing their patents, trade secrets or other intellectual property rights or offering licenses to such intellectual property or threatening litigation. In addition to patent infringement claims, third parties may assert copyright, trademark or other proprietary rights against us. We may not be able to successfully defend these claims, and our business may suffer if these claims are brought against us.

We may not be able to protect our patent rights or other intellectual property which could impair our ability to compete effectively.

We depend on proprietary technology for our success and ability to compete. If others are able to reproduce our technology, our business will suffer significantly unless we can prevent them from competing with us. To protect our proprietary technology, we rely on patents and other intellectual property laws, as well as nondisclosure agreements, licensing arrangements and confidentiality provisions. U.S. patent, copyright and trade secret laws afford us only limited protection, and the laws of some foreign countries do not protect proprietary rights to the same extent. We have licensed, from Callida Genomics, Inc., U.S. and international patents and patent applications relating to our business. Because the issuance of a patent is not conclusive of its validity or enforceability, our existing patent rights, and rights we may obtain in the future, may not provide us with meaningful protection. The patent rights on which we rely may be challenged and invalidated or may be interpreted not to be broad enough to cover the critical components of our technology. Our pending patent applications may have their claims limited or may not result in issued patents. Moreover, our patent rights become more limited as owned or licensed patents begin to expire in 2014. We will be able to protect our technologies from unauthorized use by third parties only to the extent that valid and enforceable patents or other proprietary rights cover them. Even if we have valid and
enforceable patents or other proprietary rights, competitors may be able to design alternative methods or devices that avoid infringement of those patents or rights.

Our key patent rights are licensed from Callida, which is owned by our chief scientific officer and his spouse. If we breach the terms of these licenses, or if our relationship with Callida or its owners deteriorates, Callida may seek to terminate the licenses. If we lose our rights to use these patents, we may be forced to re-design our sequencing technology, which would be expensive and may not be possible.

The patent positions of biotechnology companies, including us, can be highly uncertain and involve complex and evolving legal and factual questions. No consistent policy regarding the breadth of claims allowed in biotechnology patents has emerged to date in the United States. Legal developments may preclude or limit the patent protection available for our sequencing technology.

Despite our efforts to protect our proprietary rights, attempts may be made to copy or reverse engineer aspects of our sequencing technology or to obtain and use information that we regard as proprietary. Accordingly, we may be unable to protect our proprietary rights against unauthorized third-party copying or use. Furthermore, policing the unauthorized use of our intellectual property is difficult. Litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. Litigation could result in substantial costs and diversion of resources and could harm our business.

**We may incur substantial costs as a result of litigation or other proceedings relating to patent and other proprietary rights.**

The genomic sequencing industry includes several large companies that have rights to many broad issued patents and pending patent applications. Competitors in this industry have fiercely litigated their patent positions and alleged infringements by others. For example, Illumina and Affymetrix were recently involved in long and expensive patent litigation relating to DNA sequencing technology. This litigation resulted in a settlement involving the payment of $90 million by one party to the other.

Our involvement in intellectual property litigation or administrative proceedings could result in significant expense. Some of our competitors, such as Illumina, Life Technologies and Affymetrix, have considerable resources available to them. We, on the other hand, are an early-stage commercial company with comparatively few resources available to us to engage in costly and protracted litigation. Intellectual property infringement claims asserted against us, whether with or without merit, could be costly to defend and could limit our ability to use some technologies in the future. They will be time consuming, will divert our management’s and scientific personnel’s attention and may result in liability for substantial damages. In addition, our standard customer contract requires us to indemnify our customers for claims alleging that any of our products misappropriate or violate any third party patent, copyright, trade secret or other intellectual property or proprietary rights.

If third parties file patent applications or are issued patents claiming technology also claimed by us in pending applications, we may be required to participate in interference proceedings with the U.S. Patent Office or in other proceedings outside the United States, including oppositions, to determine priority of invention or patentability. Even if we are successful in these proceedings, we may incur substantial costs, and the time and attention of our management and scientific personnel will be diverted in pursuit of these proceedings.

**We may not be able to enforce our intellectual property rights throughout the world.**

The laws of some foreign countries do not protect intellectual property rights to the same extent as the laws of the United States. Many companies have encountered significant problems in protecting and defending intellectual property rights in certain foreign jurisdictions. The legal systems of some countries, particularly developing countries, do not favor the enforcement of patents and other intellectual property protection, especially those relating to biotechnology. This could make it difficult for us to stop the infringement of our patents or the misappropriation of our other intellectual property rights. For example, many foreign countries have compulsory licensing laws under which a patent owner must grant licenses to third parties. In addition, many countries limit the enforceability of patents against third parties, including government agencies or government contractors. In these countries, patents may provide limited or no benefit.
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Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business. Accordingly, our efforts to protect our intellectual property rights in such countries may be inadequate. In addition, changes in the law and legal decisions by courts in the U.S. and foreign countries may affect our ability to obtain adequate protection for our technology and the enforcement of intellectual property.

*Confidentiality agreements with employees and others may not adequately prevent disclosures of our trade secrets and other proprietary information.*

We rely in part on trade secret protection to protect our confidential and proprietary information and processes. However, trade secrets are difficult to protect. We have taken measures to protect our trade secrets and proprietary information, but these measures may not be effective. We require new employees and consultants to execute confidentiality agreements upon the commencement of an employment or consulting arrangement with us. These agreements generally require that all confidential information developed by the individual or made known to the individual by us during the course of the individual’s relationship with us be kept confidential and not disclosed to third parties. These agreements also generally provide that inventions conceived by the individual in the course of rendering services to us will be our exclusive property. Despite these measures, our proprietary information may be disclosed, third parties could reverse engineer our sequencing technologies and others may independently develop substantially equivalent proprietary information and techniques or otherwise gain access to our trade secrets. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive business position.

**Risks Related to This Offering and Ownership of Our Common Stock**

*An active, liquid and orderly market for our common stock may not develop, our stock price may be volatile and you may not be able to resell shares of our common stock at or above the price you paid.*

Prior to this offering, there has been no public market for shares of our common stock, and an active public market for our shares may not develop or be sustained after this offering. We and the representatives of the underwriters will determine the initial public offering price of our common stock through negotiation. This price will not necessarily reflect the price at which investors in the market will be willing to buy and sell our shares following this offering. In addition, the trading price of our common stock following this offering could be highly volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control. These factors include those discussed in this “Risk Factors” section of this prospectus and others such as:

- quarterly variations in our results of operations or those of our competitors;
- changes in earnings estimates or recommendations by securities analysts;
- announcements by us or our competitors of new products or services, significant contracts, commercial relationships, acquisitions or capital commitments;
- developments with respect to intellectual property rights;
- our commencement of, or involvement in, litigation;
- changes in financial estimates or guidance, including our ability to meet our future revenue and operating profit or loss estimates or guidance;
- any major changes in our board of directors or management;
- changes in governmental regulations; and
- a decrease in government funding of research and development or a slowdown in the general economy.
In recent years, the stock market in general, and the market for technology/life science companies in particular, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. Broad market and industry factors may seriously affect the market price of our common stock, regardless of our actual operating performance. These fluctuations may be even more pronounced in the trading market for our stock shortly following this offering. In addition, in the past, following periods of volatility in the overall market and the market price of a particular company’s securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against us, could result in substantial costs and divert our management’s attention and resources.

If securities or industry analysts do not publish research or reports about our business, or if they issue an adverse or misleading opinion regarding our stock, our stock price and trading volume could decline.

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts publish about us or our business. We do not currently have and may never obtain research coverage by securities and industry analysts. If no securities or industry analysts commence coverage of us, the trading price for our stock would be negatively impacted. In the event we obtain securities or industry analyst coverage, if any of the analysts who cover us issue an adverse or misleading opinion regarding us, business model, technology or stock performance, our stock price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

Our directors, executive officers and principal stockholders and their respective affiliates will continue to have substantial influence over us after this offering and could delay or prevent a change in corporate control.

After this offering, our directors, executive officers and holders of more than 5% of our common stock, together with their affiliates, will beneficially own, in the aggregate, approximately % of our outstanding common stock, assuming no exercise of the underwriters’ option to purchase additional shares of our common stock in this offering. As a result, these stockholders, acting together, would have significant influence over the outcome of matters submitted to our stockholders for approval, including the election of directors and any merger, consolidation or sale of all or substantially all of our assets. In addition, these stockholders, acting together, would have significant influence over our management and affairs. Accordingly, this concentration of ownership might harm the market price of our common stock by:

- delaying, deferring or preventing a change in control;
- impeding a merger, consolidation, takeover or other business combination involving us; or
- discouraging a potential acquiror from making a tender offer or otherwise attempting to obtain control of us.

Future sales of shares by existing stockholders could cause our stock price to decline.

If our existing stockholders sell, or if the market believes our existing stockholders will sell, substantial amounts of our common stock in the public market, the trading price of our common stock could decline significantly. Based on shares outstanding as of July 15, 2010, upon the completion of this offering, we will have outstanding shares of common stock, assuming the automatic conversion, upon the completion of this offering, of our preferred stock outstanding as of that date into shares of our common stock. Of these shares, shares of common stock, plus any shares sold pursuant to the underwriters’ option to purchase additional shares, will be immediately freely tradable, without restriction, in the public market. UBS Investment Bank and Jefferies & Company may, in their sole discretion, permit our officers, directors, employees and current stockholders to sell shares prior to the expiration of the lock-up agreements.

After the lock-up agreements pertaining to this offering expire and based on shares outstanding as of July 15, 2010, an additional shares will be eligible for sale in the public market. In addition, shares may become eligible for sale in the public market in the future, subject to certain legal and contractual limitations as of July 15, 2010:

- 2,248,953 shares subject to outstanding options under our 2006 Equity Incentive Plan;
If these additional shares are sold, or if it is perceived that they will be sold, in the public market, the price of our common stock could decline substantially.

**Purchasers in this offering will experience immediate and substantial dilution in the book value of their investment.**

The initial public offering price of our common stock is substantially higher than the pro forma as adjusted net tangible book value per share of our common stock before giving effect to this offering. Accordingly, if you purchase our common stock in this offering, you will incur an immediate substantial dilution of approximately $\_\_\_ per share, based on an assumed public offering price of $\_\_\_ per share and our pro forma as adjusted net tangible book value as of March 31, 2010. In addition, following this offering, and assuming the sale by us of shares of our common stock in this offering at an initial public offering price of $\_\_\_ per share, purchasers in this offering will have contributed approximately % of the total gross consideration paid by stockholders to us to purchase shares of our common stock, through March 31, 2010, but will own only approximately % of the shares of common stock outstanding immediately after this offering. Furthermore, if the underwriters exercise their over-allotment option, or outstanding options and warrants are exercised, you could experience further dilution. For a further description of the dilution that you will experience immediately after this offering, see the section titled “Dilution.”

**We have broad discretion to determine how to use the funds raised in this offering, and may use them in ways that may not enhance our operating results or the price of our common stock.**

Our management will have broad discretion over the use of proceeds from this offering, and we could spend the proceeds from this offering in ways our stockholders may not agree with or that do not yield a favorable return, if at all. We currently intend to use the net proceeds of this offering to finance the further development and commercialization of our technology and for sales and marketing activities, capital expenditures to expand our facilities and operations and working capital and other general corporate purposes, including the costs associated with being a public company. If we do not invest or apply the proceeds of this offering in ways that improve our operating results, we may fail to achieve expected financial results, which could cause our stock price to decline.

**Provisions in our charter documents and under Delaware law could discourage a takeover that stockholders may consider favorable and may lead to entrenchment of management.**

Our amended and restated certificate of incorporation and amended and restated bylaws that will be in effect immediately prior to the consummation of this offering will contain provisions that could delay or prevent changes in control or changes in our management without the consent of our board of directors. These provisions will include the following:

- a classified board of directors with three-year staggered terms, which may delay the ability of stockholders to change the membership of a majority of our board of directors;
- no cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- the exclusive right of our board of directors to elect a director to fill a vacancy created by the expansion of the board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;
We are also subject to the anti-takeover provisions contained in Section 203 of the Delaware General Corporation Law. Under Section 203, a corporation may not, in general, engage in a business combination with any holder of 15% or more of its capital stock unless the holder has held the stock for three years or, among other exceptions, the board of directors has approved the transaction. For a description of our capital stock, see the section titled “Description of Capital Stock.”

We do not currently intend to pay dividends on our common stock, and, consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.

We do not currently intend to pay any cash dividends on our common stock for the foreseeable future. We currently intend to invest our future earnings, if any, to fund our growth. Additionally, the terms of our credit facility restrict our ability to pay dividends. Therefore, you are not likely to receive any dividends on your common stock for the foreseeable future.
This prospectus contains forward-looking statements that involve risks and uncertainties. The forward-looking statements are contained principally in the sections entitled “Prospectus Summary,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business.” These statements relate to future events or our future financial or operational performance and involve known and unknown risks, uncertainties and other factors that could cause our actual results, levels of activity, performance or achievement to differ materially from those expressed or implied by these forward-looking statements. These risks and uncertainties are contained principally in the section entitled “Risk Factors.”

Forward-looking statements include all statements that are not historical facts. In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “intend,” “could,” “would,” “continue,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “project,” “predict,” “potential” or the negative of those terms, and similar expressions and comparable terminology intended to identify forward-looking statements. These statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements. These forward-looking statements represent our estimates and assumptions only as of the date of this prospectus, and, except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise after the date of this prospectus.

This prospectus also contains estimates and other information concerning our current and target markets that are based on industry publications, surveys and forecasts, including those generated by Scienta Advisors. These estimates and information involve a number of assumptions and limitations, and you are cautioned not to give undue weight to these estimates and information. These industry publications, surveys and forecasts generally indicate that their information has been obtained from sources believed to be reliable. The industry in which we operate is subject to a high degree of uncertainty and risk due to a variety of factors, including those described in “Risk Factors.” These and other factors could cause actual results to differ materially from those expressed in these publications, surveys and forecasts.
Use of Proceeds

We estimate that we will receive net proceeds of approximately $\_\_\_\_\_\_ million from the sale of \_\_\_\_\_\_ shares of common stock offered in this offering, or approximately $\_\_\_\_\_\_ million if the underwriters exercise their over-allotment option in full, based on an assumed initial public offering price of $\_\_\_\_\_\_ per share (the midpoint of the price range set forth on the cover page of this prospectus) and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. Each $1.00 increase (decrease) in the assumed initial public offering price of $\_\_\_\_\_\_ per share (the midpoint of the price range set forth on the cover page of this prospectus) would increase (decrease) the net proceeds to us from this offering, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, by approximately $\_\_\_\_\_\_ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same. We may also increase or decrease the number of shares we are offering. An increase (decrease) of 1,000,000 in the number of shares we are offering would increase (decrease) the net proceeds to us from this offering, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, by approximately $\_\_\_\_\_\_ million, assuming the initial public offering price stays the same. An increase of 1,000,000 in the number of shares we are offering, together with a $1.00 increase in the assumed initial public offering price per share, would increase the net proceeds to us from this offering, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, by approximately $\_\_\_\_\_\_ million. A decrease of 1,000,000 in the number of shares we are offering, together with a $1.00 decrease in the assumed initial public offering price per share, would decrease the net proceeds to us from this offering, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, by approximately $\_\_\_\_\_\_ million. We do not expect that a change in the offering price or the number of shares by these amounts would have a material effect on our intended uses of the net proceeds from this offering, although it may impact the amount of time prior to which we may need to seek additional capital.

We currently intend to use the net proceeds of this offering to finance the further development and commercialization of our technology and for sales and marketing activities, capital expenditures to expand our facilities and operations and working capital and other general corporate purposes, including the costs associated with being a public company.

The expected use of net proceeds of this offering represents our current intentions based upon our present plan and business conditions. As of the date of this prospectus, we cannot specify with certainty all of the particular uses for the net proceeds to be received upon the completion of this offering. Accordingly, we will have broad discretion in the application of the net proceeds, and investors will be relying on our judgment regarding the application of the proceeds of this offering.

Until we use the net proceeds of this offering, we intend to invest the net proceeds in short-term, interest-bearing, investment-grade securities. We cannot predict whether the proceeds invested will yield a favorable return, if any.
Dividend Policy

We have never declared or paid cash dividends on our common stock and currently do not plan to declare dividends on shares of our common stock in the foreseeable future. In addition, the terms of our credit facility currently prohibit us from paying cash dividends on our common stock. We expect to retain our future earnings, if any, for use in the operation and expansion of our business. The payment of cash dividends in the future, if any, will be at the discretion of our board of directors and will depend upon such factors as earnings levels, capital requirements, requirements under the Delaware General Corporation Law, restrictions and covenants pursuant to any other credit facilities we may enter into, our overall financial condition and any other factors deemed relevant by our board of directors.
The following table sets forth our capitalization as of March 31, 2010:

- on an actual basis;
- on a pro forma basis to give effect to our issuance and sale, during April, May and June 2010, of an aggregate of $22,121,452 in principal amount of convertible notes and warrants to purchase an aggregate of ______ shares of our common stock at an exercise price of $1.50 per share; and
- on a pro forma as adjusted basis to give further effect to:
  - the sale of ______ shares of common stock in this offering at an assumed initial public offering price of $______ per share (the midpoint of the price range set forth on the cover page of this prospectus), after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us;
  - the conversion of all 7,819,758 shares of our convertible preferred stock outstanding on March 31, 2010 into an aggregate of 10,533,490 shares of our common stock, which will be effective immediately prior to the consummation of this offering;
  - the conversion of all of our warrants for convertible preferred stock into warrants for common stock immediately prior to the consummation of this offering and the related reclassification of convertible preferred stock warrant liability to additional paid-in capital;
  - the exercise, on a net issuance basis, of warrants outstanding as of March 31, 2010, which will expire upon completion of this offering if unexercised, to purchase shares of our common stock, resulting in the issuance of shares of common stock, assuming an initial public offering price of $______ per share (the midpoint of the price range set forth on the cover page of this prospectus);
  - the exercise, on a net issuance basis, of warrants outstanding as of March 31, 2010, which will expire upon completion of this offering if unexercised, to purchase shares of our convertible preferred stock, and the conversion of those shares of preferred stock immediately prior to the consummation of this offering, resulting in the issuance of ______ shares of common stock, assuming an initial public offering price of $______ per share (the midpoint of the price range set forth on the cover page of this prospectus); and
  - the filing and effectiveness of our amended and restated certificate of incorporation, which will occur immediately prior to this consummation of this offering.
You should read this table together with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our financial statements and the related notes appearing elsewhere in this prospectus.

<table>
<thead>
<tr>
<th>Notes payable, net of current portion</th>
<th>Actual</th>
<th>Pro forma</th>
<th>Pro forma as adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,366</td>
<td>$2,366</td>
<td>$2,366</td>
<td></td>
</tr>
</tbody>
</table>

Convertible notes (1) 16,748

Convertible preferred stock warrant liability 1,344 1,344

Convertible preferred stock, $0.001 par value per share; 8,280,094 shares authorized, 7,819,758 shares issued and outstanding, actual and pro forma; no shares authorized, no shares issued and outstanding, pro forma as adjusted

Stockholders’ equity (deficit):

<table>
<thead>
<tr>
<th>Preferred stock, $0.001 par value per share; no shares authorized, issued and outstanding, actual and pro forma; shares authorized, no shares issued and outstanding, pro forma as adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>95,893</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Common stock, $0.001 par value per share; 16,285,798 shares authorized, 886,329 issued and outstanding, actual and pro forma; shares authorized, shares issued and outstanding, pro forma as adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
</tr>
</tbody>
</table>

Additional paid-in capital 5,858 11,232

Deficit accumulated during the development stage (95,497) (95,497)

Total stockholders’ equity (deficit) (89,638) (84,264)

Total capitalization (1) $9,965 $32,087 $-

(1) The outstanding principal of, and interest on, the $22,121,452 aggregate principal amount of convertible notes we issued and sold during April, May and June 2010 will become due upon the closing of this offering, subject to the right of the holders of these notes to elect instead to convert their notes into shares of our preferred stock. However, if we issue and sell a new series of preferred stock before the closing of this offering, resulting in aggregate gross cash proceeds of at least $17.0 million, then these convertible notes will instead convert into shares of that series of preferred stock, which will convert into shares of our common stock immediately prior to the consummation of this offering.

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share (the midpoint of the price range set forth on the cover page of this prospectus) would increase (decrease) each of pro forma as adjusted additional paid-in capital, stockholders’ equity (deficit) and total capitalization by approximately $ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same. We may also increase or decrease the number of shares we are offering. An increase (decrease) of 1,000,000 in the number of shares we are offering would increase (decrease) each of pro forma as adjusted additional paid-in capital, stockholders’ equity (deficit) and total capitalization by approximately $ million, assuming the initial public offering price per share, as set forth on the cover page of this prospectus, remains the same. An increase of 1,000,000 in the number of shares we are offering, together with a $1.00 increase in the assumed initial public offering price per share, would increase each of pro forma as adjusted additional paid-in capital, stockholders’ equity (deficit) and total capitalization by approximately $ million. A decrease of 1,000,000 in the number of shares we are offering, together with a $1.00 decrease in the assumed initial public offering price per share, would decrease each of pro forma as adjusted additional paid-in capital, stockholders’ equity (deficit) and total capitalization by approximately $ million. The pro forma as adjusted information is illustrative only, and we will adjust this information based on the actual initial public offering price and other terms of this offering determined at pricing.

The outstanding share information in the table above excludes:

- 2,430,287 shares of common stock issuable upon the exercise of options outstanding as of March 31, 2010, with a weighted-average exercise price of $1.50 per share;
- 1,100,698 shares of common stock reserved for future issuance under our 2006 Equity Incentive Plan as of March 31, 2010, which will become available for issuance under our 2010 Equity Incentive Award Plan after completion of this offering;
shares of common stock that will be reserved for future issuance under our 2010 Equity Incentive Award Plan, as well as any automatic increases in the number of shares of our common stock reserved for future issuance under this benefit plan, which will become effective immediately prior to the consummation of this offering;

116,630 shares of common stock subject to warrants outstanding as of March 31, 2010 that will not expire upon completion of this offering, with a weighted-average exercise price of $7.97 per share;

shares of common stock subject to warrants issued during April, May and June 2010 that will not expire upon completion of this offering, with a weighted-average exercise price of $1.50 per share; and

up to shares of common stock issuable upon conversion of the $22,121,452 aggregate principal amount of convertible notes that we issued in April, May and June of 2010, if the holders of those notes elect to convert their notes in connection with this offering.
Dilution

If you invest in our common stock, you will experience dilution to the extent of the difference between the public offering price per share of our common stock you pay in this offering and the net tangible book value per share of our common stock after this offering.

As of March 31, 2010, our net tangible book value was $(89.6) million, or $(101.13) per share of our common stock. Our net tangible book value represents total tangible assets less total liabilities and convertible preferred stock, all divided by the number of shares of common stock outstanding on March 31, 2010. Our pro forma as adjusted net tangible book value at March 31, 2010, before giving effect to this offering, was $ , or $ per share of our common stock. Pro forma as adjusted net tangible book value, before the issuance and sale of shares in this offering, gives effect to:

- our issuance and sale, during April, May and June 2010, of an aggregate of $22,121,452 in principal amount of convertible notes and warrants to purchase an aggregate of shares of our common stock at an exercise price of $1.50 per share;
- the conversion of all 7,819,758 shares of our convertible preferred stock outstanding on March 31, 2010 into an aggregate of 10,533,490 shares of our common stock, which will be effective immediately prior to the consummation of this offering;
- the conversion of all of our warrants for convertible preferred stock into warrants for common stock immediately prior to the consummation of this offering and the related reclassification of convertible preferred stock warrant liability to additional paid-in capital;
- the exercise, on a net issuance basis, of warrants outstanding as of March 31, 2010, which will expire upon completion of this offering if unexercised, to purchase shares of our common stock, resulting in the issuance of shares of common stock, assuming an initial public offering price of $ per share (the midpoint of the price range set forth on the cover page of this prospectus); and
- the exercise, on a net issuance basis, of warrants outstanding as of March 31, 2010, which will expire upon completion of this offering if unexercised, to purchase shares of our convertible preferred stock, and the conversion of those shares of preferred stock immediately prior to the consummation of this offering, resulting in the issuance of shares of common stock, assuming an initial public offering price of $ per share (the midpoint of the price range set forth on the cover page of this prospectus).
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After giving effect to the sale of shares of common stock in this offering at an assumed initial public offering price of $ per share (the midpoint of the price range set forth on the cover page of this prospectus) and after deducting the estimated underwriting discounts and commissions and estimated offering expenses, our pro forma as adjusted net tangible book value at March 31, 2010 would have been approximately $ million, or $ per share. This represents an immediate increase in pro forma as adjusted net tangible book value of $ per share to existing stockholders and an immediate dilution of $ per share to new investors. The following table illustrates this per share dilution:

| Assumed initial public offering price per share | $ |
| Pro forma as adjusted net tangible book value per share as of March 31, 2010 | ($101.13) |
| Increase attributable to the pro forma adjustments described above | |
| Pro forma as adjusted net tangible book value per share of March 31, 2010, before the issuance and sale of shares in this offering | |
| Increase per share attributable to the issuance and sale of shares in this offering | |
| Pro forma as adjusted net tangible book value per share after this offering | |
| Dilution per share to investors in this offering (1) | $ |

(1) Does not give effect to the payment or conversion of the outstanding principal of, and interest on, the $22,121,452 aggregate principal amount of convertible notes we issued and sold during April, May and June 2010. These notes will become due upon the closing of this offering, subject to the right of the holders of these notes to elect instead to convert their notes into shares of our preferred stock. However, if we issue and sell a new series of preferred stock before the closing of this offering, resulting in aggregate gross cash proceeds of at least $17.0 million, then these convertible notes will instead convert into shares of that series of preferred stock, which will convert into shares of our common stock immediately prior to the consummation of this offering.

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share (the midpoint of the price range set forth on the cover page of this prospectus) would increase (decrease) our pro forma as adjusted net tangible book value as of March 31, 2010 after this offering by approximately $ million, or approximately $ per share, and would decrease (increase) dilution to investors in this offering by approximately $ per share, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. We may also increase or decrease the number of shares we are offering. An increase (decrease) of 1,000,000 in the number of shares we are offering would increase (decrease) our pro forma as adjusted net tangible book value as of March 31, 2010 after this offering by approximately $ million, or approximately $ per share, and would decrease (increase) dilution to investors in this offering by approximately $ per share, assuming the initial public offering price per share remains the same, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. An increase of 1,000,000 in the number of shares we are offering, together with a $1.00 increase in the assumed initial public offering price per share, would increase our pro forma as adjusted net tangible book value as of March 31, 2010 after this offering by approximately $ million, or approximately $ per share, and would decrease dilution to investors in this offering by approximately $ per share, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. A decrease of 1,000,000 in the number of shares we are offering, together with a $1.00 decrease in the assumed initial public offering price per share, would decrease our pro forma as adjusted net tangible book value as of March 31, 2010 after this offering by approximately $ million, or approximately $ per share, and would increase dilution to investors in this offering by approximately $ per share, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. The pro forma as adjusted information is illustrative only, and we will adjust this information based on the actual initial public offering price and other terms of this offering determined at pricing.

If the underwriters fully exercise their over-allotment option, pro forma as adjusted net tangible book value after this offering would increase to approximately $ per share, and there would be an immediate dilution of approximately $ per share to new investors.
To the extent that outstanding options or warrants with an exercise price per share that is less than the pro forma as adjusted net tangible book value per share, before giving effect to the issuance and sale of shares in this offering, are exercised, you will experience further dilution. If all of our outstanding options and warrants described above were exercised, our pro forma as adjusted net tangible book value as of March 31, 2010, before giving effect to the issuance and sale of shares in this offering, would have been approximately $... million, or approximately $... per share, and our pro forma as adjusted net tangible book value as of March 31, 2010 after this offering would have been approximately $... million, or approximately $... per share, causing dilution to new investors of approximately $... per share.

In addition, we may choose to raise additional capital due to market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the issuance of these securities could result in further dilution to our stockholders.

The following table shows, as of March 31, 2010, on a pro forma as adjusted basis, after giving effect to the pro forma adjustments described above, the number of shares of common stock purchased from us, the total consideration paid to us and the average price paid per share by existing stockholders and by new investors purchasing common stock in this offering at an assumed initial public offering price of $... per share, before deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

<table>
<thead>
<tr>
<th>Shares purchased from us</th>
<th>Total consideration to us</th>
<th>Average price per share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>Percent</td>
<td>Amount</td>
</tr>
<tr>
<td>Existing stockholders</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New investors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>$ 100.0%</td>
</tr>
</tbody>
</table>

The table above, and the information below, assume that our existing stockholders do not purchase any shares in this offering.

A $1.00 increase (decrease) in the assumed initial public offering price of $... per share (the midpoint of the price range set forth on the cover page of this prospectus) would increase (decrease) total consideration paid by new investors, total consideration paid by all stockholders and the average price per share paid by all stockholders by $... $... and $... respectively, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same. We may also increase or decrease the number of shares we are offering. An increase (decrease) of 1,000,000 in the number of shares we are offering would increase (decrease) total consideration paid by new investors, total consideration paid by all stockholders and the average price per share paid by all stockholders by $... $... and $... respectively, assuming the initial public offering price stays the same. An increase of 1,000,000 in the number of shares we are offering, together with a $1.00 increase in the assumed initial public offering price per share, would increase total consideration paid by new investors, total consideration paid by all stockholders and the average price per share paid by all stockholders by $... $... and $... respectively. A decrease of 1,000,000 in the number of shares we are offering, together with a $1.00 decrease in the assumed initial public offering price per share, would decrease total consideration paid by new investors, total consideration paid by all stockholders and the average price per share paid by all stockholders by $... $... and $... respectively. The pro forma as adjusted information is illustrative only, and we will adjust this information based on the actual initial public offering price and other terms of this offering determined at pricing.

The information and tables in this section are based on 886,329 shares of common stock issued and outstanding as of March 31, 2010 and exclude:

- 2,430,287 shares of common stock issuable upon the exercise of options outstanding as of March 31, 2010 with a weighted-average exercise price of $1.50 per share;
If the underwriters exercise their over-allotment option in full, the following will occur:

- 1,100,698 shares of common stock reserved for future issuance under our 2006 Equity Incentive Plan as of March 31, 2010, which will become available for issuance under our 2010 Equity Incentive Award Plan after completion of this offering;
- Shares of common stock that will be reserved for future issuance under our 2010 Equity Incentive Award Plan, as well as any automatic increases in the number of shares of our common stock reserved for future issuance under this benefit plan, which will become effective immediately prior to the consummation of this offering;
- 116,630 shares of common stock subject to warrants outstanding as of March 31, 2010 that will not expire upon completion of this offering, with a weighted-average exercise price of $7.97 per share;
- Shares of common stock subject to warrants issued during April, May and June 2010 that will not expire upon completion of this offering, with a weighted-average exercise price of $1.50 per share; and
- Up to shares of common stock issuable upon conversion of the $22,121,452 aggregate principal amount of convertible notes that we issued in April, May and June of 2010, if the holders of those notes elect to convert their notes in connection with this offering.

If the underwriters exercise their over-allotment option in full, the following will occur:

- The pro forma as adjusted number of shares of our common stock held by existing stockholders would decrease to approximately % of the pro forma as adjusted total number of shares of our common stock outstanding after this offering; and
- The pro forma as adjusted number of shares of our common stock held by new investors would increase to approximately % of the pro forma as adjusted total number of shares of our common stock outstanding after this offering.
Selected Financial Data

The following selected financial data should be read together with our financial statements and accompanying notes and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” appearing elsewhere in this prospectus. The selected financial data in this section is not intended to replace our financial statements and the accompanying notes.

We derived the statement of operations data for the years ended December 31, 2007, 2008 and 2009 and the balance sheet data as of December 31, 2008 and 2009 from our audited financial statements appearing elsewhere in this prospectus. The statement of operations data for the cumulative period from June 14, 2005 (date of inception) to December 31, 2005 and the year ended December 31, 2006 and the balance sheet data as of December 31, 2005, 2006 and 2007 have been derived from our audited financial statements not included in this prospectus. The statement of operations data for the three months ended March 31, 2009 and 2010 and for the cumulative period from June 14, 2005 (date of inception) to March 31, 2010 and the balance sheet data as of March 31, 2010 are derived from our unaudited financial statements appearing elsewhere in this prospectus. The unaudited financial statements have been prepared on a basis consistent with our audited financial statements and include, in the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of the financial information in those statements. Our historical results are not necessarily indicative of the results to be expected in any future period, and the results for the three months ended March 31, 2010 are not necessarily indicative of the results to be expected for the year ending December 31, 2010.

<table>
<thead>
<tr>
<th>Statement of Operations Data:</th>
<th>Cumulative period from June 14, 2005 (date of inception) to December 31, 2005</th>
<th>Year ended December 31, 2005</th>
<th>Three months ended March 31, 2009</th>
<th>Cumulative period from June 14, 2005 (date of inception) to March 31, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Start-up production costs (1)</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
<td>$5,033</td>
</tr>
<tr>
<td>Research and development (1)</td>
<td>$3,732</td>
<td>$10,305</td>
<td>$23,633</td>
<td>$22,424</td>
</tr>
<tr>
<td>General and administrative (1)</td>
<td>$951</td>
<td>$1,896</td>
<td>$3,179</td>
<td>$4,953</td>
</tr>
<tr>
<td>Sales and marketing (1)</td>
<td></td>
<td>$1,045</td>
<td>$1,798</td>
<td>$427</td>
</tr>
<tr>
<td>Total operating expenses (1)</td>
<td>$—</td>
<td>$4,683</td>
<td>$27,857</td>
<td>$8,797</td>
</tr>
<tr>
<td>Loss from operations</td>
<td>$—</td>
<td>$(4,683)</td>
<td>$(27,857)</td>
<td>$(8,797)</td>
</tr>
<tr>
<td>Interest expense</td>
<td>$129</td>
<td>$163</td>
<td>$437</td>
<td>$(2)</td>
</tr>
<tr>
<td>Interest and other income (expense), net</td>
<td>$1,101</td>
<td>$1,798</td>
<td>$427</td>
<td>$427</td>
</tr>
<tr>
<td>Net loss</td>
<td>$—</td>
<td>$(4,565)</td>
<td>$(32,394)</td>
<td>$(9,498)</td>
</tr>
<tr>
<td>Net loss per share, basic and diluted</td>
<td>$(123.58)</td>
<td>$(211.00)</td>
<td>$(369.36)</td>
<td>$(386.56)</td>
</tr>
<tr>
<td>Weighted-average shares outstanding used in computing net loss per share, basic and diluted</td>
<td>36,941</td>
<td>58,072</td>
<td>76,873</td>
<td>92,998</td>
</tr>
<tr>
<td>Pro forma net loss per share of common stock, basic and diluted (unaudited) (2)</td>
<td>$ (6.59)</td>
<td>$ (1.45)</td>
<td>$ (6.59)</td>
<td>$ (1.45)</td>
</tr>
</tbody>
</table>

(1) See notes to financial statements for a description of the unadjusted pro forma net loss per share.

(2) Shares used in computing pro forma net loss per share were based on the number of weighted-average shares outstanding as of the date of the pro forma adjustments (including shares issued in connection with pro forma adjustments).
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<table>
<thead>
<tr>
<th>Cumulative period from</th>
<th>Year ended December 31,</th>
<th>Three months ended March 31,</th>
<th>Cumulative period from</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 14, 2005 (date of inception) to December 31, 2010</td>
<td></td>
<td></td>
<td>June 14, 2005 (date of inception) to March 31, 2010</td>
</tr>
</tbody>
</table>

| Net loss used in computing pro forma net loss per share of common stock, basic and diluted (unaudited) (2) | $ (37,037) | $ (14,545) |

| Weighted-average shares of common stock outstanding used in computing pro forma net loss per share of common stock, basic and diluted (unaudited) (2) | 5,619,600 | 10,062,693 |

(1) Includes stock-based compensation expense as follows:

<table>
<thead>
<tr>
<th>Period from June 14, 2005 (date of inception) to December 31, 2010</th>
<th>Year ended December 31, 2010</th>
<th>Three months ended March 31, 2010</th>
<th>Cumulative period from June 14, 2005 (date of inception) to March 31, 2010</th>
</tr>
</thead>
</table>

| Start-up production costs | — | — | — | — | $ 81 | $ 4 | $ 61 | $ 142 |
| Research and development | — | 10 | 78 | 246 | 992 | 116 | 250 | 1,576 |
| General and administrative | — | 2 | 22 | 90 | 262 | 39 | 200 | 576 |
| Sales and marketing | — | — | — | — | 75 | 14 | 29 | 104 |
| Total stock-based compensation expense | — | $ 12 | $ 100 | $ 336 | $ 1,410 | $ 173 | $ 540 | $ 2,398 |

(2) Net loss used in computing pro forma basic and diluted net loss per share of common stock, and the number of weighted-average common shares used in computing pro forma basic and diluted net loss per share of common stock, in the table above assume the conversion of all of our outstanding convertible preferred stock into common stock immediately prior to the consummation of this offering. See Note 2 to our financial statements for an explanation of the method used to compute pro forma basic and diluted net loss per share of common stock and the number of shares used in computing those per share amounts.
Overview

We are a life sciences company that has developed and commercialized an innovative DNA sequencing platform that we believe will become the preferred solution for complete human genome sequencing and analysis. Our Complete Genomics Analysis Platform, or CGA Platform, combines our proprietary human genome sequencing technology with our advanced informatics and data management software and our innovative, end-to-end, outsourced service model to provide our customers with data that is immediately ready to be used for genome-based research. We believe that our solution will provide academic and biopharmaceutical researchers with complete human genomic data and analysis at an unprecedented quality, cost and scale without requiring them to invest in in-house sequencing instruments, high-performance computing resources and specialized personnel. By removing these constraints and broadly enabling researchers to conduct large-scale complete human genome studies, we believe that our solution has the potential to revolutionize medical research and expand understanding of the basis, treatment and prevention of complex diseases.

We were incorporated in Delaware in June 2005 and began operations in March 2006. From March 2006 through mid-2009, our operations focused on research and developing our sequencing technology platform. We recognized our first revenue from the sale of our genome sequencing services in the fourth quarter of 2009. As of March 31, 2010, we were considered to be a development stage enterprise.

We have targeted our complete human genome sequencing service at academic, governmental and other research institutions, as well as pharmaceutical and other life science companies. We perform our sequencing service at our Mountain View, California headquarters facility, which began commercial operation in May 2010. In the near term, we expect to make significant expenditures related to the expansion of our Mountain View sequencing facility and our research and development initiatives, as well as to increase our sales and marketing and general and administrative expenses to support our commercial operations and anticipated growth. In future years, we plan to construct additional genome centers in the United States and in other strategic markets to accommodate an expected growing global demand for high-quality, low-cost complete human genome sequencing on a large scale.

We have not been profitable in any quarterly period since we were formed. We incurred net losses of $12.3 million, $28.4 million and $35.9 million for the years ended December 31, 2007, 2008 and 2009, respectively, and $14.3 million for the three months ended March 31, 2010. For the three months ended March 31, 2010, we recognized revenue of $0.3 million, and for the year ended December 31, 2009, we recognized revenue of $0.6 million. As of March 31, 2010, our deficit accumulated during the development stage was $95.5 million. Although we do not anticipate any material seasonal effects, given our limited operating history as a revenue generating company, our sales cycle is uncertain. Seven customers accounted for the revenue we recognized for the year ended December 31, 2009. University of Texas Southwestern Medical Center accounted for 17% of our revenue, four customers, Pfizer Inc., The Broad Institute, the Flanders Institute for Biotechnology and Johns Hopkins University, each accounted for 16% of our revenue, and the Institute for Systems Biology accounted for 13% of our revenue. Five customers accounted for the revenue we recognized for the three months ended March 31, 2010, and three customers, The International Mesothelioma Program at Brigham and Women’s Hospital, Scripps Genomic Medicine and the Ontario Institute for Cancer Research, each accounted for 30% of that revenue. If demand for our services expands as expected, we do not anticipate that the
loss of any of the customers named above would have a material adverse effect on our future results of operations.

Key Financial Measures

Revenue
Our revenue is derived from selling our human genome sequencing service. We sell our service to our customers through a direct field sales and support organization. Our customers enter into purchase orders, and, in some cases, genome service contracts with us. For most arrangements, we recognize revenue upon shipment of genomic data to the customer. The per genome price of our sequencing service is based on the number of genomes to be sequenced in the arrangement. We anticipate periodically reducing the price per genome for our service as the costs of sequencing go down and competitive conditions change. We expect that our primary source of revenue for the foreseeable future will be derived from our human genome sequencing service.

Operating Expenses

Start-up Production Costs
Start-up production costs primarily consist of costs related to the acceptance testing of customer genomic samples, sample sequencing preparation, sample sequencing and the processing of data generated by the sequencing instruments. These costs primarily include personnel-related expenses and stock-based compensation, chemical reagents and engineering materials and supplies, consultant fees, depreciation of equipment and facilities-related costs. Prior to 2009, we were primarily involved in developing our sequencing technology platform, and, as a result, most of these expenses were accounted for as research and development. In 2009, we began providing our genome sequencing service to customers and began accounting for these costs as start-up production costs.

Research and Development Expenses
Research and development expenses consist of costs associated with scientific research activities, software and hardware engineering development efforts and process automation. These costs primarily include personnel-related expenses, including stock-based compensation, chemical reagents and engineering materials and supplies, depreciation of equipment, consulting fees and facilities-related costs. In 2007, we were awarded a grant from the National Institute of Science and Technology, or NIST, through which we are eligible to receive reimbursement of a portion of our research and development expenses and certain administrative expenses. In each of 2008 and 2009, we recognized a $0.8 million reduction in research and development expenses for activities funded by NIST.

General and Administrative Expenses
General and administrative expenses consist principally of personnel-related expenses, including stock-based compensation for our finance, human resources and certain executive personnel, professional services fees, such as consulting, audit, tax and legal fees, general corporate costs and facilities-related costs. We are eligible to receive reimbursement for a portion of our administrative expenses pursuant to our NIST grant. In each of 2008 and 2009, we recognized a $0.2 million reduction in general and administrative expenses for activities funded by NIST.

Sales and Marketing Expenses
Sales and marketing expenses consist principally of personnel-related expenses, including stock-based compensation for our sales and marketing personal, costs related to sales and marketing activities, marketing research and facilities-related costs.

Interest Expense
Interest expense consists of interest on our notes payable and issuance costs associated with our borrowings.
Interest and Other Income (Expense), Net

Interest and other income (expense), net, consists of interest earned on our cash and cash equivalents and changes in the fair value of our convertible preferred stock warrant liability.

Income Taxes

As of December 31, 2009, we had federal and state net operating loss carryforwards of approximately $59.7 million each and federal and state research and development tax credit carryforwards of approximately $1.9 million and $2.0 million, respectively. Our federal net operating loss and research and development tax credit carryforwards begin expiring in 2026 unless used prior to that date. Our state net operating loss carryforwards will begin to expire in 2016, if not used, and our state research and development tax credit carryforwards do not expire. Our ability to use net operating loss and tax credit carryforwards is subject to ownership change rules as provided under the Internal Revenue Code and similar state provisions. We have performed an analysis to determine whether an ownership change has occurred from inception to December 31, 2009. Our analysis determined that two ownership changes have occurred during that period. Due to these ownership changes, the use of these net operating losses and research and development credits are subject to annual limitation. However, we concluded that as of December 31, 2009, no net operating losses or research and development credits will expire before utilization due to these ownership changes. In the event we have a subsequent change in ownership, net operating loss and research and development credit carryovers could be further limited and may expire unutilized.

Critical Accounting Policies and Estimates

Our financial statements have been prepared in conformity with generally accepted accounting principles in the United States, or GAAP. The preparation of our financial statements requires our management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the applicable periods. Management bases its estimates, assumptions and judgments on historical experience and on various other factors that it believes to be reasonable under the circumstances. Different assumptions and judgments would change the estimates used in the preparation of our financial statements, which, in turn, could materially change the results from those reported. Our management evaluates its estimates, assumptions and judgments on an ongoing basis. Historically, our critical accounting estimates have not differed materially from actual results. However, actual results may differ from these estimates under different conditions. If actual results differ from these estimates and other considerations used in estimating amounts reflected in the financial statements, the resulting changes could have a material adverse effect on our statements of operations, liquidity and financial condition.

The estimates described below represent our critical accounting estimates. For more information regarding our critical accounting policies and estimates, please see Note 2 of the notes to our audited financial statements included elsewhere in this prospectus.

Revenue Recognition

We generate revenue from selling our human genome sequencing services under purchase orders or contracts. Revenues are recognized when all of the following criteria are met: persuasive evidence of an arrangement exists, title has transferred, the price is fixed or determinable and collectability is reasonably assured. Upon completion of the sequencing process, we ship the research-ready genomic data to the customer. We use shipping documents and third-party evidence to verify shipment of the data. In order to determine whether collectability is reasonably assured, we assess a number of factors, including past transaction history with the customer and the creditworthiness of the customer. If we determine that collectability is not reasonably assured, we defer the recognition of revenue until collectability becomes reasonably assured. We also receive down payments from customers prior to the commencement of the genome sequencing process.
For revenue generated under purchase orders, we have established standard terms and conditions that are specified for all orders. We use the purchase order to establish persuasive evidence of an arrangement and whether there is a fixed and determinable price for the order. Revenue is recognized based upon the shipment of genomic data to customers and satisfaction of all terms and conditions contained in the purchase order. Any down payments received are recorded as deferred revenue until we meet all revenue recognition criteria.

For revenue generated under contracts, we consider each contract’s terms and conditions to determine our obligations associated with the contract. We will defer revenue until all significant obligations, as defined in the contract, have been met. Any down payments received are recorded as deferred revenue, and revenue is recognized upon shipment of genomic data and satisfaction of all remaining obligations.

**Allowance for Doubtful Accounts**

We currently do not have any significant accounts receivable balances, and receipt of payment on our existing receivables has been reasonably assured such that we do not believe that an allowance for doubtful accounts is currently required. If our revenue increases as expected and our accounts receivable balance grows, we intend to perform regular evaluations of our customers’ creditworthiness and continuously monitor collections and payments to estimate an allowance for doubtful accounts that is based on the aging of the underlying receivables and our experiences with regard to specific collection issues.

**Estimated Useful Lives of Property and Equipment**

We depreciate our property and equipment using a straight line method over its estimated useful lives. Our property primarily consists of lease improvements, and our equipment primarily consists of our sequencing instruments and computer equipment used in the sequencing process. While we use our best judgment to determine the useful lives of our sequencing instruments and computer equipment, a significant change in technology or the emergence of an advanced technology could result in a shorter useful life than we initially anticipated. Our equipment represents the largest asset on our balance sheet, and a subsequent reduction in the useful lives of equipment could have a material impact on our statement of operations.

**Convertible Preferred Stock Warrants**

Freestanding warrants to purchase shares of our convertible preferred stock are classified as liabilities on our balance sheets at fair value because the warrants may conditionally obligate us to redeem the underlying convertible preferred stock at some point in the future. The warrants are subject to remeasurement at each balance sheet date, and any change in fair value is recognized as a component of interest and other income (expense), net, in the statements of operations. We estimated the fair value of these warrants at the respective balance sheet dates using the Black-Scholes option pricing model. We use a number of assumptions to estimate the fair value including the remaining contractual terms of the warrants, risk-free interest rates, expected dividend yield and expected volatility of the price of the underlying common stock. These assumptions are highly judgmental and could differ significantly in the future.

For the years ended December 31, 2007, 2008 and 2009, we recorded a charge of $0.2 million and gains of $0.1 million and $1.1 million to interest and other income (expense), net, respectively, to reflect the change in the fair value of the warrants. During the three months ended March 31, 2009 and 2010, we recorded a charge of $27,000 and a gain of $0.2 million, respectively, to interest and other income (expense), net, respectively, to reflect the change in fair value of the warrants.

We will continue to record adjustments to the fair value of the warrants until they are either exercised, converted into warrants to purchase common stock or expire, at which time the warrants will no longer be remeasured at each balance sheet date. Immediately prior to the consummation of this offering and the conversion of the underlying preferred stock to common stock, our outstanding preferred stock warrants will automatically convert into warrants to purchase shares of our common stock. The then-current aggregate fair value of these warrants will be reclassified from liabilities to additional paid-in capital, and we will cease to record any related periodic fair value adjustments.
Inventory
Inventory consists of the raw materials we use in our sequencing process, work in process and finished goods. Inventories are stated at the lower of cost or market value. Cost is determined using standard costs, which approximate actual costs, on a first-in, first-out basis. Market value is determined as the lower of replacement cost or net realizable value. We regularly review inventory quantities on hand for excess and obsolete inventories, giving consideration to potential obsolescence, our product life cycle and development plans, product expiration and quality issues. To date, these factors have not been significant as our inventory amounts have been immaterial. However, we anticipate that these estimates will become more significant if our sequencing volumes increase as expected.

Valuation of Long-Lived Assets
We assess our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable. These indicators may include, but are not limited to, significant decreases in the market value of an asset and significant changes in the extent or manner in which an asset is used. If these or other indicators are present, we test for recoverability by measuring the carrying amount of the assets against future net cash flows which the assets are expected to generate. If these assets are considered to be impaired, the impairment recognized is measured by the amount by which the carrying amount of the assets exceeds the projected discounted future net cash flows arising from the assets. We make estimates and judgments about future undiscounted cash flows and fair values. Although our cash flow forecasts are based on assumptions that are consistent with our plans, there is significant exercise of judgment involved in determining the cash flow attributable to a long-lived asset over its estimated remaining useful life. Our estimates of anticipated cash flows could be reduced significantly in the future. As a result, the carrying amounts of our long-lived assets could be reduced through impairment charges in the future. There have been no such impairments of long-lived assets to date. However, we anticipate that a future impairment could have a material impact on our financial statements in light of the dollar significance of the long-lived assets carried on our balance sheet.

Stock-Based Compensation
We recognize compensation expense related to the awarding of employee stock options, based on the estimated fair value of the awards granted using the Black-Scholes option-pricing model. We also use the Black-Scholes option-pricing model to determine the fair value of non-employee stock option grants. In accordance with authoritative guidance, the fair value of non-employee stock option grants is re-measured as they vest, and the resulting increase in value, if any, is recognized as expense during the period the related services are rendered.
The Black-Scholes option-pricing model requires the input of our expected stock-price volatility, the expected life of the options, risk-free interest rate and expected dividends. Determining these assumptions requires significant judgment. We determined the expected life and volatility rate of the employee stock-option grants based on that of selected, publicly traded companies in a similar industry, approximating our life cycle, revenue level and market capitalization. We will continue to analyze the historical expected term and stock price volatility assumptions as more historical data for our own options and common stock, respectively, becomes available. The expected life of the non-employee option grants was based on their remaining contractual life at the measurement date. The risk-free interest rate assumption was based on U.S. Treasury instruments whose terms were consistent with the option’s expected life. The expected dividend assumption was based on our history and expectation of dividend payouts. The following table sets forth these assumptions for our employee stock options for the periods provided:

<table>
<thead>
<tr>
<th></th>
<th>Year ended December 31,</th>
<th></th>
<th>Three months ended March 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008</td>
<td>2009</td>
<td>2010</td>
</tr>
<tr>
<td>Expected volatility</td>
<td>82.05% – 84.79%</td>
<td>74.03% – 92.44%</td>
<td>80.54% – 80.79%</td>
</tr>
<tr>
<td>Expected life (in years)</td>
<td>6.08</td>
<td>5.32 – 6.10</td>
<td>5.50</td>
</tr>
<tr>
<td>Risk-free interest rate</td>
<td>2.79% – 3.62%</td>
<td>1.80% – 2.72%</td>
<td>2.57% – 2.63%</td>
</tr>
<tr>
<td>Expected dividend yield</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

In accordance with the authoritative guidance on stock compensation, we only record stock-based compensation expense for awards that are expected to vest. As a result, judgment is also required in estimating the amount of stock-based awards that are expected to be forfeited. Although we estimate forfeitures based on historical experience, actual forfeitures may differ. If actual results differ significantly from these estimates, stock-based compensation expense and our statements of operations could be materially impacted when we record a true-up for the difference in the period that the awards vest.

The following table summarizes the options granted from May 2, 2008 through March 31, 2010 with their exercise prices, the fair value of the underlying common stock and the intrinsic value per share, if any. We did not grant any options from January 1, 2008 through May 1, 2008.

<table>
<thead>
<tr>
<th>Grant date</th>
<th>Number of options granted</th>
<th>Exercise price per share (1)</th>
<th>Fair value of common stock per share</th>
<th>Intrinsic value (3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 2, 2008</td>
<td>13,377</td>
<td>$ 35.40</td>
<td>$ 35.40</td>
<td>—</td>
</tr>
<tr>
<td>July 23, 2008</td>
<td>2,863</td>
<td>35.40</td>
<td>35.40</td>
<td>—</td>
</tr>
<tr>
<td>November 11, 2008</td>
<td>21,850</td>
<td>76.20</td>
<td>76.20</td>
<td>—</td>
</tr>
<tr>
<td>January 21, 2009</td>
<td>4,006</td>
<td>76.20</td>
<td>76.20</td>
<td>—</td>
</tr>
<tr>
<td>March 13, 2009</td>
<td>6,548</td>
<td>76.20</td>
<td>76.20</td>
<td>—</td>
</tr>
<tr>
<td>November 13, 2009</td>
<td>1,235,570</td>
<td>1.50</td>
<td>1.82(2)</td>
<td>0.32</td>
</tr>
<tr>
<td>November 19, 2009</td>
<td>17,499</td>
<td>1.50</td>
<td>1.85(2)</td>
<td>0.35</td>
</tr>
<tr>
<td>December 28, 2009</td>
<td>199,998</td>
<td>1.50</td>
<td>2.02(2)</td>
<td>0.52</td>
</tr>
<tr>
<td>January 28, 2010</td>
<td>104,895</td>
<td>1.50</td>
<td>2.16(2)</td>
<td>0.66</td>
</tr>
<tr>
<td>February 24, 2010</td>
<td>619,169</td>
<td>1.50</td>
<td>2.28(2)</td>
<td>0.78</td>
</tr>
<tr>
<td>March 19, 2010</td>
<td>63,125</td>
<td>1.50</td>
<td>2.38(2)</td>
<td>0.88</td>
</tr>
<tr>
<td>March 22, 2010</td>
<td>128,000</td>
<td>1.50</td>
<td>2.39(2)</td>
<td>0.89</td>
</tr>
</tbody>
</table>

(1) In January 2010, we approved a stock option modification, pursuant to which all outstanding unexercised options that were granted prior to January 28, 2010 under our 2006 Equity Incentive Plan and had an exercise price greater than $1.50 per share were modified to decrease the exercise price of these stock options to $1.50 per share. For more information see “Stock Option Modification” below.

(2) We reassessed the fair value of our common stock subsequent to the grant date of these options.

(3) Intrinsic value represents the difference between the exercise price and the fair value of the common stock underlying the award.

All options granted by our board of directors on the dates noted above were intended to be exercisable at the fair value of our stock at the time of grant, based on information known at that time. For the purposes of recording stock-based compensation expense, we reviewed the historical pattern of our common stock and subsequently reassessed the fair value of our stock for the options granted from November 13, 2009 through March 22, 2010.
The fair values of the common stock underlying our stock options were estimated contemporaneously by our board of directors with input from management based on several factors, including progress and milestones attained in our business, projected sales and earnings for multiple future periods and estimated probabilities of various financing and liquidation events. In the absence of a public trading market for our common stock, our board of directors has determined the fair value of the common stock using methodologies, approaches and assumptions consistent with the American Institute of Certified Public Accountants Practice Guide, Valuation of Privately-Held-Company Equity Securities Issued as Compensation, or the AICPA Practice Guide. In addition, our board of directors considered numerous objective and subjective factors, including, among others, the following factors:

- the prices of preferred stock issued by us to sophisticated investors in arms-length transactions;
- the rights, preferences and privileges of our preferred stock issued in financings relative to our common stock;
- the execution of customer contracts and receipt of customer purchase orders;
- the hiring of key personnel;
- the status of development and implementation of our sequencing process;
- our stage of development and business strategy;
- the lack of an active public market for our common and preferred stock;
- trends in the genome sequencing industry and performance of specific competitors; and
- the likelihood of achieving a liquidity event for the shares of common stock underlying these stock options, such as an initial public offering or sale of the company, in light of the then-prevailing market conditions.

For our contemporaneous valuations, our board of directors used the option pricing model, or OPM, if the valuation date approximated the close of recent financings by third parties and, in other situations, the probability-weighted expected return method, or PWERM. To ensure the reasonableness of the results of either method used, the results of the OPM allocation method were reconciled to the results of the PWERM allocation method, and the PWERM results were reconciled to the OPM results, if appropriate.

Under the PWERM method, the value of the common stock is estimated based on an analysis of future values for the company assuming various future outcomes. Stock value is based on the probability-weighted present value of expected future investment returns, considering each of the possible future outcomes available, as well as the rights of each class of stock. The future outcomes we considered were:

- initial public offering;
- merger or sale;
- liquidation; and
- continuing operations as a viable private company.

The OPM model treats the rights of the holders of preferred and common stock as equivalent to that of call options on any value of the enterprise above certain break points of value based on the liquidation preferences of the holders of preferred stock, as well as their rights to participation and conversion. Accordingly, the value of the common stock is determined by estimating the value of its portion of each of these call option rights. In order to determine the break points, we made estimates of the anticipated timing of a potential liquidity event and estimates of the volatility of our equity securities. The anticipated timing was based on our plans toward the liquidity event and on our board of directors’ judgment. Estimating the volatility of the stock price of a privately held company is complex because there is no readily available market for the shares. We estimated the volatility of our stock based on available information on volatility of stocks of publicly traded companies in the industry.
We granted stock options in 2008, 2009 and 2010 with exercise prices between $1.50 and $76.20 per share. No single event caused the valuation of our common stock to increase or decrease from May 2008 to March 2010. Rather it has been a combination of the following factors that led to the changes in the fair value of the underlying common stock.

February 28, 2008 to July 23, 2008. Our board of directors determined the fair value of our common stock to be $35.40 per share as of each grant date between February 28, 2008 and July 23, 2008, primarily based on the OPM allocation method. The OPM allocation method assumed an enterprise value of $65 million, which was based on the recent closing of our Series C preferred stock in February 2008 at a price of $159.30 to several venture capital and private equity firms. Based on this enterprise value, we determined the minimum and maximum ranges of values at which our debt and preferred and common equity holders would receive value, or the break points. We applied the Black-Scholes option model with option strike prices equal to the break points and the current stock price equal to our enterprise value. The expected term of the debt and preferred and common equity was defined as the average expected holding period of the investors in the security until a liquidity event and was determined to be 2.1 years. The volatility was based on the average volatility over the expected term for our peer companies and was determined to be 53%. The risk-free interest rate was 1.89%, based on U.S. Treasury Securities matching the expected term. Based on this information, we determined the total value of each security. We applied a discount of 25.2% for lack of marketability to the value of the common stock. This valuation indicated a fair value of $35.40 per share for our common stock.

July 24, 2008 to September 29, 2008. No options were granted, and our board of directors did not make any determination of the fair value of our common stock.

September 30, 2008 to March 13, 2009. Our board of directors determined the fair value of our common stock to be $76.20 per share as of each grant date between September 30, 2008 and March 13, 2009, primarily based on the PWERM allocation method. The PWERM allocation method used a risk-adjusted discount of 35%, a marketability discount of 29.9% and a weighted-average estimated time to an initial public offering or a strategic merger or sale of 2.6 years. The expected outcomes were weighted toward the respective liquidity events as follows:

- 5% toward an initial public offering in 2010;
- 10% toward a strategic merger or sale in 2009;
- 20% toward a strategic merger or sale in 2010;
- 30% toward a dissolution of us with no value to common stock holders; and
- 35% toward remaining a private company.

This valuation indicated a fair value of $76.20 per share for our common stock. After September 2008 and through March 13, 2009, there was a significant negative change in the financial capital markets and a macro-economic downturn. However, neither the extent of the change nor the duration of the economic downturn was known to us. Accordingly, we continued to grant stock options in the first quarter of 2009 at an exercise price of $76.20 per share.

March 14, 2009 to August 30, 2009. No options were granted, and our board of directors did not make any determination of the fair value of our common stock.

August 31, 2009 to March 22, 2010. Our board of directors determined the fair value of our common stock to be $1.50 per share as of each grant date between August 31, 2009 and March 22, 2010, based on the OPM valuation method. Prior to August 31, 2009, as a result of the severe macro-economic downturn we temporarily reduced spending by reducing employee compensation and delaying any start-up and pre-production related expenditures. This delay in spending slowed the completion of our sequencing production facilities. As a result, our sales efforts and related revenue projections were also delayed. The board of directors did not consider the
PWERM allocation method for this valuation as the method seemed inappropriate given our stage of development and the uncertainty surrounding the probable liquidity exits for us. The OPM allocation method assumed an enterprise value of $67 million, which was based on the recent closing of our Series D preferred stock in August 2009 at a price of $7.56 per share to several venture capital and private equity firms, which represented only a small increase in our enterprise value from July 2008. Based on this enterprise value, we determined the minimum and maximum ranges of values at which our debt and preferred and common equity holders would receive value. We applied the Black-Scholes option model with option strike prices equal to these break points and the current stock price equal to our enterprise value. The expected term until liquidity was determined to be 1.6 years. The volatility was based on the average volatility over the expected term for our peer companies and was determined to be 85%. The risk-free interest rate was 0.74%, based on U.S. Treasury Securities matching the expected term. Based on this information, we determined the total value of each security. We applied a discount of 21.2% for lack of marketability to the value of the common stock. This valuation indicated a fair value of $1.50 per share for our common stock.

March 23, 2010 to March 30, 2010. No options were granted, and our board of directors did not make any determination of the fair value of our common stock.

March 31, 2010. Our board of directors determined the fair value of our common stock to be $2.43 per share as of March 31, 2010, primarily based on the PWERM allocation method. The common stock valuation was performed following an additional closing of our Series D preferred stock financing at a price of $7.56 per share to several venture capital and private equity firms. The PWERM allocation method used a risk-adjusted discount of 25%, a marketability discount of 15% and a weighted-average estimated time to an initial public offering or a strategic merger or sale of 1.9 years. The expected outcomes were weighted toward the respective liquidity events as follows:

- 17.5% toward an initial public offering in 2010;
- 17.5% toward an initial public offering in 2011;
- 5% toward a strategic merger or sale in 2011;
- 5% toward a strategic merger or sale in 2012;
- 35% toward a dissolution of us with no value to common stock holders; and
- 20% toward a dissolution of us in which creditors are repaid and preferred investors will receive up to 0.5x of their original investment from the liquidation of assets and no value will be available to common stock holders.

The increase in the probability of a liquidity event from prior valuations was primarily related to the commencement of commercial operations and the achievement of revenue in the fourth quarter of 2009 and first quarter of 2010. However, substantial uncertainty still existed regarding our ability to sequence genomes on a cost-effective basis. This valuation indicated a fair value of $2.43 per share for our common stock.

Stock Option Modification

In January 2010, our board of directors approved a modification of outstanding unexercised stock options held by then-current employees and consultants to decrease the exercise price of these stock options to $1.50 per share. Other than a reduced exercise price, the terms and conditions of the stock options remained the same. All 85,477 unexercised options that were granted under our 2006 Equity Incentive Plan on or before January 28, 2010 and which had an exercise price greater than $1.50 per share were modified. The incremental stock-based compensation expense due to the modification was immaterial to our financial statements.

Income Taxes

We are subject to income taxes in the United States, and we use estimates in determining our provision for income taxes. We use the asset and liability method of accounting for income taxes. Under this method, deferred
tax asset or liability account balances are calculated at the balance sheet date using current tax laws and rates in effect for the year in which the differences are expected to affect taxable income.

Recognition of deferred tax assets is appropriate when realization of such assets is more likely than not. We recognize a valuation allowance against our net deferred tax assets if it is more likely than not that some portion of the deferred tax assets will not be fully realizable. This assessment requires judgment as to the likelihood and amounts of future taxable income by tax jurisdiction. At December 31, 2009, we had a full valuation allowance against all of our deferred tax assets.

Effective January 1, 2007, we adopted the new authoritative guidance to account for uncertain tax positions. None of our currently unrecognized tax benefits would affect our effective income tax rate if recognized, due to the valuation allowance that currently offsets our deferred tax assets. We do not anticipate the total amount of unrecognized income tax benefits relating to tax positions existing at December 31, 2009 will significantly increase or decrease in the next 12 months.

We assess all material positions taken in any income tax return, including all significant uncertain positions, in all tax years that are still subject to assessment or challenge by relevant taxing authorities. Assessing an uncertain tax position begins with the initial determination of the position’s sustainability and is measured at the largest amount of benefit that is greater than 50% likely to be realized upon ultimate settlement. As of each balance sheet date, unresolved uncertain tax positions must be reassessed, and we will determine whether:

- the factors underlying the sustainability assertion have changed; and
- the amount of the recognized tax benefit is still appropriate.

The recognition and measurement of tax benefits requires significant judgment. Judgments concerning the recognition and measurement of a tax benefit might change as new information becomes available.

As of December 31, 2009, we had federal and state net operating loss carryforwards in each case of $59.7 million. The federal net operating loss carryforwards will begin to expire in 2026, and the state net operating loss carryforwards will begin to expire in 2016. In addition, as of December 31, 2009, we had federal and state research and development tax credit carryforwards of $1.9 million and $2.0 million, respectively. The federal research and development tax credit carryforwards will expire in 2026, if not used, and the state research and development tax credit carryforwards do not expire. Because of the net operating loss and credit carryforwards, all of our tax years, dating to inception in 2005, remain open to federal tax examinations. Most state tax jurisdictions have four open tax years at any point in time.

Under federal and similar state tax statutes, substantial changes in our ownership, including as a result of this offering, may limit our ability to use our available net operating loss and tax credit carryforwards. The annual limitation, as a result of a change-in-control, may result in the expiration of net operating losses and credits before utilization. We conducted an analysis through December 31, 2009 to determine whether ownership changes occurred. We concluded that two ownership changes had occurred. However, as of December 31, 2009, no net operating losses or tax credits will expire unused as a result of these changes.

Results of Operations

During the year ended December 31, 2009, our results of operations were impacted by the following events, which should be considered when reading the discussion of our results of operations comparing the years ended December 31, 2008 and 2009 and the three months ended March 31, 2009 and 2010:

- In 2009, we initiated start-up production activities using resources from our research and development organization. Using these research and development resources for production activities decreased research and development expenses during 2009 by approximately $4.7 million.
- In the second quarter of 2009, we implemented temporary cost-reduction initiatives to conserve cash in light of macro-economic conditions. The temporary cost-reduction initiatives included a salary reduction for all company employees that averaged approximately 50%. The impact of the temporary cost-reduction initiatives on our 2009 operating results was approximately $3.4 million, including reductions in employee salaries and benefits of approximately $2.0 million, consulting and outside engineering
services by approximately $0.6 million and prototype equipment expenses by approximately $0.4 million. In the second quarter of 2009, as a result of these cost-reduction initiatives, research and development, general and administrative and sales and marketing expenses decreased $2.7 million, $0.5 million and $0.2 million, respectively, compared to the first quarter of 2009.

- During the fourth quarter of 2009, we reevaluated the expected useful lives of our equipment and determined that for certain of our equipment, the useful life should be shortened. Accordingly, we accelerated depreciation of this equipment, resulting in an additional $1.0 million in depreciation expense in the fourth quarter of 2009. Of this $1.0 million charge, approximately $0.5 million was recorded as start-up production costs and approximately $0.5 million was recorded as research and development expense.

Comparison of Three Months Ended March 31, 2009 and 2010

The following table shows the amounts of the listed items from our statements of operations for the periods presented, showing period-over-period changes (in thousands, except for percentages).

<table>
<thead>
<tr>
<th>Three months ended March 31,</th>
<th>2009</th>
<th>2010</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$ —</td>
<td>$ 336</td>
<td>$ 336</td>
<td>1,151%</td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Start-up production costs</td>
<td>326</td>
<td>4,077</td>
<td>3,751</td>
<td>1,151%</td>
</tr>
<tr>
<td>Research and development</td>
<td>6,746</td>
<td>6,169</td>
<td>(577)</td>
<td>(9)%</td>
</tr>
<tr>
<td>General and administrative</td>
<td>1,298</td>
<td>3,099</td>
<td>1,801</td>
<td>139%</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>427</td>
<td>1,226</td>
<td>799</td>
<td>187%</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>8,797</td>
<td>14,571</td>
<td>5,774</td>
<td>66%</td>
</tr>
<tr>
<td>Loss from operations</td>
<td>(8,797)</td>
<td>(14,235)</td>
<td>5,438</td>
<td>62%</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(679)</td>
<td>(311)</td>
<td>368</td>
<td>(54)%</td>
</tr>
<tr>
<td>Interest and other income (expense), net</td>
<td>(22)</td>
<td>210</td>
<td>232</td>
<td>(1,055)%</td>
</tr>
<tr>
<td>Net loss</td>
<td>$(9,498)</td>
<td>$(14,336)</td>
<td>(4,838)</td>
<td>51%</td>
</tr>
</tbody>
</table>

*Percentage not meaningful.

Revenue

We recognized revenue of $0.3 million in the first quarter of 2010 representing sales to five customers. We did not recognize revenue during the first quarter of 2009.

Start-up Production Costs

During the first quarter of 2010, we incurred $4.1 million of start-up production costs to support our genome sequencing service, compared to $0.3 million in the first quarter of 2009. These activities include the acceptance testing of customer genomic samples, sample sequencing preparation and sample sequencing in addition to the processing of data generated by the sequencing instrument. The increase in start-up production costs was primarily due to employee salaries and benefits and stock-based compensation expenses of $1.3 million and $0.1 million, respectively, depreciation expense of $0.7 million, facilities and maintenance costs of $0.6 million, reagents, materials and supplies expenses of $0.4 million, data communication charges of $0.4 million and consulting expenses of $0.1 million. As in 2009, we continued to incur considerable start-up costs in excess of revenue during the first quarter of 2010 to initiate and bring our human genome sequencing production process to commercial-scale. We continued to commit significant personnel and equipment resources to our production process in advance of our achieving significant production volume. As only a portion of our production expenses varies with our revenue, our production costs will be greater than our revenue until we achieve significant product volume and revenues.
We anticipate that our start-up production costs will decrease as we continue to improve and automate our human genome sequencing processes and increase the throughput of our sequencing technology. Conversely, we anticipate that our costs of providing sequencing services will increase if we sequence additional genomes and our revenue grows as we anticipate.

Research and Development
Research and development expenses were $6.2 million during the quarter ended March 31, 2010 compared to $6.7 million during the quarter ended March 31, 2009, representing a decrease of $0.6 million, or 9%, as we allocated costs to start-up production activities. The decrease in research and development expenses is principally due to a reduction in depreciation expense of $0.6 million, a decrease in consulting expense and outside engineering services of $0.3 million and a reduction relating to equipment, reagents, materials and supplies and prototype equipment expenses of $0.2 million. These decreases in research and development expense were offset by an increase in salaries and benefits expense and stock-based compensation expense of $0.5 million and $0.1 million, respectively, and an increase in facilities and maintenance costs of $0.2 million associated with the expansion of our facilities in 2009.

We expect to continue to invest in research and development activities as we seek to enhance our sequencing processes, components and systems to improve the yield and throughputs and reduce the cost of our sequencing service. We anticipate a continued investment in research and development and believe that in the near future, our research and development expenses will increase.

General and Administrative
General and administrative expenses were $3.1 million for the three months ended March 31, 2010 compared to $1.3 million for the three months ended March 31, 2009, representing an increase of $1.8 million, or 139%. The increase in general and administrative expenses was due to increases in employee salaries and benefits and stock-based compensation expense of $1.5 million and $0.2 million, respectively, associated with increased administrative headcount to support the overall growth of the company. In addition, consulting expense increased by $0.2 million, and outside services expenses for legal and accounting support increased by $0.1 million. The overall increase in general and administrative expenses was offset by a decrease in facilities and maintenance costs of $0.2 million.

We expect that general and administrative expenses will increase in 2010 and beyond as we increase the headcount of our finance and administrative staff as we operate as a public company. We anticipate that we will incur increased expenses related to audit, legal, regulatory and tax-related services associated with maintaining compliance with exchange listing and Securities and Exchange Commission requirements, directors’ and officers’ insurance and investor relation programs.

Sales and Marketing
Sales and marketing expenses were $1.2 million during the quarter ended March 31, 2010 compared to $0.4 million during the quarter ended March 31, 2009, representing an increase of $0.8 million, or 187%. The increase in sales and marketing expenses is due primarily to an increase in employee salaries and benefits of $0.4 million associated with the growth of our sales and marketing organization, an increase in marketing research and public relations expenses of $0.2 million and an increase in facilities and maintenance costs of $0.1 million as a result of an increase in headcount.

We expect that sales and marketing expenses will increase significantly in 2010 as we increase our headcount for sales, marketing and service personnel to support our expected growth in revenue and expansion of our customer base.

Interest Expense
During the first quarter of 2010, we incurred interest expense of $0.3 million compared to $0.7 million during the first quarter of 2009. The decrease in interest expense was a result of a lower outstanding balance on our credit
facility during the first quarter of 2010 compared to the first quarter of 2009 and lower amortization of the initial value of our preferred stock warrants that were issued in connection with our borrowings.

**Interest and Other Income (Expense), Net**

The increase in interest and other income (expense), net, of $0.2 million between first quarter of 2010 and the first quarter of 2009 was due primarily to the change in the valuation of our convertible preferred stock warrants.

**Comparison of Years Ended December 31, 2007, 2008 and 2009**

The following table shows the amounts of the listed items from our statements of operations for the periods presented, showing period-over-period changes (in thousands, except percentages).

<table>
<thead>
<tr>
<th></th>
<th>Years ended December 31,</th>
<th>2008 vs. 2007</th>
<th>2009 vs. 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007</td>
<td>2008</td>
<td>2009</td>
</tr>
<tr>
<td>Revenue</td>
<td>$—</td>
<td>$—</td>
<td>$623</td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Start-up production</td>
<td>—</td>
<td>—</td>
<td>5,033</td>
</tr>
<tr>
<td>costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and</td>
<td>10,305</td>
<td>23,633</td>
<td>22,424</td>
</tr>
<tr>
<td>development</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General and</td>
<td>1,896</td>
<td>3,179</td>
<td>4,953</td>
</tr>
<tr>
<td>administrative</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>—</td>
<td>1,045</td>
<td>1,798</td>
</tr>
<tr>
<td>Total operating</td>
<td>12,201</td>
<td>27,857</td>
<td>34,208</td>
</tr>
<tr>
<td>expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss from operations</td>
<td>(12,201)</td>
<td>(27,857)</td>
<td>(33,585)</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(215)</td>
<td>(974)</td>
<td>(3,465)</td>
</tr>
<tr>
<td>Interest and other</td>
<td>163</td>
<td>437</td>
<td>1,101</td>
</tr>
<tr>
<td>income (expense), net</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss</td>
<td>$(12,253)</td>
<td>$(28,394)</td>
<td>$(35,949)</td>
</tr>
</tbody>
</table>

* Percentage not meaningful.

**Revenue**

We recognized our first revenue of $0.6 million in the fourth quarter of 2009, representing sales to seven customers.

**Start-up Production Costs**

During 2009, we incurred $5.0 million of start-up production costs to support our genome sequencing service. These activities include the acceptance testing of customer genomic samples, sample sequencing preparation and sample sequencing in addition to the processing of data generated by the sequencing instrument. These costs primarily consisted of employee salaries and benefits and stock-based compensation expense of $1.7 million and $0.1 million, respectively, depreciation expense of $1.5 million, facilities and maintenance costs of $0.6 million, reagents, materials and supplies expense of $0.3 million, data communication charges of $0.2 million, equipment expense of $0.2 million and consulting expenses of $0.2 million. We incurred considerable start-up production costs in excess of revenue during 2009 to initiate and bring our human genome sequencing production process to commercial scale. We committed significant personnel and equipment resources to our production process in advance of our achieving significant production volume. Only a portion of our production expenses varies with our service revenue. Accordingly, unless we approach significant production volume and revenue, our production costs will be greater than our revenue.

**Research and Development**

Research and development expenses decreased $1.2 million, or 5%, from 2008 to 2009 as we used resources from our research organization to initiate commercial operations and implemented temporary cost-reduction initiatives in the second quarter of 2009. This decrease reflects a reduction in equipment, reagents, materials and supplies and prototype equipment expense of $1.5 million. The reduction in equipment, reagents, materials and
supplies expenses primarily reflects their usage in start-up production activities. The reduction in prototype equipment expense reflects our transition to developing production equipment as well as cost-reduction measures in the second quarter of 2009. In addition, the decrease in research and development expense reflects a reduction in consulting expense and outside engineering services of $0.9 million and the disposal of obsolete equipment in 2008 of $0.5 million. These decreases in research and development expense were offset by increased equipment depreciation expense of $0.9 million related to investments in computing and other equipment and software and acceleration of depreciation expense for certain equipment, increased employee salaries and benefits of $0.6 million related to increased headcount. The decrease in research and development expense was further offset by increased stock-based compensation expense of $0.7 million, increased facilities and maintenance costs of $0.6 million associated with the expansion of our facilities in 2009 and increased data communication costs of $0.5 million related to the expansion of our offsite data center.

Research and development expenses increased $13.3 million, or 129%, from 2007 to 2008 reflecting increased salaries and benefits of $4.7 million relating to increased headcount, increased employee recruiting fees of $0.6 million and increased stock-based compensation expense of $0.2 million. In addition, the increase in research and development expenses reflects increased consumption of reagents, materials and supplies and prototype equipment of $2.1 million, increased depreciation expense of $2.0 million primarily related to investments in computing and storage equipment, increased facilities and maintenance costs of $1.2 million related to occupying a larger facility beginning in September 2007, increased license fees of $1.0 million related to our intellectual property license arrangement with Callida Genomics, increased consulting expense and outside engineering services of $0.7 million and the disposal of obsolete equipment of $0.5 million.

General and Administrative

General and administrative expenses increased $1.8 million, or 56%, from 2008 to 2009 primarily reflecting increased facilities and maintenance costs of $1.1 million. During 2009, significant portions of our facility were renovated to accommodate our genome sequencing center. During the period of renovation, the space being renovated was unoccupied, and associated costs were recorded as general and administrative expense. In addition, general and administrative expenses reflect increased employee salaries and benefits and stock-based compensation expense of $0.1 million and $0.2 million, respectively, legal expenses of $0.2 million primarily related to intellectual property matters and patent prosecution, increased consulting expenses of $0.1 million related to financial and human resources consultants and increased payroll and benefits servicing fees of $0.1 million.

General and administrative expenses increased $1.3 million, or 68%, from 2007 to 2008 reflecting increased employee salaries and benefits and stock-based compensation expense of $0.5 million and $0.1 million, respectively, related to increased headcount to support our growing research and development organization, legal expenses of $0.4 million primarily related to intellectual property matters and patent prosecution, increased facilities and maintenance expenses of $0.1 million, increased financial and human resources consultants expenses of $0.1 million and increased payroll and benefits servicing fees of $0.1 million.

Sales and Marketing

Sales and marketing expenses increased $0.8 million, or 72%, from 2008 to 2009 reflecting increased employee salaries and benefits and stock-based compensation expense of $0.7 million and $0.1 million, respectively, related to increased headcount, increased facilities and maintenance costs of $0.1 million and increased travel expenses $0.1 million. The increase in sales and marketing expenses was partially offset by decreased marketing research and public relations expenses of $0.3 million. Our sales and marketing expenses in 2008 reflects our initial investment in marketing activities and primarily consists of marketing research and public relations activities. We did not incur any sales and marketing expenses in 2007.
**Interest Expense**

Interest expense increased by $2.5 million, or 256%, from 2008 to 2009 primarily due to $1.0 million of interest expense on higher loan balances under our new credit facility and $1.5 million of interest charges related borrowings under convertible notes issued in 2009.

Interest expense increased $0.8 million, or 353%, from 2007 to 2008. During 2007, we had two credit facilities under which we had outstanding borrowings of $4.0 million. In 2008, we entered into a new credit facility for $13.0 million, a portion of which was used to repay in full the then-outstanding balances on the credit facilities. The increase in interest expense in 2008 is primarily a result of the larger loan balance and the costs associated with the prepayment of the two credit facilities.

**Interest and Other Income (Expense), Net**

The increase in interest and other income (expense), net, of $0.7 million from 2008 to 2009 was primarily due to the change in valuation of our convertible preferred stock warrants in 2009, offset by lower interest income due to lower cash and cash equivalents balances, as well as lower effective rates of interest earned on our cash equivalents balance.

The increase in interest and other income (expense), net, of $0.3 million from 2007 to 2008 was primarily due to the change in the valuation of our convertible preferred stock warrants.

**Selected Quarterly Results of Operations**

The following table presents our unaudited quarterly results of operations for the eight fiscal quarters ended March 31, 2010. This unaudited quarterly information has been prepared on the same basis as our audited financial statements and includes all adjustments, consisting of only normal recurring adjustments, necessary for the fair statement of the information for the quarters presented. You should read this table in conjunction with our financial statements and the related notes thereto included in this prospectus. The results of operations for any quarter are not necessarily indicative of the results of operations for any future period.

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>$ —</td>
<td>$ —</td>
<td>$ —</td>
<td>$ —</td>
<td>$ —</td>
<td>$ —</td>
<td>$ —</td>
<td>$ —</td>
</tr>
<tr>
<td><strong>Operating expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Start-up production costs (1)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>326</td>
<td>687</td>
<td>1,258</td>
<td>2,762</td>
<td>4,077</td>
</tr>
<tr>
<td>Research and development (1)</td>
<td>5,127</td>
<td>5,440</td>
<td>8,446</td>
<td>6,746</td>
<td>3,703</td>
<td>5,638</td>
<td>6,337</td>
<td>6,169</td>
</tr>
<tr>
<td>General and administrative (1)</td>
<td>723</td>
<td>704</td>
<td>1,037</td>
<td>1,298</td>
<td>822</td>
<td>1,352</td>
<td>1,481</td>
<td>3,099</td>
</tr>
<tr>
<td>Sales and marketing (1)</td>
<td>180</td>
<td>511</td>
<td>500</td>
<td>427</td>
<td>193</td>
<td>366</td>
<td>812</td>
<td>1,226</td>
</tr>
<tr>
<td><strong>Total operating expenses (1)</strong></td>
<td>6,030</td>
<td>6,655</td>
<td>9,783</td>
<td>8,797</td>
<td>5,405</td>
<td>8,614</td>
<td>11,392</td>
<td>14,571</td>
</tr>
<tr>
<td><strong>Loss from operations</strong></td>
<td>(6,030)</td>
<td>(6,655)</td>
<td>(9,783)</td>
<td>(8,797)</td>
<td>(5,405)</td>
<td>(8,614)</td>
<td>(10,769)</td>
<td>(14,235)</td>
</tr>
<tr>
<td><strong>Interest expense</strong></td>
<td>(127)</td>
<td>(325)</td>
<td>(392)</td>
<td>(679)</td>
<td>(1,372)</td>
<td>(1,073)</td>
<td>(341)</td>
<td>(311)</td>
</tr>
<tr>
<td><strong>Interest and other income (expense), net</strong></td>
<td>123</td>
<td>31</td>
<td>62</td>
<td>(22)</td>
<td>(48)</td>
<td>439</td>
<td>732</td>
<td>210</td>
</tr>
<tr>
<td><strong>Net loss</strong></td>
<td>$(6,034)</td>
<td>$(6,949)</td>
<td>$(10,113)</td>
<td>$(9,498)</td>
<td>$(6,825)</td>
<td>$(9,248)</td>
<td>$(10,378)</td>
<td>$(14,336)</td>
</tr>
</tbody>
</table>
Liquidity and Capital Resources

Since our inception, we have generated operating losses in every quarter, resulting in a deficit accumulated during the development stage of $95.5 million as of March 31, 2010. We have financed our operations to date primarily through private placements of preferred stock and convertible debt and borrowings under our credit facilities. Through March 31, 2010, we have received net proceeds of $95.9 million from the issuance of preferred stock and convertible debt. As of March 31, 2010, we had negative working capital of $(10.6) million, consisting of $5.4 million in current assets and $16.0 million in current liabilities. As of December 31, 2009, working capital was $3.0 million, consisting of $15.0 million in current assets and $12.0 million in current liabilities. Our cash is invested primarily in money market funds. Cash in excess of immediate operating requirements is invested in accordance with our investment policy, primarily with the goals of capital preservation and liquidity maintenance.

Summary Statement of Cash Flows

The following table summarizes our cash flows for the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2009 and 2010.

<table>
<thead>
<tr>
<th>Fiscal 2008, quarter ended</th>
<th>Fiscal 2009, quarter ended</th>
<th>Fiscal 2010, quarter ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Start-up production costs</td>
<td>$—</td>
<td>$—</td>
</tr>
<tr>
<td>Research and development</td>
<td>59</td>
<td>54</td>
</tr>
<tr>
<td>General and administrative</td>
<td>12</td>
<td>15</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total stock-based compensation expense</td>
<td>$71</td>
<td>$69</td>
</tr>
</tbody>
</table>

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<tbody>
<tr>
<td>Start-up production costs</td>
<td>—</td>
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</tr>
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<td>Total stock-based compensation expense</td>
<td>$71</td>
<td>$69</td>
</tr>
</tbody>
</table>

Cash Flows for the Three Months Ended March 31, 2009 and 2010

Operating Activities

Net cash used in operating activities was $4.2 million during the three months ended March 31, 2010 and consisted of a net loss of $14.3 million, offset by noncash items of $3.6 million and a net increase in operating assets and liabilities of $6.5 million. Noncash items for the quarter ended March 31, 2010 consisted primarily of depreciation and amortization expense of $1.3 million, compensation expense for common stock issued to our founders of $1.8 million and stock-based compensation expense of $0.5 million. The significant items in the changes in operating assets and liabilities include a decrease in prepaid expenses of $4.6 million and increases in deferred revenue, accrued liabilities, accounts payable and inventory of $1.5 million, $0.5 million, $0.4 million and $0.4 million, respectively. The decrease in prepaid expenses was due to the receipt of sequencers in the first quarter of 2010 that were paid for in the fourth quarter of 2009. The increase in deferred revenue was due to advance billing arrangements during the first quarter of 2010. The increases in accrued liabilities and accounts payable were a result of payments for purchases made late in the fourth quarter of 2009 to support an increase in
production. The increase in inventory was due to inventory purchases made in the first quarter of 2010 to support customer orders.

Net cash used in operating activities was $7.4 million during the three months ended March 31, 2009 and consisted of a net loss of $9.5 million, offset by noncash items of $1.6 million and a net increase in operating assets and liabilities of $0.5 million. Noncash items for the quarter ended March 31, 2009 consisted primarily of depreciation and amortization expense of $1.0 million, noncash interest expense related to our convertible notes and notes payable of $0.3 million and stock-based compensation expense of $0.2 million. The significant changes in operating assets and liabilities include an increase in accounts payable of $1.0 million, offset by a decrease in accrued liabilities of $0.2 million and an increase in other assets of $0.2 million.

Investing Activities

Net cash used in investing activities was $10.2 million and $0.4 million for the three months ended March 31, 2010 and 2009, respectively. The amounts related entirely to purchases of property and equipment. The purchases of property and equipment during the first quarter of 2010 were primarily for sequencing equipment used in production, while the purchases of property and equipment during the first quarter of 2009 were for equipment used in our research and development activities.

Financing Activities

Net cash provided by financing activities during the quarter ended March 31, 2010 of $9.0 million consisted primarily of net proceeds from the issuance and sale of Series D preferred stock in February and March 2010 of $10.1 million, offset by repayment of equipment loan borrowings of $1.1 million. Net cash provided by financing activities during the quarter ended March 31, 2009 of $3.1 million consisted primarily of proceeds from the issuance and sale of convertible notes of $4.0 million, offset by repayment of equipment loan borrowings of $1.0 million.


Operating Activities

Net cash used in operating activities was $26.7 million for the year ended December 31, 2009 and consisted of a net loss of $35.9 million, offset by noncash items of $8.0 million and a net increase in operating assets and liabilities of $1.3 million. Noncash items for the year ended December 31, 2009 consisted primarily of depreciation and amortization expense of $5.2 million, noncash interest expense related to our convertible notes and notes payable of $2.1 million and stock-based compensation expense of $1.4 million, offset by the change in fair value of our convertible preferred stock warrant liability of $1.1 million. The significant items in the changes in operating assets and liabilities include increases in deferred rent, deferred revenue and accounts payable of $5.0 million, $1.3 million and $1.1 million, respectively, offset by increases in prepaid expenses and accounts receivable of $4.7 million and $1.3 million, respectively. The significant change in deferred rent is due to the difference between rent amounts paid and amounts expensed during 2009 on our facility, while the significant increase in prepaid expenses is due to advance payment arrangements for our sequencers. The increase in accounts payable during 2009 is due to increased purchases associated with the start-up of our production facilities during the fourth quarter of 2009. The increases in accounts receivable and deferred revenue were due to revenue recognized in the fourth quarter of 2009 and advance billing arrangements with customers.

Net cash used in operating activities was $24.3 million for the year ended December 31, 2008 and consisted of a net loss of $28.4 million, offset by noncash items of $3.8 million and net increases in operating assets and liabilities of $0.3 million. Noncash items for the year ended December 31, 2008 consisted mainly of depreciation and amortization expense of $2.8 million, a loss on the disposal of property and equipment of $0.5 million and stock-based compensation expense of $0.3 million. Changes in operating assets and liabilities consisted of an increase in accrued liabilities of $0.7 million, offset by increases in prepaid expenses of $0.2 million and other current assets of $0.2 million.
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Net cash used in operating activities was $10.0 million for the year ended December 31, 2007 and consisted of a net loss of $12.3 million, offset by noncash charges of $1.1 million and a net increase in operating assets and liabilities of $1.1 million. Noncash items for the year ended December 31, 2007 consist of depreciation and amortization expense of $0.8 million, a change in the fair value of our convertible preferred stock warrant liability of $0.2 million and stock-based compensation expense of $0.1 million. The net increase in the changes in operating assets and liabilities was primarily due to increases in accrued liabilities and accounts payable of $0.8 million and $0.6 million, respectively, as a result of our increased research and development activities during the year ended December 31, 2007, offset by increases in prepaid expenses and other assets of $0.2 million and $0.1 million, respectively.

Investing Activities

Net cash used in investing activities were $9.7 million, $7.4 million and $3.7 million for the years ended December 31, 2009, 2008 and 2007, respectively, relating entirely to purchases of property and equipment. Purchases of property and equipment during 2009 consisted primarily leasehold improvements made to our facility in Mountain View, California and equipment to support the start-up of our production facilities. Purchases of property and equipment during 2008 and 2007 were primarily for equipment to support our research and development activities.

Financing Activities

Net cash provided by financing activities during the year ended December 31, 2009 of $37.9 million consisted primarily of net proceeds from the issuance of Series D preferred stock in August 2009 of $27.2 million and net proceeds from the issuance of convertible promissory notes of $14.7 million, offset by repayment of equipment loan borrowings of $4.0 million.

Net cash provided by financing activities during the year ended December 31, 2008 of $33.6 million consisted primarily of net proceeds from the issuance of Series C preferred stock in February 2008 of $25.4 million and proceeds from equipment loan borrowings of $13.2 million, offset by repayment of equipment loan borrowings of $5.0 million.

Net cash provided by financing activities during the year ended December 31, 2007 of $16.3 million consisted primarily of net proceeds from the issuance of Series B preferred stock in March 2007 of $12.9 million, proceeds from equipment loan borrowings of $2.8 million and proceeds from the issuance of convertible promissory notes of $1.0 million, offset by repayment of equipment borrowings of $0.3 million.

Operating and Capital Expenditure Requirements

To date, we have not achieved profitability on a quarterly or annual basis. We expect our cash expenditures to increase significantly in the near term, including significant expenditures for the expansion of our Mountain View sequencing facility and the possible development of additional sequencing centers, research and development, sales and marketing and general and administrative expenses. As a public company, we will also incur significant legal, accounting and other expenses that we did not incur as a private company. We anticipate that we will continue to incur net losses for the foreseeable future as we continue to expand our business and build our infrastructure.

We believe that, based on our current level of operations and anticipated growth, net proceeds from this offering, together with our cash and cash equivalent balances and interest income we earn on these balances, will be sufficient to meet our anticipated cash requirements through at least the next 12 months. If our available cash balances and net proceeds from this offering are insufficient to satisfy our liquidity requirements, we may seek to sell additional equity or convertible debt securities or enter into another credit facility. The sale of additional equity or convertible debt securities may result in dilution to our stockholders. If we raise additional funds through the issuance of convertible debt securities, these securities could have rights senior to those of our common stock and could contain covenants that restrict our operations. We may require additional capital beyond our currently forecasted amounts and additional capital may not be available on reasonable terms, if at all.
Our forecast of the period of time through which our financial resources will be adequate to support our operations and the costs to support our general and administrative, sales and marketing and research and development activities are forward-looking statements and involve risks and uncertainties. Actual results could vary materially and negatively as a result of a number of factors, including the factors discussed under the caption “Risk Factors.” We have based these estimates on assumptions that may prove to be wrong, and we could use our available capital resources sooner than we currently expect.

Our future capital requirements will depend on many factors, including, but not limited to, the following:

- the financial success of our genome sequencing business;
- our ability to increase the genome sequencing capacity in our Mountain View facility;
- whether we are successful in obtaining payments from customers;
- whether we can enter into collaborations and establish a recurring customer base;
- the progress and scope of our research and development projects;
- the filing, prosecution and enforcement of patent claims;
- the rate at which we establish satellite genome sequencing centers and whether we can find suitable partners to establish those centers;
- the effect of any joint ventures or acquisitions of other businesses or technologies that we may enter into or make in the future; and
- lawsuits brought against us by third parties.

**Contractual Obligations and Commitments**

The following summarizes the future commitments arising from our contractual obligations at December 31, 2009 (in thousands):

<table>
<thead>
<tr>
<th>Contractual obligations</th>
<th>Total</th>
<th>Less than 1 year</th>
<th>1-3 years</th>
<th>3-5 years</th>
<th>More than 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt obligations (1)</td>
<td>$7,707</td>
<td>$4,440</td>
<td>$3,267</td>
<td>—</td>
<td>$—</td>
</tr>
<tr>
<td>Interest expense payments (2)</td>
<td>1,276</td>
<td>617</td>
<td>659</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Operating lease obligations (3)</td>
<td>17,886</td>
<td>2,610</td>
<td>5,098</td>
<td>5,415</td>
<td>4,763</td>
</tr>
<tr>
<td>Purchase obligations (4)</td>
<td>6,972</td>
<td>6,133</td>
<td>428</td>
<td>411</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$33,841</td>
<td>$13,800</td>
<td>$9,452</td>
<td>$5,826</td>
<td>$4,763</td>
</tr>
</tbody>
</table>

(1) Represents our outstanding debt under our credit facility as of December 31, 2009.
(2) Represents interest payments on our outstanding debt under our credit facility as of December 31, 2009 and termination payments related to our credit facility due on the maturity date of the notes.
(3) Consists of contractual obligations under non-cancellable office space operating leases.
(4) Consists of purchase obligations related to our data center and related connectivity and non-cancellable orders for sequencing components.

**Credit Facility**

In July 2008, we entered into loan and security agreement with various financial institutions to provide for a term loan of $8.0 million and an equipment credit line of up to $5.0 million. Our borrowings under this credit facility have been secured by substantially all of our assets, other than our intellectual property. Payments of accrued interest and principal are due on the first day of each month, and one final payment of the remaining unpaid balance of principal and accrued interest is due on the maturity of each of the credit extensions. Outstanding borrowings, including the accreted portion of the termination payment, under the credit facility were $8.0 million and $6.9 million as of December 31, 2009 and March 31, 2010, respectively, and no further borrowings under our credit facility are available. Interest accrues at an annual rate between 10.50% and 11.04%, as determined at the time of the draw-down.
The credit facility includes various covenants. We were in compliance with all required covenants in our credit facility as of December 31, 2009 and March 31, 2010.

Indemnifications

In the normal course of business, we enter into contracts and agreements that contain a variety of representations and warranties and provide for general indemnifications. Our exposure under these agreements is unknown because it involves claims that may be made against us in the future, but have not yet been made. To date, we have not paid any claims or been required to defend any action related to our indemnification obligations. However, we may record charges in the future as a result of these indemnification obligations.

In accordance with our certificate of incorporation and bylaws, we have indemnification obligations to our officers and directors for specified events or occurrences, subject to some limits, while they are serving our request in such capacities. There have been no claims to date, and we have director and officer insurance that may enable us to recover a portion of any amounts paid for future potential claims.

Off-Balance Sheet Arrangements

Since our inception, we have not engaged in any off-balance sheet arrangements, including the use of structured finance, special purpose entities or variable interest entities.

Recent Accounting Pronouncements

In October 2009, the Financial Accounting Standards Board, or FASB, issued a new accounting standard that changes the accounting for revenue arrangements with multiple deliverables. Specifically, the new accounting standard requires an entity to allocate arrangement consideration at the inception of an arrangement to all of its deliverables based on their relative selling prices. In addition, the new standard eliminates the use of the residual method of allocation and requires the relative-selling-price method in all circumstances in which an entity recognizes revenue for an arrangement with multiple deliverables. In October 2009, the FASB also issued a new accounting standard that changes revenue recognition for tangible products containing software and hardware elements. Specifically, if certain requirements are met, revenue arrangements that contain tangible products with software elements that are essential to the functionality of the products are scoped out of the existing software revenue recognition accounting guidance and will be accounted for under these new accounting standards. Both standards will be effective for us in the first quarter of 2011. Early adoption is permitted. We are currently assessing the impact that the adoption of these standards will have on our financial statements.

In January 2010, the FASB issued an amendment to an accounting standard which requires new disclosures for fair value measures and provides clarification for existing disclosure requirements. Specifically, this amendment requires an entity to disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and to describe the reasons for the transfer. This amendment also requires an entity to disclose separately information about purchases, sales, issuances and settlements in the reconciliation for fair value measurements using significant unobservable inputs, or Level 3 inputs. This amendment clarifies existing disclosure requirements for the level of disaggregation used for classes of assets and liabilities measured at fair value and requires disclosure about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements using Level 2 and Level 3 inputs. This guidance is effective for interim and annual reporting periods beginning after December 15, 2009, except for certain Level 3 activity disclosure requirements that will be effective for reporting periods after December 15, 2010. Accordingly, we adopted this amendment on January 1, 2010, except for the additional Level 3 requirements, which will be adopted in 2011. Other than requiring additional disclosures, adoption of this new guidance did not have a material impact on our financial statements.

Quantitative and Qualitative Disclosures About Market Risk

Our exposure to market risk is principally limited to exposure to interest rate risk related to our cash and cash equivalent balances. Due to the fixed interest rates of the borrowing under our credit facility, we do not currently
have any exposure to changes in our interest expense as a result of changes in interest rates. In addition, we are not exposed to material foreign exchange risk because sales to customers located outside of the United States are denominated in U.S. dollars.

Cash and Cash Equivalents

The primary objectives of our investment activity are to preserve principal, provide liquidity and maximize income without significantly increasing risk. By policy, we do not enter into investments for trading or speculative purposes. Some of the securities in which we invest, however, may be subject to interest rate risk. This means that a change in prevailing interest rates may cause the principal or stated amount of the investment to fluctuate. To minimize this risk, we invest primarily in money market funds. Due to the nature of these investments, we believe that we do not currently have any material exposure to changes in the fair value of our investment portfolio as a result of changes in interest rates.
Overview

We are a life sciences company that has developed and commercialized an innovative DNA sequencing platform that we believe will become the preferred solution for complete human genome sequencing and analysis. Our Complete Genomics Analysis Platform, or CGA Platform, combines our proprietary human genome sequencing technology with our advanced informatics and data management software and our innovative, end-to-end, outsourced service model to provide our customers with data that is immediately ready to be used for genome-based research. We believe that our solution will provide academic and biopharmaceutical researchers with complete human genomic data and analysis at an unprecedented quality, cost and scale without requiring them to invest in in-house sequencing instruments, high-performance computing resources and specialized personnel. By removing these constraints and broadly enabling researchers to conduct large-scale complete human genome studies, we believe that our solution has the potential to revolutionize medical research and expand understanding of the basis, treatment and prevention of complex diseases.

We believe that our human genome sequencing technology, which is based on our proprietary DNA arrays and ligation-based read technology, is superior to existing commercially available complete human genome sequencing methods in terms of quality, cost and scale. In the DNA sequencing industry, complete human genome sequencing is generally deemed to be coverage of at least 90% of the nucleotides in the genome. Because we have optimized our technology platform and our operations for the unique requirements of high-throughput complete human genome sequencing, we are able to achieve accuracy levels of 99.999% at a total cost that is significantly less than the total cost of purchasing and using commercially available DNA sequencing instruments. We believe that we will be able to further improve our accuracy levels and reduce the total cost of sequencing and analysis, enabling us to maintain significant competitive advantages over the next several years. Because our technology resides only in our centralized facilities, we can quickly and easily implement enhancements and provide their benefits to our entire customer base. We believe that we will be the first company to sequence and analyze high-quality complete human genomes, at scale, for a total cost of under $1,000 per genome.

While our competitors primarily sell DNA sequencing instruments and reagents that produce raw sequenced data, requiring their customers to invest significant additional resources to process that raw data into a form usable for research, we offer our customers an end-to-end, outsourced solution that delivers research-ready genomic data. As the cost of complete human genome sequencing declines, we believe the basis of competition in our industry will shift from the cost of sequencing to the value of the entire sequencing solution. We believe that our integrated advanced informatics and data management services will emerge as a key competitive advantage as this shift occurs.

Our genome sequencing center, which began commercial operations in May 2010, combines a high-throughput sample preparation facility, a collection of our proprietary high-throughput sequencing instruments and a large-scale data center. Our customers ship us their samples via common carrier services such as Federal Express and United Parcel Service. We then sequence and analyze these samples and provide our customers with finished, research-ready data, enabling them to focus exclusively on their single highest priority, discovery.

As of March 31, 2010, there had been approximately 24 published and 200 unpublished complete human genomes sequenced worldwide, as reported in the April 2010 edition of Nature. As of July 20, 2010, we have sequenced over 200 complete human genomes year-to-date, including more than 100 in the first three weeks of July 2010, and have an order backlog of over 500 genomes. Our customers include some of the leading global academic and government research centers and biopharmaceutical companies. By the end of 2010, we expect our facility to have the capacity to sequence and analyze over 400 complete human genomes per month. We expect this capacity to increase over threefold in 2011. In future years, we plan to construct additional genome centers in the United States and other strategic markets to accommodate an expected growing global demand for high-quality, low-cost complete human genome sequencing on a large scale.
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Market Overview

Background

Every organism has a genome that contains the full set of biological instructions required to build and maintain a living example of that organism. The information contained in a genome is stored, or encoded, in deoxyribonucleic acid, or DNA, a nucleic acid that is found in each cell of the organism. DNA is divided into discrete units called genes, which carry specific information necessary to perform a particular biological function, such as instructions for making proteins. The chemical building blocks that make up each gene are the molecules adenine, cytosine, guanine and thymine, labeled as A, C, G and T, respectively, which are known as nucleotide bases. Human DNA has approximately three billion nucleotide bases, and their precise order is commonly known as the DNA or genetic sequence.

Studying how genes and proteins differ between species and among individuals within a species, or genetic variations, helps scientists to determine their functions and roles in health and disease. These genetic variations can have important medical consequences. Genetic variations may, for example, cause an individual to have a predisposition to certain diseases or to respond differently to certain drug treatments. Accordingly, improving our understanding of the genome and its functions has driven and, we expect, will continue to drive advancements in medical research and diagnostics.

Genetic Analysis Market

Genetic analysis products comprise instruments and consumables, as well as associated hardware, software and services directly involved in the study of DNA and RNA. Scientia Advisors, a third-party research firm, estimated genomic revenue in 2009 to be approximately $5.8 billion and projects the market to grow to approximately $9.0 billion by 2014. The medical research market consists of laboratories generally associated with universities, medical research centers and government institutions, as well as biotechnology and pharmaceutical companies. In the longer term, we believe genetic analysis tools will likely play a critical role in molecular diagnostics. By detecting small, individual genetic differences, we believe molecular diagnostic tests could be used to identify predisposition to or the presence of a disease, to select appropriate medication and dosage and to monitor disease progression and response to treatment.

Genetic Analysis Technologies

Since the development of the first genetic engineering techniques in the 1970s, there has been an ongoing evolution toward more accurate, faster and less expensive methods to conduct genetic analysis. The primary analysis methods traditionally used by genetic researchers fall into three categories:

- **DNA Sequencing.** DNA sequencing is the process of determining the exact order, or sequence, of the individual nucleotides in a DNA strand so that this information can be correlated to the genetic activity influenced by that segment of DNA. Complete human genome sequencing is currently the most comprehensive form of genetic analysis, in which every base is compared to a reference genome to determine possible mutations or variations.

- **Genotyping.** Genotyping is the process of examining certain known mutations or variations in the DNA sequence of genes to determine whether the particular variant can be associated with a specific disease susceptibility or drug response.

- **Gene Expression Analysis.** Gene expression analysis is the process of examining the molecules that are produced when a gene is activated, or expressed, to determine whether a particular gene is expressed in a specific biological tissue.

The first major breakthrough in genetic technology was the development of the automated DNA sequencer in 1986. Subsequent versions of commercial first-generation DNA sequencers improved on speed and throughput, eventually becoming powerful enough to enable the first mapping of the human genome through the Human Genome Project, which was completed in 2003 at an overall cost of over $3 billion. The prohibitive cost of first
The Importance of Complete Human Genome Sequencing and the Limitations of General Purpose Sequencing Technologies

One of the most difficult challenges facing the genetic research and analysis industry is improving our understanding of how genes contribute to diseases that have a complex pattern of inheritance. For many diseases, multiple genes each make a subtle contribution to a person’s predisposition or susceptibility to a disease or response to a drug treatment protocol. Accordingly, we believe that unraveling this complex network will be critical to understanding human health and disease. We believe that sequencing complete human genomes is the most comprehensive and accurate method by which to achieve these objectives and improve our understanding of human disease. However, the cost and complexity associated with complete human genome sequencing have been prohibitively high for researchers and have slowed our progress in understanding the genetic underpinnings of disease.

Although second-generation sequencing technologies have led to dramatic reductions in cost and improvements in quality and throughput for complete human genome sequencing, they were designed as general-purpose instruments for sequencing the DNA or RNA of plants, animals, bacteria and viruses. In particular, these second generation sequencing technologies were not designed for sequencing large numbers of complete human genomes. We believe the key limitations of using second-generation technologies for sequencing large numbers of complete human genomes include the following:

- **High Cost.** Commercially available DNA sequencing instruments cannot sequence complete human genomes at a price low enough to make large-scale complete human genome sequencing projects affordable to researchers.

- **Insufficient Scale and Speed.** Commercially available DNA sequencing instruments typically require weeks to sequence a complete human genome, which translates into months or years to sequence all of the genomes for large projects. While the timeline can be accelerated by purchasing and operating multiple DNA sequencing instruments in parallel, the capital cost is prohibitive for all but the largest research centers. Many researchers are unable to generate the complete human genome data they need from in-house instruments in an acceptable period of time.

- **Difficulty of Data Management.** Sequencing a large number of complete human genomes generates a substantial amount of data that must be managed, stored and analyzed. Many users of commercially available DNA sequencing instruments lack the costly computing resources, storage capacity, network bandwidth and specialized personnel to process and analyze these massive data sets.

Due to these limitations, many researchers have been using an alternative approach in which a small portion of the genome, referred to as the exome, is targeted, enriched and sequenced, which requires less than 5% of the sequencing compared to sequencing of a complete genome. However, important areas of the genome lie outside of the exome, such as the promoter regions that control gene expression and other conserved regions of the genome that are believed to perform regulatory functions. Moreover, current exome selection technologies are inefficient, typically enabling sequencing of less than 80% of the exome, compared to complete human genome sequencing technologies that can capture over 90% of the exome. Within the next several years, we believe that...
the cost of sequencing complete human genomes will be low enough and the process simple enough that the added cost of selecting exomes will make complete human genomes sequencing less expensive overall and more widely used.

Complete Genomics’ Solution
We have developed a novel approach to complete human genome sequencing. We combine our proprietary human genome sequencing technology, which achieves accuracy levels of 99.999%, with our advanced informatics and data management software and our innovative, end-to-end service model, to deliver research-ready genomic data at a total cost that is significantly less than the total cost of purchasing and using commercially available DNA sequencing instruments. We believe this novel outsourced solution overcomes the key limitations of other sequencing technologies and addresses the unmet needs of the complete human genome research market.

Proprietary Sequencing Technology
There are two primary components of our proprietary human genome sequencing technology: DNA nanoball, or DNB, arrays and combinatorial probe-anchor ligation, or cPAL, reads. Our patterned DNB arrays, due to their small size and biochemical characteristics, enable us to pack DNA very efficiently on a silicon chip. We have developed a proprietary process that causes the DNA to adhere to desired spots on the chip, while conversely preventing the DNA from adhering to the area between these spots. This enables us to affix individual particles of DNA to over 90% of these spots, leading to increased efficiency in nanoarray assembly. In addition, we have developed a highly accurate cPAL read technology, which enables us to read the DNA fragments efficiently using small concentrations of low-cost reagents while retaining extremely high single-read accuracy.

We believe this unique combination of our proprietary DNB and cPAL technologies is superior in both quality and cost to other commercially available approaches and provides us with significant competitive advantages. As reported in the January 2010 edition of *Science*, we sequenced a complete human genome at a consumables cost of approximately $1,800 and with a consensus error rate of approximately 1 error in 100,000 nucleotides. Our read accuracy was further independently validated by the Institute for Systems Biology, or ISB, as published in *Science Express* in March 2010. We have identified and are developing additional performance enhancements to our core technologies that we believe will enable us to maintain significant competitive advantages over the next several years. By implementing these technological enhancements, we believe that we will be the first company to sequence and analyze high-quality complete human genomes, at scale, for a total cost of under $1,000 per genome.

Advanced Informatics and Data Management Software
Sequencing complete human genomes generates substantial amounts of data that must be managed, stored and analyzed. While many users of instrument-based sequencing systems have historically conducted their own in-house data analysis on a limited number of genomes, many of these users lack the computing, storage and network bandwidth necessary to manage the massive data sets generated by larger scale complete human genome studies. In response to this need by our customers, we have built a genomic data processing facility with computing infrastructure for managing both small- and large-scale genomic sequencing projects.

There are two major components of our complete data management solution: assembly software and analysis software. Assembly is the process of using computers to organize all of the overlapping 70-base nucleotide sequences to reconstruct the complete human genome. Our proprietary assembly software uses advanced data analysis algorithms and statistical modeling techniques to accurately reconstruct over 90% of the complete human genome from approximately two billion 70-base reads. After assembling the genomic data, we use our analysis software to identify and annotate key differences, or variants, in each genome.

By using our analytical tools and data management software, our customers can significantly reduce their investments in computing infrastructure. Our customers are provided with reliable access to assembled and annotated sequence data in multiple formats to ease data sharing and comparative analyses. In addition, our data
storage options provide flexibility and allow customers to customize their data management strategy based on their particular business and scientific requirements. We are also developing a suite of web-based analytical tools designed to enable our customers to rapidly analyze the genomic data that is generated from their samples. As the reagent cost of sequencing declines, we believe that the cost and complexity of data analysis and management will emerge as the primary limiting factor for conducting complete human genome analysis.

Innovative, End-to-End, Outsourced Solution

While our competitors primarily sell DNA sequencing instruments and reagents that produce raw sequenced data, requiring their customers to invest significant additional resources to process that raw data into a form usable for research, we offer our customers an end-to-end, outsourced solution that delivers research-ready genomic data. Our genome sequencing center combines a high-throughput sample preparation facility, a collection of our proprietary high-throughput sequencing instruments and a large-scale data center. Our customers ship us their samples via common carrier services such as Federal Express and United Parcel Service. We then sequence and analyze these samples and provide our customers with finished, research-ready genomic data, enabling them to focus exclusively on their single highest priority, discovery.

Our customers are not required to purchase expensive sequencing instruments and high-performance computing resources to sequence and analyze large sets of complete human genomes. Our outsourced service model enables our customers to offload to us the complex processes of sample preparation, sequencing, computing and data storage and management. We believe our services will expand the potential addressable market by enabling a broad base of researchers who may lack sufficient capital and the specialized personnel necessary to build and operate a sequencing laboratory, or who have historically been constrained by the high total cost of sequencing, to conduct large-scale complete human genome studies.

Customer Benefits

Our end-to-end solution provides the following advantages to our customers:

- **High-Quality Data.** Our technology delivers what we believe is the industry’s highest quality complete human genome data.
- **Cost-Savings.** Our customers are not required to purchase expensive sequencing instruments and high-performance computing resources or hire the necessary specialized personnel to sequence and analyze large sets of complete human genome data.
- **Speed at Scale.** Our customers can complete their large-scale projects more quickly by using our services than by using commercially available sequencing instruments.
- **Ease of Use.** Our customers can avoid the difficulty and time-consuming process of purchasing and operating their own sequencing instruments and can outsource the entire process to us, from sample preparation to delivery of research-ready data.
- **Operational Flexibility.** By outsourcing their large-scale complete human genome sequencing projects to us, our customers can free up the capacity of in-house instruments to run smaller or more targeted sequencing projects and applications.
- **Technological Flexibility.** As DNA sequencing technology improves, our customers avoid the risk of their expensive instruments becoming technologically obsolete.
- **Enables Customers to Focus on Discovery.** Outsourcing offloads the operational burdens of managing large-scale genome sequencing projects and enables our customers to focus their resources on research, which can reduce the time to discovery.

Competitive Strengths

We believe that our competitive strengths are as follows:

- **Proprietary Human Genome Sequencing Technology.** Our proprietary sequencing technology achieves accuracy levels of 99.999% at a total cost that is significantly less than the total cost of purchasing and using commercially available DNA sequencing instruments. We believe that our quality improvement and
cost-reduction initiatives will allow us to maintain our quality and cost advantages over competing sequencing technologies for the next several years.

- **Fully Integrated Advanced Informatics and Data Management Software.** Our solution incorporates powerful informatics, analysis and data management software that enable our customers to manage and gain useful information from the massive data sets generated in complete human genome sequencing. Unlike software solutions offered by instrument manufacturers or third-party providers, we are able to continuously refine our informatics and data management software because of our significant experience in sequencing and analyzing large numbers of complete human genomes for our customers. As the reagent cost of sequencing declines, we believe that the cost and complexity of in-house data analysis and management will emerge as the primary limiting factor for researchers conducting complete human genome analysis.

- **Highly Scalable and Capital-Efficient Business Model.** Consolidating volume across our entire customer base enables us to run a large number of genomes through our sequencing process while avoiding the cost and complexity of employing a large field installation and support organization. By implementing a high degree of automation, we have reduced the possibility of human errors that could adversely affect quality and increase costs. Our service-based model allows us to reduce cost and improve quality as volume increases.

- **Unique Insight into Customer Needs.** Because of our unique, end-to-end service model, we interact directly with our customers on their discovery projects. This interaction enables us to develop and enhance our analysis software to meet our customers’ specific needs while expanding our understanding of variation in the human genome.

- **Fast and Efficient Deployment of Operational and Technological Enhancements.** Because our sequencing operations and data center are centralized, we can rapidly upgrade our technology and deliver the benefits to our customers. In addition, our access to genomic data allows our software engineers to continually refine and improve our software with each genome we sequence.

- **Expanded Market Opportunity.** We believe our outsourced model will expand the potential addressable market by providing academic and biopharmaceutical researchers who lack sufficient budgets or the specialized personnel necessary to build and operate a sequencing laboratory with access to high-quality, low-cost complete human genome data. In addition, we believe we will be able to service customers who require rapid sequencing of large numbers of complete human genomes.

### Customers and Applications

#### Customers

As of July 20, 2010, we have sequenced over 200 complete human genomes year-to-date, including more than 100 in the first three weeks of July 2010, and have an order backlog of over 500 genomes. We have more than 30 past and current customers, including the following:

- Academic Medical Center University of Amsterdam
- Brigham & Women’s Hospital
- Broad Institute of MIT and Harvard
- Children’s Hospital of Philadelphia
- Eli Lilly and Company
- Erasmus Medical Centre in Rotterdam, the Netherlands
- Flanders Institute for Biotechnology
- Genentech, Inc.
- HudsonAlpha Institute for Biotechnology
- Institute of Cancer Research United Kingdom
- Institute of Molecular Medicine at the University of Texas Health Science Center at Houston
- Institute for Systems Biology
- National Cancer Institute
- Ontario Institute for Cancer Research
- Pfizer Inc.
- University of North Carolina

- Ontario Institute for Cancer Research
- Pfizer Inc.
- University of North Carolina
Selected Customer Examples

SAIC-Frederick, Inc., National Cancer Institute — Pediatric Cancer Study

Our project with SAIC-Frederick, Inc., the prime contractor for the National Cancer Institute’s research and development facility in Frederick, Maryland, involves sequencing and analyzing 50 tumor-normal pairs, or 100 complete human genomes, over a six-month period, to identify patterns relating to the genesis of cancerous tumors. This study may potentially lead to improved diagnosis and treatment of pediatric cancers. This project forms part of the National Cancer Institute’s Therapeutically Applicable Research to Generate Effective Treatments, or TARGET, Initiative. TARGET seeks to use genomic technologies to rapidly identify valid therapeutic targets in childhood cancers so that new, more effective treatments can be developed. It is currently focusing on five childhood cancers: acute lymphoblastic leukemia, acute myeloid leukemia, neuroblastoma, osteosarcoma and Wilms tumor. Our contract with SAIC-Frederick contains an option for SAIC-Frederick to engage us to sequence 564 additional cancer cases, or 1,128 complete human genomes, over an additional 18-month period.

Institute for Systems Biology — Miller Syndrome Study

Our project with Dr. Leroy Hood of the ISB involved sequencing the complete genomes of a four-member nuclear family, including two healthy parents and their two children who suffer from two genetic disorders: Miller Syndrome and primary ciliary dyskinesia. The data we provided allowed ISB researchers to pinpoint the causal gene and subsequently confirm that gene’s role in Miller Syndrome, a disease in which the genetic basis had evaded detection. The results were published in Science Express in March 2010 and have led to a follow-on project with the ISB to sequence an additional 122 genomes.

Genentech, Inc. — Non-Small Cell Lung Cancer Study

Our project with Genentech, Inc. (a member of the Roche Group) compared the complete human genome sequences of a primary non-small cell lung tumor with nearby non-tumor tissue taken from the lung of a long-term smoker. This project was the first complete human genome sequence of a primary non-small cell lung tumor and matched normal tissue. Comparison of these sequences revealed both known (KRAS G12C) and novel mutations in numerous oncogenes and led to the discovery of numerous somatic mutations. The data we delivered allowed Genentech to measure the rate of smoking-induced mutations accumulated over time and resulted in a publication in Nature in May 2010.

Applications

Potential applications for our complete human genome sequencing service include:

- **Cancer Research.** Researchers are sequencing cancer genomes and comparing them to normal genomes, which are referred to as tumor-normal pairs, to identify the mutations in cancer genomes. We believe understanding these mutations will guide development of new cancer therapeutics and diagnostics and ultimately enable doctors to select the best course of therapy based on the specific mutations found in a tumor.

- **Mendelian Disease Research.** There are thousands of Mendelian diseases, or diseases that have been found to run in families, and are accordingly likely to have a significant genetic component. However, the genetic cause of most of these diseases is currently unknown. By sequencing the complete genomes of the affected families, we believe the genetic causes of these Mendelian diseases can be discovered, which could lead to the development of novel diagnostics and therapeutics.

- **Rare Variant Disease Research.** Diseases such as central nervous system disorders, cardiac disease and certain metabolic disorders that appear broadly in the population are thought to be caused by rare variants. Large-scale studies of affected individuals may help to identify the disrupted pathways and lead to the development of novel diagnostics and therapeutics.

- **Clinical Trial Optimization.** We believe that selecting or stratifying patients on the basis of their genetic profiles could enable the preferential admission of high responders into a clinical trial. This stratification could enable the trial to reach its conclusion with fewer patients and lower costs and result in faster clinical trials and drug commercialization.
In addition to these research studies, we expect future clinical applications to include:

- **Companion Diagnostics.** We believe that therapeutics that are not first-line treatments for the general population may be elevated to first-line treatments or used in combination therapies for subsets of the population that share a common genetic profile. Complete human genome studies may unlock new market opportunities for these therapies or combination therapies.

- **Cancer Pathology.** We believe that analyzing complex cancer genomes that involve large and unpredictable structural changes will be most reliably and economically implemented using complete human genome sequencing. According to the National Cancer Institute SEER Cancer Statistics, there are approximately 1.5 million new cases of cancer diagnosed each year in the United States.

- **Universal Diagnostics.** As medical records technology and public health policy advance, we believe that large numbers of people will have their complete human genomes sequenced and stored in their electronic medical records for use by their physicians in managing their health care decisions.

**Our Strategy**

We intend to become the leading complete human genome sequencing and analysis company and the preferred platform for human genome discovery by:

- **Continuing to Deliver the Highest Quality Genomic Data and Analysis at a Low Total Cost.** By continuing to deliver the highest quality research-ready data and by enabling our customers to avoid the cost, complexity and risks associated with purchasing and operating the instruments and computing resources required to undertake complete human genome sequencing, we expect to become the preferred solution for our customers.

- **Maintaining and Strengthening our Technological Leadership Position.** We plan to continue to conduct research and product development activities to further improve quality, reduce costs, increase throughput and reduce our turnaround time. We plan to further develop the biochemistry, informatics, instrumentation and software that we believe together make up the industry’s most robust solution. We will also seek to continually improve our operational processes and analysis software.

- **Capitalizing on our Scalable Model.** Due to the highly scalable nature of our service model, we believe we are well positioned to serve customers looking to sequence a small number of genomes as well as customers who are looking to rapidly sequence a very large number of genomes.

- **Establishing Ourselves as the Leader in Outsourced Complete Human Genome Sequencing.** We intend to continue to focus exclusively on complete human genome sequencing. We believe that this focus will put us in a strong position to become the preferred platform for complete human genome sequencing.

- **Expanding Globally to Increase Capacity and Reach New Markets.** We expect to enter into partnership agreements with domestic and international organizations to build additional genome sequencing centers around the world. These genome sequencing centers will increase our sequencing capacity, provide us with improved access to global markets and expand our revenue opportunities.

- **Expanding Applications for the Use of our Technology.** While our current focus is on providing complete human genome solutions primarily to academic and biopharmaceutical researchers, we believe that as we sequence and deliver more complete human genomes to our customers, our growing understanding of the genetic basis of human disease may lead to future applications in areas such as cancer pathology.

**Our Human Genome Sequencing Platform Technology**

Our proprietary human genome sequencing platform consists of three major technologies: our proprietary human genome sequencing technology, our high-throughput process automation technology and our complete data management solution.
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Proprietary Sequencing Technology

There are two primary components of our proprietary human genome sequencing technology: DNB arrays and cPAL reads.

DNB Arrays

We have developed a novel approach to preparing fragmented DNA for reading on our sequencing instruments. Using a biochemical process for copying DNA, we reproduce each DNA fragment in a manner that connects all of the copies together in a head-to-tail configuration, forming a long single molecule of connected nucleotides. We have developed proprietary techniques for causing each long single molecule to consolidate, or ball up, into a small particle of DNA that we call a DNB. The DNBs are approximately 200–300 nanometers in average diameter. Each DNB contains hundreds of copies of the 70 bases of DNA we are seeking to read in each fragment.

The small size and biochemical characteristics of our DNBs enable us to pack them together very tightly on a silicon chip. We use established photolithography processes developed in the semiconductor industry to create a silicon chip that has a grid pattern of small spots. The small spots are approximately 300 nanometers in diameter, and the center of each spot is separated by approximately 700 nanometers from neighboring spots. Each silicon chip has approximately 2.8 billion spots in an area 25 millimeters wide and 75 millimeters long. We have developed a proprietary process that cause the DNA to adhere to these spots, which we refer to as “sticky spots,” while conversely preventing the DNA from adhering to the area between the sticky spots. When a solution of DNBs is spread across the chip, the DNBs adhere to the sticky spots, with one DNB per spot. We have also developed proprietary techniques to fill over 90% of the sticky spots with exactly one DNB. We refer to the silicon chip filled with DNBs as a DNB nanoball array. Each finished DNB nanoball array contains up to 180 billion bases of genomic DNA prepared for imaging.

cPAL Read

To read the sequence of nucleotides in each DNB, we have developed a highly accurate proprietary ligase-based DNA reading technology called cPAL. Our cPAL technology uses the naturally occurring ligase enzyme, which accurately distinguishes between the A, C, T and G nucleotides, to attach fluorescent molecules that light up with a different color for each of the four nucleotides. By imaging the color lights of a DNB array and decoding the color images, we can determine the sequence of nucleotides in each DNB. A key characteristic of our cPAL technology is its high accuracy of reading very short five-base sequences of DNA. We have developed a proprietary technique for preparing the DNA fragments so that we can read seven five-base segments from each of the two ends of the DNA fragment for a total of 70 bases from each fragment. We have also developed proprietary software that generally reconstructs over 90% of the complete human genomes from these 70 base reads from each fragment.

Advantages of our DNB arrays and our cPAL technology over other commercially available DNA sequencing technologies include:

- **High Accuracy.** Our cPAL technology has very high single-read accuracy due to the intrinsic nature (high accuracy) of the ligase enzyme. By reading each nucleotide multiple times, we achieve a consensus error rate equal to approximately 1 error in 100,000 nucleotides.

- **No Accumulation of Errors.** Many other DNA sequencing methods employ sequential processes that cause errors to accumulate as each successive nucleotide is read, which results in a higher potential error rate for each successive nucleotide. Our cPAL technology reads each nucleotide independently, and as a result there is no accumulation of errors, which enables us to read successive bases without increasing our error rate.

- **Low Reagent Cost.** Our cPAL technology uses low concentrations of low-cost commodity reagents. Our DNB arrays achieve a very high density of DNA on each array, which reduces the quantity, or volume, of reagents we use compared to other DNA array approaches. The combination of low concentration of
低成本试剂和较小的数量结果在更低试剂成本与可商用DNA测序方法相比。正如2010年1月在《科学》杂志上报道的那样，我们测序一个完整的人类基因组的成本约为1800美元。
Service Delivery Technology

Our cloud-based data delivery system is based on our vendor relationship with Amazon Web Services, or AWS. We upload our customers’ finished genomic data to AWS, who copies the data to hard disks and ships the hard disks to our customers. Our customers also can pay AWS to store their data on an ongoing basis. As we develop additional analytical tools, we plan to host them on AWS so that customers can rapidly analyze their genomic data as soon as it is available.

Complete Data Management Solution

There are two major components of our complete data management solution: assembly software and analysis software.

Assembly Software

Assembly is the process of using computing methods to organize the overlapping 70-base nucleotide sequences to reconstruct the complete genome. We have developed a proprietary approach to assembly that uses a combination of advanced data analysis algorithms and statistical modeling techniques to reconstruct over 90% of the complete human genome from approximately two billion 70-base reads. We have designed our assembly software to run in parallel across our large network of Linux computers.

As reported in *Science* published in January 2010, we generated high-quality base calls in as much as 95% of the genomes sequenced, identifying between 3.2 million and 4.5 million sequence variants per genome processed. Detailed validation of one genome dataset demonstrated a consensus error rate of approximately 1 error in 100,000 nucleotides.

Analysis Software

After assembling the genomic data, we use our analysis software to identify key variants in each genome and automatically annotate the genomic data. We are also developing a suite of additional analytical tools designed to enable our customers to rapidly analyze the data we generate from their samples. Examples of analytical tools under development include a tumor-normal comparison tool designed to allow cancer researchers to compare a cancer genome to the normal genome from which it was derived, a family analysis tool designed to enable researchers to compare parental genomes with the genomes of their children and a large-scale genome browser designed to allow researchers to compare the hundreds of genomes sequenced in a large-scale study.

Technology Strategy

We plan to continue to advance our complete human genome sequencing and analysis technology and maintain our technology leadership in four major areas:

- **Array Density.** Our unique grid patterned arrays currently consist of a 700 nanometer grid. We may reduce the grid size to 250 nanometers and correspondingly reduce the diameter of the sticky spots and DNB nanoballs. If successful, this improvement will increase the density of the DNA on an array by a factor of eight, which will decrease the reagent cost of sequencing a given amount of DNA by a factor of eight.

- **Instrument Speed.** Our unique grid patterned arrays enable us to align the grid pattern of the DNA on the array with the grid pattern of the pixels in the detector, allowing us to image our arrays with very short exposure times. We may increase the speed of our instruments by acquiring and deploying new cameras that take images and transfer data at approximately six times the speed of our existing cameras. We may also increase the number of cameras per sequencing instrument from two to four.

- **Process Automation.** As our instruments get faster, we intend to improve our sample preparation, process automation and data management technologies to process and deliver an increasing number of genomes to our customers with reduced turnaround time.
By implementing a combination of these technology enhancements, we believe that we will be the first company to sequence and analyze high-quality complete human genomes, at scale, for a total cost of under $1,000 per genome.

Sales, Marketing and Customer Support

We sell our complete human genome sequencing service through our direct field sales and support organizations. Our sales process with each new customer typically involves undertaking a small project, or pilot program, which enables the customer to become familiar with our outsourced solution and research-ready data. We then work with our customers to expand the relationship to larger projects.

Sales

We have assembled a highly experienced and technically qualified sales team, with most sales managers holding a Ph.D. in a relevant scientific field. Each of these sales managers brings a network of extensive contacts in our targeted customer segments. The sales group develops business opportunities and obtains orders for our complete human genome sequencing service by proactively identifying, qualifying and visiting well-funded prospects at major companies, institutions and universities.

Marketing

Our marketing group has developed and maintains the Complete Genomics brand, increases market awareness and generates demand for our solution through a variety of methods. First, we have created and continue to maintain a clear media presence via our website, press releases, interviews and articles that reinforce our market presence and scientific credibility. Second, we generate demand by promoting the company via marketing programs and by attending and exhibiting at relevant tradeshows and conferences. Third, we continue to evolve our marketing strategy by tracking market trends, understanding customer needs and developing appropriate products and programs. The marketing group also fulfills traditional product management requirements, such as defining our service and application strategy and roadmap, including partnering strategies, and developing sales tools, training materials and competitive analyses for the sales group.

Customer Support

We are committed to supporting our customers through a network of scientific applications staff based in both Mountain View and locations near our most concentrated customer bases. This team currently consists mostly of Ph.D.-level scientists with extensive bioinformatics experience. Our scientific applications team works with customers to address technical questions related to our service offering and provide detailed training and support.

Most of the training and support efforts are focused on helping customers understand and use the large amounts of data that are delivered as part of multi-human genome sequencing projects. In late 2010, we intend to supplement these efforts with a new team of Mountain View-based bioinformatics support specialists that we expect to expand quickly as the number of sequencing projects increases.

Research and Development

Our research and development team brings together a variety of technical disciplines required for the development of a high-throughput sequencing system for commercial human genome sequencing services and includes DNA engineers, biochemists, molecular biologists, chemists, mathematicians, statisticians and

Analytic Software. We continue to improve and extend our analytic capabilities through the development of software designed to decrease genome assembly time and address specific application requirements of our customers. For instance, we are developing software that identifies and assembles the complex structural variants found in cancer genomes.
electrical, mechanical, optical and software engineers. As of June 30, 2010, we had approximately 75 employees engaged in research and development, including 34 scientists and engineers with Ph.D.s. These professionals apply their skills in disciplines including:

- biochemistry (sample preparation, DNA array preparation, DNA sequencing assay);
- hardware (optics, fluidics, mechanical design, flow slides);
- software (algorithms, instrument software, genome sequencing software, bioinformatics);
- information technology (high-performance data center management);
- semiconductors (mask design, surface chemistry); and
- process automation.

The research and development teams are engaged in optimization and automation of our human genome sequencing processes, components and systems to improve the performance of our human genome sequencing technologies, including increasing accuracy and completeness, reducing cost and increasing throughput. Notable research and development accomplishments in this area include:

- DNA engineering of four directional adapters inserted in genomic DNA segments, providing DNA substrates for unchained DNA sequencing of 35+35 mate-pair bases;
- clonal DNA replication in solution to create concatamers with 300-500 DNA copies folded in DNBs of approximately 200-300 nanometers in diameter;
- high density (700 nanometer pitch) patterned DNB nanoarrays on a 25mm x 75mm silicon slide with over 2.8 billion spots and a single DNB on over 90% of the spots;
- reaction flow slide suitable for gravity loading sequencing chemistry by direct pipetting without using pressure or tubing that enables the processing of up to 18 slides per run on one instrument;
- unchained DNA sequencing chemistry using cPAL technology that allows reading 10 bases from each adapter end, or up to 80 bases per DNA spot, using a 4-adapter library;
- high-throughput, two-camera DNA sequencing instrument that processes 18 flow slides in parallel by robotic transfer of slides from biochemistry station to imaging station that employs TDI imaging at 30 frames per second; and
- probability-based primary DNA base calling, read mapping and genome sequence and sequence variants determination algorithms and software for fast and accurate sequence analysis of a large number of human genomes using up to 200 gigabases of unchained base reads per genome.

In addition, our research and development teams are engaged in developing new applications for our technologies, including:

- **Cancer Genomes.** We are developing new methods for sequencing the complex structural variations found in cancer genomes, such as duplications, deletions and translocations in tumor genomes. We believe these methods will enable the research community to better understand the genetic basis for cancer.

- **Diploid Sequencing.** We have invented and are developing a method for independently sequencing the maternal and paternal chromosomes. We believe this independent chromosome sequencing will be required for many molecular diagnostics, because multiple variants within a gene may or may not affect both copies of the gene.

- **Human Methylomes.** We are researching possible methods of sequencing the human methylome, which we believe will be important in understanding cancer genomes.
In the years ended December 31, 2007, 2008 and 2009, we spent $10.3 million, $23.6 million and $22.4 million, respectively, on company-sponsored research and development activities.

**Intellectual Property**

Our success depends in part upon our ability to obtain and maintain intellectual property rights with respect to our products, technology and know-how, to prevent others from infringing these intellectual property rights and to operate without infringing the proprietary rights of others. Our policy is to seek to protect our proprietary position by, among other methods, filing patent applications related to our proprietary technology, inventions and improvements that are important to the development and conduct of our business. We also rely on trade secrets and know-how to develop and maintain our proprietary position.

Our patent strategy is to seek broad patent protection on new developments in genome sequencing technology, and also file patent applications covering new implementations of our technology. Additionally, we file new patent applications directed at equipment and software that are used in conjunction with our genome sequencing technology.

Our core genome sequencing technology originated at Callida Genomics, Inc., or Callida, in the laboratory of Radoje (Rade) Drmanac, Ph.D., our Chief Scientific Officer and one of our co-founders. Dr. Drmanac played an important role in high-throughput sequencing of whole genomes using ligation-based sequencing reactions performed on microarrays. In March 2006, we entered into a license agreement with Callida pursuant to which we exclusively licensed from Callida the relevant patent filings relating to the use of the technology in random arrays and probe anchor ligation, and we also non-exclusively licensed the use of this technology on non-random arrays. In exchange for the licenses, we issued to Callida 13,333 shares of our common stock, paid $1.0 million in cash for repayment of certain promissory notes held by Callida and agreed to pay $250,000 each year until the earlier of (a) March 28, 2012 and (b) such time as our common stock is traded on a national exchange and the shares issued to Callida are freely tradeable and have a minimum fair market value of $2.0 million. The license agreement remains in effect until each of the licensed patents has either expired or has been abandoned or ruled invalid. Either party may terminate the agreement for a material breach upon 120 days’ notice (or 30 days’ notice if the breach is due to failure to make a payment under the license agreement). Pursuant to the license agreement, Callida retains the rights to use the exclusively licensed technology for research purposes only. In addition to our in-licensed patent portfolio from Callida, we have also secured other exclusive licenses to patent applications for intellectual property related to our sequencing technology.

As of July 17, 2010, we have licensed from Callida six issued U.S. patents and six issued international patents that will expire between 2014 and 2027. We own or have licensed 97 pending patent applications, including 54 in the United States, 30 international applications and 13 applications filed under the Patent Cooperation Treaty.

In addition to pursuing patents on our technology, we have taken steps to protect our intellectual property and proprietary technology by entering into confidentiality agreements and intellectual property assignment agreements with our employees, consultants, corporate partners and, when needed, our advisors.

The patent positions of companies like ours are generally uncertain, and the validity and breadth of claims in DNA sequencing technology patents may involve complex factual and legal issues for which no consistent policy exists. Our patents and licenses may not enable us to obtain or keep any competitive advantage. Our pending U.S. and foreign patent applications may not issue as patents or may not issue in a form that will be advantageous to us. Patents we have obtained or do obtain in the future may be challenged by re-examination, opposition or other administrative proceeding, or may be challenged in litigation, and such challenges could result in a determination that the patent is invalid.

**Human Transcriptomes.** We are researching possible methods of sequencing the human transcriptome, which, when combined with complete human genomes, we believe will shed light on the genetic basis of human disease and drug response.
Our licensed patents may be successfully circumvented by competitors. In addition, the patent laws of foreign countries differ from those in the United States, and the degree of protection afforded by foreign patents may be different from the protection offered by U.S. patents. Our commercial success depends in part on our non-infringement of the patents or proprietary rights of third parties. For a description of the risks we face relating to intellectual property, please see “Risk Factors—Risks Related to Intellectual Property.”

**Competition**

Competition among organizations developing or commercializing sequencing instruments and services is intense. The sequencing industry is dominated by large, established companies that provide instruments and reagents, mostly for expression analysis and genotyping. These companies include Illumina, Inc., Life Technologies Corporation and Roche Diagnostics Corporation. These competitors are large and well-established, and each maintains a significant market share. Although historically these companies have sold instruments and reagents, some of these competitors have made recent forays into the sequencing services market. For example, Illumina recently announced that it will be providing individual genome sequencing services for as low as $9,500 per genome, and Life Technologies recently announced a collaboration to build a genome sequencing facility. Illumina also announced that it is pursuing a global program designed to provide researchers with access to academic and commercial institutions that can perform large-scale whole human genome sequencing projects using Illumina’s technology. Additionally, new competitors may enter the whole genome sequencing market, either by providing sequencing services like we do or by selling less expensive and more powerful sequencing instruments. We expect to face more intense competition if our service-based model is successful. In addition, future competitors may include smaller companies, like Ion Torrent Systems, Inc., NABsys, Inc., Oxford Nanopore Technologies, Ltd., Pacific Biosciences, Inc. and Helicos Biosciences Corporation, which have developed or are developing sequencing technologies that may compete with ours in the future. Large, established companies may acquire smaller companies, such as these, with emerging technologies and use their extensive resources to develop and commercialize or incorporate these technologies into their instruments and services.

A number of these and other organizations are developing methods for DNA sequencing using single molecule or long-read sequencing technologies. To date, the developers of single molecule technologies have not demonstrated that single molecule sequencing can achieve the quality required for complete human genome discovery projects at a reasonable cost. While long-reads are critically important for de novo sequencing, or sequencing organisms which have not previously been sequenced, they are not required for sequencing high quality complete human genomes.

In addition to commercial companies, there are large, government-funded or research-sponsored organizations, such as the Broad Institute of MIT and Harvard, the Genome Center at Washington University, the Baylor College of Medicine Human Genome Sequencing Center, the Wellcome Trust Sanger Institute and BGI (formerly known as Beijing Genome Institute), that purchase commercial DNA sequencing instruments and offer DNA sequencing services to academic and commercial customers.

For a description of the risks we face related to competition, please see “Risk Factors—Risks Related to Our Business—We face significant competition. Our failure to compete effectively could adversely affect our sales and results of operations” and “—The emergence of competitive genome sequencing technologies may impact our business.”

**Operations**

We have established laboratory operations for our first genome center in Mountain View, California, and we have additional laboratory operations in Sunnyvale, California. Our Tier III certified data center is located in Santa Clara, California. We expect to deploy additional sequencing centers in the future, and it is likely that these will be located in other regions, including outside of the United States.
Genomic samples arrive at our facilities by common carrier, such as FedEx or UPS, and are tested for a number of pre-defined quality acceptance criteria. Samples that pass acceptance testing are prepared for sequencing, loaded on a flow slide and sequenced on a sequencing instrument. After the sequencing process, data generated by the sequencing instrument is processed in our high performance computing center to generate the final customer data deliverable. We upload our customers’ finished genomic data to AWS, who copies the data to hard disks and ships the hard disks to our customers. Our customers also can pay AWS to store their data on an ongoing basis.

The time to deliver, from sample receipt to data shipment, typically takes 90 to 120 days. Our genome sequencing center has a finite capacity, and time to delivery will increase if demand exceeds our capacity. In the future, we expect to reduce time to delivery though technical and procedural improvements. Our sequencing capacity is primarily determined by the equipment, automation and personnel we deploy.

Facilities

We lease approximately 67,000 square feet of office and laboratory space at our headquarters in Mountain View, California, under a lease that expires in August 2016. We lease approximately an additional 11,000 square feet of office and laboratory space in Sunnyvale, California, under a lease that expires in December 2010. These facilities contain laboratory and non-laboratory personnel. We believe that our current facilities are adequate for our first genome center over the next two years. We may need to acquire additional space as we deploy additional genome centers, either in Mountain View or in other locales, and we may need to expand our Mountain View non-laboratory space for other uses. We believe additional non-laboratory expansion space near our Mountain View facility is readily available.

We also lease approximately 2,200 square feet of data center space in Santa Clara, California, under a contract that expires in May 2011. Our computing capabilities are principally located in this facility, which is sufficient for our current operations. As our operations expand, we will need to acquire additional data center space, either at this location, or in other regional facilities.

Manufacturing and Supply

We have adopted a manufacturing strategy of purchasing most components we use to conduct our sequencing services, including silicon wafers, optical microscopes and various other imaging components, sophisticated cameras and chemicals and reagents, from third party suppliers. This allows us to maintain a more flexible infrastructure while focusing our expertise on deploying these components and supplies to provide high-quality, lower-cost whole genome sequencing services on a large scale.

We currently rely on single-source suppliers for certain key materials used in our sequencing process. In particular, we rely on SVTC Technologies L.L.C. to provide us with the silicon chips that are the base of the flow slide used in our sequencing process. We also rely on Hamamatsu Corporation for the cameras used in our sequencing instruments. We are in the process of identifying and qualifying additional suppliers, although we cannot predict how long that qualification process will last, and the time needed to establish a relationship can be lengthy.

Delays, quality issues or interruptions by our suppliers may harm our business, and we may be forced to establish relationships with new suppliers. However, because the lead time needed to engage a new supplier can be lengthy, we may experience delays in meeting demand if we must switch to a new supplier. For more information regarding risks related to our supply chain, please see “Risk Factors—Risks Related to Our Business—We depend on a limited number of suppliers, including single-source suppliers, of various critical components for our sequencing process. The loss of these suppliers, or their failure to supply us with the necessary components on a timely basis, could cause delays in our sequencing center and adversely affect our business.”
We believe our sequencing service is not currently subject to FDA regulation, clearance or approval. However, if we expand our service to encompass products that are intended to be used for the diagnosis of disease, such as molecular diagnostic products, regulation by governmental authorities in the United States and other countries will be a significant factor in the development, testing, production, and marketing of such products.

Our laboratory is subject to federal, state, regional and local regulations relating to the handling and disposal of hazardous materials and biohazardous waste, including chemicals, biological agents and compounds and blood and other human tissue. We utilize qualified third party vendors for waste disposal and handling, and these vendors are contractually obligated to comply with any applicable regulations. Our cost of waste disposal has historically not been material, and we expect this to be true in the future.

Due to the nature of our current operations, we have not sought accreditation for our facilities under the Clinical Laboratory Improvement Amendments, or CLIA. In addition, because the genomic data we provide generally neither identifies nor provides a reasonable basis to identify an individual, we are not currently subject to the Health Insurance Portability and Accountability Act of 1996, or HIPAA. However, once provided to certain of our customers, the genomic data and the activities of those customers may be regulated under both HIPAA and the Genetic Information Nondiscrimination Act of 2008.

Given the evolving nature of this industry, legislative bodies or regulatory authorities may adopt additional regulation or expand existing regulation to include our service. For example, in the future, our service could be subject to FDA regulation or we may be required to seek CLIA accreditation for our facilities. Changes to the current regulatory framework, including the imposition of additional or new regulations, could arise at any time, and we may be unable to obtain or maintain FDA or comparable regulatory approval or clearance of our service, if required. These regulations and restrictions may materially and adversely affect our business, financial condition and results of operations. For more information regarding the risks of future government regulation, please see “Risk Factors—Risks Related to Our Business—Because the market for genome sequencing is relatively new and rapidly evolving, we may become subject to additional future governmental regulation, which may place additional cost and time burdens on our operations.”

Backlog
In this prospectus, we refer to order backlog, which is the number of genomes for which we have executed purchase orders from our customers that we believe are firm and for which we have not yet recognized revenue. Estimating the dollar value of backlog that will be fulfilled within the current fiscal year requires significant judgments and estimates, as the mix of customer orders and pricing terms varies between arrangements depending on the number of genomes covered by the arrangement. It also requires estimating the timing of the receipt of qualified samples and the timing of the sequencing of the genomes. In addition, given the revenue variance resulting from this mix and the rapidly evolving nature of the sequencing industry, we do not believe that backlog as of any particular date is necessarily indicative of future results. However, we do believe that order backlog is an indication of our customers’ willingness to utilize our solution. As of March 31, 2010, our order backlog for which we believe we will sequence, bill and gain customer acceptance within twelve months was $7.0 million. We did not have any commercial operations as of March 31, 2009, and, as a result, we did not have any backlog. See “Risk Factors—Risk Related to Our Business—Our order backlog may never be completed, and we may never earn revenue on backlogged contracts to sequence genomes.”

Segment and Geographical Information
We operate in one reportable business segment, and we have derived a majority of our revenue from customers located in the United States. As of March 31, 2010, we have derived approximately 20% of our revenue since inception from customers located in Canada and Europe. Sales to customers located outside of the United States are denominated in U.S. dollars. We expect that sales to international customers will be an important and growing source of revenue, particularly as we construct additional genome sequencing centers outside of the United States. All of our long-lived assets are located in the United States.
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Employees
As of June 30, 2010, we had a total of 159 employees, 40 of whom hold Ph.D. degrees and 75 of whom are engaged in full-time research and development activities. We plan to expand our production, our sales and marketing and our research and development programs, and we plan to hire additional staff as these initiatives are implemented. None of our employees is represented by a labor union, and we consider our employee relations to be in good standing.

Legal Proceedings
From time to time, we may become involved in legal proceedings and claims arising in the ordinary course of our business. We are not currently a party to any legal proceedings the outcome of which, if determined adversely to us, we believe would individually or in the aggregate have a material adverse effect on our business, operating results, financial condition or cash flows.
The following table sets forth certain information about our executive officers, key employees and directors, as of July 15, 2010.

**Executive Officers**

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Position</th>
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<tbody>
<tr>
<td>Clifford A. Reid, Ph.D.</td>
<td>51</td>
<td>President, Chief Executive Officer and Director</td>
</tr>
<tr>
<td>Ajay Bansal</td>
<td>48</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>Radoje Drmanac, Ph.D.</td>
<td>52</td>
<td>Chief Scientific Officer</td>
</tr>
<tr>
<td>Bruce Martin</td>
<td>45</td>
<td>Senior Vice President of Product Development</td>
</tr>
<tr>
<td>Mark J. Sutherland</td>
<td>53</td>
<td>Senior Vice President of Business Development</td>
</tr>
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**Key Employees**

<table>
<thead>
<tr>
<th>Name</th>
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<tbody>
<tr>
<td>Dennis Ballinger, Ph.D.</td>
<td>55</td>
<td>Vice President of Genomics</td>
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<tr>
<td>William Banyai, Ph.D.</td>
<td>55</td>
<td>Vice President of Hardware</td>
</tr>
<tr>
<td>Robert J. Curson</td>
<td>67</td>
<td>Vice President of Financial Operations</td>
</tr>
<tr>
<td>Alan Dow, Ph.D.</td>
<td>55</td>
<td>Vice President of Intellectual Property and Legal Affairs</td>
</tr>
<tr>
<td>Ken Prokuski</td>
<td>60</td>
<td>Vice President of Operations</td>
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<tr>
<td>Aaron Solomon</td>
<td>45</td>
<td>Vice President of Sales</td>
</tr>
<tr>
<td>Jennifer Turcotte</td>
<td>40</td>
<td>Vice President of Marketing</td>
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**Directors**

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<td>President, Chief Executive Officer and Director</td>
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<tr>
<td>Alexander E. Barkas, Ph.D.</td>
<td>63</td>
<td>Director</td>
</tr>
<tr>
<td>C. Thomas Caskey, M.D.</td>
<td>71</td>
<td>Director</td>
</tr>
<tr>
<td>Carl L. Gordon, Ph.D., CFA</td>
<td>45</td>
<td>Director</td>
</tr>
<tr>
<td>Andrew E. Senyei, M.D.</td>
<td>60</td>
<td>Director</td>
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<tr>
<td>Lewis J. Shuster</td>
<td>55</td>
<td>Director</td>
</tr>
<tr>
<td>Charles P. Waite, Jr.</td>
<td>55</td>
<td>Director</td>
</tr>
</tbody>
</table>

(1) Member of the Compensation Committee.
(2) Member of the Audit Committee.

**Executive Officers and Key Employees**

**Clifford A. Reid, Ph.D.**, is our co-founder and has served as our President and Chief Executive Officer since July 2005 and as a member of our board of directors since July 2005. From March 2003 to September 2005, Dr. Reid was Vice President of Collaborative Solutions at Open Text Corporation, a software company. In 1995, Dr. Reid co-founded Eloquent, Inc., a digital video communications company, and served as its Chief Executive Officer until 1999 and as its Chairman until 2003, when it was acquired by Open Text. In 1988, Dr. Reid co-founded Verity, Inc., an enterprise text search engine company, and served as its Vice President of Engineering from 1988 to 1992 and as its Executive Vice President from 1992 to 1993. Dr. Reid received a B.S. in Physics from the Massachusetts Institute of Technology, an M.B.A. from Harvard University and a Ph.D. in Management Science and Engineering from Stanford University. As our President, Chief Executive Officer and co-founder, Dr. Reid brings expertise and knowledge regarding our business and operations to our board of directors. He also brings to our board of directors an extensive background in the technology industry and in leadership roles, providing both strategic and operational vision and guidance.

**Ajay Bansal** has served as our Chief Financial Officer since May 2010. From June 2009 to January 2010, Mr. Bansal served as Chief Financial Officer and Executive Vice President of Business Development at Lexicon Pharmaceuticals, Inc., a biopharmaceutical company. From December 2007 to October 2008, Mr. Bansal served as Chief Financial Officer and Executive Vice President of Finance of Tercica, Inc., a biopharmaceutical company.
company acquired by the Ipsen Group in October 2008. He also served as Chief Financial Officer and Senior Vice President of Finance of Tercica from March 2006 until December 2007. From February 2003 to January 2006, Mr. Bansal served as Vice President of Finance and Administration and Chief Financial Officer of Nektar Therapeutics, a biopharmaceutical company. From July 2002 to February 2003, Mr. Bansal served as Director of Operations Analysis at Capital One Financial, a bank holding company. From August 1998 to June 2002, Mr. Bansal was at Mehta Partners LLC, a financial advisory firm, where he was named partner in January 2000. Prior to joining Mehta Partners, Mr. Bansal spent more than ten years in management roles at Novartis, a pharmaceuticals company, and in consulting at Arthur D. Little, Inc., McKinsey & Company, Inc. and ZS Associates. Mr. Bansal received a B.S. in Mechanical Engineering from the Indian Institute of Technology (Delhi) and an M.S. in Operations Management and an M.B.A. from Northwestern University.

Radoje Drmanac, Ph.D., is our co-founder and has served as our Chief Scientific Officer since July 2005. In 2001, Dr. Drmanac co-founded Callida Genomics, Inc., a DNA sequencing company, and served as Callida’s Chief Scientific Officer from 2001 to 2004 and has served as its President since 2004. In 1994, Dr. Drmanac co-founded Hyseq, Inc., a DNA array technology company that became Hyseq Pharmaceuticals, Inc. and later merged with Variagenics, Inc. to become Nuvelo, Inc., and served as its Senior Vice President of Research from 1994 to 1998 and as its Chief Scientific Officer from 1998 to 2001. Prior to that, Dr. Drmanac served as a group leader at Argonne National Laboratory. Dr. Drmanac received a B.S., M.S. and Ph.D. in Molecular Biology from the University of Belgrade.

Bruce Martin has served as our Senior Vice President of Product Development since March 2010. From May 2007 to March 2010, Mr. Martin was our Vice President of Product Development. From 2005 to May 2007, Mr. Martin served as Vice President of Product Strategy at PSS Systems, Inc., an internet software company. From 2002 to 2003, Mr. Martin served as Chief Technical Officer of Openwave Systems Inc., a software company. Mr. Martin received a B.S. in Computer Science and Electrical Engineering from the University of California, Davis.

Mark J. Sutherland has served as our Senior Vice President of Business Development since March 2010. From October 2008 to November 2009, Mr. Sutherland served as Senior Vice President of Business Development at GenVault Corporation, a DNA storage company. From November 2005 to September 2007, Mr. Sutherland served as Chief Business Officer for Flashpoint Technology, Inc., a digital content management company. Beginning in August 1988, Mr. Sutherland served for 17 years in roles of increasing responsibility at Molecular Dynamics, a manufacturer of molecular biology and genetic engineering equipment, and its successor companies, Amersham Biosciences and GE Healthcare. Mr. Sutherland served as Vice President of Genomics at Amersham from 1998 to 2001 and as VP, Strategic Alliances, at Amersham and for the Discovery Systems business of GE Healthcare from 2001 to 2005. Mr. Sutherland received a B.S. in Chemistry with Honors from Stanford University.

Dennis Ballinger, Ph.D., has served as our Vice President of Genomics since October 2008. From 2002 to 2008, Dr. Ballinger served as Vice President of Genomics at Perlegen Sciences, Inc., a developer of genetic tests. From 1999 to 2001, he served as Director of Product Development at Ingenuity Systems, Inc., a software company. From 1998 to 1999, he served as Senior Director of Functional Genomics at Hyseq, Inc. From 1994 to 1998, he served as Director of Cardiovascular Disease Research at Myriad Genetics, a developer of molecular diagnostic products. From 1989 to 1994, Dr. Ballinger was an Assistant Professor of molecular biology at the Sloan-Kettering Institute and Cornell University Graduate School. Dr. Ballinger received a B.S. in molecular cell biology from University of Colorado, Boulder and a Ph.D. in cellular and developmental biology from the Massachusetts Institute of Technology and completed his postdoctoral training at the California Institute of Technology.

William Banyai, Ph.D., has served as our Vice President of Hardware since July 2006. From March 2000 to February 2006, Dr. Banyai was a founder and the Chief Technical Officer of Glimmerglass Networks, an optical networking company. From February 1996 to February 2000, Dr. Banyai served as a staff physicist at the Lawrence Livermore National Lab. From November 1994 to November 1995, Dr. Banyai served as the Chief Technologist of Silicon Light Machines, a high-resolution display company. From September 1992 to October 2002, Dr. Banyai served as the Chief Technical Officer of Glimmerglass Networks, an optical networking company.
1994, Dr. Banyai served as a research engineer at Stanford University’s Ginzton Laboratory. From January 1991 to August 1992, Dr. Banyai served as a research scientist at the Sandia National Lab’s Compound Semiconductor Research Facility. Dr. Banyai received a B.S. in physics and an M.S. in electrical science from the University of Michigan, an Engineer of Electrical Engineering from the University of Southern California and a Ph.D. in optical sciences from the University of Arizona.

Robert J. Curson is our co-founder and has served as our Vice President of Financial Operations since May 2010. From July 2005 to May 2010, he served as our Chief Financial Officer. From April 2003 to July 2005, Mr. Curson was a partner of Neon Partners, an investment partnership focusing on special turn-around situations. From July 1999 until its acquisition by Open Text Corporation in April 2003, Mr. Curson served as Chief Financial Officer of Eloquent, Inc., a digital video communications company. From July 1993 to July 1999, Mr. Curson served as Chief Financial Officer of RasterOps Inc., a digital imaging and peripherals company which, during Mr. Curson’s tenure, was re-incorporated as Truevision Inc., a digital video company. Mr. Curson received a B.S. in Mechanical Engineering and an M.A. in Operations Research and Economics from the University of Leeds, U.K., and an M.B.A. from the University of California, Los Angeles.

Alan Dow, Ph.D., has served as our Vice President of Intellectual Property and Legal Affairs since September 2008. From September 2004 to September 2008, Dr. Dow worked as an attorney in private practice at BioTechnology Law Group in San Diego, California, specializing in patent prosecution and intellectual property-related transactions. From June 2001 to July 2004, Dr. Dow served as Vice President and General Counsel of Vical Incorporated, a biopharmaceutical company. Dr. Dow received a B.S. in Chemistry from the University of Maine at Orono, a Ph.D. in Genetics from Harvard University and a J.D. from Stanford Law School.

Ken Prokuski has served as our Vice President of Operations since January 2010. From August 2009 to January 2010, Mr. Prokuski served as an independent consultant to us. From October 1993 to January 2009, Mr. Prokuski served as Senior Director of Manufacturing Operations at Applied Biosystems, a life sciences company and a division of Life Technologies. From September 1992 to September 1993, Mr. Prokuski served as Material Manager at Arico Coating Technology, a thin film deposition equipment manufacturer. From September 1991 to September 1992, Mr. Prokuski served as Director of Materials at Toshiba America, Inc., an electronics company. From January 1990 to August 1991, Mr. Prokuski served as Operations Manager at Millipore Corporation, a life sciences company. Mr. Prokuski received a B.A. in Psychology from Northeastern Illinois University and an Executive M.B.A. from Golden Gate University.

Aaron Solomon, has served as our Vice President of Sales since March 2009. From April 2008 to March 2009, Mr. Solomon served as Vice President of Business Development at Tethys Bioscience, a developer of diagnostic tests. From October 2005 to April 2008, Mr. Solomon served as Director of Western Region Industrial Sales and later as Vice President of Industrial Sales at Affymetrix, a leading DNA microarray company. From February 2004 until its acquisition by Affymetrix in October 2005, Mr. Solomon served as Vice President of Business Development at ParAllele, a targeted genotyping company. Mr. Solomon received a B.S. in Biological Sciences from the University of California, Irvine.

Jennifer Turcotte has served as our Vice President of Marketing since September 2008. From November 2007 to August 2008, she served as our Senior Director of Product Marketing. From June 2007 to October 2007, Ms. Turcotte served as Senior Director, Marketing Solutions, at SAP, Inc., a business management software company. From March 2004 to May 2007, Ms. Turcotte served as Senior Director of Product Marketing at Siperian, Inc., a software company acquired by Informatica in March 2010. Prior to joining Siperian, Ms. Turcotte held senior product marketing positions at Rearden Commerce, technology-based personal assistance company, Ariba, Inc., a software and information technology company, Nuance Communications, a software company, and BEA Systems, Inc., a software company that was acquired by Oracle Corporation. Ms. Turcotte received a B.Eng. in mechanical engineering from Carleton University in Ottawa, Canada.
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Directors

Alexander E. Barkas, Ph.D., has served as a member of our board of directors since March 2007. In 1997, Dr. Barkas co-founded Prospect Venture Partners, a venture capital firm, and currently serves as a Managing Director at that firm. From 1991 to 1997, Dr. Barkas was a Partner at Kleiner Perkins Caufield & Byers, a venture capital firm. Prior to that, Dr. Barkas was a Founder and Chief Executive Officer of BioBridge Associates, a healthcare industry consulting firm. Dr. Barkas has served as Chairman of Geron Corporation, a biopharmaceutical company, since 1993 and as a member of the board of directors since 1992. Dr. Barkas has also served as a director of Amicus Therapeutics, Inc., a biotechnology company, since 2004. From May 2002 to October 2008, Dr. Barkas served as a director of Tercica, and as its Chairman from August 2003 to October 2008. Dr. Barkas received a Ph.D. in Biology from New York University and a B.A. in Biology from Brandeis University, where he currently is Chairman of the University Science Advisory Council and serves on the Board of Trustees. As a venture capitalist, Dr. Barkas brings to our board of directors broad experience in advising and managing life science and biotechnology companies from early-stage to mature companies, including expertise in capital raising, strategic transactions, financial budgeting and reporting, strategy and operations, recruiting and compensation. In addition, Dr. Barkas brings insight on compensation-related matters to the compensation committee based on his breadth of exposure to life science companies.

C. Thomas Caskey, M.D., has served as a member of our board of directors since August 2009. Since January 2006, Dr. Caskey has served as Director and Chief Executive Officer of the Brown Foundation Institute of Molecular Medicine for the Prevention of Human Diseases, part of the University of Texas Health Science Center at Houston. Since 2003, Dr. Caskey has served as an Adjunct Partner at Essex Woodlands Health Ventures, a venture capital firm. Dr. Caskey served as Managing Director of Cogene Biotech Ventures, L.L.C., a venture capital firm, from March 2005 to October 2005 and as President and Chief Executive Officer from April 2000 to March 2005. He served as Senior Vice President, Research, at Merck Research Laboratories, a division of Merck & Co., Inc., a pharmaceutical company, from 1995 to 2000 and as President of the Merck Genome Research Institute from 1996 to 2000. Before joining Merck, Dr. Caskey served 25 years at Baylor College of Medicine in a series of senior positions, including Chairman, Department of Human and Molecular Genetics, and Director, Human Genome Center. He is a member of the National Academy of Sciences. Dr. Caskey served as a director of Lexicon Genetics Incorporated, a biopharmaceutical company, from April 2000 to April 2006 and as Chairman from April 2000 to March 2005. Dr. Caskey served as a director of Luminex Corporation, a developer of biological testing technologies, from January 2001 to May 2005. Dr. Caskey received a B.A. from the University of South Carolina and an M.D. from Duke University. Dr. Caskey brings to the board an extensive scientific and operational background gained as a research scientist, executive and venture capital advisor focused on life science and pharmaceutical companies.

Carl L. Gordon, Ph.D., CFA, has served as a member of our board of directors since August 2009. In 1998, Dr. Gordon co-founded OrbiMed Advisors LLC, an asset management firm, and has served as a General Partner since that time. From 1995 to 1997, Dr. Gordon served as a Senior Biotechnology Analyst at Mehta & Isaly, the predecessor firm to OrbiMed. From 1993 to 1995, Dr. Gordon served as a Fellow at The Rockefeller University. Since May 2008, Dr. Gordon has served as a director of Amarin Corporation, a biopharmaceutical company. From March 2004 to May 2007, Dr. Gordon served as a director of Biocryst Pharmaceuticals, Inc., a pharmaceutical company. Dr. Gordon received an A.B. from Harvard University and a Ph.D. in molecular biology from the Massachusetts Institute of Technology. As a venture capitalist focused on life science companies who sits on numerous boards, Dr. Gordon provides financial and operational expertise regarding our industry. In addition, Dr. Gordon provides substantial expertise in the particularly relevant scientific field of molecular biology.

Andrew E. Senyei, M.D., has served as a member of our board of directors since March 2006. Since 1987, Dr. Senyei has served as a Managing Director and a General Partner of Enterprise Partners, a venture capital firm. In 1989, Dr. Senyei co-founded Molecular Biosystems, Inc., a biotechnology company acquired by Alliance Pharmaceutical Corp. in 2000. Prior to joining Enterprise Partners, Dr. Senyei served as a practicing clinician and Adjunct Associate Professor of Obstetrics and Gynecology at the University of California, Irvine. Dr. Senyei has served as Chairman of Genoptix, Inc., a specialized medical laboratory service provider, since
April 2000. Dr. Senyei served as a director of Adeza Biomedical Corporation, a healthcare products company, from 1987 until Adeza was acquired by Cytyc Corporation in April 2007. Dr. Senyei has served on the Board of Trustees of Northwestern University since 2005 and on the Advisory Council of the Jacobs School of Engineering at the University of California, San Diego, since 2002. Dr. Senyei received a B.S. from Occidental College and an M.D. from Northwestern University Medical School, and he completed his residency training at the University of California, Irvine, Medical Center. Dr. Senyei’s medical and business expertise, including his experience as a venture capitalist building and serving on the board of directors of more than 25 public and private emerging life sciences and healthcare companies, combined with his extensive prior experience as an inventor and practicing clinician, give him valuable insight into our industry. His experience provides the seasoned business judgment and broad strategic vision which enables him to serve as an effective and valuable director and to have the qualifications and leadership and other skills to serve on our board of directors.

Lewis J. Shuster has served as a member of our board of directors since April 2010. In 2002, Mr. Shuster founded Shuster Capital, a strategic and operating advisor to and angel investor in life science companies, and has served as its Chief Executive Officer since that time. From June 2003 to November 2007, Mr. Shuster served as Chief Executive Officer of Kemia, Inc., a drug discovery and development company. From February 2000 to December 2001, Mr. Shuster held various operating executive positions at Invitrogen Corporation, a biotechnology company that merged with Applied Biosystems Inc. and became Life Technologies Corporation. From 1994 to 1999, Mr. Shuster served as Chief Financial Officer of Pharmacopeia, Inc., a drug discovery product and service company, and later as Chief Operating Officer of Pharmacopeia Labs, a division of Pharmacopeia, Inc. Mr. Shuster joined Human Genome Sciences as its first employee in September 1992 and as Executive Vice President of Operations and Finance and helped guide the development and operation of what was the world’s leading gene sequencing operation in 1994. Mr. Shuster served as a director of Epitomics, Inc., a private monoclonal antibody firm, from 2002 until May 2010, and a director of Sorrento Therapeutics, Inc., a biopharmaceutical company, from September 2009 to February 2010 and has served as a director of Retrotepe, a privately held biotechnology company, since April 2008. Mr. Shuster received a B.A. in Economics from Swarthmore College and an M.B.A. from Stanford University. Mr. Shuster provides the board with an extensive background in financial and strategic planning, auditing and accounting and financial leadership expertise. As Chairman of the Audit Committee, Mr. Shuster also keeps the board abreast of current audit issues and collaborates with our independent registered public accounting firm and senior management team.

Charles P. Waite, Jr., has served as a member of our board of directors since March 2006. Mr. Waite has been a General Partner of OVP Venture Partners II and a Vice President of Northwest Venture Services Corp. since 1987, a General Partner of OVP Venture Partners III since 1994, a General Partner of OVP Venture Partners IV since 1997, a General Partner of OVP Venture Partners V since 2000 and a General Partner of OVP Venture Partners VI since 2001, all of which are venture capital firms. He currently serves on the board of directors of eight private companies. Mr. Waite received an A.B. in History from Kenyon College and an M.B.A. from Harvard University. Mr. Waite brings to the board significant operational and leadership experience as a venture capital investor who sits on a number of boards. Mr. Waite’s investment focus on life science companies also provides substantial expertise in our industry.

Scientific Advisory Board

We maintain a scientific advisory board consisting of members with experience and expertise in the field of genomics and genetics who provide us with consulting services. Our scientific advisory board consists of the following members:

Mark Chee, Ph.D., is an internationally recognized expert in genomics. He presently serves as Chief Executive Officer and Chief Scientific Officer of Prognosys Biosciences, Inc. Previously, he co-founded Illumina, Inc., and was Director of Genetics Research at Affymetrix, Inc. He has published scientific papers on microarray technology and applications and is an inventor on over 40 issued patents. He also serves on the External Scientific Committee of The Cancer Genome Atlas project. Dr. Chee received his B.Sc. in Biochemistry from the University of New South Wales and his Ph.D. in Molecular Biology from the University of Cambridge.
George Church, Ph.D., is Professor of Genetics at Harvard Medical School and Director of the Center for Computational Genetics. With degrees from Duke University in Chemistry and Zoology, he co-authored research on 3D-software & RNA structure with Sung-Hou Kim. His 1984 Ph.D. from Harvard in Biochemistry & Molecular Biology with Wally Gilbert included the first direct genomic sequencing method. He co-initiated the Human Genome Project a few months later as a Research Scientist at newly formed Biogen Inc. and was a Monsanto Life Sciences Research Fellow at UCSF. He invented the broadly applied concepts of molecular multiplexing and tags, homologous recombination methods and array DNA synthesizers. Technology transfer of automated sequencing and software to Genome Therapeutics Corp. resulted in the first commercial genome sequence (the human pathogen, H. pylori, 1994). He has served in advisory roles for 12 journals, five granting agencies and 22 biotechnology companies. His current research focuses on integrating biosystems-modeling with personal genomics and synthetic biology.

Leroy Hood, M.D., Ph.D., is currently President of the Institute for Systems Biology. His research has focused on the study of molecular immunology, biotechnology and genomics. His professional career began at the California Institute of Technology where he and his colleagues pioneered four instruments, the DNA gene sequencer and synthesizer and the protein synthesizer and sequencer, which comprise the technological foundation for contemporary molecular biology. In particular, the DNA sequencer has revolutionized genomics by allowing the rapid, automated sequencing of DNA, which played a crucial role in contributing to the successful mapping of the human genome during the 1990s. In 1992, he moved to the University of Washington as founder and Chairman of the cross-disciplinary Department of Molecular Biotechnology. In 2000, he co-founded the Institute for Systems Biology in Seattle, Washington to pioneer systems approaches to biology and medicine. He is a member of the National Academy of Sciences, the American Philosophical Society, the American Association of Arts and Sciences and the Institute of Medicine. He has also played a role in founding numerous biotechnology companies, including Amgen, Inc., Applied Biosystems, Inc., Systemix Institute, Darwin Molecular Corp. and Rosetta Inpharmatics LLC. Dr. Hood received an M.D. from Johns Hopkins School of Medicine and a Ph.D. in Biochemistry from the California Institute of Technology. He has published more than 600 peer-reviewed papers, is listed as an inventor on 14 issued patents and has co-authored textbooks in biochemistry, immunology, molecular biology and genetics.

Douglas A. Lauffenburger, Ph.D., is the Uncas & Helen Whitaker Professor of Bioengineering and Director of the Biological Engineering Division at the Massachusetts Institute of Technology and also holds appointments in the Department of Biology and the Department of Chemical Engineering. Dr. Lauffenburger received B.S. and Ph.D. degrees in chemical engineering from the University of Illinois in 1975 and the University of Minnesota in 1979, respectively. His major research interests are in cell engineering, the fusion of engineering with molecular cell biology. A central focus of his research program is in receptor-mediated cell communication and intracellular signal transduction, with emphasis on development of predictive computational models derived from quantitative experimental studies, on cell cue/signal/response relationships. These models have applications in drug discovery and development.

Leadership Structure of the Board

The board appointed as the lead independent director in to help reinforce the independence of the board as a whole. The lead independent director is empowered to, among other duties and responsibilities, provide general leadership of the affairs of the independent directors, preside over board meetings in the absence of the Chief Executive Officer and during independent director closed session portions of the meetings, preside over and establish the agendas for meetings of the independent directors and act as liaison between the Chief Executive Officer and the independent directors. The board believes that the lead independent director can help ensure the effective independent functioning of the board in its oversight responsibilities.
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Board Composition

Independent Directors

Our board of directors consists of seven members. Our board of directors has determined that all of our directors, other than Dr. Reid, qualify as “independent” directors in accordance with the NASDAQ listing requirements. Dr. Reid is not considered independent because he is an employee of Complete Genomics. The NASDAQ independence definition includes a series of objective tests, such as that the director is not, and has not been for at least three years, one of our employees and that neither the director nor any of his family members has engaged in various types of business dealings with us. In addition, as required by NASDAQ rules, our board of directors has made a subjective determination as to each independent director that no relationships exist, which, in the opinion of our board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In making these determinations, our board of directors reviewed and discussed information provided by the directors and us with regard to each director’s business and personal activities and relationships as they may relate to us and our management.

Classified Board of Directors

In accordance with our amended and restated certificate of incorporation to be in effect immediately prior to the consummation of this offering, our board of directors will be divided into three classes with staggered, three-year terms. At each annual meeting of stockholders, the successors to directors whose terms then expire will be elected to serve from the time of election and qualification until the third annual meeting following election. Effective upon the completion of this offering, our directors will be divided among the three classes as follows:

- the Class I directors will be , , and , and their terms will expire at the annual meeting of stockholders to be held in 2011;
- the Class II directors will be , , and , and their terms will expire at the annual meeting of stockholders to be held in 2012; and
- the Class III directors will be , , and , and their terms will expire at the annual meeting of stockholders to be held in 2013.

Our amended and restated certificate of incorporation will provide that the authorized number of directors may be changed only by resolution of the board of directors. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors. The division of our board of directors into three classes with staggered three-year terms may delay or prevent a change of our management or a change-in-control of our company.

Voting Arrangements

The election of the members of our board of directors is governed by the amended and restated voting agreement that we entered into with certain holders of our common stock and certain holders of our convertible preferred stock and the related provisions of our amended and restated certificate of incorporation. Pursuant to the voting agreement and these provisions:

- the holders of our Series A Preferred Stock, voting separately as a single class, have the right to elect two directors to our board of directors, one of whom is designated by OVP Venture Partners VI, L.P. and its affiliates, for which Mr. Waite has been designated, and one of whom is designated by Enterprise Partners VI, L.P. and its affiliates, for which Dr. Senyei has been designated;
- the holders of our Series B Preferred Stock, voting separately as a single class, have the right to elect one director to our board of directors, who is designated by Prospect Venture Partners III, L.P., for which Dr. Barkas has been designated;
- the holders of our Series C Preferred Stock, voting separately as a single class, have the right to elect one director to our board of directors, who is designated by Highland Capital Management, L.P., for which Mr. Shuster has been designated;
the holders of our Series D Preferred Stock, voting separately as a single class, have the right to elect two directors to our board of directors, one of whom is designated by Essex Woodlands Health Ventures Fund VIII, L.P., for which Dr. Caskey has been designated, and one of whom is designated by OrbiMed Associates III, LP and its affiliates, for which Dr. Gordon has been designated;

- the holders of our common stock, voting separately as a single class, have the right to elect one director to our board of directors, who is the then-current chief executive officer, currently Dr. Reid; and

- the holders of our preferred stock and common stock, voting together as a single class, have the right to elect the remaining director, if any.

The holders of our common stock and preferred stock who are parties to our voting agreement are obligated to vote for such designees indicated above. The provisions of this voting agreement will terminate upon the completion of this offering and our certificate of incorporation will be amended and restated, after which there will be no further contractual obligations or charter provisions regarding the election of our directors.

Our directors hold office until their successors have been elected and qualified or appointed, or the earlier of their death, resignation or removal.

**Board Diversity**

Upon completion of our initial public offering, our nominating and corporate governance committee will be responsible for reviewing with the board of directors, on an annual basis, the appropriate characteristics, skills and experience required for the board of directors as a whole and its individual members. In evaluating the suitability of individuals candidates (both new candidates and current members), the nominating and corporate governance committee, in recommending candidates for election, and the board of directors, in approving (and, in the case of vacancies, appointing) such candidates, will take into account many factors, including the following:

- personal and professional integrity;
- ethics and values;
- experience in corporate management, such as serving as an officer or former officer of a publicly held company;
- experience in the industries in which we compete;
- experience as a board member of another publicly held company;
- diversity of expertise and experience in substantive matters pertaining to our business relative to other board members;
- conflicts of interest; and
- practical and mature business judgment.

Currently, our board of directors evaluates, and following the completion of our initial public offering will evaluate, each individual in the context of the board of directors as a whole, with the objective of assembling a group that can best maximize the success of the business and represent stockholder interests through the exercise of sound judgment using its diversity of experience in these various areas.

**Board Committees**

Our board of directors has an audit committee, a compensation committee and a nominating and corporate governance committee. Our board of directors may establish other committees to facilitate the management of our business. The composition and functions of each committee are described below.
Audit Committee

Our audit committee oversees our corporate accounting and financial reporting process. Among other matters, the audit committee:

- appoints our independent registered public accounting firm;
- evaluates the independent registered public accounting firm’s qualifications, independence and performance;
- determines the engagement of the independent registered public accounting firm;
- reviews and approves the scope of the annual audit and the audit fee;
- discusses with management and the independent registered public accounting firm the results of the annual audit and the review of our quarterly financial statements;
- approves the retention of the independent registered public accounting firm to perform any proposed permissible non-audit services;
- monitors the rotation of partners of the independent registered public accounting firm on our engagement team as required by law;
- is responsible for reviewing our financial statements and our management’s discussion and analysis of financial condition and results of operations to be included in our annual and quarterly reports to be filed with the SEC;
- reviews our critical accounting policies and estimates; and
- annually reviews the audit committee charter and the committee’s performance.

The current members of our audit committee are Carl Gordon, Ph.D., Andrew E. Senyei, M. D. and Lewis J. Shuster. Mr. Shuster serves as the chairman of the committee. All members of our audit committee meet the requirements for financial literacy under the applicable rules and regulations of the SEC and NASDAQ. Our board of directors has determined that Mr. Shuster is an audit committee financial expert as defined under the applicable rules of the SEC and has the requisite financial sophistication as defined under the applicable rules and regulations of The NASDAQ Stock Market. Under the rules of the SEC, members of the audit committee must also meet heightened independence standards. However, a minority of the members of the audit committee may be exempt from the heightened audit committee independence standards for one year from the date of effectiveness of the registration statement of which this prospectus forms a part. Our board has determined that each of Dr. Senyei and Mr. Shuster meet these heightened independence standards. Due to his relationship with OrbiMed Advisors LLC and its affiliated funds, which may be deemed to be an affiliate of us due to the size of its holdings in our securities, Dr. Gordon does not meet the heightened independence requirements under Rule 10A-3 of the Exchange Act. Our board intends to appoint a new director meeting these heightened independence standards to replace Dr. Gordon as a member of our audit committee in reliance on the phase-in exemption pursuant to Rule 10A-3(b)(1)(iv)(A)(2) under the Exchange Act. Upon expiration of this phase-in exemption one year from the effectiveness of the registration statement of which this prospectus forms a part, each of our audit committee members must meet the heightened independence requirements under Rule 10A-3(b)(1) under the Exchange Act. The audit committee operates under a written charter that satisfies the applicable standards of the SEC and NASDAQ.

Compensation Committee

Our compensation committee reviews and recommends policies relating to compensation and benefits of our officers and employees. The compensation committee reviews and approves corporate goals and objectives relevant to compensation of our Chief Executive Officer and other executive officers, evaluates the performance of these officers in light of those goals and objectives and sets the compensation of these officers based on such evaluations. The compensation committee also recommends to our board of directors the issuance of stock options and other awards under our stock plans. The compensation committee will review and evaluate, at least
annually, the performance of the compensation committee and its members, including compliance by the compensation committee with its charter. The current members of our compensation committee are Alexander E. Barkas, Ph.D., and Charles P. Waite, Jr. Dr. Barkas serves as the chairman of the committee. Each of the members of our compensation committee is independent under the applicable rules and regulations of The NASDAQ Global Market, is a “non-employee director” as defined in Rule 16b-3 promulgated under the Exchange Act and is an “outside director” as that term is defined in Section 162(m) of the U.S. Internal Revenue Code of 1986, as amended, or Section 162(m). The compensation committee operates under a written charter.

Nominating and Corporate Governance Committee
The nominating and corporate governance committee is responsible for making recommendations to our board of directors regarding candidates for directorships and the size and composition of our board of directors. In addition, the nominating and corporate governance committee is responsible for overseeing our corporate governance policies and reporting and making recommendations to our board of directors concerning governance matters. The current members of our nominating and corporate governance committee are , , and . serves as the chairman of the committee. Each of the members of our nominating and corporate governance committee is an independent director under the applicable rules and regulations of The NASDAQ Global Market relating to nominating and corporate governance committee independence. The nominating and corporate governance committee operates under a written charter.

There are no family relationships among any of our directors or executive officers.

Oversight of Risk Management
Our board of directors has an active role, as a whole and also at the committee level, in overseeing the management of our risks. The board of directors is responsible for general oversight of risks and regularly reviews information regarding our risks, including credit risks, liquidity risks and operational risks. Our compensation committee is responsible for overseeing the management of risks relating to our company’s executive compensation plans and arrangements. Our audit committee is responsible for overseeing the management of our risks relating to accounting matters and financial reporting and legal and regulatory compliance. Our nominating and corporate governance committee is responsible for overseeing the management of our risks associated with the independence of our board of directors and potential conflicts of interest. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, our entire board of directors is regularly informed through committee reports about such risks. Our board of directors believes its administration of its risk oversight function has not affected the board of directors’ leadership structure.

Compensation Committee Interlocks and Insider Participation
During 2009, our compensation committee consisted of Alexander E. Barkas, Ph.D., Carl L. Gordon, Ph.D., CFA, and Charles P. Waite, Jr. Dr. Barkas served as Chairman of the Compensation Committee. None of the members of the compensation committee is currently, or has been at any time, one of our officers or employees. None of our executive officers currently serves, or has served during the last completed three fiscal years, as a member of the board of directors or compensation committee of any other entity that has or had one or more executive officers serving as a member of our board of directors or compensation committee. In July 2010, Dr. Gordon resigned from the compensation committee.

Code of Business Conduct and Ethics
We will adopt a code of business conduct and ethics that applies to all of our employees, officers and directors, including those officers responsible for financial reporting. Following the completion of this offering, the code of business conduct and ethics will be available on our website at www.completegenomics.com. We expect that any amendments to the code, or any waivers of its requirements, will be disclosed on our website.

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Director Compensation

Our directors do not currently receive any cash compensation for their services as members of our board of directors or any committee of our board of directors. Directors are reimbursed for reasonable travel, lodging and other expenses incurred in connection with their attendance at board of directors or committee meetings. In 2009, our non-employee directors, Drs. Barkas, Caskey, Gordon, and Senyei and Messrs. Hukill and Waite, did not receive any compensation in connection with their service on our board of directors or any committee of our board of directors. Mr. Hukill resigned from our board of directors effective January 7, 2009.

None of our directors held any unvested restricted stock or stock options as of December 31, 2009.

In April 2010, our board of directors granted each of Dr. Caskey and Mr. Shuster an option to purchase 10,000 shares of our common stock for $1.50 per share, which our board of directors determined to be the fair market value of our common stock on the date of grant. In July 2010, the compensation committee of our board of directors amended each of the option grants to Dr. Caskey and Mr. Shuster to increase the exercise price of these stock options to $2.43 per share, which the compensation committee determined to be the fair market value of our common stock on the date of grant following the reassessment of the fair market value of our common stock. At a subsequent meeting of our board of directors in July 2010, our board granted each of Dr. Caskey and Mr. Shuster an option to purchase 2,500 shares of our common stock for $2.69 per share, which our board of directors determined to be the fair market value of our common stock on the date of grant. Each of the stock options vest in 12 equal monthly installments measured from the respective vesting commencement dates of August 12, 2009 for Dr. Caskey and April 8, 2010 for Mr. Shuster, which correspond to their dates of appointment to our board of directors.

In connection with our initial public offering, our compensation committee intends to evaluate our director compensation policy.
Executive Compensation

Compensation Discussion and Analysis

This section discusses the principles underlying our policies and decisions with respect to the compensation of our executive officers who are named in the Summary Compensation Table that appears below and the most important factors relevant to an analysis of these policies and decisions. These officers, whom we refer to as our named executive officers, consist of Clifford A. Reid, Ph.D., President and Chief Executive Officer, Robert J. Curson, Chief Financial Officer, and Radoje Drmanac, Ph.D., Chief Science Officer. We did not have any executive officers other than the named executive officers during fiscal year 2009.

Objectives and Philosophy Regarding our Executive Compensation

We recognize that the ability of our business to excel depends on the integrity, knowledge, imagination, skill, diversity and teamwork of our employees. To this end, we strive to create an environment of mutual respect, encouragement and teamwork that rewards commitment and performance and that is responsive to the needs of our employees. The principles and objectives of our compensation and benefits programs for our named executive officers are to:

- attract, engage and retain individuals of superior ability, experience and managerial talent to lead our company;
- align compensation decisions with our corporate strategies, business and financial objectives and the long-term interests of our stockholders;
- motivate and reward executives whose knowledge, skills and performance are the foundation for our continued collective success;
- ensure that the elements of compensation, individually and in the aggregate, do not encourage excessive risk-taking; and
- ensure that total compensation is fair, reasonable and competitive.

The compensation components described below are designed to simultaneously fulfill one or more of these principles and objectives.

Components of our Executive Compensation

The individual components of our executive compensation consist primarily of:

- base salary;
- performance bonuses;
- equity incentives;
- post-termination benefits; and
- various other employee benefits.

We view each of these components as related but distinct, reviewing them each individually, as well as collectively, to ensure that the total compensation paid to our executive officers meets the objectives as set forth above. Not all elements are provided to all named executive officers. Instead, we determine the appropriate level for each compensation component based in part, but not exclusively, on our understanding of the market based on the experience of our President and Chief Executive Officer and members of our board of directors and consistent with our recruiting and retention goals, our view of internal equity and consistency, the length of service of our executives, our overall performance and other considerations we deem relevant.
Historically, except as described below, we have not adopted any formal or informal policies or guidelines for allocating compensation between long-term and currently paid out compensation, between cash and noncash compensation or among different forms of noncash compensation. However, our philosophy is to make a greater percentage of our executive officer compensation tied to stockholder returns and to keep cash compensation to a nominally competitive level while providing the opportunity to be well-rewarded through equity if we perform well over time. To this end, we use stock options as a significant component of compensation because we believe that they best tie an individual’s compensation to the creation of stockholder value. While we offer competitive base salaries, we believe stock-based compensation is a significant motivator in attracting employees in our field.

Each of the primary elements of our executive compensation is discussed in more detail below. While we have identified particular compensation objectives that each element of executive compensation serves, our compensation programs are designed to be flexible and complementary and to collectively serve all of the executive compensation objectives described above. Accordingly, whether or not specifically mentioned below, we believe that, as a part of our overall executive compensation policy, each individual element, to a greater or lesser extent, serves each of our objectives.

**Compensation Determination Process**

Compensation for our named executive officers has historically been highly individualized, as compensation levels were often the result from arm’s-length negotiations and were based on a variety of informal factors including, in addition to the factors listed above, our financial condition and available resources, evaluation by our board of directors of the competitive market based on the experience of our directors with other companies and the compensation levels of our other executive officers, each as of the time of the applicable compensation decision.

Previously, our President and Chief Executive Officer, and, with respect to our President and Chief Executive Officer, our board of directors, has reviewed the performance of each named executive officer. This process generally occurred on an annual basis, though we do not set a predetermined time for such review. Historically, we have not used relevant market compensation data in setting compensation levels for our named executive officers. Instead, our President and Chief Executive Officer, based on his experience, and in light of the factors described above, made recommendations regarding our executive compensation packages for our named executive officers, other than for himself, to our board of directors for review. The factors we have relied upon in making these decisions include the company’s performance and an evaluation of each named executive officer’s performance during the year, leadership qualities, operational performance, business responsibilities, career with us, current compensation arrangements and long-term potential to enhance stockholder value. Following this analysis, our board of directors, based in part on the recommendations of our President and Chief Executive Officer, set the compensation levels for all of our named executive officers, including our President and Chief Executive Officer.

In March 2009, our board of directors approved a temporary reduction in annual base salaries in connection with a company-wide cost-reduction initiative, pursuant to which we reduced the base salaries of our named executive officers and other employees by approximately 50% and granted them additional stock options. This decision was designed to reduce the cash demands on our company in light of the then-existing macro-economic climate while continuing to provide our named executive officers with adequate incentives.

In September 2009, our compensation committee took on the responsibility of proposing compensation levels to our board of directors for adoption. The compensation committee began with a review of the primary aspects of our compensation programs for our named executive officers, including base salaries, performance bonuses and equity incentive targets. As part of this process, the compensation committee directly engaged Radford, a compensation consulting company, to provide compensation surveys and a general understanding of current compensation practices. The compensation surveys provided by Radford compiled executive compensation data from global life sciences companies without publicly-traded securities that have raised at least $80 million in invested capital. The surveys reported statistics on the total compensation, position and responsibilities of executives. While our compensation committee reviewed the statistical compensation data and elements derived from this supplemental industry information, the surveys did not include, nor was our compensation committee
aware of, the identity of any of the surveyed companies. As a result, our compensation committee did not benchmark executive compensation against any single company or an identifiable select group of companies. In November 2009, as a result of our compensation committee’s review, the compensation committee recommended, and our board of directors approved, adjustments to executive compensation.

In December 2009, our board of directors reviewed the equity holdings of our named executive officers in light of the significant dilutive effect of our Series D preferred stock financing. In order to offset our named executive officers for a portion of the dilutive effect of the financing and to continue to incentivize their efforts for our company, our board of directors approved a program to grant equity awards to our named executive officers, as well as the payment of cash bonuses to mitigate the tax effects of certain of those grants. See “— Long-Term Equity Incentives” below.

Following the completion of this offering, our compensation committee will take on the responsibility of determining and approving executive compensation for all of our named executive officers, other than our President and Chief Executive Officer, for whom our board of directors will retain primary authority regarding the determination and approval of compensation.

**Base Salaries**

In general, base salaries for our executive officers are initially established through arm’s-length negotiation at the time the executive is hired, taking into account such executive’s qualifications, experience and prior salary. Historically, base salaries of our named executive officers were approved and reviewed periodically by our President and Chief Executive Officer or, in the case of our President and Chief Executive Officer’s base salary, by our board of directors. In September 2009, our compensation committee took over responsibility for conducting reviews of the base salaries of our named executive officers and making adjustments based on the scope of the executive’s responsibilities, individual contribution, prior experience and sustained performance. Decisions regarding salary increases may take into account the named executive officer’s current salary and equity ownership. In making decisions regarding salary increases, we may also draw upon the experience of members of our board of directors or compensation committee with other companies and may also consider internal equity. Base salaries are also reviewed in the case of significant changes in responsibility. No formulaic base salary increases are provided to our named executive officers. This strategy is consistent with our intent of offering compensation that is cost-effective, competitive and linked to performance.

In March 2009, in response to the macro-economic climate and in order to preserve our cash resources, our board of directors temporarily reduced annual base salary compensation for Dr. Reid, Dr. Drmanac and Mr. Curson by over 50% from $240,000, $220,000 and $195,000 to $95,200, $89,908 and $83,050, respectively. Our named executive officers were granted additional stock options to partially offset the reduced salaries, as further described under “— Long-Term Equity Incentives” below.

In June 2009, our compensation committee determined, and the board of directors approved, the restoration of our named executive officers’ salaries to their previous levels in light of the anticipated improved cash position of the company from its Series D preferred stock financing and the outlook of the greater economy as a whole. In addition, the compensation committee reviewed a compensation survey provided by Radford which indicated that our named executive officers received base salaries at levels below the 25th percentile of executives in similar positions at the companies included in the surveys. In November 2009, upon recommendation of the compensation committee, our board of directors authorized increases to the annual base salary of Dr. Reid, Dr. Drmanac and Mr. Curson to $320,000, $250,000 and $230,000, respectively. After giving effect to these base salary increases, the base salaries of Dr. Reid and Mr. Curson remain below the 25th percentile of the companies that participate in the Radford compensation survey and Dr. Drmanac’s base salary is between the 25th and 50th percentile.

**Performance Bonuses**

Historically, our named executive officers have not participated in a performance bonus program. Instead, we have relied on stock option grants to provide performance-based incentives to our named executive officers.
In November 2009, upon the recommendation of our compensation committee following its review of all aspects of our executive compensation program, our board of directors approved a target performance bonus amount for each of our named executive officers. For 2010, the annual target amount for Dr. Reid, Dr. Drmanac and Mr. Curson is $100,000, $70,000 and $70,000, respectively. Our compensation committee recommended the level of the target bonus amounts based on its review of the Radford compensation survey and based on the experience of the members of the compensation committee with similar bonus programs. In March 2010, our named executive officers each agreed to forgo these target bonus amounts and instead receive cash bonuses granted to offset taxes in connection with the stock grants described under “— Long-Term Equity Incentives” below.

**Long-Term Equity Incentives**

The goal of our long-term, equity-based incentive awards is to align the interests of our named executive officers with the interests of our stockholders by focusing our executives on long-term objectives. In addition, because vesting is based on continued employment, our equity-based incentives also encourage the retention of our named executive officers through the vesting period of the awards.

Our board of directors approves all equity grants to our employees, including our named executive officers. In determining the number of shares of our common stock to be subject to long-term equity incentives awarded to our named executive officers, our board of directors has taken into account a number of internal factors, such as the relative job scope, the value of existing long-term incentive awards, individual performance history, prior contributions to us and the size of prior grants. Historically, our board of directors has not referred to competitive market data in determining long-term equity incentive awards, although it has drawn upon the experience of its members with other companies. Based on these factors, our board of directors determines the size of the long-term equity incentives at levels it considers appropriate to create a meaningful opportunity for reward based on the creation of long-term stockholder value. Following the completion of this offering, we expect our compensation committee to oversee our long-term equity incentive program.

We use stock options to compensate our executive officers both in the form of initial grants in connection with the commencement of employment and periodic grants aimed at both rewarding exceptional performance and continuing to incentivize the executive officers. To date, there has been no set program for the award of these periodic grants, and our board of directors retains discretion to make stock option awards to employees at any time, including in connection with the promotion of an employee, to reward an employee, for retention purposes or in other circumstances. From time to time, our board of directors conducts a review of the stock option equity positions of those employees who may be nearing the end of the vesting periods of their outstanding options. As a part of this review, the board of directors will make grants based on considerations including, among other factors, the amount of vesting remaining for the particular employee’s stock options as well as any management recommendations regarding the employee’s performance or role in the company’s future operations.

The exercise price of each stock option grant is the fair market value of our common stock on the grant date, as determined by our board of directors. Initial stock options granted to our named executive officers typically vest over a four-year period as follows:

- 25% of the shares underlying the option vest on the first anniversary of the date of the vesting commencement date, which is typically the date of hire; and
- the remainder of the shares underlying the option vest in equal monthly installments over the next 36 months.

Our periodic grants will typically vest in equal monthly installments over four years from the vesting commencement date. We believe these vesting schedules appropriately encourage long-term employment with our company while allowing our executives to realize compensation in line with the value they have created for our stockholders.

In November 2009, our board of directors made stock option grants to each of our named executive officers following the completion of our Series D preferred stock financing. Our board of directors granted Dr. Reid, Dr. Drmanac and Mr. Curson an option to purchase 3,090, 2,864 and 2,510 shares of our common stock,
respectively. These options had a per share exercise price equal to $1.50, which our board of directors determined equaled the per share fair market value of our common stock on the date of grant, and vest as to 1/48th of the total number of shares on each monthly anniversary of April 1, 2009.

In connection with our Series D preferred stock financing, Dr. Reid, Dr. Drmanac and Mr. Curson each experienced substantial dilution with respect to their common stock holdings and outstanding stock option grants. In December 2009, our board of directors implemented a plan to offset a portion of this dilution with a series of equity grants to our named executive officers. On December 28, 2009, our board of directors granted each of Dr. Reid, Dr. Drmanac and Mr. Curson an option to purchase 66,666 shares of our common stock. These options have a per share exercise price of $1.50, which our board of directors determined to be the per share fair market value of our common stock on the date of grant, and are immediately exercisable and vest as to 1/48th of the total number of shares on each monthly anniversary of August 12, 2009, the completion date of our Series D preferred stock financing.

In February 2010, our board of directors approved additional equity grants to the executive officers to offset the dilutive effect of the Series D preferred stock financing. Dr. Reid, Dr. Drmanac and Mr. Curson were granted options to purchase 341,667, 218,501 and 59,001 shares of our common stock, respectively, for a per share exercise price equal to $1.50, which our board of directors determined to be the per share fair market value of our common stock on the date of grant. The exercise price of all outstanding stock options granted before January 28, 2010 that were held by then-current employees and consultants and had a per share exercise price greater than $1.50 per share were modified to decrease the exercise price to $1.50 per share, which our board of directors determined to be the fair market value of our common stock on January 28, 2010. As a result of this stock option modification in January 2010, the exercise price of all outstanding stock options granted before January 28, 2010 that were held by then-current employees and consultants and had a per share exercise price greater than $1.50 per share were modified to decrease the exercise price to $1.50 per share, which our board of directors determined to be the fair market value of our common stock. The exercise price of all outstanding stock options granted before January 28, 2010 that were held by then-current employees and consultants and had a per share exercise price greater than $1.50 per share were modified to decrease the exercise price to $1.50 per share, which our board of directors determined to be the fair market value of our common stock. Other than a reduced exercise price, the terms and conditions of the stock options remained the same. Our board of directors determined that the modification was appropriate in light of the significant decrease in the fair market value of our common stock.

As a result of our board of directors’ reassessment of the fair market value of our common stock following the Series D preferred stock financing, our board of directors approved a stock option modification in January 2010. The exercise price of all outstanding stock options granted before January 28, 2010 that were held by then-current employees and consultants and had a per share exercise price greater than $1.50 per share were modified to decrease the exercise price to $1.50 per share, which our board of directors determined to be the fair market value of our common stock. Other than a reduced exercise price, the terms and conditions of the stock options remained the same. Our board of directors determined that the modification was appropriate in light of the significant decrease in the fair market value of our common stock.

We do not have any formal security ownership requirements for our named executive officers. As a privately owned company, there has been no market for our common stock. Accordingly, in 2009, we had no program, plan or practice pertaining to the timing of stock option grants to executive officers coinciding with the release of material non-public information. We intend to adopt a formal policy regarding the timing of grants after the completion of this offering.

**Severance Arrangements**

Our board of directors has provided post-termination severance benefits to our named executive officers, as it determined that such benefits were necessary to retain our named executive officers. Our termination benefits are intended and designed to alleviate the financial impact of an involuntary termination and maintain a stable work environment. In determining the severance benefits to be payable pursuant to the agreements entered into with our named executive officers, we relied on the experience of the members of our board of directors to determine the level of severance benefits sufficient to retain our named executive officers. In connection with certain terminations of employment, our named executive officers may be entitled to receive severance payments and benefits pursuant to their respective severance agreements, as further described in “— Severance Arrangements” below.

We have routinely granted and will continue to grant our named executive officers stock options under our equity incentive plans. For a description of the change-in-control provisions in our equity incentive plans applicable to these stock options, see “— Employee Benefit and Stock Plans — 2010 Equity Incentive Award Plan” and

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"— 2006 Equity Incentive Plan” below. The estimated value of these benefits, along with the benefits payable upon the termination of employment of certain named executive officers, is set forth below in the section entitled “Potential Payments Upon Termination or Change-in-Control.”

Employee Benefits

We provide standard employee benefits to our full-time employees in the United States, including our named executive officers, including health, disability and life insurance and a 401(k) plan, as a means of attracting and retaining our employees.

Tax Considerations

Section 162(m) of the Internal Revenue Code of 1986, as amended, or the Code, generally disallows a tax deduction for compensation in excess of $1.0 million paid to our Chief Executive Officer and our Chief Scientific Officer. Qualifying performance-based compensation is not subject to the deduction limitation if specified requirements are met. We generally intend to structure the performance-based portion of our executive compensation, when feasible, to comply with exemptions in Section 162(m) so that the compensation remains tax deductible to us. However, our board of directors may, in its judgment, authorize compensation payments that do not comply with the exemptions in Section 162(m) when it believes that such payments are appropriate to attract and retain executive talent.

2009 Summary Compensation Table

The following table summarizes the compensation that we paid to our Chief Executive Officer, Chief Financial Officer and Chief Scientific Officer, who were our only executive officers during the year ended December 31, 2009. We refer to these officers in this prospectus as our named executive officers.

<table>
<thead>
<tr>
<th>Name and principal position</th>
<th>Year</th>
<th>Salary ($)</th>
<th>Option awards ($)</th>
<th>All other compensation ($)</th>
<th>Total ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clifford A. Reid, Ph.D. President and Chief Executive Officer</td>
<td>2009</td>
<td>$215,783</td>
<td>$96,711</td>
<td>$5,400</td>
<td>$317,894</td>
</tr>
<tr>
<td>Robert J. Curson (2) Chief Financial Officer</td>
<td>2009</td>
<td>171,496</td>
<td>96,005</td>
<td>5,400</td>
<td>272,901</td>
</tr>
<tr>
<td>Radoje Drmanac, Ph.D. Chief Scientific Officer</td>
<td>2009</td>
<td>191,360</td>
<td>96,436</td>
<td>5,400</td>
<td>293,196</td>
</tr>
</tbody>
</table>

(1) Amounts represent the grant date fair value for stock options granted in fiscal 2009 calculated in accordance with ASC Topic 718 and exclude the impact of estimated forfeitures related to service-based vesting conditions. See Note 10 to our financial statements included in this prospectus for a discussion of assumptions made in determining the grant date fair value.

(2) Mr. Curson served as our Chief Financial Officer until May 2010.

Grants of Plan-based Awards in 2009

All options granted to our named executive officers in 2009 were incentive stock options, to the extent permissible under the Code. The exercise price per share of each option granted to our named executive officers in 2009 was determined by our board of directors to be equal to the fair market value of our common stock on the date of the grant. All options identified below were granted under our 2006 Equity Incentive Plan as described in the section entitled “Employee Benefit and Stock Plans — 2006 Equity Incentive Plan.”
The following table shows information regarding grants of equity awards during the year ended December 31, 2009 to each of our named executive officers.

### Narrative to Summary Compensation Table and Grants of Plan-based Award Table

#### Employment Agreements, Offer Letters and Arrangements

We do not currently have employment agreements or offer letter agreements with any of our named executive officers.

#### Equity Compensation

As described under “— Compensation Discussion and Analysis” above, the compensation committee approved equity compensation awards in the form of stock options to each of our named executive officers in November and December 2009. For more information regarding the equity compensation awards and our equity award practices, please see the section titled “— Compensation Discussion and Analysis — Long-Term Equity Incentives.” In addition, the named executive officers’ equity compensation awards may, under certain circumstances, be subject to accelerated vesting in the event that a named executive officer is terminated or in the event of a change-in-control. For more information regarding the accelerated vesting provisions and treatment of the equity compensation awards in the event a named executive officer is terminated or a change-in-control of the company, see the sections titled “— Severance Arrangements,” “— Potential Payments upon Termination or Change-in-Control” and “— Employee Benefit and Stock Plans” below.

#### Other Benefits

For a description of the other elements of our executive compensation program, see the section titled “— Compensation Discussion and Analysis — Employee Benefits.”

#### Outstanding Equity Awards at 2009 Fiscal Year-End

The following table shows grants of stock options outstanding on December 31, 2009, the last day of last completed fiscal year, to each of our named executive officers. None of our named executive officers have received grants of unvested stock awards.

<table>
<thead>
<tr>
<th>Name</th>
<th>Grant date</th>
<th>Board approval date</th>
<th>All other option awards; number of securities underlying options (#)</th>
<th>Exercise or base price of option awards ($/share)</th>
<th>Grant date fair value of stock and option awards ($)</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of securities underlying unexercised options (#) exercisable</th>
<th>Number of securities underlying unexercised options (#) unexercisable</th>
<th>Option exercise price ($)</th>
<th>Option expiration date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clifford A. Reid, Ph.D.</td>
<td>515(2)</td>
<td>2,575</td>
<td>$ 1.50</td>
<td>11/12/2019</td>
</tr>
<tr>
<td></td>
<td>66,666(3)</td>
<td>—</td>
<td>1.50</td>
<td>12/27/2019</td>
</tr>
<tr>
<td>Robert J. Curson</td>
<td>418(2)</td>
<td>2,092</td>
<td>1.50</td>
<td>11/12/2019</td>
</tr>
<tr>
<td></td>
<td>66,666(3)</td>
<td>—</td>
<td>1.50</td>
<td>12/27/2019</td>
</tr>
<tr>
<td>Radoje Drmanac, Ph.D.</td>
<td>477(2)</td>
<td>2,387</td>
<td>1.50</td>
<td>11/12/2019</td>
</tr>
<tr>
<td></td>
<td>66,666(3)</td>
<td>—</td>
<td>1.50</td>
<td>12/27/2019</td>
</tr>
</tbody>
</table>
Option Exercises and Stock Vested in 2009
None of our named executive officers exercised stock options during 2009 and none of our named executive officers hold stock awards.

Pension Benefits
We do not maintain any defined benefit pension plans.

Nonqualified Deferred Compensation
We do not maintain any nonqualified deferred compensation plans.

Severance Arrangements
In March 2006, we entered into severance arrangements with each of our named executive officers. These arrangements set forth the terms of each named executive officer’s severance in the event of his termination of employment under specified circumstances. Under the arrangements, if a named executive officer’s employment is terminated at any time without cause or he experiences a constructive termination (as each term is defined in his severance agreement), the company will provide continuation of his base salary for six months following the termination date, as well as six months’ vesting acceleration for stock options and restricted stock. In addition, severance benefits would include reimbursement for group health continuation coverage premiums for each named executive officer and his eligible dependents under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended for six months.

However, if the termination occurs within 12 months following a change-in-control, all stock options, restricted stock and other equity awards outstanding automatically vest in full and become fully exercisable. A named executive officer must provide a general release of claims against our company in order to be eligible for any severance payments.

Potential Payments Upon Termination or Change-in-Control
The following table illustrates the potential payments to each of our named executive officers in connection with:

- his termination without cause outside the context of a change-in-control of us, assuming such termination occurred on December 31, 2009;
- his termination without cause, or constructive termination, within 12 months following a change-in-control of us, assuming such termination in connection with a change-in-control of us occurred on December 31, 2009 and his options were assumed or substituted by the acquiring entity; and
- the acceleration of his equity awards in connection with a change-in-control of us, where the potential acquiring entity does not assume or substitute the options held by him and his employment is continued with us and/or the acquiring entity, assuming such change-in-control occurred on December 31, 2009.
Risk Analysis of Our Compensation Plans

The compensation committee has reviewed our compensation policies generally applicable to our employees and believes that our policies do not encourage excessive and unnecessary risk-taking, and that the level of risk that they do encourage is not reasonably likely to have a material adverse effect on us. Our compensation policies and programs are designed to encourage our employees to remain focused on both the short- and long-term goals of us. For example, while our cash bonus plans are intended to measure performance on an annual basis, our equity awards typically vest over a number of years, which we believe encourages our employees to focus on sustained stockholder appreciation and limits the potential value of excessive risk-taking. The committee believes that the mix of long-term equity incentive, short-term cash incentive bonus and base salary appropriately balances both the short- and long-term performance goals of us without encouraging excessive risk-related behavior.

While the compensation committee regularly evaluates its compensation programs, the committee believes that its current balance of incentives both adequately compensates its employees and does not promote excessive risk taking.

Confidentiality Information, Secrecy and Invention Agreements

Each of our named executive officers has entered into a standard form agreement with respect to confidential information, secrecy and inventions. Among other things, these agreements obligate each named executive officer to refrain from disclosing any of our proprietary information received during the course of employment and, with some exceptions, to assign to us any inventions conceived or developed during the course of employment.

Employee Benefit and Stock Plans

2010 Equity Incentive Award Plan

We intend to adopt a 2010 Equity Incentive Award Plan, or the 2010 Plan, which will become effective immediately prior to the consummation of this offering. The principal purpose of the 2010 Plan is to attract, retain and motivate selected employees, consultants and directors through the granting of stock-based compensation awards and cash-based performance bonus awards. The 2010 Plan is also designed to allow us to...
make cash-based awards and equity-based awards intended to qualify as “performance-based compensation” under Section 162(m) of the Internal Revenue Code of 1986, as amended, or the Code. The principal features of the 2010 Plan are summarized below. This summary is qualified in its entirety by reference to the text of the 2010 Plan, which is filed as an exhibit to the registration statement of which this prospectus is a part.

**Share Reserve.** Under the 2010 Plan, shares of our common stock will be initially reserved for issuance pursuant to a variety of stock-based compensation awards, including stock options, stock appreciation rights, or SARs, restricted stock awards, restricted stock unit awards, deferred stock awards, dividend equivalent awards, stock payment awards and performance awards and other stock-based awards, plus the number of shares remaining available for future awards under our 2006 Equity Incentive Plan as of the completion of this offering. The number of shares initially reserved for issuance or transfer pursuant to awards under the 2010 Plan will be increased by (i) the number of shares represented by awards outstanding under our 2006 Equity Incentive Plan that are forfeited or lapse unexercised and which, following the effective date of the 2010 Plan, are not issued under the 2006 Equity Incentive Plan and (ii) an annual increase on the first day of each fiscal year, beginning in 2011 and ending in 2020, equal to the least of:

- shares;
- % of the shares of our common stock outstanding (on an as-converted basis) on the last day of the immediately preceding fiscal year; and
- such smaller number of shares of stock as determined by our board of directors.

However, no more than shares of stock may be issued upon the exercise of incentive stock options.

The following counting provisions will be in effect for the share reserve under the 2010 Plan:

- to the extent that an award terminates, expires or lapses for any reason or an award is settled in cash without the delivery of shares, any shares subject to the award at such time will be available for future grants under the 2010 Plan;
- to the extent shares are tendered or withheld to satisfy the grant, exercise price or tax withholding obligation with respect to any award under the 2010 Plan, such tendered or withheld shares will be available for future grants under the 2010 Plan;
- to the extent that shares of our common stock granted under the 2010 Plan are repurchased by, and returned to, us prior to vesting, such shares will be available for future grants under the 2010 Plan;
- the payment of dividend equivalents in cash in conjunction with any outstanding awards will not be counted against the shares available for issuance under the 2010 Plan; and
- to the extent permitted by applicable law or any exchange rule, shares issued in assumption of, or in substitution for, any outstanding awards of any entity acquired in any form of combination by us or any of our subsidiaries will not be counted against the shares available for issuance under the 2010 Plan.

**Administration.** The compensation committee of our board of directors will administer the 2010 Plan unless our board of directors assumes authority for administration. The compensation committee must consist of at least two members of our board of directors, each of whom is intended to qualify as an “outside director,” within the meaning of Section 162(m) of the Code, a “non-employee director” for purposes of Rule 16b-3 under the Exchange Act and an “independent director” within the meaning of the rules of The NASDAQ Global Market, or other principal securities market on which shares of our common stock are traded. The 2010 Plan provides that the compensation committee may delegate its authority to grant awards to employees other than executive officers and certain senior executives of the company to a committee consisting of one or more members of our board of directors or one or more of our officers. However, our compensation committee charter prohibits such delegation in the case of awards to employees at or above the level of vice president, and the equity awards policy we adopted in 2010 calls for the compensation committee to approve all equity awards, other than awards made to our non-employee directors, which must be approved by our full board of directors.
Subject to the terms and conditions of the 2010 Plan, the administrator has the authority to select the persons to whom awards are to be made, to determine the number of shares to be subject to awards and the terms and conditions of awards, and to make all other determinations and to take all other actions necessary or advisable for the administration of the 2010 Plan. The administrator is also authorized to adopt, amend or rescind rules relating to administration of the 2010 Plan. Our board of directors may at any time remove the compensation committee as the administrator and re vest in itself the authority to administer the 2010 Plan. The full board of directors will administer the 2010 Plan with respect to awards to non-employee directors.

**Eligibility.** Options, SARs, restricted stock and all other stock-based and cash-based awards under the 2010 Plan may be granted to individuals who are then our officers, employees or consultants or are the officers, employees or consultants of certain of our subsidiaries. Such awards also may be granted to our directors. Only employees of us or certain of our subsidiaries may be granted incentive stock options, or ISOs.

**Awards.** The 2010 Plan provides that the administrator may grant or issue stock options, SARs, restricted stock, restricted stock units, deferred stock, dividend equivalents, performance awards, stock payments and other stock-based and cash-based awards, or any combination thereof. Each award will be set forth in a separate agreement with the person receiving the award and will indicate the type, terms and conditions of the award.

- **Nonqualified Stock Options**, or NQSOs, will provide for the right to purchase shares of our common stock at a specified price, which may not be less than fair market value on the date of grant, and usually will become exercisable (at the discretion of the administrator) in one or more installments after the grant date, subject to the participant’s continued employment or service with us and/or subject to the satisfaction of corporate performance targets and individual performance targets established by the administrator. NQSOs may be granted for any term specified by the administrator that does not exceed ten years.

- **Incentive Stock Options**, or ISOs, will be designed in a manner intended to comply with the provisions of Section 422 of the Code and will be subject to specified restrictions contained in the Code. Among such restrictions, ISOs must have an exercise price of not less than the fair market value per share of common stock on the date of grant, may only be granted to employees and must not be exercisable after a period of ten years measured from the date of grant. In the case of an ISO granted to an individual who owns (or is deemed to own) at least 10% of the total combined voting power of all classes of our capital stock, the 2010 Plan provides that the exercise price must be at least 110% of the fair market value per share of common stock on the date of grant and the ISO must not be exercisable after a period of five years measured from the date of grant.

- **Restricted Stock** may be granted to any eligible individual and made subject to such restrictions as may be determined by the administrator. Restricted stock, typically, may be forfeited for no consideration or repurchased by us at the original purchase price if the conditions or restrictions on vesting are not met. In general, restricted stock may not be sold or otherwise transferred until the restrictions are removed or expire. Purchasers of restricted stock, unlike recipients of options, will have voting rights and will have the right to receive dividends, if any, prior to the time when the restrictions lapse. However, extraordinary dividends will generally be placed in escrow, and will not be released until the restrictions are removed or expire.

- **Restricted Stock Units** may be awarded to any eligible individual, typically without payment of consideration, but subject to vesting conditions based on continued employment or service or on performance criteria established by the administrator. Like restricted stock, restricted stock units may not be sold, or otherwise transferred or hypothecated, until vesting conditions are removed or expire. Unlike restricted stock, stock underlying restricted stock units will not be issued until the restricted stock units have vested, and recipients of restricted stock units generally will have no voting or dividend rights prior to the time when vesting conditions are satisfied.

- **Deferred Stock Awards** represent the right to receive shares of our common stock on a future date. Deferred stock may not be sold or otherwise hypothecated or transferred until issued. Deferred stock will
not be issued until the deferred stock award has vested, and recipients of deferred stock generally will have no voting or dividend rights prior to the time when the vesting conditions are satisfied and the shares are issued. Deferred stock awards generally will be forfeited, and the underlying shares of deferred stock will not be issued, if the applicable vesting conditions and other restrictions are not met.

- **Stock Appreciation Rights**, or SARs, may be granted in connection with stock options or other awards, or separately. SARs granted in connection with stock options or other awards typically will provide for payments to the holder based upon increases in the price of our common stock over a set exercise price. The exercise price of any SAR granted under the 2010 Plan must be at least 100% of the fair market value per share of our common stock on the date of grant. Except as required by Section 162(m) of the Code with respect to a SAR intended to qualify as performance-based compensation under Section 162(m) of the Code, there are no restrictions specified in the 2010 Plan on the exercise of SARs or the amount of gain realizable therefrom, although restrictions may be imposed by the administrator in the SAR agreements. SARs under the 2010 Plan will be settled in cash or shares of our common stock, or in a combination of both, at the election of the administrator.

- **Dividend Equivalents** represent the value of the dividends, if any, per share paid by us, calculated with reference to the number of shares covered by the award. Dividend equivalents may be settled in cash or shares and at such times as determined by the compensation committee or board of directors, as applicable.

- **Performance Awards** may be granted by the administrator on an individual or group basis. Generally, these awards will be based upon specific performance targets and may be paid in cash or in common stock or in a combination of both. Performance awards may include “phantom” stock awards that provide for payments based upon the value of our common stock. Performance awards may also include bonuses that may be granted by the administrator on an individual or group basis and which may be payable in cash or in common stock or in a combination of both.

- **Stock Payments** may be authorized by the administrator in the form of common stock or an option or other right to purchase common stock as part of a deferred compensation or other arrangement in lieu of all or any part of compensation, including bonuses, that would otherwise be payable in cash to the employee, consultant or non-employee director.

**Change-in-Control.** If a change-in-control occurs where the acquiror does not assume or replace awards granted under the 2010 Plan prior to the consummation of such transaction, then such awards will be subject to accelerated vesting such that 100% of such awards will become vested and exercisable or payable, as applicable. In addition, the administrator will also have complete discretion to structure one or more awards under the 2010 Plan to provide that such awards will become vested and exercisable or payable on an accelerated basis if such awards are assumed or replaced with equivalent awards but the individual’s service with us or the acquiring entity is subsequently terminated within a designated period following the change in control event. The administrator may also make appropriate adjustments to awards under the 2010 Plan and is authorized to provide for the acceleration, cash-out, termination, assumption, substitution or conversion of such awards in the event of a change in control or certain other unusual or nonrecurring events or transactions. Under the 2010 Plan, a change in control is generally defined as:

- the transfer or exchange, in a single or series of related transactions, by our stockholders of more than 50% of our voting stock to a person or group;

- a change in the composition of our board of directors over a two-year period such that 50% or more of the members of the board were elected through one or more contested elections;

- a merger, consolidation, reorganization or business combination in which we are involved, directly or indirectly, other than a merger, consolidation, reorganization or business combination which results in our outstanding voting securities immediately before the transaction continuing to represent a majority of the
voting power of the acquiring company’s outstanding voting securities and after which no person or group beneficially owns 50% or more of the outstanding voting securities of the surviving entity immediately after the transaction;

- the sale, exchange, or transfer of all or substantially all of our assets; or
- stockholder approval of our liquidation or dissolution.

Adjustments of Awards. In the event of any stock dividend, stock split, combination or exchange of shares, merger, consolidation, spin-off, recapitalization, distribution of our assets to stockholders (other than normal cash dividends) or any other corporate event affecting the number of outstanding shares of our common stock or the share price of our common stock that would require adjustments to the 2010 Plan or any awards under the 2010 Plan in order to prevent the dilution or enlargement of the potential benefits intended to be made available thereunder, the administrator will make appropriate, proportionate adjustments to:

- the aggregate number and type of shares subject to the 2010 Plan;
- the number and kind of shares subject to outstanding awards and terms and conditions of outstanding awards (including, without limitation, any applicable performance targets or criteria with respect to such awards); and
- the grant or exercise price per share of any outstanding awards under the 2010 Plan.

Amendment and Termination. Our board of directors or the committee (with board approval) may terminate, amend or modify the 2010 Plan at any time and from time to time. However, we must generally obtain stockholder approval to:

- increase the number of shares available under the 2010 Plan (other than in connection with certain corporate events, as described above);
- grant options with an exercise price that is below 100% of the fair market value per share of our common stock on the grant date;
- extend the exercise period for an option beyond ten years from the date of grant; or
- the extent required by applicable law, rule or regulation (including any applicable stock exchange rule).

Notwithstanding the foregoing, an option may be amended to reduce the per share exercise price below the per share exercise price of such option on the grant date, and options may be granted in exchange for, or in connection with, the cancellation or surrender of options having a higher per share exercise price, without receiving additional stockholder approval.

Expiration Date. The 2010 Plan will expire on, and no option or other award may be granted pursuant to the 2010 Plan after, the tenth anniversary of the effective date of the 2010 Plan. Any award that is outstanding on the expiration date of the 2010 Plan will remain in force according to the terms of the 2010 Plan and the applicable award agreement.

Securities Laws. The 2010 Plan is intended to conform to certain provisions of the Securities Act and the Exchange Act and related regulations and rules promulgated by the SEC thereunder, including without limitation, Rule 16b-3. The 2010 Plan will be administered, and options will be granted and may be exercised, only in such a manner as to conform to such laws, rules and regulations.

Section 409A of the Code. Certain awards under the 2010 Plan may be considered “nonqualified deferred compensation” for purposes of Section 409A of the Code, which imposes certain additional requirements regarding the payment of deferred compensation. Generally, if at any time during a taxable year a nonqualified deferred compensation plan fails to meet the requirements of Section 409A, or is not operated in accordance with those requirements, all amounts deferred under the 2010 Plan and all other equity incentive plans for the taxable year and all preceding taxable years by any participant with respect to whom the failure relates are includible in gross income for the taxable year to the extent not subject to a substantial risk of forfeiture and not previously included in gross income. If a deferred amount is required to be included in income under Section 409A, the
amount also is subject to interest and an additional income tax. The interest imposed is equal to the interest at the underpayment rate plus one percentage point imposed on the underpayments that would have occurred had the compensation been includible in income for the taxable year when first deferred, or, if later, when not subject to a substantial risk of forfeiture. The additional U.S. federal income tax is equal to 20% of the compensation required to be included in gross income. In addition, certain states, including California, have laws similar to Section 409A, which impose additional state penalty taxes on such compensation.

Section 162(m) of the Code. In general, under Section 162(m) of the Code, income tax deductions of publicly held corporations may be limited to the extent total compensation (including, but not limited to, base salary, annual bonus and income attributable to stock option exercises and other nonqualified benefits) for certain executive officers exceeds $1,000,000 (less the amount of any “excess parachute payments” as defined in Section 280G of the Code) in any taxable year of the corporation. However, under Section 162(m), the deduction limit does not apply to certain “performance-based compensation” established by an independent compensation committee that is adequately disclosed to and approved by stockholders. In particular, stock options and SARs will satisfy the “performance-based compensation” exception if the awards are made by a qualifying compensation committee, the 2010 Plan sets the maximum number of shares that can be granted to any person within a specified period, and the compensation is based solely on an increase in the stock price after the grant date. Specifically, the option exercise price must be equal to or greater than the fair market value of the stock subject to the award on the grant date. Under a Section 162(m) transition rule for compensation plans of corporations which are privately held and which become publicly held in an initial public offering, the 2010 Plan will not be subject to Section 162(m) until the earlier of:

- a material modification of the 2010 Plan;
- the issuance of all of the shares of our common stock reserved for issuance under the 2010 Plan;
- the expiration of the 2010 Plan; and
- the first meeting of our stockholders at which members of our board of directors are to be elected that occurs after the close of the third calendar year following the calendar year in which our initial public offering occurs.

After the transition date, rights or awards granted under the 2010 Plan, other than options and SARs, will not qualify as “performance-based compensation” for purposes of Section 162(m) unless such rights or awards are granted or vest upon pre-established objective performance goals, the material terms of which are disclosed to and approved by our stockholders. Thus, after the transition date, we expect that such other rights or awards under the plan will not constitute performance-based compensation for purposes of Section 162(m).

We intend to file with the SEC a registration statement on Form S-8 covering the issuance of shares of our common stock under the 2010 Plan.

2006 Equity Incentive Plan

Our board of directors adopted, and our stockholders approved, the 2006 Equity Incentive Plan in March 2006. The 2006 Equity Incentive Plan provides for the grant of ISOs, NQSOs and stock purchase rights. As of March 31, 2010, options to purchase 2,430,287 shares of our common stock at a weighted average exercise price per share of $1.50 remained outstanding under the 2006 Equity Incentive Plan. No stock purchase rights have been granted under the 2006 Equity Incentive Plan. As of March 31, 2010, options to purchase 1,100,698 shares of our common stock remained available for future issuance pursuant to awards granted under the 2006 Equity Incentive Plan. Following the completion of this offering, no further awards will be granted under the 2006 Equity Incentive Plan. However, all outstanding awards will continue to be governed by their existing terms.

Administration. Our board of directors, or a committee thereof appointed by our board of directors, has the authority to administer the 2006 Equity Incentive Plan and the awards granted under it.
Stock Options. The 2006 Equity Incentive Plan provides for the grant of ISOs under the federal tax laws or NQSOs. ISOs may be granted only to employees. NQSOs and stock purchase rights may be granted to employees, directors or consultants. The exercise price of ISOs granted to employees who at the time of grant own stock representing more than 10% of the voting power of all classes of our common stock may not be less than 110% of the fair market value per share of our common stock on the date of grant, and the exercise price of ISOs granted to any other employees may not be less than 100% of the fair market value per share of our common stock on the date of grant. The exercise price of NQSOs to employees, directors or consultants who at the time of grant own stock representing more than 10% of the voting power of all classes of our common stock may not be less than 110% of the fair market value per share of our common stock on the date of grant, and the exercise price of nonstatutory stock options to all other employees, directors or consultants may not be less than 100% of the fair market value per share of our common stock on the date of grant. Shares subject to options under the 2006 Equity Incentive Plan generally vest in a series of installments over an optionee’s period of service, with a minimum vesting rate of at least 20% per year over five years from the date of grant, except with respect to options granted to officers, directors and consultants.

In general, the maximum term of options granted is ten years. The maximum term of options granted to an optionee who owns stock representing more than 10% of the voting power of all classes of our common stock is five years. If an optionee’s service relationship with us terminates other than by disability or death, the optionee may exercise the vested portion of any option in such period of time as specified in the optionee’s option agreement, but in no event will such period be less than 30 days following the termination of service. If an optionee’s service relationship with us terminates by disability or death, the optionee, or the optionee’s designated beneficiary, as applicable, may exercise the vested portion of any option in such period of time as specified in the optionee’s option agreement, but in no event will such period be less than 12 months following the termination of service. Shares of common stock representing any unvested portion underlying the option on the date of termination will immediately cease to be issuable and will become available for future issuance under the 2006 Equity Incentive Plan. If, after termination, the optionee does not exercise the option within the time period specified, the option will terminate and the shares of common stock covered by such option will become available for future issuance under the 2006 Equity Incentive Plan.

Stock Purchase Rights. The 2006 Equity Incentive Plan provides that we may issue stock purchase rights alone, in addition to or in tandem with options granted under the 2006 Equity Incentive Plan and/or cash awards made outside of the 2006 Equity Incentive Plan. Each stock purchase right will be governed by a restricted stock purchase agreement. We will have the right to repurchase shares of common stock acquired by the purchaser upon exercise of a stock purchase right upon the termination of the purchaser’s status as an employee, director or consultant for any reason. The repurchase price for shares acquired by the purchaser upon exercise of a stock purchase right will be the original price paid by the purchaser. Except with respect to shares purchased by officers, directors and consultants, the repurchase option lapses at a rate of at least 20% per year over five years from the date of purchase. However, this lapsing does not apply to stock purchase rights granted to individuals who are tax residents of Germany. Once the stock purchase right is exercised, the purchaser will have rights equivalent to those of our other stockholders.

Corporate Transactions. In the event of a proposed dissolution or liquidation, the administrator of the 2006 Equity Incentive Plan has the discretion to take one or more of the following actions:

- provide that any option or stock purchase right be made exercisable until ten days prior to such transaction; and
- provide that our option to repurchase any shares purchased upon exercise of an option or stock purchase right will lapse as to all such shares.

To the extent options and stock purchase rights have not been previously exercised, all such options and stock purchase rights will terminate immediately prior to the consummation of the proposed transaction.
In the event of certain corporate transactions, the administrator of the 2006 Equity Incentive Plan will adjust the number of shares of common stock that may be delivered under the 2006 Equity Incentive Plan and/or the number, class and price of shares of common stock covered by each outstanding option or stock purchase right.

**Change-in-Control.** If we undergo a change-in-control, and any surviving corporation does not assume options or stock purchase rights under the 2006 Equity Incentive Plan, or substitute an equivalent option of the successor corporation or a parent or subsidiary of the successor corporation, then the vesting of options or stock purchase rights held by participants in the 2006 Equity Incentive Plan will be accelerated and the options or stock purchase rights will become fully exercisable during the 15-day period specified below. The holder of such options or stock purchase rights not assumed or substituted will be notified by the 2006 Equity Incentive Plan administrator that the option or stock purchase right is fully exercisable for a period of 15 days from the date of such notice and will be terminated if not exercised within such 15 day period.

**401(k) Plan**

We maintain a defined contribution employee retirement plan, or 401(k) Plan, for our employees. Our executive officers are also eligible to participate in the 401(k) Plan on the same basis as our other employees. The 401(k) Plan provides that each participant may contribute up to the statutory limit, which is $16,500 for calendar year 2010. Participants that are 50 years or older can also make “catch-up” contributions, which in calendar year 2010 may be up to an additional $5,500 above the statutory limit. In 2009, we did not make any contributions to the 401(k) Plan on behalf of eligible employees. The 401(k) Plan is intended to qualify under Section 401 of the Code so that contributions by employees to the 401(k) Plan, and income earned on the 401(k) Plan contributions, are not taxable to employees until withdrawn from the 401(k) Plan. The trustees under the 401(k) Plan may, at the direction of each participant, invest the 401(k) Plan employee salary deferrals in selected investment options.

**Limitation on Liability and Indemnification Matters**

Our amended and restated certificate of incorporation, which will become effective immediately prior to the consummation of this offering, contains provisions that limit the liability of our directors for monetary damages to the fullest extent permitted by Delaware law. Consequently, our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duties as directors, except liability for:

- any breach of the director’s duty of loyalty to us or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law;
- any transaction from which the director derived an improper personal benefit.

Our amended and restated certificate of incorporation and amended and restated bylaws, which will become effective immediately prior to the consummation of this offering provide that we are required to indemnify our directors and officers, in each case to the fullest extent permitted by Delaware law. Our amended and restated bylaws also provide that we are obligated to advance expenses incurred by a director or officer in advance of the final disposition of any action or proceeding, and permit us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in that capacity regardless of whether we would otherwise be permitted to indemnify him or her under Delaware law. We have entered and expect to continue to enter into agreements to indemnify our directors, executive officers and other employees as determined by our board of directors. With specified exceptions, these agreements provide for indemnification for related expenses including, among other things, attorneys’ fees, judgments, fines and settlement amounts incurred by any of these individuals in any action or proceeding. We believe that these bylaw provisions and indemnification agreements are necessary to attract and retain qualified persons as directors and officers. We also maintain directors’ and officers’ liability insurance.
The limitation of liability and indemnification provisions in our amended and restated certificate of incorporation and amended and restated bylaws may discourage stockholders from bringing a lawsuit against our directors and officers for breach of their fiduciary duty. They may also reduce the likelihood of derivative litigation against our directors and officers, even though an action, if successful, might benefit us and our stockholders. Further, a stockholder’s investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and officers as required by these indemnification provisions. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. At present, there is no pending litigation or proceeding involving any of our directors, officers or employees for which indemnification is sought, and we are not aware of any threatened litigation that may result in claims for indemnification.

**Rule 10b5-1 Sales Plans**

Our directors and executive officers may adopt written plans, known as Rule 10b5-1 plans, in which they will contract with a broker to buy or sell shares of our common stock on a periodic basis. Under a Rule 10b5-1 plan, a broker executes trades pursuant to parameters established by the director or officer when entering into the plan, without further direction from the director or officer. The director or officer may amend or terminate the plan in limited circumstances. Our directors and executive officers may also buy or sell additional shares of our common stock outside of a Rule 10b5-1 plan when they are not in possession of material, nonpublic information.
We describe below each transaction, since January 1, 2007, to which we were a party or will be a party, in which:

- the amounts involved exceeded or will exceed $120,000; and
- a director, executive officer, holder or group of holders known to us to beneficially own more than 5% of any class of our voting securities or any member of their immediate family had or will have a direct or indirect material interest in the transaction.

The share numbers and purchase prices disclosed below have been adjusted to reflect the 30:1 reverse stock split that occurred on November 13, 2009.

**Preferred Stock Issuances**

**2010 Bridge Financing**

In April, May and June 2010, we sold convertible promissory notes, or the 2010 Notes, to certain of our existing investors for an aggregate purchase price of $22.1 million. The 2010 Notes accrued interest at a rate of 8% per annum and had a maturity date of the earliest of (i) a corporate reorganization as defined in the 2010 Notes, (ii) the closing of the initial public offering of our stock, (iii) an event of default pursuant to the terms of the 2010 Notes or (iv) April 12, 2011. If we issue and sell a new series of preferred stock before the closing of this offering, then the 2010 Notes will automatically convert into shares of our preferred stock. In addition, each investor who purchased 2010 Notes also received warrants to purchase a number of shares of our common stock equal to (a) the product of (i) 5% of the principal amount of 2010 Notes purchased by such investor and (ii) the number of months between the date of issuance of the warrant and the date of our next financing (up to five months), divided by (b) $1.50.

The table below sets forth the participation in the sale of the 2010 Notes by our directors, executive officers and 5% stockholders and their affiliates.

<table>
<thead>
<tr>
<th>Name</th>
<th>Principal amount of 2010 Notes purchased</th>
</tr>
</thead>
<tbody>
<tr>
<td>Caduceus Private Investments III, LP</td>
<td>$3,291,190</td>
</tr>
<tr>
<td>Essex Woodlands Health Ventures VIII, L.P.</td>
<td>$3,291,190</td>
</tr>
<tr>
<td>C. Thomas Caskey, M.D.</td>
<td>$2,393</td>
</tr>
<tr>
<td>Enterprise Partners VI, L.P.</td>
<td>$2,144,834</td>
</tr>
<tr>
<td>Highland Crusader Offshore Partners, L.P.</td>
<td>$2,049,630</td>
</tr>
<tr>
<td>OVP Venture Partners VI, L.P.</td>
<td>$2,144,820</td>
</tr>
<tr>
<td>Prospect Venture Partners III, L.P.</td>
<td>$2,078,348</td>
</tr>
</tbody>
</table>

(1) Includes $31,050 in 2010 Notes purchased by OrbiMed Associates III, LP, an affiliate of Caduceus Private Investments III, LP.
(2) Carl L. Gordon, Ph.D., is one of our directors and is a partner of OrbiMed Advisors, LLC.
(3) Includes $215,050 in 2010 Notes purchased by Essex Woodlands Health Ventures Fund VIII – A, L.P. and $93,500 in 2010 Notes purchased by Essex Woodlands Health Ventures Fund—B, L.P., each of which is an affiliate of Essex Woodlands Health Ventures VIII, L.P.
(4) C. Thomas Caskey, M.D., is one of our directors and is a partner in Essex Woodlands Health Ventures.
(5) Includes $74,417 in 2010 Notes purchased by Enterprise Partners Management, LLC and $690,167 in 2010 Notes purchased by Enterprise Partners V, L.P., each of which is an affiliate of Enterprise Partners VI, L.P.
(6) Andrew E. Seney, M.D., is one of our directors and is a managing director and a general partner of Enterprise Partners.
(7) Includes $960,672 in 2010 Notes purchased by Highland Credit Opportunities CDO, L.P., an affiliate of Highland Crusader Offshore Partners, L.P. Highland Crusader Offshore Partners, L.P. beneficially owns more than 5% of our outstanding common stock.
(8) Includes $35,418 in 2010 Notes purchased by OVP VI Entrepreneurs Fund, L.P., an affiliate of OVP Venture Partners VI, L.P.
(9) Charles P. Waite, Jr., is one of our directors and is a general partner of OVP Venture Partners.
(10) Alexander E. Barkas, Ph.D., is one of our directors and is a managing member of Prospect Management Co. III, LLC, the general partner of Prospect Venture Partners III, L.P.
In February 2009, April 2009, June 2009 and August 2009, we sold convertible promissory notes, or the 2009 Notes, to certain of our existing investors for an aggregate purchase price of $14.7 million. The 2009 Notes accrued interest at a rate of 8% per annum and had a maturity date of the earliest of (i) a change of control as defined in our certificate of incorporation, (ii) an event of default pursuant to the terms of the 2009 Notes or (iii) on or after December 31, 2009, within five business days after our receipt of written notice from the investors holding at least 51% of the principal amount of the 2009 Notes. In August 2009, in connection with our Series D preferred stock financing described below, the full principal amount of the 2009 Notes, along with accrued but unpaid interest thereon of $329,393, were automatically converted into an aggregate of 1,991,325 shares of our Series D preferred stock at a conversion price of $7.56 per share. In addition, investors who purchased 2009 Notes also received warrants to purchase up to an aggregate of 278,165 shares of our Series D preferred stock at an exercise price of $7.56 per share.

The table below sets forth the participation in the sale of the 2009 Notes by our directors, executive officers and 5% stockholders and their affiliates.

<table>
<thead>
<tr>
<th>Name</th>
<th>Principal amount of 2009 Notes purchased</th>
<th>Number of shares of Series D preferred stock issued upon conversion of the 2009 Notes</th>
<th>Number of shares of Series D preferred stock underlying warrants received in connection with purchase of 2009 Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprise Partners VI, L.P.(1)(2)</td>
<td>$4,000,458</td>
<td>541,720</td>
<td>79,318</td>
</tr>
<tr>
<td>Highland Crusader Offshore Partners, L.P.</td>
<td>$3,027,535</td>
<td>407,297</td>
<td>46,057</td>
</tr>
<tr>
<td>OVP Venture Partners VI, L.P.(3)(4)</td>
<td>$4,000,458</td>
<td>541,720</td>
<td>79,318</td>
</tr>
<tr>
<td>Prospect Venture Partners III, L.P.(5)</td>
<td>$3,621,549</td>
<td>490,422</td>
<td>71,872</td>
</tr>
</tbody>
</table>

(1) Includes $1,234,762 in 2009 Notes purchased by Enterprise Partners V, L.P., an affiliate of Enterprise Partners VI, L.P., which converted into 166,700 shares of Series D preferred stock. In connection with its purchase of the 2009 Notes, Enterprise Partners V, L.P. received warrants to purchase up to 25,639 shares of Series D preferred stock at an exercise price of $7.56 per share.

(2) Andrew E. Senyei, M.D., is one of our directors and is a managing director and a general partner of Enterprise Partners.

(3) Includes $59,811 in 2009 Notes purchased by OVP VI Entrepreneurs Fund, L.P., an affiliate of OVP Venture Partners VI, L.P., which converted into 8,141 shares of Series D preferred stock. In connection with its purchase of the 2009 Notes, OVP VI Entrepreneurs Fund, L.P. received warrants to purchase up to 1,423 shares of Series D preferred stock at an exercise price of $7.56 per share.

(4) Charles P. Waite, Jr., is one of our directors and is a general partner of OVP Venture Partners.

(5) Alexander E. Barkas, Ph.D., is one of our directors and is a managing member of Prospect Management Co. III, LLC, the general partner of Prospect Venture Partners III, L.P.
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**Issuance of Series D Preferred Stock**

Between August 2009 and March 2010, we sold 7,310,816 shares of Series D preferred stock at a price of $7.56 per share for gross proceeds of approximately $55.3 million. The table below sets forth the number of shares of Series D preferred stock sold to our directors, executive officers and 5% stockholders and their affiliates and includes the shares of Series D preferred stock issued in connection with the conversion of the 2009 Notes, including the consideration paid for such shares by cancellation of the 2009 Notes as disclosed above.

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of shares of Series D preferred stock</th>
<th>Aggregate purchase price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Caduceus Private Investments III, LP</td>
<td>2,274,354</td>
<td>$17,194,116</td>
</tr>
<tr>
<td>Essex Woodlands Health Ventures VIII, L.P.</td>
<td>2,274,354</td>
<td>$17,194,116</td>
</tr>
<tr>
<td>C. Thomas Caskey, M.D.</td>
<td>3,307</td>
<td>$25,001</td>
</tr>
<tr>
<td>Enterprise Partners VI, L.P.</td>
<td>731,664</td>
<td>$5,531,380</td>
</tr>
<tr>
<td>Highland Crusader Offshore Partners, L.P.</td>
<td>588,665</td>
<td>$4,450,307</td>
</tr>
<tr>
<td>OVP Venture Partners VI, L.P.</td>
<td>731,662</td>
<td>$5,531,365</td>
</tr>
<tr>
<td>Prospect Venture Partners III, L.P.</td>
<td>674,426</td>
<td>$5,098,661</td>
</tr>
</tbody>
</table>

(1) Includes 21,456 shares held by OrbiMed Associates III, LP, an affiliate of Caduceus Private Investments III, LP.
(2) Carl L. Gordon, Ph.D., is one of our directors and is a partner of OrbiMed Advisors, LLC.
(3) Includes 148,608 shares purchased by Essex Woodlands Health Ventures Fund VIII—A, L.P. and 64,612 shares purchased by Essex Woodlands Health Ventures Fund—B, L.P., each of which is an affiliate of Essex Woodlands Health Ventures VIII, L.P.
(4) C. Thomas Caskey, M.D., is one of our directors and is a partner of Essex Woodlands Health Ventures.
(5) Includes 66,138 shares purchased by Enterprise Partners Management, LLC and 176,737 shares purchased by Enterprise Partners V, L.P., each of which is an affiliate of Enterprise Partners VI, L.P.
(6) Andrew E. Senyei, M.D., is one of our directors and is a managing director and a general partner of Enterprise Partners.
(7) Includes 52,969 shares purchased by Highland Credit Opportunities CDO, L.P., an affiliate of Highland Crusader Offshore Partners, L.P. Highland Crusader Offshore Partners, L.P. beneficially owns more than 5% of our outstanding common stock.
(8) Includes 9,477 shares purchased by OVP VI Entrepreneurs Fund, L.P., an affiliate of OVP Venture Partners VI, L.P.
(9) Charles P. Waite, Jr., is one of our directors and is a general partner of OVP Venture Partners.
(10) Alexander E. Barkas, Ph.D., is one of our directors and is a managing member of Prospect Management Co. III, LLC, the general partner of Prospect Venture Partners III, L.P.
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Issuance of Common Stock Warrants
In August 2009, we issued warrants to purchase up to an aggregate of 1,630,629 shares of our common stock at an exercise price of $1.50 per share to certain existing investors who purchased at least $1.0 million more than their pro rata portion of our Series D preferred stock financing. The table below sets forth the number of shares of common stock issuable upon the exercise of warrants issued to our directors, executive officers and 5% stockholders and their affiliates.

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of shares of common stock issuable upon exercise of warrants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprise Partners VI, L.P., (1)(2)</td>
<td>447,724</td>
</tr>
<tr>
<td>Highland Crusader Offshore Partners, L.P., (3)</td>
<td>329,638</td>
</tr>
<tr>
<td>OVP Venture Partners VI, L.P., (4)(5)</td>
<td>447,725</td>
</tr>
<tr>
<td>Prospect Venture Partners III, L.P., (6)</td>
<td>405,542</td>
</tr>
</tbody>
</table>

(1) Includes warrants to purchase 308,930 shares of common stock held by Enterprise Partners V, L.P., an affiliate of Enterprise Partners VI, L.P.
(2) Andrew E. Senyei, M.D., is one of our directors and is a managing director and a general partner of Enterprise Partners.
(3) Highland Crusader Offshore Partners, L.P. beneficially owns more than 5% of our outstanding common stock.
(4) Includes warrants to purchase 3,134 shares of common stock purchased by OVP VI Entrepreneurs Fund, L.P., an affiliate of OVP Venture Partners VI, L.P.
(5) Charles P. Waite, Jr., is one of our directors and is a general partner of OVP Venture Partners.
(6) Alexander E. Barkas, Ph.D., is one of our directors and is a managing member of Prospect Management Co. III, LLC, the general partner of Prospect Venture Partners III, L.P.

Issuance of Series C Preferred Stock
In February 2008, we sold 166,346 shares of Series C preferred stock at a price of $159.30 per share for gross proceeds of approximately $26.5 million. In March 2008, we issued 1,004 shares of Series C preferred stock valued at approximately $160,000 to a professional consulting services firm in exchange for their services. The table below sets forth the number of shares of Series C preferred stock sold to our directors, executive officers and 5% stockholders and their affiliates.

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of shares of Series C preferred stock</th>
<th>Aggregate purchase price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprise Partners VI, L.P., (1)</td>
<td>21,488</td>
<td>$ 3,423,038</td>
</tr>
<tr>
<td>Highland Crusader Offshore Partners, L.P., (2)</td>
<td>100,438</td>
<td>$15,999,773</td>
</tr>
<tr>
<td>OVP Venture Partners VI, L.P., (3)(4)</td>
<td>21,488</td>
<td>$ 3,423,038</td>
</tr>
<tr>
<td>Prospect Venture Partners III, L.P., (5)</td>
<td>19,482</td>
<td>$ 3,103,483</td>
</tr>
</tbody>
</table>

(1) Andrew E. Senyei, M.D., is one of our directors and is a managing director and general partner of Enterprise Partners.
(2) Includes 43,941 shares held by Highland Credit Opportunities CDO, L.P., an affiliate of Highland Crusader Offshore Partners, L.P. Highland Crusader Offshore Partners, L.P. beneficially owns more than 5% of our outstanding common stock.
(3) Includes 429 shares held by OVP VI Entrepreneurs Fund, L.P., an affiliate of OVP Venture Partners VI, L.P.
(4) Charles P. Waite, Jr., is one of our directors and is a general partner of OVP Venture Partners.
(5) Alexander E. Barkas, Ph.D., is one of our directors and is a managing member of Prospect Management Co. III, LLC, the general partner of Prospect Venture Partners III, L.P.

2007 Bridge Financing
In February 2007 and March 2007, we sold convertible promissory notes, or the 2007 Notes, to certain of our existing investors for an aggregate purchase price of $1.0 million. The 2007 Notes accrued interest at a rate of 6% per annum and had a maturity date of May 31, 2007. In March 2007, in connection with our Series B preferred stock financing described below, the full principal amount of the 2007 Notes, along with accrued but
unpaid interest thereon of $2,712, were automatically converted into an aggregate of 14,492 shares of our Series B preferred stock at a conversion price of $69.00 per share. In addition, investors who purchased 2007 Notes also received warrants to purchase up to an aggregate of 393 shares of our Series B preferred stock at an exercise price of $69.00 per share.

The table below sets forth the participation in the sale of the 2007 Notes by our directors, executive officers and 5% stockholders and their affiliates.

### Issuance of Series B Preferred Stock

In March and September 2007, we sold 203,620 shares of Series B preferred stock at a price of $69.00 per share for gross proceeds of approximately $14.0 million. The table below sets forth the number of shares of Series B preferred stock sold to our directors, executive officers and 5% stockholders and their affiliates.

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of shares of Series B preferred stock issued upon conversion of the 2007 Notes</th>
<th>Series B preferred stock warrants received in connection with purchase of 2007 Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprise Partners VI, L.P.</td>
<td>7,246</td>
<td>197</td>
</tr>
<tr>
<td>OVP Venture Partners VI, L.P.</td>
<td>7,246</td>
<td>196</td>
</tr>
</tbody>
</table>

(1) Andrew E. Senyei, M.D., is one of our directors and is a managing director and a general partner of Enterprise Partners.

(2) Includes $10,000 in 2007 Notes purchased by OVP VI Entrepreneurs Fund, L.P., an affiliate of OVP Venture Partners VI, L.P., which converted into 145 shares of Series B preferred stock. In connection with its purchase of the 2007 Notes, OVP VI Entrepreneurs Fund, L.P. received warrants to purchase up to three shares of Series B preferred stock at an exercise price of $69.00 per share.

(3) Charles P. Waite, Jr., is one of our directors and is a general partner of OVP Venture Partners.

### Investor Rights Agreement

We have entered into an investors’ rights agreement with the purchasers of our outstanding preferred stock and certain holders of common stock and warrants to purchase our common stock and preferred stock, including entities with which certain of our directors are affiliated. As of March 31, 2010, the holders of 13.4 million shares of our common stock, including the shares of common stock issuable upon the conversion of our preferred stock and shares of common stock issued upon exercise of warrants, are entitled to rights with respect to the registration of their shares under the Securities Act. For a more detailed description of these registration rights, see “Description of Capital Stock—Registration Rights.” The investor rights agreement also provides for rights of first refusal and a requirement to obtain the consent of certain stockholders before we may incur indebtedness exceeding $500,000 that is not already included in a board-approved budget, other than trade credit incurred in the ordinary course of business. We have obtained waivers so that the rights of first refusal will not apply to, and will terminate upon completion of, this offering.
Voting Agreement
We have entered into an amended and restated voting agreement with certain holders of our common stock and holders of our convertible preferred stock. Upon the closing of this offering, the amended and restated voting agreement will terminate. For a description of the amended and restated voting agreement, see the section titled “Management—Board composition—Voting Arrangements.”

Right of First Refusal and Co-sale Agreement
We have entered into an amended and restated right of first refusal and co-sale agreement with certain holders of our common stock and holders of our preferred stock. This agreement provides for rights of first refusal and co-sale relating to the shares of our common stock and common stock issuable upon conversion of the shares of preferred stock held by the parties thereto. Upon the closing of this offering, the amended and restated right of first refusal and co-sale agreement will terminate.

Indemnification Agreements
We have entered into indemnification agreements with each of our directors and executive officers. These agreements, among other things, require us to indemnify each director and executive officer to the fullest extent permitted by Delaware law, including indemnification of expenses such as attorneys’ fees, judgments, fines and settlement amounts incurred by the director or executive officer in any action or proceeding, including any action or proceeding by or in right of us, arising out of the person’s services as a director or executive officer.

Stock Options and Stock Option Modification
We have granted stock options to our executive officers. For more information regarding these stock options, see the section titled “Executive Compensation — Compensation Discussion and Analysis.”

In January 2010, our board of directors approved a stock option modification. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Stock Option Modification” for a description of our 2010 option exchange program.

Other Transactions
In March 2006, we entered into a licensing agreement with Callida Genomics, Inc., or Callida, for use of certain patents, patent applications, know-how and other intellectual property relating to sequencing by hybridization. See “Business—Intellectual property.” As partial consideration for the rights acquired pursuant to the license agreement, we issued 13,333 shares of our Common Stock to Callida. Callida is owned by Radoje Drmanac, Ph.D., our Chief Scientific Officer, and his wife.

We have granted stock options to our executive officers and certain of our directors. For a description of these options, see “Executive Compensation — Compensation Discussion and Analysis — Long-Term Equity Incentives.” In addition, in March 2010, we issued:

- 285,867 shares of common stock to our President, Chief Executive Officer and director, Clifford A. Reid, Ph.D., at a purchase price of $1.50 per share;
- 105,333 shares of common stock to Robert J. Curson, who was our Chief Financial Officer at the time of grant and is now our Vice President of Financial Operations, at a purchase price of $1.50 per share; and
- 395,333 shares of common stock to our Chief Scientific Officer, Radoje Drmanac, Ph.D., at a purchase price of $1.50 per share.

Dr. Reid, Mr. Curson and Dr. Drmanac received bonuses of $361,615, $133,244 and $500,087, respectively, in connection with these grants. See “Executive Compensation — Compensation Discussion and Analysis — Long-Term Equity Incentives.”
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We have entered into indemnification agreements with each of our directors and will enter into new indemnification agreements with each of our current directors, officers, and certain employees before the completion of this offering. See “Management — Limitation on Liability and Indemnification Matters.”

Policies and Procedures for Related Party Transactions

Our board of directors intends to adopt a written related person transaction policy to set forth the policies and procedures for the review and approval or ratification of related person transactions. This policy will cover, with certain exceptions set forth in Item 404 of Regulation S-K under the Securities Act, any transaction, arrangement or relationship, or any series of similar transactions, arrangements or relationships in which we were or are to be a participant, where the amount involved exceeds $120,000 and a related person had or will have a direct or indirect material interest, including, without limitation, purchases of goods or services by or from the related person or entities in which the related person has a material interest, indebtedness, guarantees of indebtedness and employment by us of a related person.

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Principal Stockholders

The following table sets forth information known to us about the beneficial ownership of our common stock at July 15, 2010, as adjusted to reflect the sale of the shares of common stock in this offering, by:

- each person or group of affiliated persons known to us to be the beneficial owner of more than 5% of our common stock;
- each named executive officer and each director; and
- all of our executive officers and directors as a group.

The information in the table below is calculated based on shares of common stock outstanding before this offering and shares of common stock outstanding after this offering. The number of shares outstanding before and after this offering is based on the number of shares of common stock outstanding on July 15, 2010 as adjusted to give effect to:

- the conversion of all 7,819,758 shares of our convertible preferred stock outstanding on July 15, 2010 into an aggregate of 10,533,490 shares of our common stock, which will be effective immediately prior to the consummation of this offering;
- the exercise, on a net issuance basis, of warrants outstanding as of July 15, 2010, which will expire upon completion of this offering if unexercised, to purchase shares of our common stock, resulting in the issuance of shares of common stock, assuming an initial public offering price of $ per share (the midpoint of the price range set forth on the cover page of this prospectus); and
- the exercise, on a net issuance basis, of warrants outstanding as of July 15, 2010, which will expire upon completion of this offering if unexercised, to purchase shares of our convertible preferred stock, and the conversion of those shares of preferred stock immediately prior to the consummation of this offering, resulting in the issuance of shares of common stock, assuming an initial public offering price of $ per share (the midpoint of the price range set forth on the cover page of this prospectus).

In computing the number of shares of common stock beneficially owned by a person, entity or group and the corresponding percentage ownership of that person, entity or group, shares of common stock underlying common stock or preferred stock options and warrants that are held by that person, entity or group and that are currently exercisable or exercisable within 60 days of July 15, 2010 are considered to be outstanding. We did not deem these shares to be outstanding, however, for the purpose of computing the percentage ownership of any other person, entity or group.
Unless otherwise noted below, the address of each beneficial owner listed on the table is c/o Complete Genomics, Inc., 2071 Stierlin Court, Mountain View, CA 94043. We have determined beneficial ownership in accordance with the rules of the SEC. Except as indicated by the footnotes below, we believe, based on the information furnished to us, that the persons and entities named in the tables below have sole voting and investment power with respect to all shares of common stock that they beneficially own, subject to applicable community property laws where applicable.

<table>
<thead>
<tr>
<th>5% Stockholders</th>
<th>Beneficial ownership prior to this offering</th>
<th>Beneficial ownership after this offering</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entities affiliated with OrbiMed Advisors LLC</td>
<td>2,274,354</td>
<td></td>
</tr>
<tr>
<td>Entities affiliated with Essex Woodlands Health Ventures</td>
<td>2,274,354</td>
<td></td>
</tr>
<tr>
<td>Prospect Venture Partners III, L.P.</td>
<td>1,436,228</td>
<td></td>
</tr>
<tr>
<td>Entities affiliated with OVP Venture Partners</td>
<td>1,482,163</td>
<td></td>
</tr>
<tr>
<td>Entities affiliated with Enterprise Partners</td>
<td>1,482,172</td>
<td></td>
</tr>
<tr>
<td>Entities affiliated with Highland Capital Management, L.P.</td>
<td>1,416,382</td>
<td></td>
</tr>
</tbody>
</table>

**Named Executive Officers and Directors**

- Clifford A. Reid, Ph.D. (7) | 319,200 | 160,294 |
- Robert J. Curson (8) | 116,999 | 83,533 |
- Radoje Drmanac, Ph.D. (9) | 441,999 | 126,857 |
- Alexander E. Barkas, Ph.D. | 1,436,228 |
- C. Thomas Caskey, M.D. (11) | 3,307 |
- Carl L. Gordon, Ph.D., CFA (12) | 2,274,354 |
- Lewis J. Shuster (13) | 5,208 |
- Andrew E. Senyeti, M.D. (14) | 1,482,172 |
- Charles P. Waite, Jr. (15) | 1,482,163 |

**All Executive Officers and directors as a group (11 persons) (16)** | 7,472,624 |

* Represents beneficial ownership of less than 1%.

1. Includes: (i) 2,525,898 shares held, and shares that may be acquired pursuant to the exercise of warrants held prior to this offering, by Caduceus Private Investments III, LP (“Caduceus”) and (ii) 21,456 shares held, and shares that may be acquired pursuant to the exercise of warrants held prior to this offering, by OrbiMed Associates III, LP (“OrbiMed Associates”). OrbiMed Capital GP III, LP is the general partner of Caduceus, and Samuel D. Islay is the general partner of OrbiMed Capital GP III, LP. OrbiMed Advisors LLC (“OrbiMed Advisors”) is the general partner of OrbiMed Associates, and Mr. Islay is the managing member of OrbiMed Advisors, and Carl L. Gordon, Ph.D., a member of our board of directors, is a member of OrbiMed Advisors. Mr. Islay is deemed to have voting and dispositive power over the shares held by Caduceus and OrbiMed Associates. The address of OrbiMed Advisors LLC is 767 Third Avenue, 30th Floor, New York, New York 10017.

2. Includes: (i) 2,061,134 shares held, and shares that may be acquired pursuant to the exercise of warrants held prior to this offering, by Essex Woodlands Health Ventures Fund VIII, L.P. (“Essex Woodlands Ventures Fund VIII”), (ii) 148,608 shares held, and shares that may be acquired pursuant to the exercise of warrants held prior to this offering, by Essex Woodlands Health Ventures Fund VIII—A, L.P. (“Essex Woodlands Fund A”) and (iii) 64,812 shares held, and shares that may be acquired pursuant to the exercise of warrants held prior to this offering, by Essex Woodlands Health Ventures Fund VIII—B, L.P. (“Essex Woodlands Fund B”). Essex Woodlands Health Ventures VIII, L.P. (“Essex Ventures L.P.”) is the general partner of each of Essex Woodlands Ventures Fund, Essex Woodlands Fund A and Essex Woodlands Fund B. Essex Woodlands Health Ventures VIII, LLC (“Essex Ventures LLC”) is the general partner of Essex Ventures L.P., James Currie, Ron Eastman, Jeff Himawan, Ph.D., Guido Neels, Martin Sutter, Immanuel Thangaraj, Petri Yaino, M.D., Ph.D., and Steve Wiggans are managing directors of Essex Ventures LLC and are deemed to have shared voting and dispositive power over the shares held by Essex Woodlands Ventures Fund, Essex Woodlands Fund A and Essex Woodlands Fund B. Each of the managing directors disclaims beneficial ownership of the shares held by these entities, except to the extent of any pecuniary interest therein. The address of each of the entities affiliated with Essex Woodlands Health Ventures is 335 Bryant Street, Palo Alto, California 94301.

3. Includes 1,436,228 shares held and shares that may be acquired pursuant to the exercise of warrants held prior to this offering. Alexander E. Barkas, Ph.D., a member of our board of directors, is a managing member of Prospect Management Co. III, L.L.C., the general partner of Prospect Venture Partners III, L.P. The managing members of Prospect Management Co. III, L.L.C., are deemed to...
have shared voting and dispositive power over the shares held by Prospect Venture Partners III, L.P. and each disclaims beneficial ownership of these shares, except to the extent of his or her pecuniary interest therein. The address for Prospect Management Co. III, L.L.C. is 435 Tasso Street, Suite 200, Palo Alto, California 94301.

(4) Includes: (i) 1,457,688 shares held, and shares that may be acquired pursuant to the exercise of warrants held prior to this offering, by OVP Venture Partners VI, L.P. (“OVP VI”) and (ii) 24,475 shares held, and shares that may be acquired pursuant to the exercise of warrants held prior to this offering, by OVP VI Entrepreneurs Fund, L.P. (“OVP Entrepreneurs Fund”). Charles P. Waite, Jr., a member of our board of directors, is a managing member of OVMC VI, LLC, the general partner of each of OVP VI and OVP Entrepreneurs Fund. Mr. Waite, together with the other managing members of OVMC VI, LLC are deemed to have shared voting and dispositive power over the shares held by OVP VI and OVP Entrepreneurs Fund. The address of each of the entities affiliated with OVP Venture Partners is 1010 Market Street, Kirkland, Washington 98033.

(5) Includes: (i) 1,239,297 shares held, and shares that may be acquired pursuant to the exercise of warrants held prior to this offering, by Enterprise Partners VI, LP (“Enterprise VI”); (ii) 176,737 shares held, and shares that may be acquired pursuant to the exercise of warrants held prior to this offering, by Enterprise Partners V, LP (“Enterprise V”) and (iii) 66,138 shares held, and shares that may be acquired pursuant to the exercise of warrants held prior to this offering, by Enterprise Partners Management, LLC (“Enterprise LLC”). Andrew E. Senyei, M.D., a member of our board of directors, is a managing director of Enterprise Management Partners VI, LLC, the general partner of Enterprise VI, a managing director of Enterprise Management Partners V, LLC, the general partner of Enterprise V, and a managing director of Enterprise LLC. Dr. Senyei, together with Carl Eibl, J.D., are deemed to have shared voting and dispositive power over the shares held by each of Enterprise VI, Enterprise V and Enterprise LLC. Each of Dr. Senyei and Mr. Eibl disclaims beneficial ownership of these shares, except to the extent of his pecuniary interest therein. The address for each of the entities affiliated with Enterprise Partners is 2223 Avenida de la Playa, Suite 300, La Jolla, California 92037.

(6) Includes: (i) 1,001,292 shares held, and shares that may be acquired pursuant to the exercise of warrants held prior to this offering, by Highland Crusader Offshore Partners, L.P. (“Highland Crusader”) and (ii) 415,090 shares held, and shares that may be acquired pursuant to the exercise of warrants held prior to this offering, by Highland Credit Opportunities CDO, L.P. (“Credit Opportunities”). Highland Capital Management, L.P. (“Highland”) acts as investment adviser to certain funds, including Highland Crusader and Credit Opportunities. Strand Advisors, Inc. (“Strand Advisors”) is the general partner of Highland. James Dondero is the President of Strand Advisors and Highland. Highland, Strand Advisors and Mr. Dondero may be deemed to have shared voting and dispositive power over the shares held by each of Highland Crusader and Credit Opportunities. The address for Highland, Strand Advisors and Mr. Dondero is Two Galleria Tower, 13455 Noel Road, Suite 800, Dallas, Texas 75240.

(7) Consists of: (i) 319,200 shares held by the Clifford A. Reid Living Trust, dated September 3, 1997, of which Dr. Reid is trustee and (ii) 160,294 shares that may be acquired pursuant to the exercise of stock options within 60 days of July 15, 2010.

(8) Consists of: (i) 116,999 shares held by The Carson Family Living Trust, dated July 30, 2001, of which Mr. Carson is trustee and (ii) 83,533 shares that may be acquired pursuant to the exercise of stock options within 60 days of July 15, 2010.

(9) Consists of: (i) 428,666 shares held by the Drmanac Family Trust, dated June 21, 2000, of which Dr. Drmanac is trustee; (ii) 126,857 shares that may be acquired pursuant to the exercise of stock options within 60 days of July 15, 2010 and (iii) 83,533 shares held by Callida Genomics, Inc.

(10) Consists of the shares described in Note (3) above, Dr. Barkas disclaims beneficial ownership of the shares held by Prospect Venture Partners III, L.P. as described in Note (3) above, except to the extent of his pecuniary interest therein.

(11) Consists of: (i) 3,307 shares, (ii) shares that may be acquired pursuant to the exercise of warrants held prior to this offering and (iii) 12,500 shares that may be acquired pursuant to the exercise of stock options within 60 days of July 15, 2010.

(12) Consists of the shares described in Note (1) above, Dr. Gordon disclaims beneficial ownership of the shares held by the entities affiliated with OrbiMed Advisors LLC as described in Note (1) above, except to the extent of his pecuniary interest therein.

(13) Consists of 5,208 shares that may be acquired pursuant to the exercise of stock options within 60 days of July 15, 2010.

(14) Consists of the shares described in Note (5) above, Dr. Senyei disclaims beneficial ownership of the shares held by the entities affiliated with Enterprise Partners as described in Note (5) above, except to the extent of his pecuniary interest therein.

(15) Consists of the shares described in Note (4) above, Mr. Waite disclaims beneficial ownership of the shares held by the entities affiliated with OVP Venture Partners as described in Note (4) above, except to the extent of his pecuniary interest therein.

(16) Includes 6,671,610 shares held, and shares that may be acquired pursuant to the exercise of warrants held prior to this offering, by entities affiliated with certain of our directors and shares beneficially owned by our executive officers and directors, which includes shares that may be acquired pursuant to the exercise of warrants held prior to this offering by a director and 300,705 shares may be acquired pursuant to the exercise of stock options within 60 days of July 15, 2010.
Description of Capital Stock

General
Upon the completion of this offering, we will have authorized under our amended and restated certificate of incorporation shares of common stock, $0.001 par value per share, and shares of preferred stock, $0.001 par value per share. As of July 15, 2010, there were outstanding:

- shares of our common stock held by approximately 33 stockholders of record;
- shares of our common stock issuable upon exercise of outstanding warrants; and
- 2,248,953 shares of our common stock issuable upon exercise of outstanding stock options.

The number of shares of our common stock outstanding after this offering assumes:

- the filing and effectiveness of our amended and restated certificate of incorporation;
- the conversion of all 7,819,758 shares of our convertible preferred stock outstanding on July 15, 2010 into an aggregate of 10,533,490 shares of our common stock, which will be effective immediately prior to the consummation of this offering;
- the exercise, on a net issuance basis, of warrants outstanding as of July 15, 2010, which will expire upon completion of this offering if unexercised, to purchase shares of our common stock, resulting in the issuance of shares of common stock, assuming an initial public offering price of $ per share (the midpoint of the price range set forth on the cover page of this prospectus); and
- the exercise, on a net issuance basis, of warrants outstanding as of July 15, 2010, which will expire upon completion of this offering if unexercised, to purchase shares of our convertible preferred stock, and the conversion of those shares of preferred stock immediately prior to the consummation of this offering, resulting in the issuance of shares of common stock, assuming an initial public offering price of $ per share (the midpoint of the price range set forth on the cover page of this prospectus).

The following description of our capital stock and provisions of our amended and restated certificate of incorporation and amended and restated bylaws to be in effect upon the completion of this offering are summaries. Copies of these documents have been filed with the SEC as exhibits to our registration statement of which this prospectus forms a part. The descriptions of the common stock and preferred stock reflect changes to our capital structure that will occur upon the closing of this offering. Currently, there is no established public trading market for our capital stock.

Common Stock

Voting Rights
Each holder of our common stock is entitled to one vote for each share on all matters submitted to a vote of the stockholders, including the election of directors. Our stockholders do not have cumulative voting rights in the election of directors. Accordingly, holders of a majority of the voting shares are able to elect all of the directors.

Dividends
Subject to preferences that may be applicable to any then outstanding preferred stock, holders of our common stock are entitled to receive dividends, if any, as may be declared from time to time by our board of directors out of legally available funds. The terms of our credit facility currently prohibit us from paying cash dividends on our common stock.
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Liquidation
In the event of our liquidation, dissolution or winding up, holders of our common stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of all of our debts and other liabilities and the satisfaction of any liquidation preference granted to the holders of any then outstanding shares of preferred stock.

Other Rights and Preferences
Holders of our common stock have no preemptive, conversion, subscription or other rights, and there are no redemption or sinking fund provisions applicable to our common stock. The rights, preferences and privileges of the holders of our common stock are subject to and may be adversely affected by the rights of the holders of shares of any series of our preferred stock that we may designate in the future.

Fully Paid and Nonassessable.
All of our outstanding shares of common stock are, and the shares of common stock to be issued in this offering will be, fully paid and nonassessable.

Preferred Stock
Immediately prior to the consummation of this offering, all outstanding shares of our preferred stock will be converted into shares of our common stock. See Note 6 to notes to our audited financial statements for a description of our currently outstanding preferred stock. Immediately prior to the consummation of this offering, our amended and restated certificate of incorporation will be amended and restated to delete all references to such shares of preferred stock. Upon the completion of this offering, our board of directors will have the authority, without further action by our stockholders, to issue up to shares of preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof. These rights, preferences and privileges could include dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms and the number of shares constituting, or the designation of, such series, any or all of which may be greater than the rights of common stock. The issuance of our preferred stock could adversely affect the voting power of holders of common stock and the likelihood that such holders will receive dividend payments and payments upon our liquidation. In addition, the issuance of preferred stock could have the effect of delaying, deferring or preventing a change of control of our company or other corporate action. Immediately after completion of this offering, no shares of preferred stock will be outstanding, and we have no present plan to issue any shares of preferred stock.
Warrants

The following table sets forth information about outstanding warrants to purchase shares of our stock as of July 15, 2010. Immediately prior to the consummation of this offering, the warrants to purchase shares of our preferred stock will convert into warrants to purchase our common stock based on the applicable conversion ratio of the preferred stock. In addition, certain of the outstanding warrants contain a “net exercise” provision, which provides that the warrants will net exercise on the expiration date or upon consummation of this offering, if not exercised before that time.

<table>
<thead>
<tr>
<th>Class of stock underlying warrants</th>
<th>Number of shares</th>
<th>Exercise price per share</th>
<th>Expiration date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common Stock, par value $0.001 per share (1)</td>
<td>1,630,629</td>
<td>$1.50</td>
<td>8/12/2016</td>
</tr>
<tr>
<td>Common Stock, par value $0.001 per share</td>
<td></td>
<td>$1.50</td>
<td>Various dates between 4/12/2015 and 06/28/2015</td>
</tr>
<tr>
<td>Series A preferred stock, par value $0.001 per share (2)</td>
<td>684</td>
<td>$43.85</td>
<td>9/6/2016</td>
</tr>
<tr>
<td>Series B preferred stock, par value $0.001 per share (3)</td>
<td>393</td>
<td>$69.00</td>
<td>Various dates between 2/21/2012 and 03/12/2012</td>
</tr>
<tr>
<td>Series B preferred stock, par value $0.001 per share (4)</td>
<td>1,738</td>
<td>$69.00</td>
<td>8/3/2017</td>
</tr>
<tr>
<td>Series D preferred stock, par value $0.001 per share (5)</td>
<td>278,165</td>
<td>$7.56</td>
<td>Various dates between 2/13/2014 and 8/05/2014</td>
</tr>
<tr>
<td>Series D preferred stock, par value $0.001 per share (6)</td>
<td>103,173</td>
<td>$7.56</td>
<td>7/30/2018</td>
</tr>
</tbody>
</table>

(1) Pursuant to the terms of these warrants, immediately prior to the consummation of this offering, these warrants will automatically net exercise (if not exercised prior to that time), resulting in the issuance of shares of common stock, assuming an initial public offering price of $ per share (the midpoint of the price range set forth on the cover page of this prospectus).

(2) Immediately prior to the consummation of this offering, these warrants to purchase Series A preferred stock will convert into warrants to purchase an aggregate of 3,156 shares of our common stock.

(3) Pursuant to the terms of these warrants, immediately prior to the consummation of this offering, these warrants will automatically net exercise (if not exercised prior to that time), assuming an initial public offering price of $ per share (the midpoint of the price range set forth on the cover page of this prospectus), the exercise price of these warrants will be greater than the public offering price, resulting in the expiration of the warrants.

(4) Immediately prior to the consummation of this offering, these warrants to purchase Series B preferred stock will convert into warrants to purchase an aggregate of 10,301 shares of our common stock.

(5) Pursuant to the terms of these warrants, immediately prior to the consummation of this offering, these warrants will automatically net exercise (if not exercised prior to that time), resulting in the issuance of shares of common stock, assuming an initial public offering price of $ per share (the midpoint of the price range set forth on the cover page of this prospectus).

(6) Immediately prior to the consummation of this offering, these warrants to purchase Series D preferred stock will convert into warrants to purchase an aggregate of 103,173 shares of our common stock.

Registration Rights

Under our amended and restated investor rights agreement, following the closing of this offering, the holders of 13.4 million shares of common stock, including shares issuable upon exercise of warrants, or their transferees, have the right to require us to register their shares under the Securities Act so that those shares may be publicly resold, or to include their shares in any registration statement we file, in each case as described below.

Demand Registration Rights

Based on the number of shares outstanding as of March 31, 2010, after the completion of this offering, the holders of approximately 12.6 million shares of our common stock, including shares issuable upon exercise of warrants, or their transferees, will be entitled to certain demand registration rights. Beginning six months following the consummation of this offering, the holders of at least 40% of these shares can, on not more than two occasions, request that we register all or a portion of their shares. Such request for registration must cover a
number of shares with an anticipated aggregate offering price, net of underwriting discounts and commissions, of at least $5.0 million. Additionally, we will not be required to affect a demand registration during the period beginning 60 days prior to the filing and 180 days following the effectiveness of a company-initiated registration statement relating to a public offering of our securities, provided that we have complied with certain notice requirements to the holders of these shares.

Piggyback Registration Rights
Based on the number of shares outstanding as of March 31, 2010, after the completion of this offering, in the event that we determine to register any of our securities under the Securities Act, either for our own account or for the account of other security holders, the holders of approximately 13.4 million shares of our common stock, including shares issuable upon exercise of warrants, or their transferees, will be entitled to certain “piggyback” registration rights allowing the holders to include their shares in such registration, subject to certain marketing and other limitations. As a result, whenever we propose to file a registration statement under the Securities Act, other than with respect to a registration related to employee benefit plans or corporate reorganizations, the holders of these shares are entitled to notice of the registration and have the right, subject to limitations that the underwriters may impose on the number of shares included in the registration, to include their shares in the registration.

Form S-3 Registration Rights
Based on the number of shares outstanding as of March 31, 2010, after the completion of this offering, the holders of approximately 12.6 million shares of our common stock, including shares issuable upon exercise of warrants, or their transferees, will be entitled to certain Form S-3 registration rights. The holders of at least 5% of these shares can make a written request that we register their shares on Form S-3 if we are eligible to file a registration statement on Form S-3 and if the aggregate price to the public of the shares offered is at least $5.0 million. These stockholders may make an unlimited number of requests for registration on Form S-3. However, we will not be required to affect a registration on Form S-3 if we have previously affected two such registrations in the 12-month period preceding the request for registration. Additionally, we will not be required to affect a registration on Form S-3 during the period beginning 60 days prior to the filing and 180 days following the effectiveness of a company-initiated registration statement relating to a public offering of our securities, provided that we have complied with certain notice requirements to the holders of these shares.

Expenses of Registration
We will pay the registration expenses of the holders of the shares registered pursuant to the demand, piggyback and Form S-3 registration rights described above. In an underwritten offering, the managing underwriter, if any, has the right, subject to specified conditions, to limit the number of shares such holders may include.

Expiration of Registration Rights
The demand, piggyback and Form S-3 registration rights described above will expire, with respect to any particular stockholder, five years after our initial public offering or when that stockholder can sell all of its shares under Rule 144 of the Securities Act. In any event, all such registration rights shall expire upon the earlier of five years after the consummation of this offering or the consummation of certain events, including the sale of all of our assets or a change in control of our company in which our stockholders receive cash or marketable securities.

Anti-Takeover Provisions
Certificate of Incorporation and Bylaws to be in Effect Upon the Completion of This Offering
Our amended and restated certificate of incorporation to be in effect upon the completion of this offering will provide for our board of directors to be divided into three classes, with staggered three-year terms. Only one class of directors will be elected at each annual meeting of our stockholders, with the other classes continuing for the
remainder of their respective three-year terms. Because our stockholders do not have cumulative voting rights, our stockholders holding a majority of the shares of common stock outstanding will be able to elect all of our directors. Our amended and restated certificate of incorporation and amended and restated bylaws to be effective upon the completion of this offering will provide that all stockholder action must be effected at a duly called meeting of stockholders and not by a written consent, and that only our board of directors, chairman of the board, chief executive officer or president (in the absence of a chief executive officer) may call a special meeting of stockholders.

Our amended and restated certificate of incorporation will require a $66\,\frac{2}{3}$% stockholder vote for the amendment, repeal or modification of certain provisions of our amended and restated certificate of incorporation and amended and restated bylaws relating to:

- the classification of our board of directors;
- the requirement that stockholder actions be effected at a duly called meeting; and
- the designated parties entitled to call a special meeting of the stockholders.

The combination of the classification of our board of directors, the lack of cumulative voting and the $66\,\frac{2}{3}$% stockholder voting requirements will make it more difficult for our existing stockholders to replace our board of directors as well as for another party to obtain control of us by replacing our board of directors. Because our board of directors has the power to retain and discharge our officers, these provisions could also make it more difficult for existing stockholders or another party to effect a change in management. In addition, the authorization of undesignated preferred stock makes it possible for our board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to change our control.

These provisions may have the effect of deterring hostile takeovers or delaying changes in our control or management. These provisions are intended to enhance the likelihood of continued stability in the composition of our board of directors and its policies and to discourage certain types of transactions that may involve an actual or threatened acquisition of us. These provisions are designed to reduce our vulnerability to an unsolicited acquisition proposal. The provisions also are intended to discourage certain tactics that may be used in proxy fights. However, such provisions could have the effect of discouraging others from making tender offers for our shares or otherwise attempting to control of us, and, as a consequence, they also may inhibit fluctuations in the market price of our shares that could result from actual or rumored takeover attempts. Such provisions may also have the effect of preventing changes in our management.

**Section 203 of the Delaware General Corporation Law**

Upon completion of this offering, we will be subject to Section 203 of the Delaware General Corporation Law, which prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years after the date that such stockholder became an interested stockholder, unless:

- before such date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested holder;
- upon completion of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction began, excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) those shares owned by:
  - persons who are directors and also officers; and
  - employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
In general, Section 203 defines “business combination” to include the following:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation or its majority-owned subsidiary that involves the interested stockholder;
- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- subject to certain exceptions, any transaction involving the corporation that has the effect of increasing the proportionate share of the stock or any class or series of the corporation beneficially owned by the interested stockholder; or
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits by or through the corporation.

In general, Section 203 defines an “interested stockholder” as an entity or person who, together with the person’s affiliates and associates, beneficially owns, or is an affiliate or associate of the corporation and within three years prior to the time of determination of interested stockholder status did own, 15% or more of the outstanding voting stock of the corporation.

Limitations of Liability and Indemnification Matters
For a discussion of liability and indemnification, please see “Management—Limitation on Liability and Indemnification Matters.”

The NASDAQ Global Market Listing
We intend to apply to have our common stock listed on The NASDAQ Global Market under the symbol “GNOM.”

Transfer Agent and Registrar
The transfer agent and registrar for our common stock is .

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Shares Eligible for Future Sale

Prior to this offering, there has been no public market for our common stock. Future sales of our common stock in the public market, or the availability of such shares for sale in the public market, could adversely affect market prices of our common stock prevailing from time to time. As described below, only a limited number of shares will be available for sale shortly after this offering due to contractual and legal restrictions on resale. Nevertheless, sales of our common stock in the public market after such restrictions lapse, or the perception that those sales may occur, could adversely affect the prevailing market price of our common stock and our ability to raise equity capital in the future.

Based on the number of shares of common stock outstanding as of July 15, 2010, upon completion of this offering,                shares of common stock will be outstanding, assuming no exercise of the underwriters’ over-allotment option and no exercise of options or warrants. All of the shares sold by us in this offering will be freely tradable unless purchased by our affiliates. The remaining              shares of common stock outstanding after this offering will be restricted as a result of securities laws or lock-up agreements as described below. Following the expiration of the lock-up period, all shares will be eligible for resale in compliance with Rule 144 or Rule 701 to the extent such shares have been released from any repurchase option that we may hold. “Restricted securities” as defined under Rule 144 were issued and sold by us in reliance on exemptions from the registration requirements of the Securities Act. These shares may be sold in the public market only if registered or pursuant to an exemption from registration, such as Rule 144 or Rule 701 under the Securities Act. Excluding the shares issued in this offering, the remaining              shares of common stock outstanding after this offering will generally become available for sale in the public market as follows:

<table>
<thead>
<tr>
<th>Approximate number of shares</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Immediately.</td>
</tr>
<tr>
<td></td>
<td>Beginning 90 days after the effective date of the registration statement of which this prospectus forms a part, subject, in certain cases, to the holding period, public information, volume limitation, public notice and manner-of-sale requirements of Rule 144.</td>
</tr>
<tr>
<td></td>
<td>At various times after the effective date of the registration statement of which this prospectus forms a part.</td>
</tr>
</tbody>
</table>

The above does not take into consideration the effect of the lock-up agreements described below.

Rule 144

Rule 144 provides an exemption from the registration and prospectus-delivery requirements of the Securities Act. This exemption is available to affiliates of ours that sell our restricted or non-restricted securities and also to non-affiliates that sell our restricted securities. Restricted securities include securities acquired from the issuer of those securities, or from an affiliate of the issuer, in a transaction or chain of transactions not involving any public offering. The shares we are selling in this offering are not restricted securities. However, all the shares we have issued before this offering are restricted securities, and they will continue to be restricted securities until they are resold pursuant to Rule 144 or pursuant to an effective registration statement.

In general, under Rule 144, as in effect on the date of this prospectus, a person who is, or at any time during the 90 days preceding the sale was, an affiliate of ours generally may sell, within any three-month period, a number of shares that does not exceed the greater of:

- 1% of the number of shares of common stock outstanding, which will equal approximately shares immediately after this offering (or shares if the underwriters’ over-allotment is exercised in full); or
- the average weekly trading volume of our common stock on The NASDAQ Global Market during the four calendar weeks immediately preceding the date on which a notice of sale is filed with the SEC.
In addition, sales by these persons must also satisfy requirements relating to the manner of sale, public notice, the availability of current public information about us and, in the case of restricted securities, a minimum holding period for those securities. All other persons may rely on Rule 144 to freely sell our restricted securities, so long as they satisfy both the minimum holding period requirement and, until a one-year holding period has elapsed, the current public information requirement.

Rule 144 does not supersede our security holders’ contractual obligations under the lock-up agreements described below.

**Rule 701**

Generally, an employee, officer, director or qualified consultant of ours who purchased shares of our common stock before the effective date of the registration statement relating to this prospectus, or who holds options as of that date, pursuant to a written compensatory plan or contract may rely on the resale provisions of Rule 701 under the Securities Act. Under Rule 701, of these persons:

- those who are not our affiliates may generally sell those securities, commencing 90 days after the effective date of the registration statement, without having to comply with the current public information and minimum holding period requirements of Rule 144; and
- those who are our affiliates may generally sell those securities under Rule 701, commencing 90 days after the effective date of the registration statement, without having to comply with Rule 144’s minimum holding period restriction.

Rule 701 does not supersede our security holders’ contractual obligations under the lock-up agreements described above.

**Lock-Up Agreements**

We, along with our directors, executive officers and substantially all of our other security holders, have generally agreed with the underwriters that for a period of 180 days following the date of this prospectus, we or they will not offer, sell, contract to sell, pledge, or otherwise dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for shares of common stock, or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock or any securities convertible into or exercisable or exchangeable for shares of common stock, whether any of these transactions are to be settled by delivery of our common stock or other securities, in cash or otherwise, or publicly disclose the intention to effect any of these transactions, subject to specified exceptions. UBS Investment Bank and Jefferies & Company may, in their sole discretion, at any time without prior notice, release all or any portion of the shares from the restrictions in any such agreement.

If:

- during the period that begins on the date that is 15 calendar days plus 3 business days before the last day of the 180-day lock-up period and ends on the last day of the 180-day lock-up period,
  - we issue an earnings release; or
  - material news or a material event relating to us occurs; or
- prior to the expiration of the 180-day lock-up period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 180-day lock-up period,

then the 180-day lock-up period described in the preceding paragraph will be extended until the expiration of the date that is 15 calendar days plus 3 business days after the date on which the issuance of the earnings release or the material news or material event occurs.
Registration Rights
Based on the number of shares outstanding as of March 31, 2010, after the completion of this offering, the holders of 13.4 million shares of our common stock, including shares issuable upon exercise of warrants, or their transferees, will, subject to any lock-up agreements they have entered into, be entitled to certain rights with respect to the registration of the offer and sale of those shares under the Securities Act. For a description of these registration rights, please see the section titled “Description of Capital Stock—Registration Rights.” If the offer and sale of these shares are registered, they will be freely tradable without restriction under the Securities Act.

Stock Plans
As soon as practicable after the completion of this offering, we intend to file a Form S-8 registration statement under the Securities Act to register the offer and sale of shares of our common stock subject to options outstanding or reserved for issuance under our 2006 Equity Incentive Plan and our 2010 Equity Incentive Award Plan. This registration statement will become effective immediately upon filing, and shares covered by this registration statement will then be eligible for sale in the public markets, subject limitations applicable to affiliates and any lock-up agreements. For a more complete discussion of our stock plans, see “Executive Compensation—Employee Benefit and Stock Plans.”
Material U.S. Federal Income Tax Consequences to Non-U.S. Holders

The following is a summary of material U.S. federal income tax consequences to non-U.S. holders (as defined below) of the acquisition, ownership and disposition of our common stock issued pursuant to this offering. This discussion is based on the Internal Revenue Code of 1986, as amended, or the Code, Treasury Regulations promulgated thereunder, judicial decisions and published rulings and administrative pronouncements of the Internal Revenue Service, or IRS, all as in effect as of the date of this prospectus. These authorities may change, possibly retroactively, resulting in U.S. federal income tax consequences different from those discussed below. This discussion is not a complete analysis of all of the potential U.S. federal income tax consequences relating thereto, nor does it address any estate and gift tax consequences or any tax consequences arising under any state, local or foreign laws or any other U.S. federal tax laws. No ruling has been or will be sought from the IRS with respect to the matters discussed below, and there can be no assurance that the IRS will not take a contrary position regarding the tax consequences of the acquisition, ownership or disposition of our common stock by a non-U.S. holder, or that any such contrary position would not be sustained by a court.

This discussion is limited to non-U.S. holders who purchase our common stock issued pursuant to this offering and who hold our common stock as a “capital asset” within the meaning of Section 1221 of the Code (property held for investment). This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a particular holder in light of such holder’s particular circumstances. This discussion also does not consider any specific facts or circumstances that may be relevant to holders subject to special rules under the U.S. federal income tax laws, including, without limitation:

- U.S. expatriates or former long-term residents of the United States;
- partnerships or other pass-through entities classified as a partnership for U.S. federal income tax purposes;
- real estate investment trusts;
- regulated investment companies;
- “controlled foreign corporations,” “passive foreign investment companies” or corporations that accumulate earnings to avoid U.S. federal income tax;
- banks, insurance companies or other financial institutions;
- brokers, dealers or traders in securities, commodities or currencies;
- tax-exempt organizations;
- tax-qualified retirement plans;
- persons subject to the alternative minimum tax; or
- persons holding our common stock as part of a hedging or conversion transaction, straddle or a constructive sale or other risk-reduction strategy.

Prospective investors are urged to consult their tax advisors regarding the particular U.S. federal income and estate tax consequences to them of acquiring, owning and disposing of our common stock, as well as any tax consequences arising under any state, local or foreign tax laws and any other U.S. federal tax laws and tax treaties.

Definition of Non-U.S. Holder

For purposes of this discussion, a non-U.S. holder is any beneficial owner of our common stock that is not a “U.S. person” or a partnership (or other entity treated as a partnership) for U.S. federal income tax purposes. A U.S. person is any of the following:

- an individual citizen or resident of the United States;
If we make cash or other property distributions on our common stock, such distributions will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Amounts not treated as dividends for U.S. federal income tax purposes will constitute a return of capital and will first be applied against and reduce a holder’s adjusted tax basis in the common stock, but not below zero. Distributions in excess of our current and accumulated earnings and profits and in excess of a non-U.S. holder’s tax basis in its shares will be treated as gain realized on the sale or other disposition of the common stock and will be treated as described under “— Gain on Disposition of Our Common Stock” below.

Dividends paid to a non-U.S. holder of our common stock that are not effectively connected with a U.S. trade or business conducted by such holder will be subject to U.S. federal withholding tax at a rate of 30% of the gross amount of the dividends, or such lower rate specified by an applicable income tax treaty. To receive the benefit of a reduced treaty rate, a non-U.S. holder must furnish to us or our paying agent a valid IRS Form W-8BEN (or applicable successor form) certifying such holder’s qualification for the reduced rate. This certification must be provided to us or our paying agent prior to the payment of dividends and must be updated periodically. If the non-U.S. holder holds the stock through a financial institution or other agent acting on the non-U.S. holder’s behalf, the non-U.S. holder will be required to provide appropriate documentation to the agent, who then will be required to provide certification to us or our paying agent, either directly or through other intermediaries. Non-U.S. holders that do not timely provide us or our paying agent with the required certification, but who qualify for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. Non-U.S. holders should consult their tax advisors regarding possible entitlement to benefits under a tax treaty.

If a non-U.S. holder holds our common stock in connection with such holder’s conduct of a trade or business in the United States, and dividends paid on the common stock are effectively connected with such holder’s U.S. trade or business and, if required by an applicable income tax treaty, attributable to a permanent establishment maintained by the non-U.S. holder in the U.S., the non-U.S. holder will be exempt from U.S. federal withholding tax. To claim the exemption, the non-U.S. holder must furnish to us or our paying agent a properly executed IRS Form W-8ECI (or applicable successor form), certifying that the dividends are effectively connected with the non-U.S. holder’s conduct of a trade or business within the United States.

Any dividends paid on our common stock that are effectively connected with a non-U.S. holder’s U.S. trade or business (and, if required by an applicable income tax treaty, attributable to a permanent establishment maintained by the non-U.S. holder in the United States) will be subject to U.S. federal income tax on a net income basis at the regular graduated U.S. federal income tax rates in the same manner as if such holder were a resident of the United States, unless an applicable income tax treaty provides otherwise. A non-U.S. holder that is a foreign corporation also may be subject to a branch profits tax equal to 30% (or such lower rate specified by an applicable income tax treaty) of a portion of its effectively connected earnings and profits for the taxable year, as adjusted for certain items.

Non-U.S. holders should consult their tax advisors regarding their entitlement to benefits under a relevant income tax treaty.

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Gain on Disposition of Our Common Stock

Subject to the discussion below regarding backup withholding, a non-U.S. holder generally will not be subject to U.S. federal income tax on any gain realized upon the sale or other disposition of our common stock unless:

- the gain is effectively connected with the non-U.S. holder’s conduct of a trade or business in the United States, and if required by an applicable income tax treaty, attributable to a permanent establishment maintained by the non-U.S. holder in the United States;
- the non-U.S. holder is a nonresident alien individual present in the United States for 183 days or more during the taxable year of the sale or disposition, and certain other requirements are met; or
- our common stock constitutes a “United States real property interest” by reason of our status as a United States real property holding corporation, or USRPHC, for U.S. federal income tax purposes during the relevant statutory period.

Unless an applicable income tax treaty provides otherwise, gain described in the first bullet point above will be subject to U.S. federal income tax on a net income basis at the regular graduated U.S. federal income tax rates in the same manner as if such holder were a resident of the United States. Further, non-U.S. holders that are foreign corporations also may be subject to a branch profits tax equal to 30% (or such lower rate specified by an applicable income tax treaty) of a portion of their effectively connected earnings and profits for the taxable year, as adjusted for certain items. Non-U.S. holders are urged to consult their tax advisors regarding any applicable income tax treaties that may provide for different rules.

A gain described in the second bullet point above will be subject to U.S. federal income tax at a flat 30% rate (or such lower rate specified by an applicable income tax treaty), but may be offset by U.S. source capital losses (even though the individual is not considered a resident of the United States), provided the non-U.S. holder has timely filed U.S. federal income tax returns with respect to such losses.

With respect to the third bullet point above, we believe we are not currently and do not anticipate becoming a USRPHC for U.S. federal income tax purposes. However, because the determination of whether we are a USRPHC depends on the fair market value of our U.S. real property interests relative to the fair market value of our other trade or business assets and our non-U.S. real property interests, there can be no assurance that we are not a USRPHC or will not become one in the future. Even if we are or were to become a USRPHC, a gain arising from the sale or other taxable disposition by a non-U.S. holder of our common stock will not be subject to tax if such class of stock is “regularly traded,” as defined by applicable Treasury Regulations, on an established securities market, and such non-U.S. holder owned, actually or constructively, 5% or less of such class of our stock throughout the shorter of the five-year period ending on the date of the sale or other taxable disposition of the stock or the non-U.S. holder’s holding period for such stock. We expect our common stock to be “regularly traded” on an established securities market, although we cannot guarantee it will be so traded. If a gain on the sale or other taxable disposition of our stock were subject to taxation under the third bullet point above, the non-U.S. holder would be subject to U.S. federal income tax with respect to such gain in the same manner as a U.S. person (subject to any applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals).

Information Reporting and Backup Withholding

We must report annually to the IRS and to each non-U.S. holder the amount of distributions on our common stock paid to such holder and the amount of any tax withheld with respect to those distributions. These information reporting requirements apply even if no withholding was required because the distributions were effectively connected with the holder’s conduct of a U.S. trade or business, or if withholding was reduced or eliminated by an applicable income tax treaty. This information also may be made available under a specific treaty or agreement with the tax authorities in the country in which the non-U.S. holder resides or is established. Backup withholding, currently at a 28% rate, will not apply to distribution payments to a non-U.S. holder of our common stock provided the non-U.S. holder furnishes to us or our paying agent the required certification as to its non-U.S. status, by providing a valid IRS Form W-8BEN or IRS Form W-8ECI, as applicable, and satisfying
certain other requirements. Notwithstanding the foregoing, backup withholding may apply if either we have or our paying agent has actual knowledge, or reason to know, that the holder is a U.S. person that is not an exempt recipient.

Unless a non-U.S. holder complies with certification procedures to establish that it is not a U.S. person, information returns may be filed with the IRS in connection with, and the non-U.S. holder may be subject to backup withholding on the proceeds from, a sale or other disposition of our common stock. The certification procedures described in the above paragraph will satisfy these certification requirements as well.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a non-U.S. holder’s U.S. federal income tax liability, provided the required information is timely furnished to the IRS. Backup withholding and information reporting rules are complex. Non-U.S. holders are urged to consult their tax advisors regarding the application of these rules to them.

New Legislation Relating to Foreign Accounts

Newly enacted legislation may impose withholding taxes on certain types of payments made to “foreign financial institutions” (as specially defined under these rules) and certain other non-U.S. entities. Under this legislation, the failure to comply with additional certification, information reporting and other specified requirements could result in withholding tax being imposed on payments of dividends and sales proceeds to foreign intermediaries and certain non-U.S. holders. The legislation imposes a 30% withholding tax on dividends on, or gross proceeds from the sale or other disposition of, our common stock paid to a foreign financial institution or to a foreign non-financial entity, unless (i) the foreign financial institution undertakes certain diligence and reporting obligations or (ii) the foreign non-financial entity either certifies it does not have any substantial U.S. owners or furnishes identifying information regarding each substantial U.S. owner. If the payee is a foreign financial institution, it must enter into an agreement with the U.S. Treasury requiring, among other things, that it undertake to identify accounts held by certain U.S. persons or U.S.-owned foreign entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these reporting and other requirements. The legislation would apply to payments made after December 31, 2012. Prospective investors should consult their tax advisors regarding this legislation.

The foregoing discussion of U.S. federal income tax considerations is for general information purposes only and is not tax or legal advice. Accordingly, you should consult your own tax advisor as to the particular tax consequences to you of purchasing, owning and disposing of our common stock, including the applicability and effect of any U.S. federal, state or local or non-U.S. tax laws, and of any changes or proposed changes in applicable law.
We are offering the shares of our common stock described in this prospectus through the underwriters named below. UBS Securities LLC and Jefferies & Company, Inc. are the book-running managers of this offering and the representatives of the underwriters. We have entered into an underwriting agreement with the representatives. Subject to the terms and conditions of the underwriting agreement, each of the underwriters has severally agreed to purchase the number of shares of common stock listed next to its name in the following table.

<table>
<thead>
<tr>
<th>Underwriter</th>
<th>Number of shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>UBS Securities LLC</td>
<td></td>
</tr>
<tr>
<td>Jefferies &amp; Company, Inc.</td>
<td></td>
</tr>
<tr>
<td>Robert W. Baird &amp; Co. Incorporated</td>
<td></td>
</tr>
<tr>
<td>Cowen and Company, LLC</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>135</strong></td>
</tr>
</tbody>
</table>

The underwriting agreement provides that the underwriters must buy all of the shares if they buy any of them. However, the underwriters are not required to take or pay for the shares covered by the underwriters’ over-allotment option described below.

Our common stock is offered subject to a number of conditions, including:

- receipt and acceptance of our common stock by the underwriters; and
- the underwriters’ right to reject orders in whole or in part.

In connection with this offering, certain of the underwriters or securities dealers may distribute prospectuses electronically.

**Over-Allotment Option**

We have granted the underwriters an option to buy up to an aggregate of additional shares of our common stock. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with this offering. The underwriters have 30 days from the date of this prospectus to exercise this option. If the underwriters exercise this option, they will each purchase additional shares approximately in proportion to the amounts specified in the table above.

**Commissions and Discounts**

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to $ per share from the initial public offering price. Any of these securities dealers may resell any shares purchased from the underwriters to other brokers or dealers at a discount of up to $ per share from the public offering price.

Sales of shares made outside the United States may be made by affiliates of the underwriters. If all the shares are not sold at the initial public offering price, the representatives may change the offering price and the other selling terms. Upon execution of the underwriting agreement, the underwriters will be obligated to purchase the shares at the prices and upon the terms stated therein. The representatives of the underwriters have informed us that they do not expect to sell more than an aggregate of shares of common stock to accounts over which such representatives exercise discretionary authority.
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The following table shows the per share and total underwriting discounts and commissions we will pay to the underwriters assuming both no exercise and full exercise of the underwriters’ option to purchase additional shares of our common stock.

<table>
<thead>
<tr>
<th>Per share</th>
<th>No exercise</th>
<th>Full exercise</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Total</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

We estimate that the total expenses of this offering payable by us, not including the underwriting discounts and commissions, will be approximately $ million.

No Sales of Similar Securities

We, our executive officers and directors and holders of shares of our common stock and options and warrants to purchase shares of our common stock have entered into lock-up agreements with the underwriters. Under these agreements, subject to certain exceptions, we and each of these persons may not, without the prior written approval of UBS Securities LLC and Jefferies & Company, Inc., offer, sell, contract to sell or otherwise dispose of, directly or indirectly, our common stock or securities convertible into or exchangeable or exercisable for our common stock. These restrictions will be in effect for a period of 180 days after the date of this prospectus. At any time and without public notice, UBS Securities LLC and Jefferies & Company, Inc. may, in their sole discretion, release some or all of the securities from these lock-up agreements.

If:

- during the period that begins on the date that is 15 calendar days plus 3 business days before the last day of the 180-day lock-up period and ends on the last day of the 180-day lock-up period,
- we issue an earnings release; or
- material news or a material event relating to us occurs; or
- prior to the expiration of the 180-day lock-up period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 180-day lock-up period,

then the 180-day lock-up period will be extended until the expiration of the date that is 15 calendar days plus 3 business days after the date on which the issuance of the earnings release or the material news or material event occurs.

Indemnification

We have agreed to indemnify the underwriters and their controlling persons against certain liabilities, including certain liabilities under the Securities Act. If we are unable to provide this indemnification, we have agreed to contribute to payments the underwriters may be required to make in respect of those liabilities.

NASDAQ Global Market Listing

We intend to apply to have our common stock listed on The NASDAQ Global Market under the trading symbol “GNOM.”

Price Stabilization, Short Positions

In connection with this offering, the underwriters may engage in activities that stabilize, maintain or otherwise affect the price of our common stock, including:

- stabilizing transactions;
- short sales;
- purchases to cover positions created by short sales;
- imposition of penalty bids; and
- syndicate covering transactions.
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Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of our common stock while this offering is in progress. These transactions may also include making short sales of our common stock, which involve the sale by the underwriters of a greater number of shares of common stock than they are required to purchase in this offering, and purchasing shares of common stock on the open market to cover positions created by short sales. Short sales may be “covered short sales,” which are short positions in an amount not greater than the underwriters’ over-allotment option referred to above, or may be “naked short sales,” which are short positions in excess of that amount.

The underwriters may close out any covered short position either by exercising their over-allotment option, in whole or in part, or by purchasing shares in the open market. In making this determination, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option.

Naked short sales are short sales made in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market that could adversely affect investors who purchased in this offering.

The underwriters also may impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of that underwriter in stabilizing or short covering transactions.

As a result of these activities, the price of our common stock may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriters at any time. The underwriters may carry out these transactions on The NASDAQ Global Market, in the over-the-counter market or otherwise.

Determination of Offering Price

Prior to this offering, there was no public market for our common stock. The initial public offering price will be determined by negotiation by us and the representatives of the underwriters. The principal factors to be considered in determining the initial public offering price include:

- the information set forth in this prospectus and otherwise available to representatives;
- our history and prospects and the history of and prospects for the industry in which we compete;
- our past and present financial performance and an assessment of our management;
- our prospects for future earnings and the present state of our development;
- the general condition of the securities markets at the time of this offering;
- the recent market prices of, and demand for, publicly traded common stock of generally comparable companies; and
- other factors deemed relevant by the underwriters and us.

Affiliations

Certain of the underwriters and their affiliates may from time to time in the future provide certain commercial banking, financial advisory, investment banking and other services for us for which they will be entitled to receive separate fees. The underwriters and their affiliates may from time to time in the future engage in transactions with us and perform services for us in the ordinary course of their respective businesses.
Notice to Investors

Notice to Prospective Investors in the European Economic Area

In relation to each Member State of the European Economic Area, or EEA, which has implemented the Prospectus Directive (each, a “Relevant Member State”), with effect from, and including, the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”), an offer to the public of our securities which are the subject of the offering contemplated by this prospectus may not be made in that Relevant Member State, except that, with effect from, and including, the Relevant Implementation Date, an offer to the public in that Relevant Member State of our securities may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in our securities;

b) to any legal entity which has two or more of: (1) an average of at least 250 employees during the last (or, in Sweden, the last two) financial year(s); (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last (or, in Sweden, its last two) annual or consolidated accounts;

c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the representatives for any such offer; or

d) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of our securities shall result in a requirement for the publication by us or any underwriter or agent of a prospectus pursuant to Article 3 of the Prospectus Directive.

As used above, the expression “offered to the public” in relation to any of our securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and our securities to be offered so as to enable an investor to decide to purchase or subscribe for our securities, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State; and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

The EEA selling restrictions are in addition to any other selling restrictions set forth in this prospectus.

Notice to Prospective Investors in the United Kingdom

This prospectus is being distributed only to and is only directed at: (1) persons who are outside the United Kingdom; (2) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”) or (3) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons falling within (1) through (3) together being referred to as “relevant persons”). The shares are available only to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such shares will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this prospectus or any of its contents.

Notice to Prospective Investors in Switzerland

This prospectus does not constitute an issue prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations (“CO”), and the shares will not be listed on the SIX Swiss Exchange. Therefore, this prospectus may not comply with the disclosure standards of the CO and/or the listing rules (including any prospectus schemes) of the SIX Swiss Exchange. Accordingly, the shares may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors, which do not subscribe to the shares with a view to distribution.
Notice to Prospective Investors in Australia

This prospectus is not a formal disclosure document and has not been, nor will be, lodged with the Australian Securities and Investments Commission. It does not purport to contain all information that an investor or his, her or its professional advisers would expect to find in a prospectus or other disclosure document (as defined in the Corporations Act 2001 (Australia)) for the purposes of Part 6D.2 of the Corporations Act 2001 (Australia) or in a product disclosure statement for the purposes of Part 7.9 of the Corporations Act 2001 (Australia), in either case, in relation to the securities.

The securities are not being offered in Australia to “retail clients” as defined in sections 761G and 761GA of the Corporations Act 2001 (Australia). This offering is being made in Australia solely to “wholesale clients” for the purposes of section 761G of the Corporations Act 2001 (Australia), and, as such, no prospectus, product disclosure statement or other disclosure document in relation to the securities has been, or will be, prepared.

This prospectus does not constitute an offer in Australia other than to wholesale clients. By submitting an application for our securities, you represent and warrant to us that you are a wholesale client for the purposes of section 761G of the Corporations Act 2001 (Australia). If any recipient of this prospectus is not a wholesale client, no offer of, or invitation to apply for, our securities shall be deemed to be made to such recipient and no applications for our securities will be accepted from such recipient. Any offer to a recipient in Australia, and any agreement arising from acceptance of such offer, is personal and may only be accepted by the recipient. In addition, by applying for our securities, you undertake to us that, for a period of 12 months from the date of issue of the securities, you will not transfer any interest in the securities to any person in Australia other than to a wholesale client.

Notice to Prospective Investors in Hong Kong

Our securities may not be offered or sold in Hong Kong by means of this prospectus or any document other than (1) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, (2) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong) or (3) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong). No advertisement, invitation or document relating to our securities may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere) which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the securities which are, or are intended to be, disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Notice to Prospective Investors in Japan

Our securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the “Financial Instruments and Exchange Law”), and our securities will not be offered or sold, directly or indirectly, in Japan, or to, or for the benefit of, any resident of Japan (which term, as used herein, means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan, or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Notice to Prospective Investors in Singapore

This document has not been registered as a prospectus with the Monetary Authority of Singapore, and, in Singapore, the offer and sale of our securities is made pursuant to exemptions provided in sections 274 and 275 of the Securities and Futures Act, Chapter 289 of Singapore (“SFA”). Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of our
securities may not be circulated or distributed, nor may our securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore, other than (1) to an institutional investor as defined in Section 4A of the SFA pursuant to Section 274 of the SFA; (2) to a relevant person as defined in section 275(2) of the SFA pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to compliance with the conditions (if any) set forth in the SFA. Moreover, this document is not a prospectus as defined in the SFA. Accordingly, statutory liability under the SFA in relation to the content of prospectuses would not apply. Prospective investors in Singapore should consider carefully whether an investment in our securities is suitable for them.

Where our securities are subscribed for or purchased under Section 275 of the SFA by a relevant person, which is:

(a) a corporation (which is not an accredited investor as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, shares of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferable for six months after that corporation or that trust has acquired the shares under Section 275 of the SFA, except:

(1) to an institutional investor (for corporations under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions, specified in Section 275 of the SFA;

(2) where no consideration is given for the transfer; or

(3) where the transfer is by operation of law.

In addition, investors in Singapore should note that securities acquired by them are subject to resale and transfer restrictions specified under Section 276 of the SFA, and they, therefore, should seek their own legal advice before effecting any resale or transfer of their securities.
Legal Matters

The validity of our common stock offered by this prospectus will be passed upon for us by Latham & Watkins LLP, Menlo Park, California. Certain attorneys and investment funds affiliated with the firm own shares of our preferred stock, which will convert into an aggregate of 23,558 shares of our common stock, warrants to purchase convertible preferred stock, which will net exercise into shares of our common stock assuming an initial public offering price of $ per share (the midpoint of the price range set forth on the cover page of this prospectus), in each case, immediately prior to the consummation of this offering, and warrants to purchase an aggregate of shares of common stock. Dewey & LeBoeuf LLP, New York, New York, is counsel for the underwriters in connection with this offering.

Experts

The financial statements as of December 31, 2008 and 2009 and for each of the three years in the period ended December 31, 2009, included in this prospectus, have been so included in reliance on the report (which contains an explanatory paragraph relating to the Company’s ability to continue as a going concern as described in Note 1 to the financial statements) of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of such firm as experts in auditing and accounting.

Where You Can Find Additional Information

We have filed with the Securities and Exchange Commission a registration statement on Form S-1 under the Securities Act relating to the shares of our common stock we are offering. This prospectus does not contain all of the information set forth in the registration statement and the exhibits and schedules to the registration statement. Some items are omitted in accordance with the rules and regulations of the SEC. For further information with respect to us and the common stock we are offering, we refer you to the registration statement and its exhibits and schedules. Statements contained in this prospectus as to the contents of any contract, agreement or other document are summaries of the material terms of that contract, agreement or other document, and we refer you to a copy of the entire contract, agreement or other document that we have filed as an exhibit to the registration statement. A copy of the registration statement, and its exhibits and schedules, may be inspected without charge at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. Copies of these materials may be obtained by writing to the Public Reference Section of the SEC at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facility. The SEC maintains a web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. The address of the SEC’s website is http://www.sec.gov.

Upon completion of this offering, we will become subject to the information and periodic reporting requirements of the Exchange Act and will file periodic reports, proxy statements and other information with the SEC. Such periodic reports, proxy statements and other information will be available for inspection and copying at the public reference facility and web site of the SEC referred to above. We maintain a website at www.completegenomics.com. You may access our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements on Schedule 14A and amendments to those reports free of charge at our website as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. The reference to our website address does not constitute incorporation by reference of the information contained in, or that can be accessed through, our website.
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(A development stage enterprise)  
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<td>F-7</td>
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<tr>
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<td>F-9</td>
</tr>
</tbody>
</table>

F-1
Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Complete Genomics, Inc.

(A development stage enterprise)

In our opinion, the accompanying balance sheets and the related statements of operations, of convertible preferred stock and stockholders’ equity (deficit) and of cash flows present fairly, in all material respects, the financial position of Complete Genomics, Inc. (the “Company”) (a development stage enterprise) at December 31, 2008 and 2009, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2009 and, cumulatively, for the period from June 14, 2005 (date of inception) to December 31, 2009 (not separately presented) in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has incurred losses from operations since its inception and negative cash flow from operations that raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 1. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ PricewaterhouseCoopers LLP

San Jose, California
July 30, 2010
## Complete Genomics, Inc.  
(A development stage enterprise)  

### Balance Sheets  

The accompanying notes are an integral part of these financial statements.

<table>
<thead>
<tr>
<th>Assets</th>
<th>December 31, 2008</th>
<th>March 31, 2009</th>
<th>Pro forma stockholders’ equity as of March 31, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in thousands)</td>
<td>(in thousands)</td>
<td>(in thousands, except share and per share amounts)</td>
</tr>
<tr>
<td></td>
<td>$6,186 $7,765 $2,371</td>
<td>1,288 1,360</td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>7,220</td>
<td>15,019</td>
<td>5,382</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>468</td>
<td>5,156</td>
<td>540</td>
</tr>
<tr>
<td>Inventory</td>
<td>466</td>
<td>456</td>
<td>393</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>468</td>
<td>5,156</td>
<td>540</td>
</tr>
<tr>
<td>Other current assets</td>
<td>466</td>
<td>456</td>
<td>393</td>
</tr>
<tr>
<td>Total current assets</td>
<td>7,220</td>
<td>15,019</td>
<td>5,382</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>8,023</td>
<td>14,864</td>
<td>25,134</td>
</tr>
<tr>
<td>Other assets</td>
<td>511</td>
<td>395</td>
<td>302</td>
</tr>
<tr>
<td>Total assets</td>
<td>15,754</td>
<td>30,278</td>
<td>30,818</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities, Convertible Preferred Stock and Stockholders’ Equity (Deficit)</th>
<th>December 31, 2008</th>
<th>March 31, 2009</th>
<th>Pro forma stockholders’ equity as of March 31, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>1,744</td>
<td>2,032</td>
<td>2,532</td>
</tr>
<tr>
<td>Notes payable, current</td>
<td>3,990</td>
<td>4,440</td>
<td>4,562</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>1,744</td>
<td>2,032</td>
<td>2,532</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>6,479</td>
<td>12,055</td>
<td>16,002</td>
</tr>
<tr>
<td>Notes payable, net of current</td>
<td>7,707</td>
<td>3,510</td>
<td>2,366</td>
</tr>
<tr>
<td>Deferred rent, net of current</td>
<td>5,017</td>
<td>4,851</td>
<td>4,851</td>
</tr>
<tr>
<td>Convertible preferred stock warrant liability</td>
<td>1,100</td>
<td>1,553</td>
<td>1,344</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>15,286</td>
<td>22,135</td>
<td>24,563</td>
</tr>
</tbody>
</table>

| Commitments and contingencies (Note 5) | | | |
| Convertible preferred stock, par value $0.001—6,933,332 shares authorized; 508,942 and 6,472,996 shares issued and outstanding at December 31, 2008 and 2009, respectively; 8,280,094 shares authorized and 7,819,758 shares issued and outstanding at March 31, 2010 (unaudited); no shares issued and outstanding pro forma (unaudited) (liquidation value—$127,721 and $142,994 (unaudited) at December 31, 2009 and March 31, 2010, respectively) | 45,622 | 85,833 | 95,893 |

| Stockholders’ equity (deficit) | | | |
| Common stock, $0.001 par value—13,333,334 shares authorized; 93,825 and 94,281 shares issued and outstanding at December 31, 2008 and 2009, respectively; 16,285,798 shares authorized; 886,329 shares issued and outstanding at March 31, 2010 (unaudited); shares issued and outstanding, pro forma (unaudited) | | | |
| Additional paid-in capital | 58 | 3,471 | 5,858 |
| Deficit accumulated during the development stage | (45,212) | (81,161) | (95,497) |
| Total stockholders’ equity (deficit) | (45,154) | (77,690) | (89,638) | $7,599 |

| Total liabilities, convertible preferred stock and stockholders’ deficit | 15,754 | 30,278 | 30,818 |

F-3
Complete Genomics, Inc.
(A development stage enterprise)

Statements of Operations

<table>
<thead>
<tr>
<th></th>
<th>Years ended December 31,</th>
<th>Three months ended March 31,</th>
<th>Cumulative period from June 14, 2005 (date of inception) to March 31, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007</td>
<td>2008</td>
<td>2009</td>
</tr>
<tr>
<td>Revenue</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Start-up production costs</td>
<td>—</td>
<td>—</td>
<td>5,033</td>
</tr>
<tr>
<td>Research and development</td>
<td>10,305</td>
<td>23,633</td>
<td>22,424</td>
</tr>
<tr>
<td>General and administrative</td>
<td>1,896</td>
<td>3,179</td>
<td>4,953</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>—</td>
<td>1,045</td>
<td>1,798</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>12,201</td>
<td>27,857</td>
<td>34,208</td>
</tr>
<tr>
<td>Loss from operations</td>
<td>(12,201)</td>
<td>(27,857)</td>
<td>(33,585)</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(215)</td>
<td>(974)</td>
<td>(3,465)</td>
</tr>
<tr>
<td>Interest and other income (expense), net</td>
<td>163</td>
<td>437</td>
<td>1,101</td>
</tr>
<tr>
<td>Net loss</td>
<td>$(12,253)</td>
<td>$(28,394)</td>
<td>$(35,949)</td>
</tr>
<tr>
<td>Net loss per share—basic and diluted</td>
<td>$(211.00)</td>
<td>$(369.36)</td>
<td>$(386.56)</td>
</tr>
<tr>
<td>Weighted-average shares of common stock outstanding used in computing net loss per share—basic and diluted</td>
<td>58,072</td>
<td>76,873</td>
<td>92,998</td>
</tr>
<tr>
<td>Pro forma net loss per share of common stock—basic and diluted (unaudited)</td>
<td>$ (6.59)</td>
<td>$ (1.45)</td>
<td></td>
</tr>
<tr>
<td>Weighted-average shares of common stock outstanding used in computing the pro forma net loss per share of common stock—basic and diluted</td>
<td>5,619,600</td>
<td>10,062,693</td>
<td></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.

F-4
Complete Genomics, Inc.
(A development stage enterprise)

Statement of Convertible Preferred Stock and Stockholders’ Equity (Deficit)

<table>
<thead>
<tr>
<th>Shares</th>
<th>Amount</th>
<th>Shares</th>
<th>Amount</th>
<th>Additional paid-in capital</th>
<th>Deficit accumulated during the development stage</th>
<th>Total stockholders’ equity (deficit)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Beginning Balance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td><strong>Issuance of common stock to founders for cash in June 2005 at $0.001 per share</strong></td>
<td>78,332</td>
<td>2</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net loss</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td><strong>Balances at December 31, 2005</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td><strong>Issuance of Series A redeemable convertible preferred stock for cash in March 2006 at $43.85 per share, net of issuance costs of $184</strong></td>
<td>137,972</td>
<td>5,866</td>
<td>69</td>
<td>69</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Issuance of common stock in connection with an intellectual property agreement in March 2006 at $5.10 per share</strong></td>
<td>13,333</td>
<td>69</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Employee stock based compensation</strong></td>
<td></td>
<td></td>
<td>11</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td><strong>Nonemployee stock based compensation</strong></td>
<td></td>
<td></td>
<td></td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td><strong>Accretion of interest due on Series A redeemable convertible preferred stock</strong></td>
<td>370</td>
<td>(370)</td>
<td>—</td>
<td>—</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net loss</strong></td>
<td></td>
<td></td>
<td></td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td><strong>Balances at December 31, 2006</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>137,972</td>
<td>6,236</td>
<td>91,665</td>
<td>—</td>
<td>(287)</td>
<td>(4,565)</td>
<td>(4,852)</td>
</tr>
<tr>
<td><strong>Issuance of Series B convertible preferred stock for cash in March 2007 at $69.00 per share, net of issuance costs of $179</strong></td>
<td>189,128</td>
<td>12,868</td>
<td>1,003</td>
<td>—</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Issuance of Series B convertible preferred stock upon conversion of promissory notes and accrued interest in March 2007 at $69.00 per share</strong></td>
<td>14,492</td>
<td>88</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td><strong>Employee stock based compensation</strong></td>
<td></td>
<td></td>
<td></td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td><strong>Nonemployee stock based compensation</strong></td>
<td></td>
<td></td>
<td></td>
<td>12</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Accretion of interest due on Series A redeemable convertible preferred stock</strong></td>
<td>116</td>
<td>(116)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td><strong>Net loss</strong></td>
<td></td>
<td></td>
<td></td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td><strong>Balances at December 31, 2007</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>341,592</td>
<td>20,223</td>
<td>91,665</td>
<td>—</td>
<td>(303)</td>
<td>(16,818)</td>
<td>(17,121)</td>
</tr>
<tr>
<td>Shares (in thousands, except share and per share amounts)</td>
<td>Amount</td>
<td>Shares (in thousands, except share and per share amounts)</td>
<td>Amount</td>
<td>Additional paid-in capital</td>
<td>Deficit accumulated during the development stage</td>
<td>Total stockholders’ equity (deficit)</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td><strong>Convertible preferred stock</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balances at December 31, 2007</td>
<td>341,592</td>
<td>20,223</td>
<td>91,665</td>
<td>—</td>
<td>(303)</td>
<td>(16,818)</td>
</tr>
<tr>
<td>Issuance of Series C convertible preferred stock for cash in February 2008 at $159.30 per share, net of issuance costs of $1,101</td>
<td>166,346</td>
<td>25,399</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Issuance of Series C convertible preferred stock as issuance costs in February 2008 at $159.30 per share</td>
<td>1,004</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>284</td>
</tr>
<tr>
<td>Employee stock based compensation</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Nonemployee stock based compensation</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>52</td>
</tr>
<tr>
<td>Exercise of stock options</td>
<td>—</td>
<td>—</td>
<td>2,160</td>
<td>—</td>
<td>—</td>
<td>25</td>
</tr>
<tr>
<td>Net loss</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Balances at December 31, 2008</strong></td>
<td>508,942</td>
<td>45,622</td>
<td>93,825</td>
<td>—</td>
<td>58</td>
<td>(45,212)</td>
</tr>
<tr>
<td>Issuance of Series D convertible preferred stock for cash in August 2009 at $7.56 per share, net of issuance costs of $2,879</td>
<td>3,972,729</td>
<td>27,156</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Issuance of Series D convertible preferred stock upon conversion of promissory notes and accrued interest in August 2009</td>
<td>1,991,325</td>
<td>15,054</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Issuance of common stock warrants in connection with Series D convertible preferred stock</td>
<td>—</td>
<td>(1,999)</td>
<td>—</td>
<td>—</td>
<td>1,999</td>
<td>—</td>
</tr>
<tr>
<td>Employee stock based compensation</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1,142</td>
<td>—</td>
</tr>
<tr>
<td>Nonemployee stock based compensation</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>268</td>
<td>—</td>
</tr>
<tr>
<td>Exercise of stock options</td>
<td>—</td>
<td>—</td>
<td>456</td>
<td>—</td>
<td>—</td>
<td>4</td>
</tr>
<tr>
<td>Net loss</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(35,949)</td>
</tr>
<tr>
<td><strong>Balances at December 31, 2009</strong></td>
<td>6,472,996</td>
<td>85,833</td>
<td>94,281</td>
<td>—</td>
<td>3,471</td>
<td>(81,161)</td>
</tr>
<tr>
<td>Issuance of Series D convertible preferred stock for cash in February and March 2010 at $7.56 per share, net of issuance costs of $122 (unaudited)</td>
<td>1,346,762</td>
<td>10,060</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Issuance of common stock to founders in March 2010 at $2.34 per share for services rendered (unaudited)</td>
<td>—</td>
<td>—</td>
<td>786,533</td>
<td>1</td>
<td>1,839</td>
<td>—</td>
</tr>
<tr>
<td>Employee stock based compensation (unaudited)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>476</td>
</tr>
<tr>
<td>Nonemployee stock based compensation (unaudited)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>64</td>
</tr>
<tr>
<td>Exercise of stock options (unaudited)</td>
<td>—</td>
<td>—</td>
<td>5,515</td>
<td>—</td>
<td>—</td>
<td>8</td>
</tr>
<tr>
<td>Net loss (unaudited)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(14,336)</td>
</tr>
<tr>
<td><strong>Balances at March 31, 2010 (unaudited)</strong></td>
<td>7,819,758</td>
<td>$95,893</td>
<td>886,329</td>
<td>$1</td>
<td>5,858</td>
<td>$(95,497)</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
Complete Genomics, Inc.  
(A development stage enterprise)  

Statements of Cash Flows  

<table>
<thead>
<tr>
<th>Year Ended December 31</th>
<th>Three Months Ended March 31</th>
<th>Cumulative period from June 14, 2005 (date of inception) to March 31, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007</td>
<td>2008</td>
</tr>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss</td>
<td>$(12,253)</td>
<td>$(28,394)</td>
</tr>
<tr>
<td>Adjustments to reconcile net loss to net cash used in operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>788</td>
<td>2,795</td>
</tr>
<tr>
<td>Amortization of debt issuance costs</td>
<td>78</td>
<td>226</td>
</tr>
<tr>
<td>Issuance of common stock in exchange for intellectual property</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Change in fair value of convertible preferred stock warrant liability</td>
<td>175</td>
<td>(65)</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>100</td>
<td>336</td>
</tr>
<tr>
<td>Noncash interest expense related to the convertible notes and notes payable</td>
<td>3</td>
<td>—</td>
</tr>
<tr>
<td>Gain/(loss) on the disposal of property and equipment</td>
<td>—</td>
<td>506</td>
</tr>
<tr>
<td><strong>Changes in assets and liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Inventory</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>(161)</td>
<td>(231)</td>
</tr>
<tr>
<td>Other current assets</td>
<td>(128)</td>
<td>(190)</td>
</tr>
<tr>
<td>Other assets</td>
<td>(61)</td>
<td>27</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>633</td>
<td>(30)</td>
</tr>
<tr>
<td>Accrued liabilities</td>
<td>842</td>
<td>717</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Deferred rent</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Net cash used in operating activities</strong></td>
<td>(9,984)</td>
<td>(24,303)</td>
</tr>
</tbody>
</table>

**Cash flows from investing activities**

| Purchase of property and equipment | (3,729) | (7,419) | (9,654) | (412) | (10,172) | (32,076) |
| Net cash used in investing activities | (3,729) | (7,419) | (9,654) | (412) | (10,172) | (32,076) |
### Complete Genomics, Inc.
(A development stage enterprise)

**Statements of Cash Flows—(Continued)**

<table>
<thead>
<tr>
<th></th>
<th>Years ended December 31,</th>
<th>Three months ended March 31,</th>
<th>Cumulative period from June 14, 2005 (date of inception) to March 31, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007</td>
<td>2008</td>
<td>2009</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
<td></td>
<td>(in thousands)</td>
</tr>
<tr>
<td>Proceeds from promissory notes</td>
<td>1,000</td>
<td>—</td>
<td>14,725</td>
</tr>
<tr>
<td>Proceeds from notes payable</td>
<td>2,806</td>
<td>13,194</td>
<td>—</td>
</tr>
<tr>
<td>Repayment of notes payable</td>
<td>(333)</td>
<td>(4,970)</td>
<td>(3,990)</td>
</tr>
<tr>
<td>Proceeds from issuance of convertible preferred stock, net of issuance costs</td>
<td>12,868</td>
<td>25,399</td>
<td>27,156</td>
</tr>
<tr>
<td>Proceeds from issuance of common stock</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Exercise of stock options</td>
<td>—</td>
<td>25</td>
<td>4</td>
</tr>
<tr>
<td>Net cash provided by financing activities</td>
<td>16,341</td>
<td>33,648</td>
<td>37,895</td>
</tr>
<tr>
<td>Net increase (decrease) in cash and cash equivalents</td>
<td>2,628</td>
<td>1,926</td>
<td>1,579</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of period</td>
<td>1,632</td>
<td>4,260</td>
<td>6,186</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of period</td>
<td>$ 4,260</td>
<td>$ 6,186</td>
<td>$ 7,765</td>
</tr>
</tbody>
</table>

**Supplemental disclosure of cash flow information**

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash paid for interest</td>
<td>$ 94</td>
<td>$ 349</td>
<td>$ 1,068</td>
</tr>
</tbody>
</table>

**Supplemental disclosure of noncash investing and financing activities**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accretion of interest due on Series A redeemable convertible preferred stock</td>
<td>$ 116</td>
<td>—</td>
</tr>
<tr>
<td>Issuance of warrants for convertible preferred stock in connection with notes</td>
<td>172</td>
<td>779</td>
</tr>
<tr>
<td>Issuance of warrants for common stock in connection with Series D convertible preferred stock financing</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Issuance of common stock in connection with intellectual property</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Conversion of promissory notes and interest into convertible preferred stock</td>
<td>1,003</td>
<td>—</td>
</tr>
<tr>
<td>Issuance of convertible preferred stock as payment for costs associated with the issuance of Series C preferred convertible stock</td>
<td>—</td>
<td>160</td>
</tr>
<tr>
<td>Acquisition of property and equipment under accounts payable</td>
<td>—</td>
<td>2,458</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.


1. Nature of Operations

Complete Genomics, Inc., (the “Company”) is a life sciences company that has developed and commercialized a DNA sequencing platform for complete human genome sequencing and analysis. The Company’s Complete Genomics Analysis Platform (“CGA Platform”) combines its proprietary human sequencing technology with its advanced informatics and data management software and its end-to-end outsourced service model to provide customers with data that is immediately ready to be used for genome-based research. The Company’s solution provides academic and biopharmaceutical researchers with complete human genomic data and analysis without requiring them to invest in in-house sequencing instruments, high-performance computing resources and specialized personnel. The Company was incorporated in Delaware on June 14, 2005 and began operations in March 2006. The Company is in the development stage and since inception has been engaged in developing its complete human genome sequencing technology, raising capital and recruiting personnel.

These financial statements are prepared on a going concern basis that contemplates the realization of assets and discharge of liabilities in their normal course of business. The Company has incurred net operating losses and negative cash flows from operations every year since inception. At December 31, 2009 and March 31, 2010, the Company had a deficit accumulated during the development stage of $81,161,000 and $95,497,000 (unaudited), respectively, and currently does not have financing sufficient for continued operations. These factors raise substantial doubt about the Company’s ability to continue as a going concern. In order to continue its operations, the Company must achieve profitable operations and/or obtain additional debt or equity financing. Management is currently pursuing financing alternatives. However, there can be no assurance that such financing will be successfully completed or completed on terms acceptable to the Company. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and include all adjustments necessary for the fair presentation of the Company’s financial position, results of operations and cash flows for the periods presented. In preparing the financial statements, management must make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Unaudited Interim Financial Information

The accompanying balance sheet as of March 31, 2010, the statements of operations and of cash flows for the three months ended March 31, 2009 and 2010, and for the cumulative period from June 14, 2005 (date of inception) to March 31, 2010, and the statements of convertible preferred stock and stockholders’ equity (deficit) for the three months ended March 31, 2010 are unaudited. The unaudited interim financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all normal recurring adjustments necessary to state fairly the Company’s financial position as of March 31, 2010 and results of operations and cash flows for the three months ended March 31, 2009 and 2010, and for the cumulative period from June 14, 2005 (date of inception) to March 31, 2010. The financial data and other information disclosed in these notes to the financial statements related to the three month periods are unaudited. The results for the three months ended March 31, 2010 are not necessarily indicative of the results to be expected for the year ending December 31, 2010 or for any other interim periods or for any future year.

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Unaudited Pro Forma Information
The March 31, 2010 unaudited pro forma stockholders’ equity has been prepared assuming that immediately prior to the consummation of an initial public offering, (i) all of the Company’s convertible preferred stock outstanding will convert into shares of common stock, (ii) 105,595 of the Company’s convertible preferred stock warrants will become warrants for common stock and (iii) 278,558 of the Company’s convertible preferred stock warrants will net exercise into shares of the Company’s common stock. The March 31, 2010 unaudited pro forma stockholders’ equity reflects the conversion of all 7,819,758 outstanding shares of preferred stock into 10,533,490 shares of common stock and the reclassification of the convertible preferred stock warrant liability to common stock.

Stock Split
The Company initiated a 30-for-1 reverse stock split effective November 2009. All share and per share amounts in these financial statements have been retroactively adjusted to give effect to the reverse stock split.

Segment Information
The Company operates in one segment. Management uses one measure of profitability and does not segment its business for internal reporting. The majority of the Company’s assets are located in the United States.

Revenue Recognition
The Company generates revenue from selling its human genome sequencing services under purchase orders or contracts. Revenues are recognized when all of the following criteria are met: persuasive evidence of an arrangement exists, title has transferred, the price is fixed or determinable and collectability is reasonably assured. Upon completion of the sequencing process, the Company ships the research-ready genomic data to the customer. The Company uses shipping documents and third-party evidence to verify shipment of the data. In order to determine whether collectability is reasonably assured, the Company assesses a number of factors, including past transaction history with the customer and the creditworthiness of the customer. If the Company determines that collectability is not reasonably assured, the Company defers the recognition of revenue until collectability becomes reasonably assured. The Company also receives down payments from customers prior to the commencement of the genome sequencing process.

For revenue generated under purchase orders, the Company has established standard terms and conditions that are specified for all orders. The Company uses the purchase order to establish persuasive evidence of an arrangement and whether there is a fixed and determinable price for the order. Revenue is recognized based upon the shipment of genomic data to customers and satisfaction of all terms and conditions contained in the purchase order. Any down payments received are recorded as deferred revenue until the Company meets all revenue recognition criteria.

For revenue generated under contracts, the Company considers each contract’s terms and conditions to determine its obligations associated with the contract. The Company will defer revenue until all significant obligations, as defined in the contract, have been met. Any down payments received are recorded as deferred revenue, and revenue is recognized upon shipment of genomic data and satisfaction of all remaining obligations.

Concentration of Credit Risk and Other Risks and Uncertainties
The Company’s accounts receivable and revenue are derived from direct sales. The Company reviews its exposure to accounts receivable and generally requires no collateral for any of its accounts receivable. The allowance for doubtful accounts is the Company’s best estimate of the amount of expected credit losses existing
in accounts receivable and is based upon specific customer issues that have been identified. As of December 31, 2009 and March 31, 2010 (unaudited), the Company has not recorded any allowance for doubtful accounts.

The Company is subject to all of the risks inherent in an early-stage company developing a new approach to DNA sequencing. These risks include, but are not limited to, limited management resources, intense competition, dependence upon consumer acceptance of the products in development and the changing nature of the DNA sequencing industry. The Company’s operating results may be materially affected by the foregoing factors.

The Company depends on a limited number of suppliers, including single-source suppliers, of various critical components in the sequencing process. The loss of these suppliers, or their failure to supply the Company with the necessary components on a timely basis, could cause delays in the sequencing process and adversely affect the Company.

As of December 31, 2009 and March 31, 2010, customers representing greater than 10% of accounts receivable were as follows:

<table>
<thead>
<tr>
<th>Customer</th>
<th>December 31, 2009 (%)</th>
<th>March 31, 2010 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer A</td>
<td>43%</td>
<td>*</td>
</tr>
<tr>
<td>Customer B</td>
<td>20%</td>
<td>*</td>
</tr>
<tr>
<td>Customer C</td>
<td>*</td>
<td>21%</td>
</tr>
<tr>
<td>Customer D</td>
<td>*</td>
<td>19%</td>
</tr>
<tr>
<td>Customer E</td>
<td>*</td>
<td>17%</td>
</tr>
</tbody>
</table>

* Less than 10%

For the year ended December 31, 2009 and the three months ended March 31, 2010, customers representing greater than 10% of revenue were as follows:

<table>
<thead>
<tr>
<th>Customer</th>
<th>December 31, 2009 (%)</th>
<th>March 31, 2010 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer A</td>
<td>16%</td>
<td>*</td>
</tr>
<tr>
<td>Customer F</td>
<td>16%</td>
<td>*</td>
</tr>
<tr>
<td>Customer G</td>
<td>16%</td>
<td>*</td>
</tr>
<tr>
<td>Customer H</td>
<td>17%</td>
<td>*</td>
</tr>
<tr>
<td>Customer I</td>
<td>16%</td>
<td>*</td>
</tr>
<tr>
<td>Customer J</td>
<td>13%</td>
<td>*</td>
</tr>
<tr>
<td>Customer K</td>
<td>*</td>
<td>30%</td>
</tr>
<tr>
<td>Customer L</td>
<td>*</td>
<td>30%</td>
</tr>
<tr>
<td>Customer M</td>
<td>*</td>
<td>30%</td>
</tr>
</tbody>
</table>

* Less than 10%

For the year ended December 31, 2009 and the three months ended March 31, 2010, countries representing greater than 10% of revenue were as follows:

<table>
<thead>
<tr>
<th>Country</th>
<th>December 31, 2009 (%)</th>
<th>March 31, 2010 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>16%</td>
<td>*</td>
</tr>
<tr>
<td>Canada</td>
<td>*</td>
<td>30%</td>
</tr>
<tr>
<td>United States</td>
<td>84%</td>
<td>70%</td>
</tr>
</tbody>
</table>

* Less than 10%
Complete Genomics, Inc.
(A development stage enterprise)
Notes to Financial Statements—(Continued)

**Fair Value of Financial Instruments**
Carrying amounts of certain of the Company’s financial instruments, including cash and cash equivalents, prepaid expenses and other current assets, accounts payable and accrued liabilities, approximate fair value due to short maturities. Based on borrowing rates currently available to the Company for promissory notes and notes payable with similar terms, the carrying value of promissory notes and notes payable approximate their fair value.

**Cash and Cash Equivalents**
The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. Cash and cash equivalents are deposited in a demand account at one financial institution and a money market fund. The use of one financial institution potentially subjects the Company to a significant concentration of credit risk. At times, such deposits may be in excess of federally insured limits.

**Property and Equipment, Net**
Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation of property and equipment is computed using the straight-line method over their estimated useful lives as follows:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer equipment</td>
<td>3 years</td>
</tr>
<tr>
<td>Computer software</td>
<td>3 years</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>5 years</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>3 years</td>
</tr>
</tbody>
</table>

Leasehold improvements are amortized over the shorter of the useful life or the remaining term of the lease. Upon retirement or sale, the cost and related accumulated depreciation are removed from the balance sheet and the resulting gain or loss is reflected in operations. Maintenance and repairs are charged to operations as incurred.

**Impairment of Long-Lived Assets**
The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparison of the carrying amount to the future net cash flows which the assets are expected to generate. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the projected discounted future net cash flows arising from the asset. There have been no such impairments of long-lived assets to date.

**Inventories**
Inventories consist of chemical reagents and sequencing supplies that are stated at the lower of cost or market value. Cost is determined using standard costs, which approximate actual costs on a first-in, first-out basis. Market value is determined as the lower of replacement cost or net realizable value.

**Start-up Production Costs**
Start-up production costs are incurred during the period of development and refinement of the production process and include the costs associated with commercialization of the sequencing process. The Company’s start-up production costs primarily consist of costs related to the acceptance testing of customer genomic samples, sample
sequencing preparation, sample sequencing and the processing of data generated by the sequencing instruments. These costs primarily include salaries and benefits and stock-based compensation expenses, chemical reagents and engineering materials and supplies, consultant fees, depreciation of equipment and facilities-related costs.

Research and Development
Research and development costs are charged to operations as incurred. Research and development costs include, but are not limited to, salaries and benefits and stock-based compensation expenses, laboratory supplies, consulting costs and other overhead expenses.

Government Grant
The Company accounts for its government grant as a reduction of expense related to either research and development or general and administrative expense. The allocation is based on the grant agreement and the related expense reimbursed. Total reimbursement of expenses by the government grant is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Years ended December 31,</th>
<th>Three months ended March 31,</th>
<th>Cumulative period from June 14, 2005 (date of inception) to March 31, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007</td>
<td>2008</td>
<td>2009</td>
</tr>
<tr>
<td>Research and development expense</td>
<td>$22</td>
<td>$773</td>
<td>$800</td>
</tr>
<tr>
<td>General and administrative expense</td>
<td>8</td>
<td>250</td>
<td>213</td>
</tr>
<tr>
<td>Total</td>
<td>$30</td>
<td>$1,023</td>
<td>$1,013</td>
</tr>
</tbody>
</table>

Stock-Based Compensation
The Company accounts for stock-based compensation arrangements with employees using a fair value method which requires the recognition of compensation expense for costs related to all stock-based payments, including stock options. The fair value method requires the Company to estimate the fair value of stock-based payment awards on the date of grant using an option pricing model. The Company uses the Black-Scholes pricing model to estimate the fair value of options granted, which is expensed on a straight-line basis over the vesting period.

The Company accounts for stock options issued to nonemployees based on the estimated fair value of the awards using the Black-Scholes option pricing model. The measurement of stock-based compensation is subject to periodic adjustments as the underlying equity instruments vest, and the resulting change in value, if any, is recognized in the Company’s statements of operations during the period the related services are rendered.

Income Taxes
The Company accounts for income taxes under the asset and liability method, which requires, among other things, that deferred income taxes be provided for temporary differences between the tax basis of the Company’s assets and liabilities and their financial statement reported amounts. In addition, deferred tax assets are recorded for the future benefit of utilizing net operating losses and research and development credit carryforwards. A valuation allowance is provided against deferred tax assets unless it is more likely than not that they will be realized.

Effective January 1, 2007, the Company adopted the accounting guidance for uncertainties in income taxes, which prescribes a recognition threshold and measurement process for recording uncertain tax positions taken, or
expected to be taken, in a tax return in the financial statements. Additionally, the guidance also prescribes new treatment for the derecognition, classification, accounting in interim periods and disclosure requirements for uncertain tax positions. The Company accrues for the estimated amount of taxes for uncertain tax positions if it is more likely than not that the Company would be required to pay such additional taxes. An uncertain tax position will not be recognized if it has a less than 50% likelihood of being sustained.

**Convertible Preferred Stock Warrants**

The Company accounts for its freestanding warrants for shares of the Company’s convertible preferred stock that are contingently redeemable as liabilities at fair value on the balance sheets. The warrants are subject to re-measurement at each balance sheet date, and the change in fair value, if any, is recognized as interest and other income (expense), net. The Company will continue to adjust the liability for changes in fair value until the earlier of (i) exercise of the warrants, (ii) conversion into warrants to purchase common stock or (iii) expiration of the warrants. Upon conversion, the convertible preferred stock warrant liability will be reclassified to additional paid-in capital.

**Convertible Preferred Stock**

The holders of the Company’s outstanding convertible preferred stock, voting or consenting together as a separate class, control the vote of the Company’s stockholders. As a result, the holders of all series of the Company’s convertible preferred stock can force a change-in-control that would trigger liquidation. As redemption of the convertible preferred stock through liquidation is outside the control of the Company, all shares of convertible preferred stock have been presented outside of stockholders’ equity (deficit) in the Company’s balance sheets. All series of convertible preferred stock are collectively referred to in the financial statements as convertible preferred stock.

**Net Loss Per Share**

Basic net loss per share is computed by dividing net loss by the weighted-average number of common shares outstanding during the period, excluding shares subject to repurchase. The Company’s potential dilutive shares, which include outstanding common stock options, unvested common shares subject to repurchase, convertible preferred stock and warrants, have not been included in the computation of diluted net loss per share for all the periods as the result would be anti-dilutive. Such potentially dilutive shares are excluded when the effect would be to reduce the net loss per share.

**Pro Forma Net Loss Per Share**

The unaudited pro forma basic and diluted net loss per share for the year ended December 31, 2009 and the three months ended March 31, 2010 (unaudited) reflects the conversion of all outstanding shares of convertible preferred stock to common stock. The unaudited pro forma stockholders’ equity and pro forma basic and diluted net loss per share do not give effect to the issuance of shares from the planned initial public offering nor do they give effect to potential dilutive securities where the impact would be anti-dilutive. Also, the numerator in the pro forma basic and diluted net loss per share calculation has been adjusted to remove gains and losses resulting from re-measurements of the outstanding convertible preferred stock warrant liability through March 31, 2010 as it is assumed that these warrants will either be converted to potentially dilutive shares or be net exercised prior to an initial public offering and will no longer require periodic revaluation.

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A reconciliation of the numerator and denominator used in the calculation of basic and diluted net loss per share follows:

### Historical net loss per share:

**Numerator**
- Net loss attributed to common stockholders: $(12,253) \quad (28,394) \quad (35,949) \quad (9,498) \quad (14,336)

**Denominator**
- Weighted-average common shares outstanding: 91,665 \quad 92,549 \quad 94,242 \quad 94,152 \quad 280,283
- Less: Weighted-average shares subject to repurchase: (33,593) \quad (15,676) \quad (1,244) \quad (4,479) \quad —
- Denominator for basic and diluted net loss per share: 58,072 \quad 76,873 \quad 92,998 \quad 89,673 \quad 280,283

Basic and diluted net loss per share: $(211.00) \quad (369.36) \quad (386.56) \quad (105.92) \quad (51.15)

### Pro forma net loss per share:

**Numerator**
- Net loss attributed to common stockholders: $(35,949) \quad (14,336)
- Pro forma adjustment to reverse the mark-to-market adjustment attributable to the convertible preferred stock warrants (unaudited): (1,088) \quad (209)
- Net loss used to compute pro forma net loss per share (unaudited): $(37,037) \quad $ (14,545)

**Denominator**
- Weighted-average shares of common stock outstanding used in computing net loss per share of common stock, basic and diluted: 92,998 \quad 280,283
- Pro forma adjustments to reflect assumed weighted-average effect of conversion of convertible preferred stock (unaudited): 5,526,602 \quad 9,782,410
- Denominator for pro forma basic and diluted net loss per share (unaudited): 5,619,600 \quad 10,062,693
- Pro forma basic and diluted net loss per share (unaudited): $(6.59) \quad $ (1.45)

The following outstanding shares of potentially dilutive securities were excluded from the computation of diluted net loss per share for the periods presented because including them would have had an anti-dilutive effect:

<table>
<thead>
<tr>
<th>December 31,</th>
<th>March 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td>(unaudited)</td>
<td>(unaudited)</td>
</tr>
<tr>
<td>2007</td>
<td>2008</td>
</tr>
<tr>
<td>Options to purchase common stock</td>
<td>76,943</td>
</tr>
<tr>
<td>Common stock subject to repurchase</td>
<td>25,381</td>
</tr>
<tr>
<td>Warrants to purchase convertible preferred stock</td>
<td>2,815</td>
</tr>
<tr>
<td>Warrants to purchase common stock</td>
<td>—</td>
</tr>
<tr>
<td>Convertible preferred stock (on an as-if converted basis)</td>
<td>1,843,530</td>
</tr>
<tr>
<td>Total</td>
<td>1,948,669</td>
</tr>
</tbody>
</table>
Recent Accounting Pronouncements

In October 2009, the Financial Accounting Standards Board (FASB) issued a new accounting standard that changes the accounting for revenue arrangements with multiple deliverables. Specifically, the new accounting standard requires an entity to allocate arrangement consideration at the inception of an arrangement to all of its deliverables based on their relative selling prices. In addition, the new standard eliminates the use of the residual method of allocation and requires the relative-selling-price method in all circumstances in which an entity recognizes revenue for an arrangement with multiple deliverables. In October 2009, the FASB also issued a new accounting standard that changes revenue recognition for tangible products containing software and hardware elements. Specifically, if certain requirements are met, revenue arrangements that contain tangible products with software elements that are essential to the functionality of the products are scoped out of the existing software revenue recognition accounting guidance and will be accounted for under these new accounting standards. Both standards will be effective for the Company in the first quarter of 2011. Early adoption is permitted. The Company is currently assessing the impact that the adoption of these standards will have on its financial statements.

In January 2010, the FASB issued an amendment to an accounting standard which requires new disclosures for fair value measures and provides clarification for existing disclosure requirements. Specifically, this amendment requires an entity to disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and to describe the reasons for the transfers; and to disclose separately information about purchases, sales, issuances and settlements in the reconciliation for fair value measurements using significant unobservable inputs, or Level 3 inputs. This amendment clarifies existing disclosure requirements for the level of disaggregation used for classes of assets and liabilities measured at fair value and requires disclosure about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements using Level 2 and Level 3 inputs. This guidance is effective for interim and annual reporting periods beginning after December 15, 2009, except for certain Level 3 activity disclosure requirements that will be effective for reporting periods after December 15, 2010. Accordingly the Company adopted this amendment on January 1, 2010, except for the additional Level 3 requirements, which will be adopted in 2011. Other than requiring additional disclosures, adoption of this new guidance did not have a material impact on the Company's financial statements.

3. Fair Value Measurement

Assets and liabilities recorded at fair value in the financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels which are directly related to the amount of subjectivity associated with the inputs to the valuation of these assets or liabilities are as follows:

Level 1— Observable inputs, such as quoted prices in active markets for identical assets or liabilities.

Level 2— Observable inputs, other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3— Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table sets forth the Company’s financial instruments that were measured at fair value on a recurring basis as of December 31, 2008 and 2009 and March 31, 2010 by level within the fair value hierarchy. Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company’s assessment of the significance of a particular input to the fair value measurement in its entirety requires management to make judgments and consider factors specific to the asset or liability.
As of December 31, 2008, the Company’s fair value hierarchy for its financial assets and financial liabilities that are carried at fair value was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Level 1 (in thousands)</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money market fund (included in Cash and cash equivalents)</td>
<td>$6,186</td>
<td>$ —</td>
<td>$ —</td>
<td>$6,186</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Convertible preferred stock warrant liability</td>
<td>$ —</td>
<td>$ —</td>
<td>$1,100</td>
<td>$1,100</td>
</tr>
</tbody>
</table>

As of December 31, 2009, the Company’s fair value hierarchy for its financial assets and financial liabilities that are carried at fair value was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Level 1 (in thousands)</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money market fund (included in Cash and cash equivalents)</td>
<td>$6,120</td>
<td>$ —</td>
<td>$ —</td>
<td>$6,120</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Convertible preferred stock warrant liability</td>
<td>$ —</td>
<td>$ —</td>
<td>$1,553</td>
<td>$1,553</td>
</tr>
</tbody>
</table>

As of March 31, 2010, the Company’s fair value hierarchy for its financial assets and financial liabilities that are carried at fair value was as follows (unaudited):

<table>
<thead>
<tr>
<th></th>
<th>Level 1 (in thousands)</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money market fund (included in Cash and cash equivalents)</td>
<td>$1,621</td>
<td>$ —</td>
<td>$ —</td>
<td>$1,621</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Convertible preferred stock warrant liability</td>
<td>$ —</td>
<td>$ —</td>
<td>$1,344</td>
<td>$1,344</td>
</tr>
</tbody>
</table>

The Company values its convertible preferred stock warrant liability (Note 7) using the Black-Scholes option pricing model. The expected term for these warrants is based on the remaining contractual life of these warrants. The expected volatility assumption was determined by examining the historical volatility for industry peers, as the Company does not have a trading history for its common stock. The risk-free interest rate assumption is based on U.S. Treasury investments whose term is consistent with the expected term of the warrants. The expected dividend assumption is based on the Company’s history and expectation of dividend payouts.

The change in the fair value of the convertible preferred warrant liability is summarized below:

<table>
<thead>
<tr>
<th></th>
<th>(in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fair value at December 31, 2007</strong></td>
<td>$ 386</td>
</tr>
<tr>
<td>Decrease in the fair value recorded in interest and other income (expense), net</td>
<td>(65)</td>
</tr>
<tr>
<td>Issuance of convertible preferred stock warrants</td>
<td>779</td>
</tr>
<tr>
<td><strong>Fair value at December 31, 2008</strong></td>
<td>1,100</td>
</tr>
<tr>
<td>Decrease in the fair value recorded in interest and other income (expense), net</td>
<td>(1,088)</td>
</tr>
<tr>
<td>Issuance of convertible preferred stock warrants</td>
<td>1,541</td>
</tr>
<tr>
<td><strong>Fair value at December 31, 2009</strong></td>
<td>1,553</td>
</tr>
<tr>
<td>Decrease in the fair value recorded in interest and other income (expense), net (unaudited)</td>
<td>(209)</td>
</tr>
<tr>
<td><strong>Fair value at March 31, 2010 (unaudited)</strong></td>
<td>$ 1,344</td>
</tr>
</tbody>
</table>
4. Balance Sheet Components

Inventory

Inventory consists of the following:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2009</th>
<th>March 31, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials</td>
<td>$237</td>
<td>$435</td>
</tr>
<tr>
<td>Work-in-progress</td>
<td>38</td>
<td>283</td>
</tr>
<tr>
<td>Finished goods</td>
<td>79</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>$354</td>
<td>$718</td>
</tr>
</tbody>
</table>

The Company did not have any inventory as of December 31, 2008.

Property and Equipment, Net

Property and equipment, net, consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2008</th>
<th>December 31, 2009</th>
<th>March 31, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer equipment</td>
<td>$3,323</td>
<td>$5,107</td>
<td>$6,403</td>
</tr>
<tr>
<td>Computer software</td>
<td>$1,038</td>
<td>$1,390</td>
<td>$1,724</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>$267</td>
<td>$341</td>
<td>$343</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>$6,140</td>
<td>$7,612</td>
<td>$5,957</td>
</tr>
<tr>
<td>Leasehold Improvements</td>
<td>$337</td>
<td>$6,064</td>
<td>$6,452</td>
</tr>
<tr>
<td>Equipment under construction</td>
<td>—</td>
<td>$1,451</td>
<td>$9,882</td>
</tr>
<tr>
<td>Total</td>
<td>$11,105</td>
<td>$21,965</td>
<td>$30,761</td>
</tr>
</tbody>
</table>

Less: Accumulated depreciation and amortization

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2008</th>
<th>December 31, 2009</th>
<th>March 31, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(3,082)</td>
<td>(7,101)</td>
<td>(5,627)</td>
</tr>
<tr>
<td>Total</td>
<td>$8,023</td>
<td>$14,864</td>
<td>$25,134</td>
</tr>
</tbody>
</table>

Depreciation and amortization expense for the years ended December 31, 2007, 2008 and 2009 and, cumulatively, for the period from June 14, 2005 (date of inception) to March 31, 2010 was $788,000, $2,795,000, $5,240,000 and $10,270,000 (unaudited), respectively. Depreciation and amortization expense for the three months ended March 31, 2009 and 2010 was $1,042,000 (unaudited) and $1,309,000 (unaudited), respectively.
Accrued Liabilities

Accrued liabilities consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2008</th>
<th>March 31, 2009</th>
<th>March 31, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued professional fees</td>
<td>$295</td>
<td>$70</td>
<td>$115</td>
</tr>
<tr>
<td>Accrued vacation expense</td>
<td>653</td>
<td>923</td>
<td>1,065</td>
</tr>
<tr>
<td>Accrued 401(k) expense</td>
<td>27</td>
<td>64</td>
<td>53</td>
</tr>
<tr>
<td>Outside services</td>
<td>349</td>
<td>135</td>
<td>41</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>102</td>
<td>69</td>
<td>60</td>
</tr>
<tr>
<td>Accrued compensation</td>
<td>—</td>
<td>—</td>
<td>278</td>
</tr>
<tr>
<td>Deferred rent, current</td>
<td>—</td>
<td>341</td>
<td>651</td>
</tr>
<tr>
<td>Other</td>
<td>318</td>
<td>430</td>
<td>269</td>
</tr>
<tr>
<td></td>
<td><strong>$1,744</strong></td>
<td><strong>$2,032</strong></td>
<td><strong>$2,532</strong></td>
</tr>
</tbody>
</table>

5. Commitments and Contingencies

Operating Lease Obligations

In October 2007, the Company entered into an agreement for office facilities consisting of approximately 10,560 square feet under an operating lease, which began on January 1, 2008 and expires on December 31, 2010.

In October 2008, the Company entered into an agreement for office facilities consisting of approximately 66,096 square feet under an operating lease, which began on March 1, 2009 and expires on August 31, 2016.

The Company recognizes rent expense on a straight-line basis over the non-cancellable lease term and records the difference between cash rent payments and the recognition of rent expense as a deferred rent liability. Where leases contain escalation clauses, rent abatements and/or concessions, such as rent holidays and landlord or tenant incentives or allowances, the Company applies them in the determination of straight-line rent expense over the lease term. Rent expense for the years ended December 31, 2007, 2008 and 2009 and, cumulatively, for the period from June 14, 2005 (date of inception) to March 31, 2010 was $438,000, $850,000, $1,914,000 and $3,818,000 (unaudited), respectively. Rent expense for the three months ended March 31, 2009 and 2010 was $427,000 (unaudited) and $494,000 (unaudited), respectively.

Future minimum lease payments under these non-cancellable operating leases as of December 31, 2009 are as follows:

<table>
<thead>
<tr>
<th>Years Ending December 31,</th>
<th>(in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$2,610</td>
</tr>
<tr>
<td>2011</td>
<td>2,510</td>
</tr>
<tr>
<td>2012</td>
<td>2,588</td>
</tr>
<tr>
<td>2013</td>
<td>2,668</td>
</tr>
<tr>
<td>2014</td>
<td>2,747</td>
</tr>
<tr>
<td>Thereafter</td>
<td>4,763</td>
</tr>
<tr>
<td>Total future minimum lease payments</td>
<td><strong>$17,886</strong></td>
</tr>
</tbody>
</table>
Secured Equipment Loan Agreements

In September 2006, the Company entered into a secured equipment loan agreement with Silicon Valley Bank (“SVB”). The loan was for $1,000,000 and had an interest rate of the greater of 8.5% or prime plus 0.5% as determined at the time of the draw down. Repayment of the amount outstanding began on January 1, 2007 and was payable in 36 equal monthly installments. In connection with the loan, the Company issued warrants to purchase the Company’s Series A convertible preferred stock as discussed in Note 7. The loan was repaid in full as part of the July 2008 loan agreement.

In August 2007, the Company entered into a secured equipment loan agreement with SVB and Gold Hill Venture Lending (“Gold Hill”). The loan was for $3,000,000 and had an interest rate of the greater of 9.25% or prime plus 1% as determined at the time of the draw down. Repayment on the amount outstanding began three months after the initial draw and was payable in 36 equal monthly installments. In connection with the loan, the Company issued warrants to purchase the Company’s Series B convertible preferred stock as discussed in Note 7. The Company drew down $194,000 in 2008. The loan was repaid as part of the July 2008 loan agreement.

In July 2008, the Company entered into a secured equipment loan agreement with SVB, Leader Equity LLC and Oxford Finance Corporation. The loan is for $13,000,000 and was drawn in four tranches between July and December 2008. The interest rate for each tranche was set at an interest rate of the greater of 10.50% or prime plus 8.03%. The interest rates on the tranches of the loans range between 10.50% to 11.04% as determined at the time of the draw down. The loans require a termination payment be made with the final loan payment. The termination payment is calculated based upon 4% of each of the draw amounts and causes the loans to have an effective interest rate of 12.81% to 13.34%. The loan required that the proceeds be first used to repay the balances outstanding on the August 2007 and September 2006 loan agreements noted above. Repayment of the July 2008 loan began one month after the first draw down under the loan and continues for 36 equal monthly installments. In connection with the loan, the Company issued warrants to purchase the Company’s Series C convertible preferred stock, which were later converted into warrants to purchase Series D convertible preferred stock, as discussed in Note 7. The Company has pledged as collateral all property and equipment purchased pursuant to the secured equipment loan agreements. The Company drew down the full amount during the year ended December 31, 2008. There are no financial covenants in the secured equipment loan agreement.

Future loan repayments under the July 2008 loan agreement as of December 31, 2009 are as follows:

<table>
<thead>
<tr>
<th>Years Ending December 31,</th>
<th>(in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$ 5,057</td>
</tr>
<tr>
<td>2011</td>
<td>3,926</td>
</tr>
<tr>
<td>Total Payments</td>
<td>8,983</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
</tr>
<tr>
<td>Interest expense</td>
<td>(756)</td>
</tr>
<tr>
<td>Unaccreted termination payment</td>
<td>(277)</td>
</tr>
<tr>
<td>Total principal payments</td>
<td>7,950</td>
</tr>
<tr>
<td>Less: Notes payable, current</td>
<td>4,440</td>
</tr>
<tr>
<td>Notes payable, net of current</td>
<td>$ 3,510</td>
</tr>
</tbody>
</table>

Intellectual Property Agreement

In March 2006, the Company entered into an intellectual property agreement (Note 11) with Callida Genomics, Inc. for licenses related to the Company’s core technology. Under the agreement, the Company will make annual payments of $250,000 for a duration of six years starting in March 2006. The payments are recorded as research and development expense.


Purchase Commitments

As of December 31, 2009, the Company had outstanding purchase commitments related to its data center and related connectivity and non-cancellable orders for sequencing components of $7.0 million.

Contingencies

The Company is subject to claims and assessments from time to time in the ordinary course of business. The Company’s management does not believe that any such matters, individually or in the aggregate, will have a material adverse effect on the Company’s business, financial condition, results of operations or cash flows.

Indemnification

In the normal course of business, the Company enters into contracts and agreements that contain a variety of representations and warranties and provide for general indemnifications. The Company’s exposure under these agreements is unknown because it involves claims that may be made against the Company in the future, but that have not yet been made. To date, the Company has not paid any claims or been required to defend any action related to its indemnification obligations. However, the Company may record charges in the future as a result of these indemnification obligations.

In accordance with its Certificate of Incorporation and bylaws, the Company has indemnification obligations to its officers and directors for certain events or occurrences, subject to certain limits, while they are serving at the Company’s request in such capacity. There have been no claims to date, and the Company has director and officer insurance that enables it to recover a portion of any amounts paid for future potential claims.

6. Convertible Preferred Stock

The Company’s Certificate of Incorporation, as amended, authorizes the Company to issue 8,280,094 shares of $0.001 par value preferred stock. Convertible preferred stock (“Preferred Stock”) at December 31, 2008 consists of the following:

<table>
<thead>
<tr>
<th>Series</th>
<th>Shares authorized</th>
<th>Shares issued and outstanding</th>
<th>Liquidation amount</th>
<th>Proceeds, net of issuance costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>138,658</td>
<td>137,972</td>
<td>$ 6,050</td>
<td>$ 5,866</td>
</tr>
<tr>
<td>A-1</td>
<td>138,658</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>B</td>
<td>206,000</td>
<td>203,620</td>
<td>14,050</td>
<td>13,871</td>
</tr>
<tr>
<td>B-1</td>
<td>206,000</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>C</td>
<td>175,000</td>
<td>167,350</td>
<td>39,989</td>
<td>25,399</td>
</tr>
<tr>
<td>C-1</td>
<td>175,000</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td><strong>1,039,316</strong></td>
<td><strong>508,942</strong></td>
<td><strong>$ 60,089</strong></td>
<td><strong>$ 45,136</strong></td>
</tr>
</tbody>
</table>

Preferred Stock at December 31, 2009 consists of the following:

<table>
<thead>
<tr>
<th>Series</th>
<th>Shares authorized</th>
<th>Shares issued and outstanding</th>
<th>Liquidation amount</th>
<th>Proceeds, net of issuance costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>138,658</td>
<td>137,972</td>
<td>$ 6,050</td>
<td>$ 5,866</td>
</tr>
<tr>
<td>B</td>
<td>205,758</td>
<td>203,620</td>
<td>14,050</td>
<td>13,871</td>
</tr>
<tr>
<td>C</td>
<td>167,357</td>
<td>167,350</td>
<td>39,989</td>
<td>25,399</td>
</tr>
<tr>
<td>D</td>
<td>6,421,559</td>
<td>5,964,054</td>
<td>67,632</td>
<td>40,211</td>
</tr>
<tr>
<td></td>
<td><strong>6,933,332</strong></td>
<td><strong>6,472,996</strong></td>
<td><strong>$ 127,721</strong></td>
<td><strong>$ 85,347</strong></td>
</tr>
</tbody>
</table>
Preferred Stock at March 31, 2010 consists of the following (unaudited):

<table>
<thead>
<tr>
<th>Series</th>
<th>Shares authorized</th>
<th>Shares issued and outstanding</th>
<th>Liquidation amount</th>
<th>Proceeds, net of issuance costs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in thousands, except share amounts)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A</td>
<td>138,658</td>
<td>137,972</td>
<td>$ 6,050</td>
<td>$ 5,866</td>
</tr>
<tr>
<td>B</td>
<td>205,758</td>
<td>203,620</td>
<td>14,050</td>
<td>13,871</td>
</tr>
<tr>
<td>C</td>
<td>167,357</td>
<td>167,350</td>
<td>39,989</td>
<td>25,399</td>
</tr>
<tr>
<td>D</td>
<td>7,768,321</td>
<td>7,310,816</td>
<td>82,905</td>
<td>50,271</td>
</tr>
<tr>
<td></td>
<td>8,280,094</td>
<td>7,819,758</td>
<td>$ 142,994</td>
<td>$ 95,407</td>
</tr>
</tbody>
</table>

The rights and preferences of holders of Preferred Stock are as follows:

**Dividends**

Holder of Series A, B, C and D convertible preferred stock are entitled to receive non-cumulative dividends at the per annum rate of $3.51, $5.52, $12.74 and $0.60 per share, respectively, (as adjusted for stock splits, combinations reorganizations and the like) out of any assets at the time legally available therefor, when, as and if declared by the Board of Directors. Such dividends are payable in preference to any dividends on common stock. There have been no dividends declared to date.

**Conversion Rights**

Each share of Preferred Stock is convertible, at the option of the holder, at any time after the date of issuance of such share. Each share of Series A, B, C and D convertible preferred stock shall be convertible into that number of fully paid and nonassessable shares of common stock that is equal to $43.85, $69.00, $159.30 and $159.30, respectively, divided by the conversion price of $9.50, $11.64, $19.33 and $159.30, respectively, (as adjusted for stock splits, combinations, reorganizations and the like). The current conversion terms with respect to Series A, B, C and D convertible preferred stock are 1:4.6 shares, 1:5.9 shares, 1:8.2 shares and 1:1 share, respectively.

Each share of Preferred Stock, automatically converts into the number of shares of common stock into which such shares are convertible at the then effective conversion price immediately upon (1) the affirmative vote of the holders of more than 60% of the outstanding Preferred Stock, (2) the consummation of a firmly underwritten public offering pursuant to the Securities Act of 1933, as amended, on Form S-1 or any successor form, provided, however, that (i) the per share price to the public is at least $238.95 (as adjusted for stock splits, combinations, reorganizations and the like) and (ii) the aggregate gross proceeds to the Company are not less than $40,000,000.

**Special Mandatory Conversion**

If the Company issues preferred stock at a price per share less than $159.30, (as adjusted for stock splits, combinations, reorganizations and the like) with aggregate proceeds of over $2,000,000 from an institutional or other professional investor and a preferred stockholder does not purchase its pro rata shares in the offering, its shares shall automatically convert into shares of common stock at the applicable conversion rate at the time of the preferred stock issuance.

**Liquidation Rights**

In the event of liquidation, dissolution or winding up of the Company, the holders of Series A, B, C and D convertible preferred stock shall be entitled to receive, in preference to the distribution of any assets of the
Company to holders of common stock, an amount equal to $43.85, $69.00, $238.95 and $11.34 per share, respectively, plus any declared but unpaid dividends. If upon the occurrence of such event, the amounts available for distribution among holders of Preferred Stock are insufficient to pay the aforementioned preferential amounts, the entire assets of the Company legally available for distribution shall be distributed among the holders of Series D convertible preferred stock, then among the holders of Series C convertible preferred stock and then ratably among the holders of Series A and B convertible preferred stock together in proportion to the preferential amount each holder is otherwise entitled to receive.

After completion of the distribution to holders of Preferred Stock, any remaining assets of the Company shall be distributed with equal priority, pro rata among the holders of the Series A, B and D convertible preferred stock and the holders of common stock, treating each share of Series A, B and D convertible preferred stock as if it had been converted into common stock at the then applicable conversion rate up to 300%, 300% and 225%, respectively, of the liquidation preference for such shares of convertible preferred stock. Any remaining funds will then be distributed to common stockholders.

**Voting Rights**

The holder of each share of Preferred Stock is entitled to one vote for each share of common stock into which shares of such Preferred Stock could then be converted. The holder of each share of Preferred Stock votes together with common stockholders and not as a separate class.

**Redemption**

Prior to the issuance of Series B convertible preferred stock in March 2007, Series A convertible preferred stock was redeemable at the election of 75% of the then outstanding shares of Series A convertible preferred stock on or after March 24, 2013. The redemption would have required the Company to pay a per share sum equal to the liquidation preference of the Series A redeemable convertible preferred stock plus an amount per share calculated at a rate of 8% per annum compounded quarterly, and unpaid but declared dividends. The shares were to be redeemed in three equal annual payments after the notice to redeem was issued. The first payment would occur no later than 40 days after such written notice. Upon the issuance of Series B convertible preferred stock in March 2007, Series A became nonredeemable and the cumulative dividend stated above was cancelled. Since the shares of Series A convertible preferred stock were mandatorily redeemable through March 2007, the Company has accreted interest costs of $486,000 as of December 31, 2009 and March 31, 2010 (unaudited).

### 7. Warrants for Convertible Preferred Stock

The Company had the following unexercised convertible preferred stock warrants:

<table>
<thead>
<tr>
<th>Underlying Stock</th>
<th>Exercise price per share</th>
<th>Shares as of December 31, 2008</th>
<th>Shares as of December 31, 2009</th>
<th>Fair value as of December 31, 2008</th>
<th>Fair value as of December 31, 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series A</td>
<td>$43.85</td>
<td>684</td>
<td>684</td>
<td>$ 61</td>
<td>$ 5</td>
</tr>
<tr>
<td>Series B</td>
<td>$69.00</td>
<td>2,131</td>
<td>2,131</td>
<td>198</td>
<td>21</td>
</tr>
<tr>
<td>Series C</td>
<td>$159.30</td>
<td>4,895</td>
<td>—</td>
<td>841</td>
<td>—</td>
</tr>
<tr>
<td>Series D</td>
<td>$7.56</td>
<td>—</td>
<td>381,338</td>
<td>—</td>
<td>1,527</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>7,710</td>
<td>384,153</td>
<td>$1,100</td>
<td>$1,553</td>
</tr>
</tbody>
</table>
Series A

In 2006, the Company issued warrants to purchase 684 shares of Series A convertible preferred stock at an exercise price of $43.85 per share. These warrants were issued in connection with the secured equipment loan agreement. The initial fair value of the warrants of $36,000 was recorded as a credit to warrant liability and a discount to the carrying value of the debt. The discount was fully amortized in 2008. The warrants expire on the tenth anniversary after their issuance date. Immediately prior to the consummation of an initial public offering as defined in the warrants, the preferred stock warrants will convert to common stock warrants.

Series B

In 2007, the Company issued warrants to purchase 393 shares of Series B convertible preferred stock at an exercise price of $69.00 per share. These warrants were issued in connection with promissory notes. The initial fair value of the warrants of $25,000 was recorded as a credit to warrant liability and a discount to the carrying value of the debt. The discount on the debt was fully amortized to interest expense upon conversion of the debt in 2007. These warrants expire upon the earlier of the fifth anniversary after their issuance date or the closing of an initial public offering as defined in the warrant. If these warrants are not exercised prior to an initial public offering and have not yet expired, these warrants will automatically net exercise into shares of common stock at the initial public offering price of the common stock immediately prior to the consummation of the offering, assuming the initial public offering price is greater than the exercise price of the warrants.

In 2007, the Company issued warrants to purchase 1,738 shares of Series B convertible preferred stock at an exercise price of $69.00 per share. These warrants were issued in connection with the August 2007 secured equipment loan. The initial fair value of the warrants of $172,000 was recorded as a credit to warrant liability and an issuance cost of the debt. The issuance cost of the debt was fully amortized in 2008. The warrants expire on the tenth anniversary after their issuance date. Immediately prior to the consummation of an initial public offering, the preferred stock warrants will convert to common stock warrants.

Series C converted into Series D

In 2008, the Company issued warrants to purchase 4,895 shares of Series C convertible preferred stock at an exercise price of $159.30 per share. These warrants were issued in connection with the July 2008 secured equipment loan. The exercise price and number of warrants were subject to change upon the closing of a Series D preferred stock financing agreement. In conjunction with the Series D convertible preferred stock financing in August 2009, the warrants became exercisable for Series D convertible preferred stock. The conversion resulted in warrants to purchase 103,173 shares of Series D convertible preferred stock with an exercise price of $7.56. The initial fair value of the warrants of $779,000 was recorded as a credit to warrant liability and an issuance cost of the debt. The issuance cost of the debt is being amortized to interest expense over the life of the debt. In 2008

<table>
<thead>
<tr>
<th>Underlying Stock</th>
<th>Exercise price per share</th>
<th>Shares as of March 31, 2010</th>
<th>Fair value as of March 31, 2010 (in thousands, except share and per share amounts)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series A</td>
<td>$ 43.85</td>
<td>684</td>
<td>$ 6</td>
</tr>
<tr>
<td>Series B</td>
<td>$ 69.00</td>
<td>2,131</td>
<td>22</td>
</tr>
<tr>
<td>Series D</td>
<td>$ 7.56</td>
<td>381,338</td>
<td>1,316</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>384,153</td>
<td>1,344</td>
</tr>
</tbody>
</table>
and 2009, the Company had amortized debt issuance costs of $108,000 and $259,000, respectively. The Company had amortized debt issuance costs of $65,000 (unaudited) for both the three months ended March 31, 2009 and 2010. The warrants expire on the tenth anniversary after their issuance date. Immediately prior to the consummation of an initial public offering, the preferred stock warrants will convert to common stock warrants.

**Series D**

In 2009, the Company issued warrants to purchase 278,165 shares of Series D convertible preferred stock at an exercise price of $7.56 per share. These warrants were issued in connection with promissory notes. The initial fair value of the warrants of $1,541,000 was recorded as a credit to warrant liability and a discount to the carrying value of the promissory note. The discount on the promissory notes was amortized to interest expense over the life of the debt in 2009. In August 2009, the discount was fully amortized upon the conversion of the promissory notes. These warrants expire upon the earlier of the fifth anniversary after their issuance date or upon consummation of an initial public offering. If these warrants are not exercised prior to an initial public offering and have not yet expired, these warrants will automatically net exercise into shares of common stock at the initial public offering price of the common stock immediately prior to the consummation of the offering, assuming the initial public offering price is greater than the exercise price of the warrants.

The assumptions used in the initial valuation of all convertible preferred stock warrants using the Black-Scholes model are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contractual term (years)</td>
<td>10</td>
<td>5-10</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Volatility</td>
<td>98.56%</td>
<td>100.48 - 102.01%</td>
<td>99.97%</td>
<td>91.39 - 106.57%</td>
</tr>
<tr>
<td>Dividend</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Risk-free interest rate</td>
<td>4.69%</td>
<td>4.56 - 4.72%</td>
<td>4.01%</td>
<td>1.82 - 2.71%</td>
</tr>
</tbody>
</table>

The assumptions used to revalue all convertible preferred stock warrants using the Black-Scholes model are as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2008</th>
<th>2009</th>
<th>March 31, 2009</th>
<th>(unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remaining contractual term (years)</td>
<td>3.15 - 9.58</td>
<td>2.15 - 8.58</td>
<td>2.9 - 9.33</td>
<td>1.90 - 8.33</td>
</tr>
<tr>
<td>Volatility</td>
<td>91.27 - 102.65%</td>
<td>71.98 - 91.55</td>
<td>97.43 - 110.49%</td>
<td>77.64 - 91.42%</td>
</tr>
<tr>
<td>Dividend</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Risk-free rate</td>
<td>1.07 - 2.42%</td>
<td>1.38 - 3.33%</td>
<td>1.31 - 2.82%</td>
<td>1.51 - 3.16%</td>
</tr>
</tbody>
</table>

The Company adjusts the fair value of the convertible preferred warrants at the end of each reporting period. The fair value of the warrants as of December 31, 2009 and March 31, 2010 was $1,553,000 and $1,344,000 (unaudited), respectively. The change in the fair value for the years ended December 31, 2007, 2008 and 2009 resulted in a reduction of $175,000, and an increase of $65,000 and $1,088,000, respectively, which was reflected in interest and other income (expense), net. The change in fair value for the three months ended March 31, 2009 and March 31, 2010 resulted in a decrease of $27,000 (unaudited) and an increase of $209,000 (unaudited), respectively, which was reflected in interest and other income (expense), net.
8. Common Stock
The Company’s Certificate of Incorporation, as amended, authorizes the Company to issue 16,285,798 shares of $0.001 par value common stock. Common stockholders are entitled to dividends, subject to preferred stock dividends, when and if declared by the Board of Directors. There have been no dividends declared to date. The holder of each common share is entitled to one vote.

On June 14, 2005, 78,332 shares of restricted common stock were issued at $0.001 per share to the Company’s founders under a restricted stock purchase agreement. The shares vested over a four-year period. The unvested shares of common stock are subject to repurchase by the Company in the event of termination of the employment relationship. Included in common stock outstanding as of December 31, 2008 and 2009 are 7,465 and 0 shares, respectively, which are subject to the Company’s right to repurchase relating to these agreements.

On March 28, 2006, the Company issued 13,333 shares of common stock to Callida Genomics, Inc. in consideration for entering into an intellectual property license agreement. The Company recorded the common stock’s fair value of $69,000 as research and development expense in 2006.

On March 10, 2010 (unaudited), the Company granted 786,533 shares of common stock to its founders. The Company recorded the common stock’s fair value of $1,840,000 as an expense, of which $915,000 was recorded in general and administrative and $925,000 as research and development in 2010.

9. Warrants for Common Stock
On August 12, 2009, the Company issued warrants to purchase 1,630,629 shares of common stock at an exercise price of $1.50 per share. These warrants were issued in connection with the Company’s Series D convertible preferred stock offering. The initial fair value of the warrants was calculated using the Black-Scholes option pricing model with the following assumptions: seven year expected term; 105.56% volatility; 0% dividend; and a risk-free interest rate of 3.21%. The fair value of $1,999,000 was allocated to the warrants and recorded as a credit to additional paid-in capital and as a reduction of the proceeds from Series D convertible preferred stock. These warrants expire upon the earlier of the seventh anniversary after their issuance date or upon consummation of an initial public offering. If these warrants are not exercised prior to an initial public offering and have not yet expired, these warrants will automatically net exercise into shares of common stock at the initial public offering price of the common stock immediately prior to the consummation of the offering, assuming the initial public offering price is greater than the exercise price of the warrants.

10. Stock Option Plan
In 2006, the Company adopted the 2006 Equity Incentive Plan (the “Plan”) which provides for the granting of stock options to employees, directors and consultants of the Company. Options granted under the Plan may be either incentive stock options (“ISOs”) or nonqualified stock options (“NSOs”). The Company has reserved 3,539,116 shares of common stock for issuance under the Plan.

Options to purchase the Company’s common stock may be granted at a price not less than the fair market value (“FMV”) in the case of both NSO and ISO, except for an employee or nonemployee who owns more than 10% of the voting power of all classes of stock of the Company, in which case the exercise price shall be no less than 110% of the FMV per share on the grant date. Fair market value is determined by the Board of Directors. Options are exercisable as determined by the Board of Directors, but must become exercisable at a rate of not less than 20% per annum over five years from the vesting date, except in the case of options granted to officers, directors and consultants. The Company has historically granted options that vest over a four year period. Options expire as determined by the Board of Directors, but not more than ten years after the date of grant.
Activity under the Plan is as follows:

<table>
<thead>
<tr>
<th>Shares available for grant</th>
<th>Outstanding options</th>
<th>Aggregate intrinsic value</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in thousands, except share and per share amounts)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shares reserved at 2006 Equity Incentive Plan inception</td>
<td>45,166</td>
<td>—</td>
</tr>
<tr>
<td>Options granted</td>
<td>(33,243)</td>
<td>32,577</td>
</tr>
<tr>
<td>Options cancelled</td>
<td>666</td>
<td>(666)</td>
</tr>
<tr>
<td><strong>Balance, December 31, 2006</strong></td>
<td><strong>12,589</strong></td>
<td><strong>32,577</strong></td>
</tr>
<tr>
<td>Additional shares reserved</td>
<td>42,933</td>
<td>—</td>
</tr>
<tr>
<td>Options granted</td>
<td>(47,531)</td>
<td>47,531</td>
</tr>
<tr>
<td>Options cancelled</td>
<td>3,165</td>
<td>(3,165)</td>
</tr>
<tr>
<td><strong>Balance, December 31, 2007</strong></td>
<td><strong>11,156</strong></td>
<td><strong>76,943</strong></td>
</tr>
<tr>
<td>Additional shares reserved</td>
<td>21,261</td>
<td>—</td>
</tr>
<tr>
<td>Options granted</td>
<td>(38,090)</td>
<td>38,090</td>
</tr>
<tr>
<td>Options exercised</td>
<td>—</td>
<td>(2,160)</td>
</tr>
<tr>
<td>Options cancelled</td>
<td>6,953</td>
<td>(6,953)</td>
</tr>
<tr>
<td><strong>Balance, December 31, 2008</strong></td>
<td><strong>1,280</strong></td>
<td><strong>105,920</strong></td>
</tr>
<tr>
<td>Additional shares reserved</td>
<td>1,824,054</td>
<td>—</td>
</tr>
<tr>
<td>Options granted</td>
<td>(1,463,621)</td>
<td>1,463,621</td>
</tr>
<tr>
<td>Options exercised</td>
<td>—</td>
<td>(456)</td>
</tr>
<tr>
<td>Options cancelled</td>
<td>33,616</td>
<td>(33,616)</td>
</tr>
<tr>
<td><strong>Balance, December 31, 2009</strong></td>
<td><strong>395,329</strong></td>
<td><strong>1,535,469</strong></td>
</tr>
<tr>
<td>Additional shares reserved (unaudited)</td>
<td>1,605,702</td>
<td>—</td>
</tr>
<tr>
<td>Options granted (unaudited)</td>
<td>(915,189)</td>
<td>915,189</td>
</tr>
<tr>
<td>Options exercised (unaudited)</td>
<td>—</td>
<td>(5,515)</td>
</tr>
<tr>
<td>Options cancelled (unaudited)</td>
<td>14,856</td>
<td>(14,856)</td>
</tr>
<tr>
<td><strong>Balance, March 31, 2010 (unaudited)</strong></td>
<td><strong>1,100,698</strong></td>
<td><strong>2,430,287</strong></td>
</tr>
</tbody>
</table>

The following table summarizes information about stock options outstanding at December 31, 2009:

<table>
<thead>
<tr>
<th>As of December 31, 2009</th>
<th>Number of options</th>
<th>Weighted average exercise price</th>
<th>Weighted average remaining contractual life (years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Options outstanding</td>
<td>1,535,469</td>
<td>$ 3.47</td>
<td>9.78</td>
</tr>
<tr>
<td>Options vested and expected to vest</td>
<td>1,351,432</td>
<td>$ 3.38</td>
<td>9.78</td>
</tr>
<tr>
<td>Options vested and exercisable</td>
<td>787,630</td>
<td>$ 2.73</td>
<td>9.77</td>
</tr>
</tbody>
</table>

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The following table summarizes information about stock options outstanding at March 31, 2010 (unaudited):

<table>
<thead>
<tr>
<th>Number of options</th>
<th>Weighted average exercise price</th>
<th>Weighted remaining contractual life (years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Options outstanding</td>
<td>2,430,287</td>
<td>$1.50</td>
</tr>
<tr>
<td>Options vested and expected to vest</td>
<td>2,113,114</td>
<td>$1.50</td>
</tr>
<tr>
<td>Options vested and exercisable</td>
<td>952,700</td>
<td>$1.50</td>
</tr>
</tbody>
</table>

**Stock Option Modification**

In January 2010, the Company modified stock options to purchase 85,477 (unaudited) shares of the Company’s common stock held by 106 employees and consultants. The modification did not change any of the other terms or conditions of the options, and it did not have a significant impact on the compensation expense recognized in the statement of operations for the three months ended March 31, 2010.

**Stock-Based Compensation Associated with Awards to Employees**

During the years ended December 31, 2008 and 2009, and during the three months ended March 31, 2010, the Company granted stock options to employees to purchase 38,090, 1,307,910 and 915,189 (unaudited), respectively, shares of common stock with a weighted-average grant date fair value of $1.42, $1.70 and $1.70 per share, respectively. Stock-based compensation expense recognized during the years ended December 31, 2007, 2008 and 2009 and, cumulatively, for the period from June 14, 2005 (date of inception) to March 31, 2010 for stock-based awards granted to employees amounts to $88,000, $284,000, $1,142,000 and $2,001,000 (unaudited), respectively.

The Company estimated the fair value of stock options using the Black-Scholes option valuation model. The fair value of employee stock options is being amortized on a straight-line basis over the requisite service period of the awards. The Company estimated the fair value of employee stock options using the Black-Scholes option valuation model. The fair value of employee stock options is being amortized on a straight-line basis over the requisite service period of the awards. The fair value of employee stock options was estimated using the following assumptions:

<table>
<thead>
<tr>
<th></th>
<th>Years ended December 31,</th>
<th>Three months ended March 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008</td>
<td>2009</td>
</tr>
<tr>
<td>Expected term</td>
<td>6.08 years</td>
<td>5.32 - 6.10 years</td>
</tr>
<tr>
<td>Expected volatility</td>
<td>82.05% - 84.79%</td>
<td>74.03% - 92.44%</td>
</tr>
<tr>
<td>Expected dividends</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Risk-free interest rate</td>
<td>2.79 - 3.62%</td>
<td>1.80% - 2.72%</td>
</tr>
</tbody>
</table>

**Risk-Free Interest Rate:** The Company determined the risk-free interest rate by using a weighted average assumption equivalent to the expected term based on the U.S. Treasury constant maturity rate as of the date of grant.

**Expected Volatility:** The Company used an average historical stock price volatility of comparable companies to be representative of future stock price volatility, as the Company did not have any trading history for its common stock.

**Expected Term:** The Company determined the expected term by using a weighted average assumption consistent with the method used to determine the fair value of employee stock options awards.

The Company’s assumptions about the expected term were based on companies that have similar industry, life cycle, revenue and market capitalization.

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Expected Dividend: The Company has not paid and does not anticipate paying any dividends in the near future.

The total fair value of employee stock options vested during the years ended December 31, 2007, 2008, and 2009 was $40,000, $201,000 and $898,000, respectively. The total fair value of employee shares vested during the three months ended March 31, 2009 and 2010 was $103,000 (unaudited), and $177,000 (unaudited), respectively.

In December 2009, the Company modified the vesting schedule of 731,944 options originally granted in November 2009 to approximately 100 employees. The modification did not change the number of options granted, and it did not have a significant impact on the compensation expense recognized in the statement of operations for the year ended December 31, 2009.

Options Granted to Nonemployees

Since inception, the Company has granted 161,043 stock options to nonemployees. Stock-based compensation expense related to stock options granted to nonemployees is recognized as the stock option is earned. The Company believes that the estimated fair value of the stock options is more readily measurable than the fair value of the services rendered. The fair value of the stock options granted to nonemployees is calculated at each reporting date using the Black-Scholes options pricing model using the following assumptions:

<table>
<thead>
<tr>
<th>Remaining contractual term</th>
<th>2008</th>
<th>2009</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>(unaudited)</td>
<td>6.02 years</td>
<td>6.5 - 10 years</td>
<td>6.03 - 7.25 years</td>
<td>6.24 - 9.78 years</td>
</tr>
<tr>
<td>Expected volatility</td>
<td>84.79%</td>
<td>104.2 - 111.5%</td>
<td>87.24 - 88.83%</td>
<td>78.42 - 80.66%</td>
</tr>
<tr>
<td>Expected dividends</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Risk-free interest rate</td>
<td>2.59%</td>
<td>2.83 - 3.40%</td>
<td>2.00 - 2.38%</td>
<td>2.85 - 3.68%</td>
</tr>
</tbody>
</table>

Compensation expense related to these options for the years ended December 31, 2007, 2008, and 2009 and, cumulatively, for the period from June 14, 2005 (date of inception) to March 31, 2010 was $12,000, $52,000, $268,000, and $397,000 (unaudited), respectively. Compensation expense related to those options for the three months ended March 31, 2009 and 2010 was $23,000 (unaudited) and $64,000 (unaudited), respectively.

11. Related Party Transactions

On March 28, 2006, the Company entered into an intellectual property license agreement (“the Agreement”) with Callida Genomics, Inc. (“Callida”), a company owned by the Company’s Chief Scientific Officer, for use of certain patents, patent applications, know-how and other intellectual property relating to the Company’s core technology. As consideration for the rights and licenses granted in this agreement, the Company issued 13,333 shares of common stock to Callida on March 28, 2006, which was recorded at its fair market value as research and development expense. The Company agreed to pay Callida a cash payment of $250,000 on a yearly basis until the earlier of: (i) six years from the date of the agreement of March 28, 2006, (ii) a sale, or other similar liquidity event, of Callida, for consideration equal to, or exceeding, $2,000,000, (iii) the registration, listing and trading of the Company’s securities on an established stock exchange or national market system or (iv) the fair market value of the common shares issued to Callida becoming equal to, or exceeding, $2,000,000. The agreement also required the Company to pay Callida a cash payment of $1,000,000, which was paid in November 2008 and was recorded as a research and development expense. Additionally, the Company reimbursed Callida $50,000 for the cost of patent prosecution incurred through the date of the agreement.

The intellectual property license agreement with Callida includes several termination provisions, including: any time after 15 months from the contract date until the expiration of the contract term the Company may terminate the agreement for any reason, or no reason, by giving Callida written notice of termination. Upon termination of
this Agreement, the Company’s obligation to make any further payments, including those referred to in the paragraph above, and the Company’s right to use any items covered in the license agreement, are both cancelled.

During the years ended December 31, 2007, 2008 and 2009 and, cumulatively, for the period from June 14, 2005 (date of inception) to March 31, 2010, the aggregate expenses under the license agreement were $391,000, $1,333,000, $250,000 and $2,245,000 (unaudited), respectively. During the three months ended March 31, 2009 and 2010, the aggregate expense under the license agreement was $63,000 (unaudited) for both periods.

On March 28, 2006, the Company entered into a service agreement with Callida for use of Callida’s equipment, location and staff. The agreement was effective through June 30, 2006. In July 2006, the agreement was modified and extended to August 2007. During the year ended December 31, 2007 and, cumulatively, for the period from June 14, 2005 (date of inception) to March 31, 2010, the aggregate expenses under this agreement were $266,000 and $1,030,000 (unaudited), respectively.

On February 21, 2007, the Company entered into promissory notes with entities affiliated with OVP Partners and Enterprise Partners (existing investors). The borrowing was for an aggregate principal amount of up to $2,000,000, plus simple interest on the outstanding principal amount, at the annual rate of 6%. The Company drew down on the notes for a total of $1,000,000 during the year ended December 31, 2007. The outstanding balance plus interest on the balance was converted into Series B convertible preferred stock during 2007. In connection with the notes, the Company issued warrants to purchase shares of the Company’s Series B convertible preferred stock as discussed in Note 7.

On February 13, 2009, the Company entered into promissory notes with various holders of the Company’s preferred stock. The borrowings were for an aggregate principal amount of up to $14,725,000, plus simple interest on the outstanding principal amount, at the annual rate of 8%. The Company drew down on the notes for the full principal amount during 2009. The outstanding balance plus interest on the balance was converted into Series D convertible preferred stock during 2009. In connection with the notes, the Company issued warrants to purchase shares of the Company’s Series D convertible preferred stock as discussed in Note 7.

12. Income Taxes

The Company has not recorded any income tax expense for the years ended December 31, 2007, 2008 and 2009 due to its history of operating losses. The tax effects of temporary differences that give rise to significant portions of the deferred tax assets are as follows:

<table>
<thead>
<tr>
<th>December 31,</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in thousands)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net operating loss carryforwards</td>
<td>$4,686</td>
<td>$13,370</td>
<td>$23,797</td>
</tr>
<tr>
<td>Research and development credits</td>
<td>660</td>
<td>1,484</td>
<td>2,406</td>
</tr>
<tr>
<td>Capitalized start-up costs</td>
<td>1,953</td>
<td>4,071</td>
<td>4,119</td>
</tr>
<tr>
<td>Accruals and reserves</td>
<td>89</td>
<td>221</td>
<td>2,347</td>
</tr>
<tr>
<td>Fixed assets and depreciation</td>
<td>—</td>
<td>143</td>
<td>261</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>7,388</td>
<td>19,289</td>
<td>32,930</td>
</tr>
<tr>
<td>Deferred tax liabilities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed assets and depreciation</td>
<td>(186)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net deferred tax assets prior to valuation allowance</td>
<td>7,202</td>
<td>19,289</td>
<td>32,930</td>
</tr>
<tr>
<td>Valuation allowance</td>
<td>(7,202)</td>
<td>(19,289)</td>
<td>(32,930)</td>
</tr>
<tr>
<td>Net deferred tax assets</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
</tr>
</tbody>
</table>
The Company has established a full valuation allowance against its deferred tax assets due to the uncertainty surrounding realization of these assets. The valuation allowance increased $5,171,000, $12,087,000 and $13,641,000 during the years ended December 31, 2007, 2008 and 2009, respectively.

As of December 31, 2009, the Company had net operating loss carryforwards of approximately $59,747,000 and $59,745,000 available to reduce future taxable income, if any, for federal and California state income tax purposes, respectively. The federal net operating loss carryforward begins expiring in 2026, if not utilized, and the state net operating loss carryforward begins expiring in 2016, if not utilized. The net operating loss related deferred tax assets do not include excess tax benefits from employee stock option exercises.

As of December 31, 2009, the Company had research and development credit carryforwards of approximately $1,889,000 and $1,987,000 available to reduce taxable income, if any, for federal and California state income tax purposes, respectively. The federal credit carryforwards begin expiring in 2026, and the state credit carryforwards do not expire. Because of net operating loss and credit carryforwards, all of the Company’s tax years, dating to inception in 2005 remain open to federal tax examinations. Most state jurisdictions have four open tax years at any point in time.

Utilization of net operating loss and tax credit carryforwards is subject to ownership change rules as provided under the Internal Revenue Code and similar state provisions. The Company has performed an analysis to determine whether an ownership change has occurred from inception to December 31, 2009. The analysis has determined that two ownership changes have occurred during that period. Due to the ownership changes, the utilization of these net operating losses and research credits are subject to annual limitation. However, the Company concluded that as of December 31, 2009 no net operating losses or research and development credits will expire before utilization due to these ownership changes. In the event the Company has a subsequent change in ownership, net operating loss and research and development credit carryovers could be further limited and may expire unutilized.

Effective January 1, 2007, the Company adopted the provisions of the FASB’s guidance on accounting for uncertainty in income taxes. These provisions provide a comprehensive model for the recognition, measurement and disclosure in financial statements of uncertain income tax position that a company has taken or expects to take on a tax return. Under these provisions, a company can recognize the benefit of an income tax position only if it is more likely than not (greater than 50%) that the tax position will be sustained upon tax examination, based solely on the technical merits of the tax position. Otherwise, no benefit can be recognized. Assessing an uncertain tax position begins with the initial determination of the sustainability if the position and is measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. As of each balance sheet date, unresolved uncertain tax positions must be reassessed. Additionally, companies are required to accrue interest and related penalties, if applicable, on all tax exposures for which reserves have been established consistent with jurisdictional tax laws. The cumulative effect of this adoption is recorded as an adjustment to the opening balance of its deficit accumulated during the development stage on the adoption date.

As a result of the implementation of these provisions, the Company recognized a $40,000 increase in its unrecognized tax benefits. There was no increase in the January 1, 2007 balance of deficit accumulated during the development stage since the benefit relates to attribute carryovers for which the related deferred tax asset was subject to a full valuation allowance. At the adoption date of January 1, 2007 and as of December 31, 2009, the Company had no accrued interest or penalties related to the tax contingencies. Since the unrecognized tax benefit relates to attribute carryovers for which the related deferred tax asset was subject to a full valuation allowance, the recognition of the unrecognized tax benefits will not affect the Company’s effective tax rate. The Company has elected to include interest and penalties as a component of tax expense. The Company does not anticipate that the amount of unrecognized tax benefits relating to tax positions existing at December 31, 2009 will significantly increase or decrease within the next 12 months.
The aggregate changes in the balance of gross unrecognized tax benefits were as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>(in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1, 2007</td>
<td>$ 40</td>
</tr>
<tr>
<td>Increases</td>
<td>164</td>
</tr>
<tr>
<td>December 31, 2007</td>
<td>204</td>
</tr>
<tr>
<td>Increases</td>
<td>395</td>
</tr>
<tr>
<td>December 31, 2008</td>
<td>599</td>
</tr>
<tr>
<td>Increases</td>
<td>370</td>
</tr>
<tr>
<td>December 31, 2009</td>
<td>969</td>
</tr>
</tbody>
</table>

13. **Subsequent Events**

On July 30, 2010, the Board of Directors of the Company approved the filing of a registration statement on Form S-1 with the Securities and Exchange Commission for an initial public offering of the Company’s common stock.

In April, May and June 2010, the Company issued promissory notes to certain of its existing investors for an aggregate principal amount of $22,121,452. The principal amount of the promissory notes accrues interest at an annual rate of 8%. The promissory notes mature at the earliest of a corporate reorganization as defined in the promissory notes, the consummation of an initial public offering of the Company’s common stock, an event of default pursuant to the terms of the promissory notes or April 12, 2011. In the event that the Company issues shares of a new series of preferred stock with aggregate gross cash proceeds in excess of $17,000,000, the outstanding principal and interest of the promissory notes will automatically convert into that series of preferred stock at the lowest price paid by an investor in the financing (not to exceed $7.56 per share). In addition, each investor who was issued a promissory note also received a warrant to purchase a number of shares of common stock equal to the product of 5% of the principal amount of the promissory notes and the number of months between the date of issuance of the warrant and the date of the next financing (up to five months), divided by $1.50. These warrants expire upon the fifth anniversary of their issuance date.

The Company has evaluated subsequent events through July 30, 2010, the date on which the financial statements were issued for inclusion in the Company’s registration statement on Form S-1.
Through and including 2010 (25 days after the date of this prospectus) federal securities laws may require all dealers that effect transactions in our common stock, whether or not participating in this offering, to deliver a prospectus. This is in addition to the dealers’ obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.
**Item 13. Other Expenses of Issuance and Distribution**

The expenses relating to the registration of the shares of common stock being offered hereby, other than underwriting discounts and commissions, will be borne by us. Such expenses are estimated to be as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount to be Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Securities and Exchange Commission registration fee</td>
<td>$6,150</td>
</tr>
<tr>
<td>FINRA filing fee</td>
<td>$9,125</td>
</tr>
<tr>
<td>NASDAQ Global Market listing fee</td>
<td>*</td>
</tr>
<tr>
<td>Blue Sky fees and expenses</td>
<td>*</td>
</tr>
<tr>
<td>Printing and engraving expenses</td>
<td>*</td>
</tr>
<tr>
<td>Legal fees and expenses</td>
<td>*</td>
</tr>
<tr>
<td>Accounting fees and expenses</td>
<td>*</td>
</tr>
<tr>
<td>Transfer Agent and Registrar fees</td>
<td>*</td>
</tr>
<tr>
<td>Miscellaneous expenses</td>
<td>*</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>**$ *</td>
</tr>
</tbody>
</table>

* to be filed by amendment.

**Item 14. Indemnification of Directors and Officers**

Section 145 of the Delaware General Corporation Law provides that a corporation may indemnify its directors and officers from certain expenses in connection with legal proceedings and permits a corporation to include in its charter documents, and in agreements between the corporation and its directors and officers, provisions expanding the scope of indemnification beyond that specifically provided by this section.

The Registrant’s amended and restated certificate of incorporation provides for the indemnification of directors to the fullest extent permissible under Delaware law.

The Registrant’s amended and restated bylaws provide for the indemnification of officers, directors and third parties acting on the Registrant’s behalf if such persons act in good faith and in a manner reasonably believed to be in and not opposed to the Registrant’s best interest, and, with respect to any criminal action or proceeding, such indemnified party had no reason to believe his or her conduct was unlawful.

The Registrant is entering into indemnification agreements with each of its directors and executive officers, in addition to the indemnification provisions provided for in its charter documents, and the Registrant intends to enter into indemnification agreements with any new directors and executive officers in the future.

The underwriting agreement (to be filed as Exhibit 1.1 hereto) will provide for indemnification by the underwriters of the Registrant and the Registrant’s executive officers and directors, and indemnification of the underwriters by the Registrant, for certain liabilities, including liabilities arising under the Securities Act of 1933, as amended, in connection with matters specifically provided in writing by the underwriters for inclusion in the registration statement.

The Registrant intends to purchase and maintain insurance on behalf of any person who is or was a director or officer against any loss arising from any claim asserted against him or her and incurred by him or her in that capacity, subject to certain exclusions and limits of the amount of coverage.
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Item 15. Recent Sales of Unregistered Securities

The following information sets forth information regarding all unregistered securities sold by the Registrant since January 1, 2007 and give effect to the 1:30 reverse stock split effected in November 2009:

1. In February 2007 and March 2007, the Registrant issued warrants to purchase an aggregate of 393 shares of its Series B preferred stock at an exercise price of $69.00 per share to three accredited investors in connection with a bridge loan financing. The warrants may be exercised at any time prior to their termination dates, which are five years from the date of issuance.

2. In March 2007 and September 2007, in a series of closings, the Registrant issued and sold an aggregate of 203,620 shares of its Series B preferred stock at a price of $69.00 per share for a combination of cash and the conversion of $1.0 million in convertible debt, for aggregate gross consideration of $14.05 million, to seven accredited investors.

3. In August 2007, the Registrant issued warrants to purchase an aggregate of 1,738 shares of its Series B preferred stock at an exercise price of $69.00 per share to financial institution lenders in connection with the entry into a credit facility. The warrants may be exercised at any time prior to their termination dates, which are ten years from the date of issuance.

4. In February 2008 and March 2008, in a series of closings, the Registrant issued and sold an aggregate of 167,350 shares of its Series C preferred stock at a price of $159.30 per share, for aggregate gross consideration of $26.7 million, to eleven accredited investors.

5. In July 2008, the Registrant issued warrants to purchase an aggregate of 4,895 shares of Series C preferred stock at an exercise price of $159.30 per share, which were subsequently converted in August 2009 into warrants to purchase an aggregate of 103,173 shares of Series D preferred stock at an exercise price of $7.56 per share, to financial institution lenders in connection with the entry into a credit facility. The warrants may be exercised at any time prior to their termination dates, which are ten years from the date of issuance.

6. In February 2009 through August 2009, in a series of closings, the Registrant issued warrants to purchase an aggregate of 278,165 shares of its Series D preferred stock at an exercise price of $7.56 per share to nine accredited investors in connection with a bridge loan financing. The warrants may be exercised at any time prior to their termination dates, which are five years from the date of issuance.

7. In August 2009, the Registrant issued and sold an aggregate of 5,964,054 shares of its Series D preferred stock at a price of $7.56 per share for a combination of cash and conversion of $15.05 million in convertible debt, for aggregate gross consideration of $45.1 million, to fourteen accredited investors, and issued warrants to purchase an aggregate of 1,630,629 shares of its common stock at an exercise price of $1.50 per share to six accredited investors each of which also purchased Series D preferred stock.

8. In February 2010 and March 2010, in a series of closings, the Registrant issued and sold an aggregate of 1,346,762 shares of its Series D preferred stock at a price of $7.56 per share, for aggregate gross consideration of $10.2 million, to nineteen accredited investors.

9. In March 2010, the Registrant issued and sold an aggregate of 786,533 shares of its common stock at a price of $1.50 per share, for aggregate gross consideration of $1.18 million, to three of its executive officers: Robert J. Curson, Radoje Drmanac, Ph.D. and Clifford A. Reid, Ph.D. Each of the executives purchased with and holds their respective shares in the name of a trust.

10. From April 2010 through June 2010, in a series of closings, the Registrant issued and sold an aggregate of $22,121,452 in principal amount of convertible notes and warrants to purchase an aggregate of shares of its common stock at an exercise price of $1.50 per share to 20 accredited investors. The warrants may be exercised at any time prior to their termination dates, which are five years from the date of issuance.

11. Since January 1, 2007, the Registrant has granted stock options to purchase 2,780,203 shares of its common stock at exercise prices ranging from $1.50 to $76.20 per share to a total of 204 employees, consultants and directors under its 2006 Equity Incentive Plan.
The issuance of securities described above in Item 15 paragraphs (1) – (11) were exempt from registration under the Securities Act of 1933, as amended, in reliance on Section 4(2) of the Securities Act of 1933, as amended, and Regulation D promulgated thereunder, as transactions by an issuer not involving any public offering. The purchasers of the securities in these transactions represented that they were accredited investors and that they were acquiring the securities for investment only and not with a view toward the public sale or distribution thereof. Such purchasers received written disclosures that the securities had not been registered under the Securities Act of 1933, as amended, and that any resale must be made pursuant to a registration statement or an available exemption from registration. All purchasers either received adequate financial statement or non-financial statement information about the Registrant or had adequate access, through their relationship with the Registrant, to financial statement or non-financial statement information about the Registrant. The sale of these securities was made without general solicitation or advertising.

The issuance of securities described above in Item 15 paragraphs (12) and (13) was exempt from registration under the Securities Act of 1933, as amended, in reliance on either (1) Rule 701 or Regulation S under the Securities Act of 1933, as amended, pursuant to compensatory benefit plans or agreements approved by the Registrant’s board of directors or (2) Section 4(2) of the Securities Act of 1933, as amended, and Regulation D promulgated thereunder, as transactions by an issuer not involving any public offering. The recipients of securities in each of these transactions represented their intention to acquire the securities for investment only and not with view to or for sale in connection with any distribution thereof, and appropriate legends were affixed to the share certificates and instruments issued in such transactions. All recipients had adequate access, through their relationship with us, to information about us.

All certificates representing the securities issued in these transactions described in this Item 15 included appropriate legends setting forth that the securities had not been offered or sold pursuant to a registration statement and describing the applicable restrictions on transfer of the securities. There were no underwriters employed in connection with any of the transactions set forth in this Item 15.

Item 16. Exhibits and Financial Statement Schedules

(a) Exhibits

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(b) Financial Statement Schedules
Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

Item 17. Undertakings
Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933, as amended, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933, as amended, and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, as amended, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in the form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act of 1933, as amended, shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, as amended, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

The undersigned registrant hereby undertakes to provide to the underwriters at the closing as specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.
Signatures

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Mountain View, State of California, on the 30th day of July, 2010.

COMPLETE GENOMICS, INC.

By: ____________________________  / S /  C LIFFORD A. R EID
Clifford A. Reid, Ph.D.
President and Chief Executive Officer

Signatures and Power of Attorney

Each person whose individual signature appears below hereby authorizes and appoints Clifford A. Reid, Ph.D. and Ajay Bansal, and each of them, with full power of substitution and resubstitution and full power to act without the other, as his or her true and lawful attorney-in-fact and agent to act in his or her name, place and stead and to execute in the name and on behalf of such person, individually and in each capacity stated below, and to file any and all amendments to this Registration Statement, including any and all post-effective amendments and amendments thereto, and any registration statement relating to the same offering as this Registration Statement that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act of 1933, as amended, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing, ratifying and confirming all that said attorneys-in-fact and agents or any of them or their or his substitute or substitutes may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated below on the dates indicated.

<table>
<thead>
<tr>
<th>Signature</th>
<th>Title</th>
<th>Date</th>
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<tbody>
<tr>
<td>/ S /  C LIFFORD A. R EID</td>
<td>President, Chief Executive Officer and Director (Principal Executive Officer)</td>
<td>July 30, 2010</td>
</tr>
<tr>
<td>Clifford A. Reid, Ph.D.</td>
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<tr>
<td>/ S /  A JAY B ANSAL</td>
<td>Chief Financial Officer (Principal Financial and Accounting Officer)</td>
<td>July 30, 2010</td>
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<tr>
<td>Ajay Bansal</td>
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<td>/ S /  A LEXANDER E. B ARKAS</td>
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<td>Alexander E. Barkas, Ph.D.</td>
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† Certain portions have been omitted pursuant to a confidential treatment request. Omitted information has been filed separately with the SEC.

* To be filed by amendment.
Complete Genomics, Inc., a corporation organized and existing under and by virtue of the Delaware General Corporation Law, hereby certifies as follows:

The name of this corporation is Complete Genomics, Inc., the original Certificate of Incorporation of the corporation was filed with the Secretary of State of the State of Delaware on June 14, 2005, the Restated Certificate of Incorporation of the corporation was filed with the Secretary of State of the State of Delaware on March 24, 2006, the Second Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on March 19, 2007, a Certificate of Amendment to the Second Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on September 20, 2007, a Third Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on February 11, 2008, a Certificate of Amendment to the Third Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on February 2, 2009, a Certificate of Amendment to the Third Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on February 13, 2009, a Certificate of Amendment to the Third Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on June 12, 2009, a Certificate of Amendment to the Third Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on June 12, 2009, a Certificate of Amendment to the Third Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on August 5, 2009, the Fourth Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on August 12, 2009 and the Fifth Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on November 13, 2009.

The Sixth Restated Certificate of Incorporation in the form of Exhibit A attached hereto has been duly adopted in accordance with the provisions of Sections 228, 242 and 245 of the General Corporation Law of the State of Delaware ("Delaware Corporate Law").

The text of the Sixth Restated Certificate of Incorporation as heretofore amended or supplemented is hereby restated and further amended to read in its entirety as set forth in Exhibit A attached hereto.

IN WITNESS WHEREOF, this Sixth Restated Certificate of Incorporation has been signed this 12th day of February, 2010.

By: /s/ Clifford A. Reid
    Clifford A. Reid, President
    and Chief Executive Officer
EXHIBIT A
SIXTH RESTATED CERTIFICATE OF INCORPORATION
OF
COMPLETE GENOMICS, INC.

FIRST
The name of this corporation is Complete Genomics, Inc. (the “Company.”).

SECOND
The address of the Company’s registered office in the State of Delaware is 1209 Orange Street, Corporation Trust Center, Wilmington, Delaware 19801, New Castle County. The name of its registered agent at such address is THE CORPORATION TRUST COMPANY.

THIRD
The purpose of the Company is to engage in the lawful act or activity for which a corporation may be organized under the General Corporation Law of Delaware.

FOURTH
A. The aggregate number of shares that the Company shall have authority to issue is Twenty-Four Million Five Hundred Sixty-Five Thousand Eight Hundred Ninety-Two (24,565,892), divided into Sixteen Million Two Hundred Eighty-Five Thousand Seven Hundred Ninety-Eight (16,285,798) shares of Common Stock, each with the par value of $0.001 per share, and Eight Million Two Hundred Eighty Thousand Ninety-Four (8,280,094) shares of Preferred Stock, each with the par value of $0.001 per share. The Preferred Stock may be issued in one or more series, of which one such series shall be denominated the “Series A Preferred,” one such series shall be denominated the “Series B Preferred,” one such series shall be denominated the “Series C Preferred,” and one such series shall be denominated the “Series D Preferred” (collectively, the “Preferred Stock”). The Series A Preferred shall consist of One Hundred Thirty-Eight Thousand Six Hundred Fifty-Eight (138,658) shares. The Series B Preferred shall consist of Two Hundred Five Thousand Seven Hundred Fifty-Eight (205,758) shares. The Series C Preferred shall consist of One Hundred Sixty-Seven – Thousand Three Hundred Fifty-Seven (167,357) shares. The Series D Preferred shall consist of Seven Million Seven Hundred Sixty-Eight Thousand Three Hundred Twenty-One (7,768,321) shares.

B. The terms and provisions of the Preferred Stock are as follows:

1. Dividends.
   (a) Treatment of Preferred. The holders of Preferred Stock shall be entitled to receive, on a pari passu basis, dividends per share of Preferred Stock equal to
eight percent (8%) multiplied by the Effective Price (as defined below) of such series of Preferred Stock, respectively, per annum, out of any assets at the time legally available therefor, when, as and if declared by the Company’s Board of Directors (the “Board of Directors”), prior and in preference to the holders of Common Stock. No dividends other than those payable solely in Common Stock shall be paid on any shares of Common Stock unless and until (i) the aforementioned dividend is paid on each outstanding share of Preferred Stock, (ii) a dividend is paid with respect to all outstanding shares of Preferred Stock in an amount equal to or greater than the aggregate amount of dividends which would be payable on each share of Preferred Stock if, immediately prior to such dividend payment on Common Stock, it had been converted into Common Stock and (iii) the holders of the Preferred Stock have received full payment of the Liquidation Preference specified in Section 2 pursuant to the terms thereof. After the full dividend preferential amount specified above has been paid to the holders of Preferred Stock, the holders of Preferred Stock shall be entitled to receive any dividends paid to the holders of Common Stock on a pro rata basis as if each such holder’s Preferred Stock had, immediately prior to such dividend payment on Common Stock, been converted into Common Stock. The Board of Directors is under no obligation to declare dividends, no rights shall accrue to the holders of Preferred Stock if dividends are not declared, and any dividends declared shall be noncumulative. The Company shall make no Distribution (as defined below) to the holders of shares of Common Stock except in accordance with this Section 1(a).

(b) **Effective Price.** The “**Effective Price**” of the Series A Preferred shall be $43.849 (as adjusted for stock splits, combinations, reorganizations and the like). The Effective Price of the Series B Preferred shall be $69.00 (as adjusted for stock splits, combinations, reorganizations and the like). The Effective Price of the Series C Preferred shall be $159.30 (as adjusted for stock splits, combinations, reorganizations and the like). The Effective Price of the Series D Preferred shall be $7.56 (as adjusted for stock splits, combinations, reorganizations and the like).

(c) **Distribution.** “**Distribution**” means the transfer of cash or property without consideration, whether by way of dividend or otherwise, or the purchase of shares of the Company (other than in connection with the repurchase of shares of Common Stock issued to or held by employees, consultants, officers and directors at a price not greater than the amount paid by such persons for such shares upon termination of their employment or services pursuant to agreements providing for the right of said repurchase) for cash or property.

(d) **Consent to Certain Repurchases.** As authorized by Section 402.5(c) of the General Corporation Law of California, Sections 502 and 503 of the General Corporation Law of California, to the extent otherwise applicable, shall not apply with respect to Distributions made by the Company in connection with the repurchase of shares of Common Stock issued to or held by employees, consultants, officers and directors at a price not greater than the amount paid by such person for such shares upon termination of their employment or services pursuant to agreements providing for the right of said repurchase, which agreements were authorized by the approval of the Board of Directors.
2. Liquidation Rights.

   (a) Liquidation Preference.

      (i) In the event of any Liquidation (as defined below), either voluntary or involuntary, the holders of the Series D Preferred shall be entitled to receive, out of the assets of the Company, the Liquidation Preference (as defined below) specified for each share of Series D Preferred, as applicable, then held by them before any payment shall be made or any assets distributed to the holders of Series A Preferred, Series B Preferred, Series C Preferred or Common Stock. If upon the Liquidation, the assets to be distributed among the holders of the Series D Preferred are insufficient to permit the payment to such holders of the full Liquidation Preference for their shares, then the entire assets of the Company legally available for distribution shall be distributed with equal priority and pro rata among the holders of the Series D Preferred.

      (ii) In the event of any Liquidation, the Series C Preferred shall be entitled to receive, out of the assets of the Company, the Liquidation Preference specified for each share of Series C Preferred then held by them before any payment shall be made or any assets distributed to the holders of Series A Preferred, Series B Preferred or Common Stock. If upon the Liquidation, the remaining assets to be distributed among the holders of the Series C Preferred are insufficient to permit the payment to such holders of the full Liquidation Preference for their shares, then such remaining assets of the Company legally available for distribution shall be distributed with equal priority and pro rata among the holders of the Series C Preferred.

      (iii) In the event of any Liquidation, the Series A Preferred and Series B Preferred shall be entitled to receive, on a pari passu basis, out of the assets of the Company, the Liquidation Preference specified for each share of Series A Preferred and Series B Preferred then held by them before any payment shall be made or any assets distributed to the holders of Common Stock. If upon the Liquidation, the remaining assets are insufficient to permit the payment to such holders of the full Liquidation Preference for their shares, then such remaining assets of the Company legally available for distribution shall be distributed with equal priority and pro rata among the holders of the Series A Preferred and Series B Preferred.

      (iv) "Liquidation Preference" shall mean, with respect to shares of Series A Preferred, $43.849 per share (as adjusted for stock splits, combinations, reorganizations and the like) plus declared but unpaid dividends on such share. Liquidation Preference shall mean, with respect to shares of Series B Preferred, $69.00 per share (as adjusted for stock splits, combinations, reorganizations and the like) plus declared but unpaid dividends on such share. Liquidation Preference shall mean, with respect to shares of Series C Preferred, $238.95 per share (as adjusted for stock splits, combinations, reorganizations and the like) plus declared but unpaid dividends on such share. Liquidation Preference shall mean, with respect to shares of Series D Preferred, $11.34 per share (as adjusted for stock splits, combinations, reorganizations and the like) plus declared but unpaid dividends on such share.
(b) **Remaining Assets**. After the payment to the holders of Preferred Stock of the full preferential amounts specified above, any remaining assets of the Company shall be distributed with equal priority and pro rata among the holders of the Company’s Common Stock, Series A Preferred, Series B Preferred and Series D Preferred, treating in such circumstances the Preferred Stock as if it had been converted into Common Stock at the then applicable conversion rate, until such time as each share of Series A Preferred and Series B Preferred has received an aggregate distribution equal to three hundred percent (300%) of the applicable Liquidation Preference for such share of Series A Preferred or Series B Preferred, as applicable, and each share of Series D Preferred has received an aggregate distribution equal to two hundred twenty-five percent (225%) of the Liquidation Preference for such share of Series D Preferred (including in each case both the distributions made pursuant to Section 2(a) above and this Section 2(b)), plus any accrued but unpaid dividends, at which point no further payments shall be made to the holders of Series A Preferred, Series B Preferred and Series D Preferred by reason thereof and any remaining assets of the Company shall be distributed with equal priority and pro rata among the holders of the Company’s Common Stock.

(c) **Liquidation**. A “**Liquidation**” shall be deemed to be occasioned by, or to include, (i) the liquidation, dissolution or winding up of the Company; (ii) the acquisition of the Company by means of any transaction or series of related transactions (including, without limitation, any reorganization, merger, share exchange or consolidation) **provided** that the applicable transaction shall not be deemed a liquidation unless the Company’s stockholders constituted immediately prior to such transaction hold less than 50% of the voting power of the surviving or acquiring entity; or (iii) the sale, license, lease, conveyance or other disposition of all or substantially all of the property or business of the Company, **provided however**, that a transaction or series of transactions described in clause (ii) or (iii) of this Section 2(c) shall not be deemed to be a Liquidation for purposes of the liquidation rights specified in this Section 2 if so elected by (1) the holders of at least sixty percent (60%) of the then outstanding shares of Series C Preferred, voting together as a single series on an as-converted basis, and (2) the holders of at least sixty percent (60%) of the then outstanding shares of the Preferred Stock, voting together as a single class on an as-converted basis. In the event of a deemed “**Liquidation**” pursuant to clause (iii) in this Section 2(c) above, if the Company does not effect a dissolution of the Company under the Delaware General Corporation Law within forty-five (45) days after such deemed Liquidation, then (A) the Company shall deliver a written notice to each holder of Preferred Stock no later than the forty-fifth (45th) day after the deemed Liquidation advising such holders of their right (and the requirements to be met to secure such right) pursuant to the terms of the following clause (B) to require the redemption of such shares of Preferred Stock, and (B) if the holders of at least a majority of the then outstanding shares of Preferred Stock so request in a written instrument delivered to the Company not later than sixty (60) days after such deemed Liquidation, the Company shall use the consideration received by the Company for such deemed Liquidation (net of any liabilities associated with the assets sold or technology licensed, as determined in good faith by the Board of Directors), to the extent legally available therefor (the “**Net Proceeds**”), to redeem, on the seventy-fifth (75th) day after such deemed Liquidation (the “**Liquidation Redemption Date**”), all outstanding shares of Preferred Stock at a price per share equal to the Liquidation Preference plus the amount, if any, that the holder of such shares would be entitled to pursuant to Section 2(b) above if the Company were then liquidated. In the event of a redemption pursuant to the preceding sentence, if the Net Proceeds are not sufficient to redeem all outstanding shares of Preferred Stock, the Company
shall redeem each holder’s shares of Preferred Stock in accordance with the preferences and priorities set forth in Sections 2(a)(i), 2(a)(ii) and 2(a)(iii) above. Prior to the distribution or redemption provided for in this Section 2(c), the Company shall not expend or dissipate the consideration received for such deemed Liquidation, except to discharge expenses incurred in the ordinary course of business.

(d) **Greater of Treatment.** Notwithstanding Sections 2(a), 2(b) and 2(c) above, upon a Liquidation, the holders of Preferred Stock shall receive at the closing (and at each date after the closing on which additional amounts (such as earnout payments, escrow amounts or other contingent payments) are paid to stockholders of the Company as a result of the event) in cash, securities or other property an amount equal to the greater of: (x) the amount specified in Sections 2(a) and 2(b) above, or (y) the amount that the holders of Preferred Stock would have been entitled to receive had they converted their shares of Preferred Stock into Common Stock immediately prior to such event at the then effective Conversion Price.

(e) **Shares not Treated as Both Preferred Stock and Common Stock in any Distribution.** Without limiting the terms of Section 2(d) above, shares of Preferred Stock shall not be entitled to be converted into shares of Common Stock in order to participate in any distribution, or series of distributions, as shares of Common Stock, without first foregoing participation in the distribution, or series of distributions, as shares of Preferred Stock.

3. **Conversion.** The Preferred Stock shall have conversion rights as follows:

(a) **Right to Convert.** Each share of Preferred Stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share at the office of the Company or any transfer agent for the Preferred Stock. Each share of Series A Preferred shall be convertible into that number of fully-paid and nonassessable shares of Common Stock that is equal to $43.849 divided by the Series A Conversion Price (as hereinafter defined). The “**Series A Conversion Price.**” shall initially be $9.5012 and shall be subject to adjustment as provided herein. Each share of Series B Preferred shall be convertible into that number of fully-paid and nonassessable shares of Common Stock that is equal to $69.00 divided by the Series B Conversion Price (as hereinafter defined). The “**Series B Conversion Price.**” shall initially be $11.6424 and shall be subject to adjustment as provided herein. Each share of Series C Preferred shall be convertible into that number of fully-paid and nonassessable shares of Common Stock that is equal to $159.30 divided by the Series C Conversion Price (as hereinafter defined). The “**Series C Conversion Price.**” shall initially be $19.33 and shall be subject to adjustment as provided herein. Each share of Series D Preferred shall be convertible into that number of fully-paid and nonassessable shares of Common Stock that is equal to $159.30 divided by the Series D Conversion Price (as hereinafter defined). The “**Series D Conversion Price.**” shall initially be $159.30 and shall be subject to adjustment as provided herein. Each of the Series A Conversion Price, the Series B Conversion Price, the Series C Conversion Price and the Series D Conversion Price are referred to herein as a “**Conversion Price.**”

(b) **Automatic Conversion.** Each share of Preferred Stock shall automatically be converted into shares of Common Stock at the then effective applicable Conversion Price immediately upon (1) the affirmative vote of holders of at least sixty percent
(60%) of the then outstanding Preferred Stock, voting together as a single class on an as-converted basis, or (2) the consummation of a firmly underwritten public offering pursuant to the Securities Act of 1933, as amended (the “Securities Act”), on Form S-1 (as defined in the Securities Act) or any successor form, provided, however, that (i) the per share price to the public is at least $238.95 (as adjusted for stock splits, combinations, reorganizations and the like) and (ii) the aggregate gross proceeds to the Company are not less than $40,000,000 (a “Qualified IPO”).

(c) Special Mandatory Conversion.

(i) If, at any time following the date this Sixth Restated Certificate of Incorporation is filed (A) there occurs an issuance of Preferred Stock of the Company in connection with which a holder of shares of Preferred Stock is entitled to exercise a right of first refusal pursuant to Section 2 of that certain Third Amended and Restated Investor Rights Agreement (the “IRA”), dated as of August 12, 2009 among the Company and the Investors (as defined therein), as amended from time to time (the “Right of First Refusal”) at a price per share which is less than $159.30 (as adjusted for stock splits, combinations, reorganizations and the like) with aggregate proceeds of at least $2,000,000 from institutional or other professional investors (a “Dilutive Equity Financing”) and (B) the Company has complied with its obligations in connection with such Right of First Refusal or such obligations have been waived as provided for in the IRA, then all of the shares of Preferred Stock held by a holder who (together with such holder’s affiliates) does not, by exercise of such holder’s Right of First Refusal, acquire at least its Pro Rata Portion (as defined in the IRA) of the issuance of Series D Preferred contemplated by the amendment dated on or about February 12, 2010 (the “Amendment”), to the Series D Preferred Purchase Agreement dated as of August 12, 2009, shall be calculated based on an aggregate offering amount of Ten Million dollars ($10,000,000) (the “Extension”) (Y) the holder shall be deemed to have purchased his, her or its Pro Rata Portion at the 2010 Initial Closing (as defined in the Amendment) or the 2010 Additional Closing (as defined in the Amendment) and (Z) the Offering Date for the Extension shall be the date of the 2010 Additional Closing. Upon conversion pursuant to this Section 3(c)(i), the shares of Preferred Stock so converted shall be cancelled and not subject to reissuance. For the avoidance of doubt, if a holder and/or a holder’s affiliate(s) acquire at least such holder’s Pro Rata Portion of the securities sold in a Dilutive Equity Financing, then such holder shall not be deemed a Non-Participating Holder for purposes of such Dilutive Equity Financing (regardless of whether such shares are acquired by the holder, by one or more of its affiliates, or by a combination of the holder and one or more of its affiliates).

(ii) A Mandatory Conversion may be waived by the prior written consent of the holders of at least sixty percent (60%) of the then outstanding shares of Preferred Stock, voting together as a single class (with the Preferred Stock voting on an as-converted basis).
(iii) Without limiting or delaying any automatic conversion pursuant to Section 3(c)(i), the Non-Participating Holders holding shares of Preferred Stock converted pursuant to Section 3(c)(i) shall deliver to the Company at the office of the Company or any transfer agent for the Preferred Stock, or at such other place as may be designated by the Company, the certificate or certificates for the shares so converted, duly endorsed or assigned in blank or to the Company. As promptly as practicable thereafter, the Company shall issue and deliver to such holder, at the place designated by such holder, a certificate or certificates for the full number of shares of Common Stock to which such holder is entitled. The person in whose name the certificate for such shares of Common Stock is to be issued shall be deemed to have become a stockholder of record of such shares of Common Stock on the Offering Date unless the transfer books of the Company are closed on that date, in which event such person shall be deemed to have become a stockholder of record on the next succeeding date on which the transfer books are open.

(d) Mechanics of Conversion. No fractional shares of Common Stock shall be issued upon conversion of Preferred Stock. In lieu of any fractional shares to which the holder would otherwise be entitled, the Company shall pay the fair market value cash equivalent of such fractional share as determined by the Board of Directors. For such purpose, all shares of Preferred Stock held by each holder shall be aggregated, and any resulting fractional share of Common Stock shall be paid in cash. Before any holder of Preferred Stock shall be entitled to convert the same into full shares of Common Stock, and to receive certificates therefor, such holder shall surrender the Preferred Stock certificate or certificates, duly endorsed, at the office of the Company or of any transfer agent for the Preferred Stock, and shall give written notice to the Company at such office that such holder elects to convert such shares (or the holder notifies the Company or its transfer agent that such certificates have been lost, stolen or destroyed and executes an agreement satisfactory to the Company (but shall not be required to provide a bond) to indemnify the Company from any loss incurred by it in connection with such certificates); provided, however, that in the event of an automatic conversion pursuant to paragraph 3(b) or 3(c) above, the outstanding shares of Preferred Stock shall be converted automatically without any further action by the holders of such shares and whether or not the certificates representing such shares are surrendered to the Company or its transfer agent; provided further, however, that the Company shall not be obligated to issue certificates evidencing the shares of Common Stock issuable upon such automatic conversion unless either the certificates evidencing such shares of Preferred Stock are delivered to the Company or its transfer agent as provided above, or the holder notifies the Company or its transfer agent that such certificates have been lost, stolen or destroyed and executes an agreement satisfactory to the Company (but shall not be required to provide a bond) to indemnify the Company from any loss incurred by it in connection with such certificates.

The Company shall, as soon as practicable after delivery of the Preferred Stock certificates (or the notice of loss, theft or destruction together with any required indemnity agreement), issue and deliver at such office to such holder of Preferred Stock, a certificate or certificates for the number of shares of Common Stock to which he shall be entitled and a check payable to the holder in the amount of any cash amounts payable as the result of a conversion into fractional shares of Common Stock, plus any declared or accumulated but unpaid dividends on the converted Preferred Stock. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the shares of Preferred
Stock to be converted, and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock on such date; provided, however, that if the conversion is in connection with an underwritten offer of securities registered pursuant to the Securities Act, or in connection with a Liquidation transaction, the conversion may, at the option of any holder tendering Preferred Stock for conversion, be conditioned upon the closing of the sale of securities pursuant to such offering or the closing of such Liquidation transaction, as applicable, in which event the person(s) entitled to receive the Common Stock issuable upon such conversion of the Preferred Stock shall not be deemed to have converted such Preferred Stock until immediately prior to the closing of the sale of such securities or of such transaction.

(e) Adjustments to Conversion Price.

(i) Adjustments for Subdivisions or Combinations of Common. After the date of the filing of this Sixth Restated Certificate of Incorporation, if the outstanding shares of Common Stock shall be subdivided (by stock split, stock dividend or otherwise), into a greater number of shares of Common Stock, the Conversion Prices in effect immediately prior to such subdivision shall, concurrently with the effectiveness of such subdivision, be proportionately decreased. After the date of the filing of this Sixth Restated Certificate of Incorporation, if the outstanding shares of Common Stock shall be combined (by reclassification or otherwise) into a lesser number of shares of Common Stock, the Conversion Prices in effect immediately prior to such combination shall, concurrently with the effectiveness of such combination, be proportionately increased.

(ii) Adjustments for Reclassification, Exchange and Substitution. If the Common Stock issuable upon conversion of the Preferred Stock shall be changed into the same or a different number of shares of any other class or classes of stock, whether by capital reorganization, reclassification or otherwise (other than a subdivision or combination of shares provided for above), the Conversion Prices then in effect shall, concurrently with the effectiveness of such reorganization or reclassification, be proportionately adjusted such that the Preferred Stock shall be convertible into, in lieu of the number of shares of Common Stock which the holders would otherwise have been entitled to receive, a number of shares of such other class or classes of stock equivalent to the number of shares of Common Stock that would have been subject to receipt by the holders upon conversion of the Preferred Stock immediately before that change.

(iii) Adjustments for Dilutive Issuances.

(A) On or after the date of the filing of this Sixth Restated Certificate of Incorporation, if the Company shall issue or sell any shares of Common Stock (as actually issued or, pursuant to paragraph (C) below, deemed to be issued) for a consideration per share less than the Conversion Price of any series of Preferred Stock in effect immediately prior to such issue or sale, then immediately upon such issue or sale, the applicable Conversion Price shall be reduced to a price (calculated to the nearest cent) determined by multiplying such prior Conversion Price by a fraction, the numerator of which shall be the number of shares of Calculated Securities (as defined below) outstanding immediately prior to such issue or sale plus the number of shares of Common Stock which the aggregate
consideration received by the Company for the total number of shares of Common Stock so issued or sold would purchase at such prior Conversion Price and the denominator of which shall be the number of shares of Calculated Securities outstanding immediately prior to such issue or sale plus the number of shares of Common Stock so issued or sold. Notwithstanding the foregoing, all adjustments under this subsection (iii) with respect to a particular issuance event may be waived by written consent of the holders of at least sixty percent (60%) of the Preferred Stock then outstanding, voting together as a single, separate class on an as-converted basis. “Calculated Securities” means (i) all shares of Common Stock actually outstanding; (ii) all shares of Common Stock issuable upon conversion of the then outstanding Preferred Stock (without giving effect to any adjustments to the conversion price of any series of Preferred Stock as a result of such issuance); and (iii) all shares of Common Stock issuable upon exercise and/or conversion of outstanding options, warrants or other rights for the purchase of shares of stock.

(B) For the purposes of paragraph (A) above, none of the following issuances shall be considered the issuance or sale of Common Stock:

(1) The issuance of Common Stock upon the conversion of any Convertible Securities outstanding as of the date of filing of this Sixth Restated Certificate of Incorporation. “Convertible Securities” shall mean any bonds, debentures, notes or other evidences of indebtedness, and any warrants, shares or any other securities convertible into, exercisable for, or exchangeable for Common Stock, including the Preferred Stock.

(2) The issuance of up to Three Million Five Hundred Thirty-Nine Thousand One Hundred Sixteen (3,539,116) shares of Common Stock (or options to purchase shares of Common Stock) to employees, directors or consultants of the Company under equity incentive plans, programs or agreements approved by the Board of Directors, including at least three of the Preferred Directors, and including any options outstanding as of the date of filing of this Sixth Restated Certificate of Incorporation (not including the reissuance of shares repurchased by the Company from employees or consultants of the Company); provided, that the maximum number of shares permitted by this clause (2) may be increased by written consent of the holders of at least sixty percent (60%) of the Preferred Stock then outstanding, voting together as a single, separate class on an as-converted basis.

(3) The issuance of up to Sixty-Six Thousand Six Hundred Sixty-Seven (66,667) shares of Common Stock (or options or warrants to purchase Common Stock) to lenders, financial institutions, equipment lessors, or real estate lessors to the Company in connection with commercial credit arrangements, equipment financings, commercial property leases or similar transactions approved by the Board of Directors; provided, that the maximum number of shares permitted by this clause (3) may be increased by written consent of the holders of at least sixty percent (60%) of the Preferred Stock then outstanding, voting together as a single, separate class on an as-converted basis.

(4) The issuance of up to Sixty-Six Thousand Six Hundred Sixty-Seven (66,667) shares Common Stock (or options or warrants to purchase Common Stock) pursuant to (i) the acquisition of another business by the Company by
merger, purchase of substantially all of the assets or shares, or other reorganization whereby the Company or its shareholders own not less than a majority of the voting power of the surviving or successor business or (ii) the acquisition of technology or other intellectual property by outright purchase or exclusive license, in each case, provided that such transaction is approved by the Board of Directors; provided, that the maximum number of shares permitted by this clause (4) may be increased by written consent of the holders of at least sixty percent (60%) of the Preferred Stock then outstanding, voting together as a single, separate class on an as-converted basis.

(5) The issuance of Common Stock in connection with a Qualified IPO.

(6) The issuance of up to Sixty-Six Thousand Six Hundred Sixty-Seven (66,667) shares of Common Stock (or options or warrants to purchase Common Stock) in connection with strategic partnership transactions approved by the Board of Directors; provided, that the maximum number of shares permitted by this clause (6) may be increased by written consent of the holders of at least sixty percent (60%) of the Preferred Stock then outstanding, voting together as a single, separate class on an as-converted basis.

(7) The issuance of shares of Common Stock pursuant to stock splits, stock dividends or similar transactions.

(C) For the purposes of paragraphs (A) and (B) above, the following subparagraphs 1 to 3, inclusive, shall also be applicable:

(1) In case at any time the Company shall grant any rights to subscribe for, or any rights or options to purchase, Convertible Securities, whether or not such rights or options or the right to convert or exchange any such Convertible Securities are immediately exercisable, and the price per share for which Common Stock is issuable upon the exercise of such rights or options or upon conversion or exchange of such Convertible Securities (determined by dividing (x) the total amount, if any, received or receivable by the Company as consideration for the granting of such rights or options, plus the minimum aggregate amount of additional consideration payable to the Company upon the exercise of such rights or options, plus, in the case of any such rights or options which relate to such Convertible Securities, the minimum aggregate amount of additional consideration, if any, payable upon the issue or sale of such Convertible Securities and upon the conversion or exchange thereof, by (y) the total maximum number of shares of Common Stock issuable upon the exercise of such rights or options or upon conversion or exchange of all such Convertible Securities issuable upon the exercise of such rights or options) shall be less than the Series A Conversion Price, Series B Conversion Price, Series C Conversion Price or Series D Conversion Price, as applicable, in effect immediately prior to the time of the granting of such rights or options, then the total maximum number of shares of Common Stock issuable upon the exercise of such rights or options or upon conversion or exchange of the total maximum amount of such Convertible Securities issuable upon the exercise of such rights or options shall (as of the date of granting of such rights or options) be deemed to be outstanding and to have been issued for such price per share.
In case at any time the Company shall issue or sell any Convertible Securities, whether or not the rights to exchange or convert thereunder are immediately exercisable, and the price per share for which Common Stock is issuable upon such conversion or exchange (determined by dividing (x) the total amount received or receivable by the Company as consideration for the issue or sale of such Convertible Securities, plus the minimum aggregate amount of additional consideration, if any, payable to the Company upon the conversion or exchange thereof, by (y) the total maximum number of shares of Common Stock issuable upon the conversion or exchange of all such Convertible Securities) shall be less than the Series A Conversion Price, Series B Conversion Price, Series C Conversion Price or Series D Conversion Price, as applicable, in effect immediately prior to the time of such issue or sale, then the total maximum number of shares of Common Stock issuable upon conversion or exchange of such Convertible Securities shall (as of the date of the issue or sale of such Convertible Securities) be deemed to be outstanding and to have been issued for such price per share, provided that if any such issue or sale of such Convertible Securities is made upon exercise of any rights to subscribe for or to purchase or any option to purchase any such Convertible Securities for which adjustments of the conversion price have been or are to be made pursuant to other provisions of this paragraph (C), no further adjustment of the conversion price shall be made by reason of such issue or sale.

In case at any time any shares of Common Stock or Convertible Securities or any rights or options to purchase any such Common Stock, or Convertible Securities shall be issued or sold for cash, the consideration received therefor shall be deemed to be the amount received by the Company therefor. In case any shares of Common Stock or Convertible Securities or any rights or options to purchase any such Common Stock or Convertible Securities shall be issued or sold for a consideration other than cash, the amount of the consideration other than cash received by the Company shall be deemed to be the fair value of such consideration as determined by the Board of Directors. In case any shares of Common Stock or Convertible Securities or any rights or options to purchase any such Common Stock or Convertible Securities shall be issued in connection with any merger of another corporation into the Company, the amount of consideration therefore shall be deemed to be the fair value of the assets of such merged corporation (less its liabilities) as determined by the Board of Directors after deducting therefrom all cash and other consideration (if any) paid by the Company in connection with such merger.

(f) No Impairment. The Company will not, by amendment of its Certificate of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in carrying out of all the provisions of this Section 3 and in the taking of all such action as may be necessary or appropriate in order to protect the conversion rights of the holders of the Preferred Stock against impairment.

(g) Certificate of Adjustments. Upon the occurrence of each adjustment of any Conversion Price pursuant to this Section 3, the Company at its expense shall promptly compute such adjustment and furnish to each holder of Preferred Stock a certificate setting forth such adjustment and showing in detail the facts upon which such adjustment is based. The Company shall, upon the written request at any time of any holder of Preferred
Stock, furnish to such holder a like certificate setting forth (i) any and all adjustments made to the Preferred Stock since the date of the first issuance of Preferred Stock, (ii) the Conversion Price at the time in effect for the applicable series of Preferred Stock, and (iii) the number of shares of Common Stock and the amount, if any, of other property which at the time would be received upon the conversion of Preferred Stock.

(h) **Notices of Record Date.** In the event that the Company shall propose at any time (i) to declare any dividend or Distribution; (ii) to offer for subscription to the holders of any class or series of its stock any additional shares of stock or other rights; (iii) to effect any reclassification or recapitalization; or (iv) to effect a Liquidation; then, in connection with each such event, the Company shall send to the holders of the Preferred Stock at least 20 days’ prior written notice of the date on which a record shall be taken for such dividend, Distribution or subscription rights (and specifying the date on which the holders of stock shall be entitled thereto) or for determining rights to vote in respect of the matters referred to in clauses (iii) and (iv) above. Notwithstanding the provisions of this Section 3(h), any requirement to deliver prior written notice of events pursuant to this Section 3(h) may be waived by holders of at least a majority of the Company’s outstanding Preferred Stock.

(i) **Reservation of Stock Issuable Upon Conversion.** The Company shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of the shares of the Preferred Stock, such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all then outstanding shares of the Preferred Stock; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Preferred Stock, the Company will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purpose.

4. **Voting .**

(a) Except as otherwise expressly provided herein or as required by law, the holders of Preferred Stock and the holders of Common Stock shall vote together and not as separate classes.

(b) **Preferred Stock.** Each holder of shares of Preferred Stock shall be entitled to the number of votes equal to the number of shares of Common Stock into which such shares of Preferred Stock held by such holder of Preferred Stock could then be converted. The holders of shares of the Preferred Stock shall be entitled to vote on all matters on which the Common Stock shall be entitled to vote. The holders of the Preferred Stock shall be entitled to notice of any stockholders’ meeting in accordance with the bylaws of the Company. Fractional votes shall not, however, be permitted and any fractional voting rights resulting from the above formula (after aggregating all shares into which shares of Preferred Stock held by each holder could be converted), shall be disregarded.

(c) **Common Stock.** Each holder of shares of Common Stock shall be entitled to one vote for each share thereof held. The number of authorized shares of
Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of at least sixty percent (60%) of the stock of the Company entitled to vote, voting together as a single class on an as-converted basis, irrespective of the provisions of Section 242(b)(2) of the General Corporation Law of Delaware.

(d) **Election of Directors.** The authorized number of directors will be set forth in the Company’s bylaws.

   (i) So long as any shares of Series D Preferred are outstanding, the holders of Series D Preferred, voting separately as a single class, shall have the exclusive and special right to elect two (2) directors (each a “**Series D Director**”), and to remove from office such director and to fill any vacancy caused by the resignation, death or removal of such director.

   (ii) So long as any shares of Series C Preferred are outstanding, the holders of Series C Preferred, voting separately as a single class, shall have the exclusive and special right to elect one (1) director (the “**Series C Director**”), and to remove from office such director and to fill any vacancy caused by the resignation, death or removal of such director.

   (iii) So long as any shares of Series B Preferred are outstanding, the holders of Series B Preferred, voting separately as a single class, shall have the exclusive and special right to elect one (1) director (the “**Series B Director**”), and to remove from office such director and to fill any vacancy caused by the resignation, death or removal of such director.

   (iv) So long as any shares of Series A Preferred are outstanding, the holders of the Series A Preferred, voting separately as a single class, shall have the exclusive and special right to elect two (2) directors (each a “**Series A Director**” and, together with the Series D Directors, the Series C Director and the Series B Director, the “**Preferred Directors**”), each of whom shall be elected by holders of at least 60% of the then outstanding Series A Preferred, and to remove from office such directors and to fill any vacancy caused by the resignation, death or removal of such directors.

   (v) The holders of Common Stock, voting separately as a single class, shall have the exclusive and special right to elect one (1) director (the “**Common Director**”), and to remove from office such director and to fill any vacancy caused by the resignation, death or removal of such director.

   (vi) All other directors shall be nominated unanimously by the existing directors and elected by the holders of the Common Stock and the Preferred Stock, voting together as a single class on an as-converted basis. Any vacancies on the Board of Directors shall be filled by vote of the holders of the class or series that elected the director whose absence created such vacancy. There shall be no cumulative voting.
5. **Amendments and Changes.**

   (a) **Approval by Preferred Stock.** Notwithstanding Section 4 above, the Company shall not (by amendment, merger, consolidation or otherwise), without first obtaining the approval (by vote or written consent as provided by law) of holders of at least sixty percent (60%) of the Preferred Stock then outstanding, voting together as a single, separate class on an as-converted basis:

   (i) amend, repeal or waive any provision of, or add any provision to this Sixth Restated Certificate of Incorporation or the bylaws of the Company;

   (ii) take any action that alters or changes or adversely affects the rights, privileges or preferences of, or restrictions provided for the benefit of, the Preferred Stock, regardless of whether any such action is by means of amendment to the Company’s Certificate of Incorporation or by merger, consolidation or otherwise;

   (iii) increase or decrease the number of shares of Preferred Stock or Common Stock or any Series of Preferred Stock that the Company shall have the authority to issue;

   (iv) create or issue any securities of the Company (by reclassification or otherwise) having rights, preferences or privileges which are senior to, or *pari passu* with, any of the rights, preferences or privileges of any of the Preferred Stock;

   (v) consummate any Liquidation;

   (vi) effect a merger or consolidation with or into a subsidiary corporation;

   (vii) cause the acquisition of any stock, material assets or business of any entity outside the ordinary course of business in any form of transaction or the formation of any entity for the purpose of establishing a joint venture with any other entity, unless in each case approved by the Board of Directors;

   (viii) authorize the issuance of any additional shares of a previously designated series of Preferred Stock other than in accordance with the stock purchase agreement executed in connection with the initial issuance thereof;

   (ix) create or authorize the creation of any debt security or instrument or otherwise incur new indebtedness if the Company’s aggregate indebtedness would exceed $5,000,000 (excluding equipment leases, lines of credit or other debt financing approved by the Board of Directors);

   (x) sell, license, encumber or dispose of all or substantially all of the Company’s assets, technology or intellectual property (other than pursuant to equipment leases, lines of credit or other debt financing approved by the Board of Directors);
(xi) change the authorized number of directors of the Company;

(xii) authorize, declare or obligate the Company to pay a dividend or other Distribution on any of the Company’s stock (other than a dividend payable solely in shares of Common Stock);

(xiii) redeem or repurchase shares of the Company’s stock (except in connection with the repurchase of shares of Common Stock issued to or held by employees, consultants, officers and directors upon termination of their employment or services pursuant to agreements providing for the right of said repurchase, which agreements were authorized by the approval of the Board of Directors), including any payment into or set aside for a sinking fund for such purposes;

(xiv) effect a recapitalization or reclassification of any of the Company’s outstanding capital stock; or

(xv) permit any subsidiary of the Company to do any of the foregoing or to sell shares to a third party.

(b) Approval by Series D Preferred. Notwithstanding Section 4 above, the Company shall not, without first obtaining the approval (by vote or written consent as provided by law) of holders of at least 60% of the Series D Preferred then outstanding, voting together as a single, separate class:

(i) take any action that materially and adversely affects the rights, preferences or privileges of the Series D Preferred in a manner different than the other series of Preferred Stock;

(ii) amend, repeal or waive any provision of, or add any provision to this Sixth Restated Certificate of Incorporation or the bylaws of the Company, in each case, in a manner that materially and adversely affects the rights preferences or privileges of the Series D Preferred differently than the other series of Preferred Stock; or

(iii) effect a transaction (other than a capital raising transaction) with (A) an affiliate of the Company or (B) a stockholder (or an affiliate of such a stockholder) of the Company if that stockholder directly or indirectly owns more than 5% of the Company’s outstanding Common Stock or has a right to acquire more than 5% of the Company’s outstanding Common Stock.

(c) Approval by Series C Preferred. Notwithstanding Section 4 above, the Company shall not, without first obtaining the approval (by vote or written consent as provided by law) of holders of at least 60% of the Series C Preferred then outstanding, voting together as a single, separate class:

(i) take any action that materially and adversely affects the rights, preferences or privileges of the Series C Preferred in a manner different than the other series of Preferred Stock;
(ii) amend, repeal or waive any provision of, or add any provision to this Sixth Restated Certificate of Incorporation or the bylaws of the Company, in each case, in a manner that materially and adversely affects the rights preferences or privileges of the Series C Preferred differently than the other series of Preferred Stock; or

(iii) effect a transaction (other than a capital raising transaction) with (A) an affiliate of the Company or (B) an affiliate of a stockholder of the Company that directly or indirectly owns more than 5% of the Company’s outstanding Common Stock or has a right to acquire more than 5% of the Company’s outstanding Common Stock.

(d) Approval by Series B Preferred. Notwithstanding Section 4 above, the Company shall not, without first obtaining the approval (by vote or written consent as provided by law) of holders of at least 60% of the Series B Preferred then outstanding, voting together as a single, separate class:

(i) take any action that materially and adversely affects the rights, preferences or privileges of the Series B Preferred in a manner different than the other series of Preferred Stock; or

(ii) amend, repeal or waive any provision of, or add any provision to this Sixth Restated Certificate of Incorporation or the bylaws of the Company, in each case, in a manner that materially and adversely affects the rights preferences or privileges of the Series B Preferred differently than the other series of Preferred Stock.

6. Notices. Any notice required by the provisions of this Article FOURTH to be given to the holders of Preferred Stock shall be deemed given if deposited in the United States mail, postage prepaid, if deposited with a nationally recognized overnight courier, or if personally delivered, and addressed to each holder of record at such holder’s address appearing on the books of the Company; provided, that it shall not be deemed given until the earliest of actual receipt, the third business day after being so deposited in the mail, or the second business day after being so deposited with such a courier, as applicable.

7. Status of Converted Stock. In the event any shares of Preferred Stock shall be converted pursuant to Section 3 hereof, the shares so converted shall be canceled and shall not thereafter be issuable by the Company, and the Company may thereafter take such appropriate action (without the need for stockholder action) as may be necessary accordingly to amend this Sixth Restated Certificate of Incorporation to reduce the authorized number of shares of Preferred Stock (including any series of Preferred Stock), but not below the number then outstanding.

FIFTH

The Board of Directors shall have the power to adopt, amend and repeal the bylaws of the Company (except insofar as the bylaws of the Company as adopted by action of the stockholders of the Company shall otherwise provide). Any bylaws made by the directors under the powers conferred hereby may be amended or repealed by the directors or by the stockholders, and the powers conferred in this Article FIFTH shall not abrogate the right of the stockholders to adopt, amend and repeal bylaws.
SIXTH

Election of directors need not be by written ballot unless the bylaws of the Company shall so provide.

SEVENTH

The Company reserves the right to amend the provisions in this Sixth Restated Certificate of Incorporation and in any certificate amendatory hereof in the manner now or hereafter prescribed by law, and all rights conferred on stockholders or others hereunder or thereunder are granted subject to such reservation.

EIGHTH

(a) To the fullest extent permitted by the Delaware General Corporation Law as the same exists or as may hereafter be amended, no director of the Company shall be personally liable to the Company or its stockholders for monetary damages for breach of fiduciary duty as a director. If the Delaware General Corporation Law is amended after approval by the stockholders of this Article EIGHTH to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Company shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law as so amended.

(b) The Company shall have the power to, and in the case of any director or officer of the Company, shall, indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that the person is or was a director, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise (each such person, an “Indemnity Claimant”), against expenses (including attorneys’ fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the Indemnity Claimant in connection with such action, suit or proceeding if the Indemnity Claimant acted in good faith and in a manner the Indemnity Claimant reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the Indemnity Claimant’s conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the Indemnity Claimant did not act in good faith and in a manner which the Indemnity Claimant reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had reasonable cause to believe that the Indemnity Claimant’s conduct was unlawful.

(c) The Company shall indemnify any Indemnity Claimant who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit by or in the right of the Company to procure a judgment in its favor by reason of the fact that the Indemnity Claimant is or was a director, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another
(d) Expenses incurred in defending a civil or criminal action, suit or proceeding shall (in the case of any action, suit or proceeding against a director or officer of the Company) or may (in the case of any action, suit or proceeding against a, trustee, employee or agent) be paid by the Company in advance of the final disposition of such action, suit or proceeding as authorized by the Board of Directors upon receipt of an undertaking by or on behalf of the indemnified person to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Company as authorized in this Article EIGHTH. Notwithstanding the foregoing, no advance shall be made by the Company if a determination is reasonably and promptly made at a meeting duly held by a majority vote of disinterested directors that, based upon the facts known to such disinterested directors at the time such determination is made, either (i) the Indemnity Claimant did not act in good faith and in a manner which the Indemnity Claimant reasonably believed to be in or not opposed to the best interests of the Company, (ii) with respect to any criminal action or proceeding, the Indemnity Claimant reasonably believed to be in or not opposed to the best interests of the Company, (ii) with respect to any criminal action or proceeding, the Indemnity Claimant had reasonable cause to believe that the Indemnity Claimant’s conduct was unlawful, or (iii) as a result of the alleged actions by the Indemnity Claimant, it is more likely than not that it will ultimately be determined that Indemnity Claimant is not entitled to indemnification.

(e) The right to indemnification and advancement of expenses provided by or granted pursuant to this Article EIGHTH shall not exclude or be exclusive of any other rights to which any person may be entitled under the bylaws of the Company, any contract or agreement between the Company and any officer, director, employee or agent of the Company, vote of stockholders or otherwise.

(f) Neither any amendment nor repeal of this Article EIGHTH, nor the adoption of any provision of the Company’s Certificate of Incorporation inconsistent with this Article EIGHTH, shall eliminate or reduce the effect of this Article EIGHTH in respect of any matter occurring before such amendment, repeal or adoption of an inconsistent provision, or in respect of any cause of action, suit or claim relating to any such matter which would have given rise to a right of indemnification or right to receive expenses pursuant to this Article EIGHTH if such provision had not been so amended or repealed or if a provision inconsistent therewith had not been so adopted. Notwithstanding any other provision herein, any right or protection provided under this Article EIGHTH shall be deemed to vest at the time the act or omission occurred, irrespective of when and whether a proceeding challenging such act or omission is first threatened or commenced.
(g) The Company may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Company or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the Company would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.
CERTIFICATE OF AMENDMENT
TO THE SIXTH RESTATED CERTIFICATE OF INCORPORATION
OF COMPLETE GENOMICS, INC.

Complete Genomics, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, hereby certifies as follows:

A. The name of this corporation is Complete Genomics, Inc., and the original Certificate of Incorporation of the corporation was filed with the Secretary of State of the State of Delaware on June 14, 2005.

B. This amendment to the Sixth Restated Certificate of Incorporation of the corporation herein certified was duly adopted by this corporation’s Board of Directors in accordance with the applicable provisions of Section 242 of the General Corporation Law of the State of Delaware, and this corporation’s stockholders by written consent in accordance with Section 228 of the General Corporation Law of the State of Delaware.

C. Article FOURTH, Section A of the Sixth Restated Certificate of Incorporation of the corporation shall be amended and restated in its entirety as follows:

The aggregate number of shares that the Company shall have authority to issue is Twenty-Six Million Five Hundred Eighty-Two Thousand One Hundred Forty Seven (26,582,147), divided into Seventeen Million Two Hundred Ninety-Three Thousand Nine Hundred Twenty-Five (17,293,925) shares of Common Stock, each with the par value of $0.001 per share, and Nine Million Two Hundred Eighty-Eight Thousand Two Hundred Twenty Two (9,288,222) shares of Preferred Stock, each with the par value of $0.001 per share. The Preferred Stock may be issued in one or more series, of which one such series shall be denominated the “Series A Preferred,” one such series shall be denominated the “Series B Preferred,” one such series shall be denominated the “Series C Preferred,” one such series shall be denominated the “Series D Preferred” (collectively, the “Preferred Stock”). The Series A Preferred shall consist of One Hundred Thirty-Eight Thousand Six Hundred Fifty-Eight (138,658) shares. The Series B Preferred shall consist of Two Hundred Five Thousand Seven Hundred Fifty Eight (205,758) shares. The Series C Preferred shall consist of One Hundred Sixty-Seven Thousand Three Hundred Fifty-Seven (167,357) shares. The Series D Preferred shall consist of Eight Million Seven Hundred Seventy-six Thousand Four Hundred Forty Nine (8,776,449) shares.

D. The first sentence of Article FOURTH, Section B.3.(c)(i) of the Sixth Restated Certificate of Incorporation of the corporation shall be amended and restated in its entirety as follows:

(i) If, at any time following the date this Sixth Restated Certificate of Incorporation is filed, (A) there occurs an issuance of Preferred Stock of the Company, or securities convertible into Preferred Stock of the Company, in connection with which a holder of shares of Preferred Stock is entitled to exercise a right of first refusal pursuant to Section 2 of that certain Third Amended and Restated Investor Rights Agreement (the “IRA”), dated as of August 12, 2009 among the Company and the Investors (as defined therein), as amended from time to time (the “Right of First Refusal”) at a price per share (or in the case of securities convertible into Preferred Stock, which convert at a price per share) which is less than $159.30 (as adjusted for stock splits, combinations, reorganizations and the
(Signature Page Follows)
IN WITNESS WHEREOF, Complete Genomics, Inc. has caused this Certificate of Amendment to the Sixth Restated Certificate of Incorporation to be signed by its duly authorized officer on this 12th day of April, 2010.

COMPLETE GENOMICS, INC.

By: /s/ Clifford A. Reid
   Clifford A. Reid,
   President and Chief Executive Officer
CERTIFICATE OF AMENDMENT  
TO THE SIXTH RESTATED CERTIFICATE OF INCORPORATION  
OF  
COMPLETE GENOMICS, INC.

Complete Genomics, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, hereby certifies as follows:

A. The name of this corporation is Complete Genomics, Inc., and the original Certificate of Incorporation of the corporation was filed with the Secretary of State of the State of Delaware on June 14, 2005.

B. This amendment to the Sixth Restated Certificate of Incorporation of the corporation herein certified was duly adopted by this corporation’s Board of Directors in accordance with the applicable provisions of Section 242 of the General Corporation Law of the State of Delaware, and this corporation’s stockholders by written consent in accordance with Section 228 of the General Corporation Law of the State of Delaware.

C. Article FOURTH, Section B.3.(c)(i) of the Sixth Restated Certificate of Incorporation of the corporation shall be amended and restated in its entirety as follows:

“(i) If, prior to the issuance of a new series of Preferred Stock (the “New Preferred”):

(A) the Company issues Preferred Stock, or securities convertible into Preferred Stock, with aggregate proceeds of at least $2,000,000 from institutional or other professional investors (a “Qualified Financing”); and

(B) any holder of shares of Preferred Stock does not purchase such holder’s Pro Rata Portion (as defined below) at one or more closings, as provided in the agreement governing the issuances of the securities to be issued in the Qualified Financing,

then each five (5) shares of Common Stock or Preferred Stock held prior to the issuance of the New Preferred by a holder who (together with such holder’s affiliates) does not acquire at least its Pro Rata Portion of the securities sold in such Qualified Financing (a “Non-Participating Holder”), shall be automatically and without further action on the part of such holder be converted into one share of Common Stock (such conversion, a “Mandatory Conversion”), effective immediately prior to the consummation of the final closing of the Qualified Financing (the “Offering Date”). A holder’s Pro Rata Portion equals the ratio that (x) the number of shares of the Company’s Preferred Stock (on an as-converted basis) held by such holder immediately prior to first closing of the Qualified Financing, but excluding any other security of the Company exercisable for, or convertible into, Preferred Stock, bears to (y) the number of shares of the Company’s Preferred Stock (on an as-converted basis) held by all holders of Preferred Stock as of such time, but excluding any other security of the Company exercisable for, or convertible into, Preferred Stock.

Upon conversion pursuant to this Section 3(c)(i), the shares of Common Stock or Preferred Stock so converted shall be cancelled and not subject to reissuance. For the avoidance of doubt, if a holder and/or a holder’s affiliate(s) acquire at least such holder’s Pro Rata Portion (as defined above) of the securities sold in a Qualified Financing, then such holder shall not be deemed a Non-Participating Holder for purposes of such Qualified
Financing (regardless of whether such shares are acquired by the holder, by one or more of its affiliates, or by a combination of the holder and one or more of its affiliate)."
IN WITNESS WHEREOF, Complete Genomics, Inc. has caused this Certificate of Amendment to the Sixth Restated Certificate of Incorporation to be signed by its duly authorized officer on this 22\textsuperscript{nd} day of June, 2010.

COMPLETE GENOMICS, INC.

By: /s/ Clifford A. Reid
    Clifford A. Reid,
    President and Chief Executive Officer
BYLAWS

OF

COMPLETE GENOMICS, INC.
BYLAWS
OF
COMPLETE GENOMICS, INC.

ARTICLE I.
OFFICES

1. REGISTERED OFFICES. The registered office shall be in the City of Wilmington, County of New Castle, State of Delaware.

2. OTHER OFFICES. The corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the corporation may require.

ARTICLE II.
MEETINGS OF STOCKHOLDERS

1. PLACE OF MEETINGS. Meetings of stockholders shall be held at any place within or outside the State of Delaware designated by the Board of Directors. In the absence of any such designation, stockholders’ meetings shall be held at the principal executive office of the corporation.

2. ANNUAL MEETING OF STOCKHOLDERS. The annual meeting of stockholders shall be held each year on a date and a time designated by the Board of Directors. At each annual meeting directors shall be elected and any other proper business may be transacted.

3. QUORUM; ADJOURNED MEETINGS AND NOTICE THEREOF. A majority of the stock issued and outstanding and entitled to vote at any meeting of stockholders, the holders of which are present in person or represented by proxy, shall constitute a quorum for the transacting of business except as otherwise provided by law, by the Certificate of Incorporation, or by these Bylaws. A quorum, once established, shall not be broken by the withdrawal of enough votes to leave less than a quorum and the votes present may continue to transact business until adjournment. If, however, such quorum shall not be present or represented at any meeting of the stockholders, a majority of the voting stock represented in person or by proxy may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote thereat.

4. VOTING. When a quorum is present at any meeting, in all matters other than the election of directors, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which by express provision of the statutes, or the Certificate of Incorporation, or these Bylaws, a different vote is required in which case such express provision shall govern and control the decision of such question. Directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors.
5. PROXIES. At each meeting of the stockholders, each stockholder having the right to vote may vote in person or may authorize another person or persons to act for him by proxy appointed by an instrument in writing subscribed by such stockholder and bearing a date not more than three years prior to said meeting, unless said instrument provides for a longer period. All proxies must be filed with the Secretary of the corporation at the beginning of each meeting in order to be counted in any vote at the meeting. Each stockholder shall have one vote for each share of stock having voting power, registered in his name on the books of the corporation on the record date set by the Board of Directors as provided in Article VII, Section 6 hereof.

6. SPECIAL MEETINGS. Special meetings of the stockholders, for any purpose, or purposes, unless otherwise prescribed by statute or by the Certificate of Incorporation, may be called by the President and shall be called by the President or the Secretary at the request in writing of a majority of the Board of Directors, or at the request in writing of stockholders owning a majority in amount of the entire capital stock of the corporation issued and outstanding, and entitled to vote. Such request shall state the purpose or purposes of the proposed meeting. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

7. NOTICE OF STOCKHOLDERS’ MEETINGS. Whenever stockholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which notice shall state the place, date and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. The written notice of any meeting shall be given to each stockholder entitled to vote at such meeting not less than ten nor more than sixty days before the date of the meeting. If mailed, notice is given when deposited in the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the corporation.

8. MAINTENANCE AND INSPECTION OF STOCKHOLDER LIST. The officer who has charge of the stock ledger of the corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

9. STOCKHOLDER ACTION BY WRITTEN CONSENT WITHOUT A MEETING. Unless otherwise provided in the Certificate of Incorporation, any action required to be taken at any annual or special meeting of stockholders of the corporation, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the corporation by delivery to its registered office in Delaware, its principal place of business, or to an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Every written consent shall bear the date of signature of each stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within sixty days of the earliest dated consent delivered in the manner required by this Section 9 to the corporation, written consents signed by a sufficient number of holders to take action are delivered to the corporation by delivery to its registered office in Delaware, its
principal place of business or to an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to a corporation’s registered office shall be by hand or by certified or registered mail, return receipt requested. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

ARTICLE III.
DIRECTORS

1. THE NUMBER OF DIRECTORS. The number of directors which shall constitute the whole Board shall be set by resolution of the Board from time to time. The directors need not be stockholders. The directors shall be elected at the annual meeting of the stockholders, except as provided in Section 2 of this Article, and each director elected shall hold office until his successor is elected and qualified; provided, however, that unless otherwise restricted by the Certificate of Incorporation or by law, any director or the entire Board of Directors may be removed, either with or without cause, from the Board of Directors at any meeting of stockholders by a majority of the stock represented and entitled to vote thereat.

2. VACANCIES. Vacancies on the Board of Directors by reason of death, resignation, retirement, disqualification, removal from office, or otherwise, and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director. The directors so chosen shall hold office until the next annual election of directors and until their successors are duly elected and shall qualify, unless sooner displaced. If there are no directors in office, then an election of directors may be held in the manner provided by statute. If, at the time of filling any vacancy or any newly created directorship, the directors then in office shall constitute less than a majority of the whole Board (as constituted immediately prior to any such increase), the Court of Chancery may, upon application of any stockholder or stockholders holding at least ten percent of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office.

3. POWERS. The property and business of the corporation shall be managed by or under the direction of its Board of Directors. In addition to the powers and authorities by these Bylaws expressly conferred upon them, the Board may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these Bylaws directed or required to be exercised or done by the stockholders.

4. PLACE OF DIRECTORS’ MEETINGS. The directors may hold their meetings and have one or more offices, and keep the books of the corporation outside of the State of Delaware.

5. REGULAR MEETINGS. Regular meetings of the Board of Directors may be held without notice at such time and place as shall from time to time be determined by the Board.

6. SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by the President on forty-eight hours’ notice to each director, either personally or by mail or by telegram; special meetings shall be called by the President or the Secretary in like manner and on like notice on the written request of two directors unless the Board consists of only one director; in which case
special meetings shall be called by the President or Secretary in like manner or on like notice on the written request of the sole director.

7. QUORUM. At all meetings of the Board of Directors a majority of the authorized number of directors shall be necessary and sufficient to constitute a quorum for the transaction of business, and the vote of a majority of the directors present at any meeting at which there is a quorum, shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute, by the Certificate of Incorporation or by these Bylaws. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present. If only one director is authorized, such sole director shall constitute a quorum.

8. ACTION WITHOUT MEETING. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the Board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee.

9. TELEPHONIC MEETINGS. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors, or any committee, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at such meeting.

10. COMMITTEES OF DIRECTORS. The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more committees, each such committee to consist of one or more of the directors of the corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualified of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or she constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to amending the Certificate of Incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the corporation’s property and assets, recommending to the stockholders a dissolution of the corporation or a revocation of a dissolution, or amending the Bylaws of the corporation; and, unless the resolution or the Certificate of Incorporation expressly so provide, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock.

11. MINUTES OF COMMITTEE MEETINGS. Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

12. COMPENSATION OF DIRECTORS. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, the Board of Directors shall have the authority to fix the compensation of directors. The directors may be paid their expenses, if any, of attendance at each
meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as
director. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation
therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

ARTICLE IV.
OFFICERS

1. OFFICERS. The officers of this corporation shall be chosen by the Board of Directors and shall include a Chairman of the Board of
Directors or a President, or both, and a Secretary. The corporation may also have at the discretion of the Board of Directors such other officers as
are desired, including a Vice-Chairman of the Board of Directors, a Chief Executive Officer, a Treasurer, one or more Vice Presidents, one or
more Assistant Secretaries and Assistant Treasurers, and such other officers as may be appointed in accordance with the provisions of Section 3
hereof. In the event there are two or more Vice Presidents, then one or more may be designated as Executive Vice President, Senior Vice
President, or other similar or dissimilar title. At the time of the election of officers, the directors may by resolution determine the order of their
rank. Any number of offices may be held by the same person, unless the Certificate of Incorporation or these Bylaws otherwise provide.

2. ELECTION OF OFFICERS. The Board of Directors, at its first meeting after each annual meeting of stockholders, shall choose the
officers of the corporation.

3. SUBORDINATE OFFICERS. The Board of Directors may appoint such other officers and agents as it shall deem necessary who shall
hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board.

4. COMPENSATION OF OFFICERS. The salaries of all officers and agents of the corporation shall be fixed by the Board of Directors.

5. TERM OF OFFICE; REMOVAL AND VACANCIES. The officers of the corporation shall hold office until their successors are chosen
and qualify in their stead. Any officer elected or appointed by the Board of Directors may be removed at any time by the affirmative vote of a
majority of the Board of Directors. If the office of any officer or officers becomes vacant for any reason, the vacancy shall be filled by the Board
of Directors.

6. CHAIRMAN OF THE BOARD. The Chairman of the Board, if such an officer be elected, shall, if present, preside at all meetings of the
Board of Directors and exercise and perform such other powers and duties as may be from time to time assigned to him by the Board of
Directors or prescribed by these Bylaws. If there is no President, the Chairman of the Board shall in addition be the Chief Executive Officer of
the corporation and shall have the powers and duties prescribed in Section 7 of this Article IV.

7. PRESIDENT. Subject to such supervisory powers, if any, as may be given by the Board of Directors to the Chairman of the Board, if
there be such an officer, the President shall be the Chief Executive Officer of the corporation and shall, subject to the control of the Board of
Directors, have general supervision, direction and control of the business and officers of the corporation. He shall preside at all meetings of the
stockholders and, in the absence of the Chairman of the Board, or if there be none, at all meetings of the Board of Directors. He shall be an ex-
officio member of all committees and shall have the general powers and duties of management usually vested in the office of President and Chief
Executive Officer of corporations, and shall have such other powers and duties as may be prescribed by the Board of Directors or these Bylaws.

8. VICE PRESIDENTS. In the absence or disability of the President, the Vice Presidents in order of their rank as fixed by the Board of Directors, or if not ranked, the Vice President designated by the Board of Directors, shall perform all the duties of the President, and when so acting shall have all the powers of and be subject to all the restrictions upon the President. The Vice Presidents shall have such other duties as from time to time may be prescribed for them, respectively, by the Board of Directors.

9. SECRETARY. The Secretary shall attend all sessions of the Board of Directors and all meetings of the stockholders and record all votes and the minutes of all proceedings in a book to be kept for that purpose; and shall perform like duties for the standing committees when required by the Board of Directors. He shall give, or cause to be given, notice of all meetings of the stockholders and of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or these Bylaws. He shall keep in safe custody the seal of the corporation, and when authorized by the Board, affix the same to any instrument requiring it, and when so affixed it shall be attested by his signature or by the signature of an Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the corporation and to attest the affixing by his signature.

10. ASSISTANT SECRETARY. The Assistant Secretary, or if there be more than one, the Assistant Secretaries in the order determined by the Board of Directors, or if there be no such determination, the Assistant Secretary designated by the Board of Directors, shall, in the absence or disability of the Secretary, perform the duties and exercise the powers of the Secretary and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

11. TREASURER. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation and shall deposit all moneys, and other valuable effects in the name and to the credit of the corporation, in such depositories as may be designated by the Board of Directors. He shall disburse the funds of the corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all his transactions as Treasurer and of the financial condition of the corporation. If required by the Board of Directors, he shall give the corporation a bond, in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors, for the faithful performance of the duties of his office and for the restoration to the corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the corporation.

12. ASSISTANT TREASURER. The Assistant Treasurer, or if there shall be more than one, the Assistant Treasurers in the order determined by the Board of Directors, or if there be no such determination, the Assistant Treasurer designated by the Board of Directors, shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.
ARTICLE V.
INDEMNIFICATION OF DIRECTORS AND OFFICERS

(a) The corporation shall indemnify to the maximum extent permitted by law any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that he is or was a director or officer of the corporation, or is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys’ fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

(b) The corporation shall indemnify to the maximum extent permitted by law any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director or officer of the corporation, or is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys’ fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation and except that no such indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such Court of Chancery or such other court shall deem proper.

(c) To the extent that a director or officer of the corporation shall be successful on the merits or otherwise in defense of any action, suit or proceeding referred to in paragraphs (a) and (b), or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys’ fees) actually and reasonably incurred by him in connection therewith.

(d) Any indemnification under paragraphs (a) and (b) (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director or officer is proper in the circumstances because he has met the applicable standard of conduct set forth in paragraphs (a) and (b). Such determination shall be made (1) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) if such a quorum is not obtainable, or, even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) by the stockholders. The corporation, acting through its Board of
Directors or otherwise, shall cause such determination to be made if so requested by any person who is indemnifiable under this Article V.

(e) Expenses (including attorneys’ fees) incurred by an officer or director in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the corporation as authorized in this Article V.

(f) The indemnification and advancement of expenses provided by, or granted pursuant to, the other paragraphs of this Article V shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office.

(g) The Board of Directors may authorize, by a vote of a majority of a quorum of the Board of Directors, the corporation to purchase and maintain insurance on behalf of any person who is or was a director or officer of the corporation, or is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of this Article V.

(h) For the purposes of this Article V, references to “the corporation” shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors or officers so that any person who is or was a director or officer of such constituent corporation, or is or was serving at the request of such constituent corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article V with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

(i) For purposes of this section, references to “other enterprises” shall include employee benefit plans; references to “fines” shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to “serving at the request of the corporation” shall include service as a director or officer of the corporation which imposes duties on, or involves services by, such director or officer with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner “not opposed to the best interests of the corporation” as referred to in this section.

(j) The indemnification and advancement of expenses provided by, or granted pursuant to, this Article V shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such a person.
(k) The corporation shall be required to indemnify a person in connection with an action, suit or proceeding (or part thereof) initiated by such person only if the action, suit or proceeding (or part thereof) was authorized by the Board of Directors of the corporation.

ARTICLE VI.
INDEMNIFICATION OF EMPLOYEES AND AGENTS

The corporation may indemnify every person who was or is a party or is or was threatened to be made a party to any action, suit, or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was an employee or agent of the corporation or, while an employee or agent of the corporation, is or was serving at the request of the corporation as an employee or agent or trustee of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against expenses (including counsel fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding, to the extent permitted by applicable law.

ARTICLE VII.
CERTIFICATES OF STOCK

1. CERTIFICATES. Every holder of stock of the corporation shall be entitled to have a certificate signed by, or in the name of the corporation by, the Chairman or Vice Chairman of the Board of Directors, or the President or a Vice President, and by the Secretary or an Assistant Secretary, or the Treasurer or an Assistant Treasurer of the corporation, certifying the number of shares represented by the certificate owned by such stockholder in the corporation.

2. SIGNATURES ON CERTIFICATES. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent, or registrar at the date of issue.

3. STATEMENT OF STOCK RIGHTS, PREFERENCES, PRIVILEGES. If the corporation shall be authorized to issue more than one class of stock or more than one series of any class, the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualification, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate which the corporation shall issue to represent such class or series of stock, provided that, except as otherwise provided in Section 202 of the General Corporation Law of Delaware, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate which the corporation shall issue to represent such class or series of stock, a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

4. LOST CERTIFICATES. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal
representative, to advertise the same in such manner as it shall require and/or to give the corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

5. TRANSFERS OF STOCK. Upon surrender to the corporation, or the transfer agent of the corporation, of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

6. FIXED RECORD DATE. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of the stockholders, or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting. In order that the corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date which shall not be more than ten days after the date upon which the resolution fixing the record date is adopted by the Board of Directors.

7. REGISTERED STOCKHOLDERS. The corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof and accordingly shall not be bound to recognize any equitable or other claim or interest in such share on the part of any other person, whether or not it shall have express or other notice thereof, save as expressly provided by the laws of the State of Delaware.

ARTICLE VIII.
GENERAL PROVISIONS

1. DIVIDENDS. Dividends upon the capital stock of the corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation.

2. PAYMENT OF DIVIDENDS; DIRECTORS’ DUTIES. Before payment of any dividend there may be set aside out of any funds of the corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve fund to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the directors shall think conducive to the interests of the corporation, and the directors may abolish any such reserve.

3. CHECKS. All checks or demands for money and notes of the corporation shall be signed by such officer or officers as the Board of Directors may from time to time designate.

4. FISCAL YEAR. The fiscal year of the corporation shall be fixed by resolution of the Board of Directors.
5. MANNER OF GIVING NOTICE. Whenever, under the provisions of the statutes or of the Certificate of Incorporation or of these Bylaws, notice is required to be given to any director or stockholder, it shall not be construed to mean personal notice, but such notice may be given in writing, by mail, addressed to such director or stockholder, at his address as it appears on the records of the corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Notice to directors may also be given by telegram.

6. WAIVER OF NOTICE. Whenever any notice is required to be given under the provisions of the statutes or of the Certificate of Incorporation or of these Bylaws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

7. ANNUAL STATEMENT. The Board of Directors shall present at each annual meeting, and at any special meeting of the stockholders when called for by vote of the stockholders, a full and clear statement of the business and condition of the corporation.

ARTICLE IX.
RIGHT OF FIRST REFUSAL

No stockholder shall sell, assign, pledge, or in any manner transfer any of the shares of Preferred Stock or Common Stock of the corporation (collectively, “Securities”) or any right or interest therein, whether voluntarily or by operation of law, or by gift or otherwise, except by a transfer which meets the requirements hereinafter set forth in this bylaw:

(a) If the stockholder receives from anyone a bona fide offer acceptable to the stockholder to purchase any Securities held by such stockholder, then the stockholder shall first give written notice thereof to the corporation. The notice shall name the proposed transferee and state the type and number of Securities to be transferred, the price per share and all other terms and conditions of the offer.

(b) For fifteen (15) days following receipt of such notice, the corporation or its assigns shall have the option to purchase all or, with the consent of the stockholder, any lesser part of the Securities specified in the notice at the price and upon the terms set forth in such bona fide offer. In the event the corporation elects to purchase all or, as agreed by the stockholder, a lesser part, of the Securities, it shall give written notice to the selling stockholder of its election and settlement for said Securities shall be made as provided below in paragraph (c).

(c) In the event the corporation elects to acquire any of the Securities of the selling stockholder as specified in said selling stockholder’s notice, the Secretary of the corporation shall so notify the selling stockholder and settlement thereof shall be made in cash within thirty (30) days after the Secretary of the corporation receives said selling stockholder’s notice; provided that if the terms of payment set forth in said selling stockholder’s notice were other than cash against delivery, the corporation shall pay for said Securities on the same terms and conditions set forth in said selling stockholder’s notice.

(d) In the event the corporation does not elect to acquire all of the Securities specified in the selling stockholder’s notice, said selling stockholder may, within the sixty (60) day period following the expiration of the option rights granted to the corporation, sell elsewhere the Securities specified in said selling stockholder’s notice which were not acquired by the corporation, in accordance with the provisions of paragraph (c) of this bylaw, provided that said
sale shall not be on terms and conditions more favorable to the purchaser than those contained in the bona fide offer set forth in said selling stockholder’s notice. All Securities so sold by said selling stockholder shall continue to be subject to the provisions of this bylaw in the same manner as before said transfer.

(e) Anything to the contrary contained herein notwithstanding, the following transactions shall be exempt from the provisions of this bylaw:

1. A stockholder’s transfer of any or all Securities held either during such stockholder’s lifetime or on death by will or intestacy to such stockholder’s family. “Immediate family” as used herein shall mean spouse, lineal descendent, father, mother, brother, or sister of the stockholder making such transfer.

2. A stockholder’s bona fide pledge or mortgage of any Securities with a commercial lending institution, provided that any subsequent transfer of said Securities by said institution shall be conducted in the manner set forth in this bylaw.

3. A stockholder’s transfer of any or all of such stockholder’s Securities to any other stockholder of the corporation.

4. A stockholder’s transfer of any or all of such stockholder’s Securities to a person who, at the time of such transfer, is an officer or director of the corporation.

5. A corporate stockholder’s transfer of any or all of its Securities pursuant to and in accordance with the terms of any merger, consolidation, reclassification of Securities or capital reorganization of the corporate stockholder, or pursuant to a sale of all or substantially all of the stock or assets of a corporate stockholder.

6. A corporate stockholder’s transfer of any or all of its Securities to any or all of its stockholders.

7. A transfer of any or all of the Securities held by a stockholder which is a limited or general partnership to any or all of its partners.

In any such case, the transferee, assignee, or other recipient shall receive and hold such Securities subject to the provisions of this bylaw, and there shall be no further transfer of such Securities except in accord with this bylaw.

(f) The provisions of this bylaw may be waived with respect to any transfer either by the corporation, upon duly authorized action of its Board of Directors, or by the stockholders, upon the express written consent of the owners of a majority of the voting power of the corporation (excluding the votes represented by those Securities to be sold by the selling stockholder). This bylaw may be amended or repealed either by a duly authorized action of the Board of Directors or by the stockholders, upon the express written consent of the owners of a majority of the voting power of the corporation.

(g) Any sale or transfer, or purported sale or transfer, of Securities shall be null and void unless the terms, conditions, and provisions of this bylaw are strictly observed and followed.

(h) The foregoing right of first refusal shall terminate on either of the following dates, whichever shall first occur:
(1) On June __, 2015, or

(2) Upon the date securities of the corporation are first offered to the public pursuant to a registration statement filed with, and declared effective by, the Securities and Exchange Commission under the Securities Act of 1933, as amended. (i) The certificates representing the Securities shall bear the following legend so long as the foregoing right of first refusal remains in effect:

“THE SHARES REPRESENTED BY THIS CERTIFICATE
ARE SUBJECT TO A RIGHT OF FIRST REFUSAL OPTION
IN FAVOR OF THE CORPORATION, AS PROVIDED IN
THE BYLAWS OF THE CORPORATION.”

ARTICLE X.
AMENDMENTS

1. AMENDMENT BY DIRECTORS OR STOCKHOLDERS. These Bylaws may be altered, amended or repealed or new Bylaws may be adopted by the stockholders or by the Board of Directors, when such power is conferred upon the Board of Directors by the Certificate of Incorporation, at any regular meeting of the stockholders or of the Board of Directors or at any special meeting of the stockholders or of the Board of Directors if notice of such alteration, amendment, repeal or adoption of new Bylaws be contained in the notice of such special meeting. If the power to adopt, amend or repeal Bylaws is conferred upon the Board of Directors by the Certificate of Incorporation, it shall not divest or limit the power of the stockholders to adopt, amend or repeal Bylaws.

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CERTIFICATE OF AMENDMENT
TO THE BYLAWS
OF
COMPLETE GENOMICS, INC.
A Delaware corporation

The undersigned, Alan C. Mendelson, hereby certifies as follows:

1. He is the duly elected, qualified and acting Secretary of Complete Genomics, Inc., a Delaware corporation (the “Company”);
2. Effective March 28, 2006, Article IX of the Bylaws of the Company was amended in its entirety to read as follows:

"ARTICLE IX.
RIGHT OF FIRST REFUSAL

No stockholder shall sell, assign, pledge, or in any manner transfer any of the shares of Common Stock of the corporation (collectively, “Securities”) or any right or interest therein (provided, however, that in no event shall this provision restrict transfers of Preferred Stock), whether voluntarily or by operation of law, or by gift or otherwise, except by a transfer which meets the requirements hereinafter set forth in this bylaw:

(a) If the stockholder receives from anyone a bona fide offer acceptable to the stockholder to purchase any Securities held by such stockholder, then the stockholder shall first give written notice thereof to the corporation. The notice shall name the proposed transferee and state the type and number of Securities to be transferred, the price per share and all other terms and conditions of the offer.

(b) For fifteen (15) days following receipt of such notice, the corporation or its assigns shall have the option to purchase all or, with the consent of the stockholder, any lesser part of the Securities specified in the notice at the price and upon the terms set forth in such bona fide offer. In the event the corporation elects to purchase all or, as agreed by the stockholder, a lesser part, of the Securities, it shall give written notice to the selling stockholder of its election and settlement for said Securities shall be made as provided below in paragraph (c).

(c) In the event the corporation elects to acquire any of the Securities of the selling stockholder as specified in said selling stockholder’s notice, the Secretary of the corporation shall so notify the selling stockholder and settlement thereof shall be made in cash within thirty (30) days after the Secretary of the corporation receives said selling stockholder’s notice; provided that if the terms of payment set forth in said selling stockholder’s notice were other than cash against delivery, the corporation shall pay for said Securities on the same terms and conditions set forth in said selling stockholder’s notice.

(d) In the event the corporation does not elect to acquire all of the Securities specified in the selling stockholder’s notice, said selling stockholder may, within the sixty (60) day period following the expiration of the option rights granted to the corporation, sell elsewhere the Securities specified in said selling stockholder’s notice which were not acquired by the corporation, in accordance with the provisions of paragraph (c) of this bylaw, provided that said sale shall not be on terms and conditions more favorable
to the purchaser than those contained in the bona fide offer set forth in said selling stockholder’s notice. All Securities so sold by said selling stockholder shall continue to be subject to the provisions of this bylaw in the same manner as before said transfer.

(e) Anything to the contrary contained herein notwithstanding, the following transactions shall be exempt from the provisions of this bylaw:

1. A stockholder’s transfer of any or all Securities held either during such stockholder’s lifetime or on death by will or intestacy (i) to such stockholder’s immediate family or (ii) to trusts established for the benefit of such stockholder or such stockholder’s immediate family. “Immediate family” as used herein shall mean spouse, lineal descendant, father, mother, brother, or sister of the stockholder making such transfer.

2. A stockholder’s bona fide pledge or mortgage of any Securities with a commercial lending institution, provided that any subsequent transfer of said Securities by said institution shall be conducted in the manner set forth in this bylaw.

3. A stockholder’s transfer of any or all of such stockholder’s Securities to any other stockholder of the corporation.

4. A stockholder’s transfer of any or all of such stockholder’s Securities to a person who, at the time of such transfer, is an officer or director of the corporation.

5. A corporate stockholder’s transfer of any or all of its Securities pursuant to and in accordance with the terms of any merger, consolidation, reclassification of Securities or capital reorganization of the corporate stockholder, or pursuant to a sale of all or substantially all of the stock or assets of a corporate stockholder.

6. A corporate stockholder’s transfer of any or all of its Securities to any or all of its stockholders.

7. A transfer of any or all of the Securities held by a stockholder which is a limited or general partnership to any or all of its partners. In any such case, the transferee, assignee, or other recipient shall receive and hold such Securities subject to the provisions of this bylaw, and there shall be no further transfer of such Securities except in accord with this bylaw.

(f) The provisions of this bylaw may be waived with respect to any transfer either by the corporation, upon duly authorized action of its Board of Directors, or by the stockholders, upon the express written consent of the owners of a majority of the voting power of the corporation (excluding the votes represented by those Securities to be sold by the selling stockholder). This bylaw may be amended or repealed either by a duly authorized action of the Board of Directors or by the stockholders, upon the express written consent of the owners of a majority of the voting power of the corporation.

(g) Any sale or transfer, or purported sale or transfer, of Securities shall be null and void unless the terms, conditions, and provisions of this bylaw are strictly observed and followed.

(h) The foregoing right of first refusal shall terminate on either of the following dates, whichever shall first occur:
(1) On July 10, 2015, or

(2) Upon the date securities of the corporation are first offered to the public pursuant to a registration statement filed with, and declared effective by, the Securities and Exchange Commission under the Securities Act of 1933, as amended. (i) The certificates representing the Securities shall bear the following legend so long as the foregoing right of first refusal remains in effect:

“THE SHARES REPRESENTED BY THIS CERTIFICATE
ARE SUBJECT TO A RIGHT OF FIRST REFUSAL OPTION
IN FAVOR OF THE CORPORATION, AS PROVIDED IN
THE BYLAWS OF THE CORPORATION.”
IN WITNESS WHEREOF, the undersigned has executed this certificate as an officer of the Company this 28th day of March, 2006.

/s/ Alan C. Mendelson
Alan C. Mendelson, Secretary

Signature Page to Bylaw Amendment
THE undersigned, Alan C. Mendelson, hereby certifies as follows:

3. He is the duly elected, qualified and acting Secretary of Complete Genomics, Inc., a Delaware corporation (the “Company”);

4. Effective February 2, 2009, Article III, Section 6 of the Bylaws of the Company was amended in its entirety to read as follows:

“6. SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by the President on eighteen hours’ notice to each director, either personally or by mail or by telegram; special meetings shall be called by the President or the Secretary in like manner and on like notice on the written request of two directors unless the Board consists of only one director; in which case special meetings shall be called by the President or Secretary in like manner or on like notice on the written request of the sole director.”
IN WITNESS WHEREOF, the undersigned has executed this certificate as an officer of the Company this 2nd day of February, 2009.

/s/ Alan C. Mendelson
Alan C. Mendelson, Secretary
CERTIFICATE OF AMENDMENT
TO THE BYLAWS
OF
COMPLETE GENOMICS, INC.
a Delaware corporation

The undersigned, Alan C. Mendelson, hereby certifies as follows:

5. He is the duly elected, qualified and acting Secretary of Complete Genomics, Inc., a Delaware corporation (the “Company”);

6. Effective August 11, 2009, Article III, Section 6 of the Bylaws of the Company was amended in its entirety to read as follows:

“6. SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by the President on twenty-four hours’ notice to each director, either personally or by mail or by telegram; special meetings shall be called by the President or the Secretary in like manner and on like notice on the written request of two directors unless the Board consists of only one director; in which case special meetings shall be called by the President or Secretary in like manner or on like notice on the written request of the sole director.”

3. Effective August 11, 2009, Article V of the Bylaws of the Company was amended to add the following new section (l):

“(l) Any repeal or modification of the provisions of this Article V shall only be prospective and shall not adversely affect any right or protection of any director, officer, employee or agent of the corporation existing or in effect with respect to an act or omission occurring prior to the time of such repeal or modification (i.e., any right or protection provided under this Article V shall be deemed to vest at the time that the act or omission occurred, irrespective of when and whether a proceeding challenging such act or omission is first threatened or commenced). The provisions of this Article V are in addition to, and do not limit, amend, alter, change, repeal or modify, the indemnification rights set forth in the Certificate of Incorporation.”
IN WITNESS WHEREOF, the undersigned has executed this certificate as an officer of the Company this 11th day of August, 2009.

/s/ Alan C. Mendelson
Alan C. Mendelson, Secretary
THE SECURITIES REPRESENTED BY THIS WARRANT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AND HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SUCH SALE OR DISTRIBUTION MAY BE EFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL IN A FORM SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933, AS AMENDED.

Warrant No. «Warrant_Number»
Date of Issuance: August 12, 2009

COMPLETE GENOMICS, INC.

Common Stock Purchase Warrant

No. «Warrant_Number»

Complete Genomics, Inc. (the “Company”), for value received, hereby certifies that «PURCHASER_NAME», or its registered assigns (the “Registered Holder”), is entitled, subject to the terms set forth below, to purchase from the Company, at any time after the date hereof and on or before the Expiration Date (as defined in Section 5 below), up to «Warrant_2» («Warrant_1») shares of Common Stock of the Company (“Common Stock”), at the Purchase Price (as defined below). The shares purchasable upon exercise of this Common Stock Purchase Warrant (this “Warrant”), are hereinafter referred to as the “Warrant Stock.” The purchase price per share, as adjusted from time to time pursuant to the provisions of this Warrant (the “Purchase Price”), shall be the fair market value of the Company’s Common Stock, as determined by the Board of Directors in its reasonable discretion as soon as practicable following the Company’s Series D Preferred Stock financing, upon receipt of an independent third party valuation obtained in connection with the Company’s compliance with Section 409A of the Internal Revenue Code of 1986, as amended; provided, that, in no event, shall be the Purchase Price be lower than $0.05 per share.

1. Exercise.

(a) Manner of Exercise. This Warrant may be exercised by the Registered Holder, in whole or in part, by surrendering this Warrant, with the purchase/exercise form appended hereto as Exhibit A duly executed by such Registered Holder or by such Registered Holder’s duly authorized attorney, at the principal office of the Company, or at such other office or agency as the Company may designate, accompanied by payment in full of the Purchase Price payable in respect of the number of shares of Warrant Stock purchased upon such exercise. The Purchase Price may be paid by cash, check, wire transfer or by the surrender of promissory notes or other instruments representing indebtedness of the Company to the Registered Holder.

(b) Effective Time of Exercise. Each exercise of this Warrant shall be deemed to have been effected immediately prior to the close of business on the day on which this Warrant shall have been surrendered to the Company as provided in Section 1(a) above. At such
time, the person or persons in whose name or names any certificates for Warrant Stock shall be issuable upon such exercise as provided in Section 1(d) below shall be deemed to have become the holder or holders of record of the Warrant Stock represented by such certificates.

(c) **Net Issue Exercise**.

(i) In lieu of exercising this Warrant in the manner provided above in Section 1(a), the Registered Holder may elect to receive shares equal to the value of this Warrant (or the portion thereof being canceled) by surrender of this Warrant at the principal office of the Company together with notice of such election on the purchase/exercise form appended hereto as Exhibit A duly executed by such Registered Holder or such Registered Holder’s duly authorized attorney, in which event the Company shall issue to such Registered Holder a number of shares of Warrant Stock computed using the following formula:

\[ X = \frac{Y (A - B)}{A} \]

Where

- \( X \) = The number of shares of Warrant Stock to be issued to the Registered Holder.
- \( Y \) = The number of shares of Warrant Stock purchasable under this Warrant or, if only a portion of the Warrant is being exercised, the portion of the Warrant being canceled (at the date of such calculation).
- \( A \) = The fair market value of one share of Warrant Stock (at the date of such calculation).
- \( B \) = The Purchase Price (as adjusted to the date of such calculation).

(ii) For purposes of this Section 1(c), the fair market value of Warrant Stock on the date of calculation shall mean with respect to each share of Warrant Stock:

(A) if the exercise is in connection with an initial public offering of the Common Stock, and if the Company’s Registration Statement relating to such public offering has been declared effective by the Securities and Exchange Commission, then the fair market value shall be the initial “Price to Public” per share specified in the final prospectus with respect to the offering; or

(B) if subparagraph (A) is not applicable, the fair market value of Warrant Stock shall be determined in good faith by the Company’s Board of Directors.

(d) **Exchange Right**.

(i) In lieu of exercising this Warrant pursuant to Section 1(a) or net exercising it pursuant to Section 1(c), prior to the closing of a Corporate Transaction (as defined below), other than a Corporate Transaction involving the sale, conveyance or disposal of all or substantially all of the Company’s property or business, by written notice to the acquiring entity (the “Acquiring Person”) at least five (5) days before the date of closing of such Corporate Transaction, the Registered Holder may assign, in whole or in part, this Warrant to the Acquiring
Person and receive in exchange from the Acquiring Person immediately prior to such closing, without the payment by the Registered Holder of any additional consideration, an amount and type of consideration equal to the amount and type of consideration that would have been payable by the Acquiring Person in the Corporate Transaction with respect to that number of shares of Warrant Stock that would have been issuable had the portion of the Warrant that is so assigned pursuant to this Section 1(d) not been assigned but instead been net exercised pursuant to Section 1(c).

(ii) The type of consideration paid by the Acquiring Person for the portion of this Warrant that could be net exercised into one share of Warrant Stock pursuant to Section 1(c) shall be the same type of consideration, whether stock, securities or other property, paid for one share of Warrant Stock in the Corporate Transaction, or if more than one type of consideration is paid for one share of Warrant Stock in the Corporate Transaction, the same types and on the same relative basis as is paid for one share of Warrant Stock in the Corporate Transaction.

(e) Notwithstanding the provisions of Section 1 if the Registered Holder has not exercised this Warrant prior to the closing of a Corporate Transaction or an Initial Public Offering, this Warrant shall automatically be deemed to be exercised in full in the manner set forth in Section 1(c), without any further action on behalf of the Registered Holder, immediately prior to such closing.

(f) Delivery to Registered Holder. As soon as practicable after the exercise of this Warrant in whole or in part, and in any event within ten (10) business days thereafter, the Company at its expense will cause to be issued in the name of, and delivered to, the Registered Holder, or as such Registered Holder (upon payment by such Registered Holder of any applicable transfer taxes) may direct:

(i) a certificate or certificates for the number of shares of Warrant Stock to which such Registered Holder shall be entitled, and

(ii) in case such exercise is in part only, a new warrant or warrants (dated as of the date hereof) of like tenor, calling in the aggregate on the face or faces thereof for the number of shares of Warrant Stock equal (without giving effect to any adjustment therein) to the number of such shares called for on the face of this Warrant minus the number of such shares purchased by the Registered Holder upon such exercise as provided in Section 1(a), 1(c) or 1(d) above.

2. Adjustments.

(a) Stock Splits and Dividends. If outstanding shares of Common Stock shall be subdivided into a greater number of shares or a dividend in Common Stock shall be paid in respect of Common Stock, the Purchase Price in effect immediately prior to such subdivision or at the record date of such dividend shall simultaneously with the effectiveness of such subdivision or immediately after the record date of such dividend be proportionately reduced. If outstanding shares of Common Stock shall be combined into a smaller number of shares, the Purchase Price in effect immediately prior to such combination shall, simultaneously with the
effectiveness of such combination, be proportionately increased. When any adjustment is required to be made in the Purchase Price, the number of shares of Warrant Stock purchasable upon the exercise of this Warrant shall be changed to the number determined by dividing (i) an amount equal to the number of shares issuable upon the exercise of this Warrant immediately prior to such adjustment, multiplied by the Purchase Price in effect immediately prior to such adjustment, by (ii) the Purchase Price in effect immediately after such adjustment.

(b) **Reclassification, Etc.** In case there occurs any reclassification or change of the outstanding securities of the Company or of any reorganization of the Company (or any other corporation the stock or securities of which are at the time receivable upon the exercise of this Warrant) or any similar corporate reorganization on or after the date hereof, then and in each such case the Registered Holder, upon the exercise hereof at any time after the consummation of such reclassification, change, or reorganization shall be entitled to receive, in lieu of the stock or other securities and property receivable upon the exercise hereof prior to such consummation, the stock or other securities or property to which such Registered Holder would have been entitled upon such consummation if such Registered Holder had exercised this Warrant immediately prior thereto, all subject to further adjustment pursuant to the provisions of this Section 2.

(c) **Adjustment Certificate.** When any adjustment is required to be made in the Warrant Stock or the Purchase Price pursuant to this Section 2, the Company shall promptly mail to the Registered Holder a certificate setting forth (i) a brief statement of the facts requiring such adjustment, (ii) the Purchase Price after such adjustment and (iii) the kind and amount of stock or other securities or property into which this Warrant shall be exercisable after such adjustment.

3. **Transfers.**

(a) **Unregistered Security.** Each holder of this Warrant acknowledges that this Warrant and the Warrant Stock have not been registered under the Securities Act of 1933, as amended (the “Securities Act”), and agrees not to sell, pledge, distribute, offer for sale, transfer or otherwise dispose of this Warrant or any Warrant Stock issued upon its exercise in the absence of (i) an effective registration statement under the Securities Act as to this Warrant or such Warrant Stock and registration or qualification of this Warrant or such Warrant Stock under any applicable U.S. federal or state securities law then in effect, or (ii) an opinion of counsel, satisfactory to the Company, that such registration and qualification are not required. Each certificate or other instrument for Warrant Stock issued upon the exercise of this Warrant shall bear a legend substantially to the foregoing effect.

3.2 **Transferability.** Subject to the provisions of Sections 3(a) hereof, this Warrant and all rights hereunder are transferable, in whole or in part, upon surrender of the Warrant with a properly executed assignment (in the form of Exhibit B hereto) at the principal office of the Company, provided, however, that the transferee agrees in writing to be subject to the terms hereof to the same extent as if such transferee were the original Registered Holder, provided further, that the transferee agrees in writing to be subject to the terms of (i) Section 1.14 of that certain Third Amended and Restated Investor Rights Agreement, dated as of the date hereof, by and among the Company and certain of its stockholders, as such may be amended from time to time (the “Rights Agreement”), and (ii) that certain Third Amended and Restated
Voting Agreement, dated as of the date hereof, by and among the Company and certain of its stockholders, as such may be amended from time to time.

(a) **Warrant Register.** The Company will maintain a register containing the names and addresses of the Registered Holders of this Warrant. Until any transfer of this Warrant is made in the warrant register, the Company may treat the Registered Holder of this Warrant as the absolute owner hereof for all purposes; provided, however, that if this Warrant is properly assigned in blank, the Company may (but shall not be required to) treat the bearer hereof as the absolute owner hereof for all purposes, notwithstanding any notice to the contrary. Any Registered Holder may change such Registered Holder’s address as shown on the warrant register by written notice to the Company requesting such change.

4. **Representations and Warranties of the Registered Holder.** The Registered Holder hereby represents and warrants to the Company that:

4.1 **Authorization.** The Registered Holder has full power and authority to enter into this Warrant. The Warrant, when executed and delivered by the Registered Holder, will constitute a valid and legally binding obligation of the Registered Holder, enforceable in accordance with its terms, except as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, and any other laws of general application affecting enforcement of creditors’ rights generally, and as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies.

4.2 **Purchase Entirely for Own Account.** This Warrant is issued to the Registered Holder in reliance upon the Registered Holder’s representation to the Company, which by the Registered Holder’s acceptance of this Warrant, the Registered Holder hereby confirms, that the Warrant to be acquired by the Registered Holder and the Warrant Stock (collectively, the “Securities”) will be acquired for investment for the Registered Holder’s own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof, and that the Registered Holder has no present intention of selling, granting any participation in, or otherwise distributing the same. By accepting this Warrant, the Registered Holder further represents that the Registered Holder does not presently have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participations to such person or to any third person, with respect to any of the Securities. The Registered Holder has not been formed for the specific purpose of acquiring the Securities.

4.3 **Disclosure of Information.** The Registered Holder has received or has had full access to all the information it considers necessary or appropriate to make an informed investment decision with respect to the acquisition of this Warrant and the Securities. The Registered Holder has had an opportunity to discuss the Company’s business, management, financial affairs and the terms and conditions of the offering of the Securities with the Company’s management and has had an opportunity to review the Company’s facilities. The Registered Holder understands that such discussions, as well as any written information delivered by the Company to the Registered Holder, were intended to describe the aspects of the Company’s business which it believes to be material.

5.
4.4 **Restricted Securities.** The Registered Holder understands that the Securities have not been, and will not be, registered under the Securities Act, by reason of a specific exemption from the registration provisions of the Securities Act which depends upon, among other things, the bona fide nature of the investment intent and the accuracy of the Registered Holder’s representations as expressed herein. The Registered Holder understands that the Securities are “restricted securities” under applicable U.S. federal and state securities laws and that, pursuant to these laws, the Registered Holder must hold the Securities indefinitely unless they are registered with the Securities and Exchange Commission and qualified by state authorities, or an exemption from such registration and qualification requirements is available. The Registered Holder acknowledges that the Company has no obligation to register or qualify the Securities for resale. The Registered Holder further acknowledges that if an exemption from registration or qualification is available, it may be conditioned on various requirements including, but not limited to, the time and manner of sale, the holding period for the Securities, and on requirements relating to the Company which are outside of the Registered Holder’s control, and which the Company is under no obligation and may not be able to satisfy.

4.5 **No Public Market.** The Registered Holder understands that no public market now exists for any of the securities issued by the Company, and that the Company has made no assurances that a public market will ever exist for the Securities.

4.6 **Accredited or Sophisticated Investor.** The Registered Holder is an accredited investor as defined in Rule 501(a) of Regulation D promulgated under the Securities Act.

4.7 “**Lock-Up Agreement.”** The Registered Holder acknowledges and agrees that it is subject to the “lock-up agreement” set forth in Section 1.14 of the Rights Agreement.

5. **Termination.** This Warrant (and the right to purchase securities upon exercise hereof) shall terminate upon the earliest to occur of the following (the “Expiration Date”): (a) August 12, 2016, (b) the sale, conveyance or disposal of all or substantially all of the Company’s property or business or the Company’s merger with or into or consolidation with any other corporation (other than a wholly-owned subsidiary of the Company) or any other transaction or series of related transactions in which more than fifty percent (50%) of the voting power of the Company is disposed of (a “Corporate Transaction”), provided that a merger effected exclusively for the purpose of changing the domicile of the Company or an equity financing in which the Company is the surviving corporation shall not be deemed a Corporate Transaction, or (c) the closing of a firm commitment underwritten public offering pursuant to a registration statement under the Securities Act (an “Initial Public Offering”).

6. **Notices of Certain Transactions.** In case:

(a) the Company shall take a record of the holders of its Common Stock (or other stock or securities at the time deliverable upon the exercise of this Warrant) for the purpose of entitling or enabling them to receive any dividend or other distribution, or to receive any right to subscribe for or purchase any shares of stock of any class or any other securities, or to receive any other right, or
(b) of any capital reorganization of the Company, any reclassification of the capital stock of the Company, any consolidation or merger of the Company with or into another corporation (other than a consolidation or merger in which the Company is the surviving entity), or any transfer of all or substantially all of the assets of the Company, including, without limitation, a Corporate Transaction, or

(c) of the voluntary or involuntary dissolution, liquidation or winding-up of the Company, or

(d) an Initial Public Offering.

then, and in each such case, the Company will mail or cause to be mailed to the Registered Holder of this Warrant a notice specifying, as the case may be, (i) the date on which a record is to be taken for the purpose of such dividend, distribution or right, and stating the amount and character of such dividend, distribution or right, (ii) the effective date on which such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation, winding-up, redemption or conversion is to take place, and the time, if any is to be fixed, as of which the holders of record of Common Stock (or such other stock or securities at the time deliverable upon such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation, winding-up, redemption or conversion) are to be determined or (iii) the anticipated effective date of the consummation of such Initial Public Offering. Such notice shall be mailed at least ten (10) days prior to the record date or effective date for the event specified in such notice.

7. **Reservation of Stock**. The Company will at all times reserve and keep available, solely for the issuance and delivery upon the exercise of this Warrant, such shares of Warrant Stock and other stock, securities and property, as from time to time shall be issuable upon the exercise of this Warrant. If at any time prior to the Expiration Date the number of authorized but unissued shares of Warrant Stock shall not be sufficient to permit exercise of this Warrant, the Company will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Warrant Stock to such number of shares as shall be sufficient for such purposes. The Company covenants and agrees that all Warrant Stock that may be issued upon the exercise of the rights represented by this Warrant will, upon issuance in accordance with the terms hereof, be validly issued and outstanding, fully paid and nonassessable, and free from all taxes, liens and charges with respect to the issuance thereof.

8. **Exchange of Warrants**. Upon the surrender by the Registered Holder of any Warrant or Warrants, properly endorsed, to the Company at the principal office of the Company, the Company will, subject to the provisions of Section 3 hereof, issue and deliver to or upon the order of such Registered Holder, at the Company’s expense, a new Warrant or Warrants of like tenor, in the name of such Registered Holder or as such Registered Holder (upon payment by such Registered Holder of any applicable transfer taxes) may direct, calling in the aggregate on the face or faces thereof for the number of shares of Common Stock called for on the face or faces of the Warrant or Warrants so surrendered.

9. **Replacement of Warrants**. Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and (in the case of loss,
theft or destruction) upon delivery of an indemnity agreement in a form reasonably satisfactory to the Company, or (in the case of mutilation) upon surrender and cancellation of this Warrant, the Company will issue, in lieu thereof, a new Warrant of like tenor.

10. **No Rights as Stockholder**. Until the exercise of this Warrant, the Registered Holder of this Warrant shall not have or exercise any rights solely by virtue hereof as a stockholder of the Company.

11. **No Fractional Shares**. No fractional shares of Common Stock will be issued in connection with any exercise hereunder. In lieu of any fractional shares which would otherwise be issuable, the Company shall pay cash equal to the product of such fraction multiplied by the fair market value of one share of Common Stock on the date of exercise, as determined in good faith by the Company’s Board of Directors.

12. **Amendment or Waiver**. Any term of this Warrant may be amended or waived only by an instrument in writing signed by the party against which enforcement of the amendment or waiver is sought.

13. **Headings**. The headings in this Warrant are for purposes of reference only and shall not limit or otherwise affect the meaning of any provision of this Warrant.

14. **Governing Law**. This Warrant shall be governed, construed and interpreted in accordance with the laws of the State of California, without giving effect to principles of conflicts of law.

15. **Survival of Representations**. Unless otherwise set forth in this Warrant, the warranties, representations and covenants of the Company and the Registered Holder contained in or made pursuant to this Warrant shall survive the execution and delivery of this Warrant.

16. **Transfer; Successors and Assigns**. The terms and conditions of this Warrant shall inure to the benefit of and be binding upon the respective successors and assigns of the parties. Nothing in this Warrant, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Warrant, except as expressly provided in this Warrant.

17. **Counterparts**. This Warrant may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

18. **Attorney’s Fees**. If any action at law or in equity (including arbitration) is necessary to enforce or interpret the terms of any of this Warrant, the prevailing party shall be entitled to reasonable attorney’s fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled.

19. **Severability**. If one or more provisions of this Warrant are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (a) such provision shall be excluded from this Warrant, (b) the balance of
this Warrant shall be interpreted as if such provision were so excluded and (c) the balance of this Warrant shall be enforceable in accordance with its terms.

20. Delays or Omissions. No delay or omission to exercise any right, power or remedy accruing to any party under this Warrant, upon any breach or default of any other party under this Warrant, shall impair any such right, power or remedy of such non-breaching or non-defaulting party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Warrant, or any waiver on the part of any party of any provisions or conditions of this Warrant, must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Warrant or by law or otherwise afforded to any party, shall be cumulative and not alternative.

21. Notices. Any notice required or permitted by this Warrant shall be in writing and shall be mailed by registered mail, certified mail (return receipt requested) or by internationally recognized express courier (e.g., Federal Express), postage prepaid, or sent by fax or electronic mail or otherwise delivered by hand or by messenger, addressed to the party to be notified at such party’s address as set forth below, or as subsequently modified by written notice. Each such notice shall be treated as effective or having been given on the earliest to occur of the following: the date of personal delivery or delivery by messenger; one (1) business day after transmission by fax or electronic mail, with confirmation of transmission and with copy by first class mail, postage paid; one (1) business day after deposit with an internationally recognized express courier for United States deliveries, or three (3) business days after such deposit for deliveries outside the United States; or three (3) business days after deposit in a regularly maintained receptacle for the deposit of the United States mail be registered or certified mail (return receipt requested) for United States deliveries.

If to the Registered Holder, to:

[ ________________]
[ ________________]
Facsimile No.: [ ________________]
Attention: [ ________________]

with a copy to (which copy shall not constitute notice):

Gunderson Dettmer Stough Villeneuve
Franklin & Hachigian, LLP
1200 Seaport Boulevard
Redwood City, CA 94063
Facsimile No.: (650) 321-2800
Attention: Keith J. Scherer

9.
22. **Entire Agreement**. This Warrant, and the documents referred to herein constitute the entire agreement between the parties hereto pertaining to the subject matter hereof, and any and all other written or oral agreements relating to the subject matter hereof existing between the parties hereto are expressly canceled.

[Signature page follows]

10.
IN WITNESS WHEREOF, the Company has caused this Common Stock Purchase Warrant to be issued as of the date first written above.

COMPANY:
COMPLETE GENOMICS, INC.
By: ________________________________
Name: ______________________________
Title: ______________________________

Accepted and Agreed:

REGISTERED HOLDER:

[ ________________________________ ]
By: ________________________________
Name: ______________________________
Title: ______________________________

[Signature Page to Common Stock Purchase Warrant]
To: Complete Genomics, Inc.

Dated: 

The undersigned, pursuant to the provisions set forth in the attached Warrant No. «Warrant_Number», hereby irrevocably elects to (a) purchase _____________ shares of the Common Stock covered by such Warrant and herewith makes payment of $ __________, representing the full purchase price for such shares at the price per share provided for in such Warrant, or (b) exercise such Warrant for _____________ shares purchasable under the Warrant pursuant to the Net Issue Exercise provisions of Section 1(c) of the Warrant.

The undersigned acknowledges that it has reviewed the representations and warranties contained in Section 4 of the Warrant and by its signature below hereby makes such representations and warranties to the Company as of the date hereof.

Signature: __________________________
Name (print): _______________________
Title: ______________________________
Company: ___________________________
EXHIBIT B

ASSIGNMENT FORM

FOR VALUE RECEIVED, «PURCHASER_NAME» hereby sells, assigns and transfers all of the rights of the undersigned under the attached Warrant with respect to the number of shares of Common Stock covered thereby set forth below, unto:

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<th>Name of Assignee</th>
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Dated: __________

Signature: __________________________

Witness: ___________________________
EXHIBIT 4.4

THIS WARRANT AND THE UNDERLYING SECURITIES HAVE BEEN ACQUIRED FOR INVESTMENT AND HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THIS WARRANT AND THE UNDERLYING SECURITIES MAY NOT BE SOLD OR TRANSFERRED WITHOUT (I) AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO, (II) AN OPINION OF COUNSEL FOR THE HOLDER, SATISFACTORY TO THE COMPANY, THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE ACT OR (III) RECEIPT OF A NO ACTION LETTER FROM THE SECURITIES AND EXCHANGE COMMISSION. COPIES OF THE AGREEMENT COVERING THE ACQUISITION OF THIS WARRANT AND RESTRICTING ITS TRANSFER MAY BE OBTAINED AT NO COST BY WRITTEN REQUEST MADE BY THE HOLDER OF RECORD OF THIS WARRANT TO THE SECRETARY OF THE COMPANY AT THE PRINCIPAL EXECUTIVE OFFICES OF THE COMPANY.

Void after [Five Years from Date of Issuance]

COMPLETE GENOMICS, INC.

STOCK PURCHASE WARRANT

NO. 2010 -«Warrant_No»

THIS CERTIFIES THAT, for value received, «L ender » or its registered assigns (hereinafter called the “ Holder ”) is entitled to purchase from COMPLETE GENOMICS, INC., a Delaware corporation, with its principal place of business at 2071 Stierlin Court, Mountain View, CA 94043 (the “ Company ”), at any time after the date hereof and ending at 5:00 p.m. Pacific Standard Time on the Expiration Date, as such term is defined in Section 1 hereof, up to that number of shares of the Company’s Common Stock, par value $0.001 per share (“ Common Stock ”) as specified in Section 2 below.

This Warrant (the “ Warrant ”) is being issued pursuant to the terms of that certain Bridge Loan Agreement, dated as of April 12, 2010 by and among the Holder, the Company and certain other investors set forth therein (the “ Loan Agreement ”). This Warrant may be exercised in whole or in part, at the option of the Holder. Unless otherwise defined herein, defined terms in this Warrant shall have the meanings ascribed to them in the Loan Agreement.

1. Definitions. As used herein, the following terms shall have the following respective meanings.

   (a) Subject to Section 5.1, “ Expiration Date ” shall mean the period ending on [Five Years from Date of Issuance].

   (b) “ Warrant Price ” shall mean $1.50 per share, the current per share fair market value of the Common Stock, subject to adjustments pursuant to Section 5 below.

   (c) “ Warrant Shares ” shall mean the shares of Common Stock, subject to adjustments pursuant to the terms herein, including but not limited to adjustment pursuant to Section 5 below.
2. **Warrant Coverage.** This Warrant shall be exercisable for the number of shares of Common Stock determined as follows: the quotient of numerator (A) the product of (x) 0.05, (y) the applicable Loan Amount (as defined in the Loan Agreement) loaned by the original Holder of this Warrant at the Closing (as defined in the Loan Agreement) at which this Warrant was issued, and (z) the number of months as measured by the number of complete months and the percentage of a complete month comprised by any less-than-complete month, between the date of this Warrant and the date of the closing of the Next Financing, and denominator (B) the Warrant Price; provided, that, (z) shall not exceed five (5).

3. **Method of Exercise; Payment; Issuance of New Warrant.** Subject to Section 1 hereof, the purchase right represented by this Warrant may be exercised by the Holder, in whole or in part, by:

   3.1. the surrender of this Warrant (with an executed notice of exercise in the form attached hereto as Attachment A and an duly executed Investment Representation Statement in the form attached hereto as Attachment B ) by delivery to the Company at its address set forth above (or such other address as it may designate by notice in writing to the Holder); and

   3.2. the payment to the Company, by check, wire transfer, forgiveness of indebtedness, or any combination of the foregoing, of an amount equal to the then applicable Warrant Price per share multiplied by the number of Warrant Shares then being purchased.

   If this Warrant should be exercised in part only, the Company shall, upon surrender of this Warrant, execute and deliver a new Warrant evidencing the rights of the Holder thereof to purchase the balance of the Warrant Shares purchasable hereunder. Upon receipt by the Company of this Warrant and such notice of exercise, together with, if applicable, the aggregate Warrant Price, at such office, or by the stock transfer agent or warrant agent of the Company at its office, the Holder shall be deemed to be the holder of record of the applicable Warrant Shares, notwithstanding that the stock transfer books of the Company shall then be closed or that certificates representing such Warrant Shares shall not then be actually delivered to the Holder. The Company shall pay any and all documentary stamp or similar issue or transfer taxes payable in respect of the issue or delivery of the Warrant Shares.

3.3. **Net Exercise.**

   (a) In addition to and without limiting the rights of the Holder under the terms of this Warrant, the Holder may elect to convert this Warrant or any portion thereof (the “Conversion Right”) into Warrant Shares, the aggregate value of which Warrant Shares shall be equal to the value of this Warrant or the portion thereof being converted. The Conversion Right may be exercised by the Holder by surrender of this Warrant at the principal office of the Company together with notice of the Holder’s intention to exercise the Conversion Right, in which event the Company shall issue to the Holder a number of Warrant Shares computed using the following formula:

   \[ X = \frac{Y(A-B)}{A} \]
Where:

X = The number of Warrant Shares to be issued to the Holder upon exercise of the Conversion Right.

Y = The number of Warrant Shares issuable upon exercise of this Warrant (or such lesser number as are being exercised).

A = The fair market value of one Warrant Share, as determined pursuant to Section 3.3(b) hereof, as of the time the Conversion Right is exercised pursuant to this Section 3.

B = Warrant Price for one Warrant Share under this Warrant (as adjusted to the date of such calculations).

Notwithstanding the foregoing, this Warrant shall be deemed to have automatically converted into Warrant Shares pursuant to this Section 3.3(a) upon the Expiration Date if not previously exercised or converted before such date.

(b) Fair Market Value. For purposes of Section 3.3, “fair market value of one Warrant Share” shall mean, as of any date:

(i) the last closing price per share of the Company's Common Stock on the principal national securities exchange on which the Common Stock is listed or admitted to trading;

(ii) the average of the bid and asked price per share as reported in the “pink sheets” published by the National Quotation Bureau, Inc. (the “pink sheets”) if the Company’s Common Stock is not listed or traded on any exchange; or

(iii) if such quotations are not available, the fair market value per share of the Warrant Shares on the date such notice was received by the Company, as determined in good faith by the Board of Directors of the Company.

4. Stock Fully Paid; Reservation of Warrant Shares. All shares of stock which may be issued upon the exercise of the rights represented by this Warrant will, upon issuance, be fully paid and nonassessable, and free from all taxes, liens and charges with respect to the issue thereof. During the period within which the rights represented by this Warrant may be exercised, the Company will at all times have authorized and reserved for the purpose of issue upon exercise of the purchase rights evidenced by this Warrant, a sufficient number of shares of its stock to provide for the exercise of the rights represented by this Warrant. In the event that there is an insufficient number of Warrant Shares reserved for issuance pursuant to the exercise of this Warrant, the Company will take appropriate action to authorize an increase in its capital stock to allow for such issuance or similar issuance acceptable to the Holder.

5. Adjustment of Warrant Price and Number of Warrant Shares. The number and kind of Warrant Shares purchasable upon the exercise of this Warrant and the Warrant Price shall be subject to adjustment from time to time upon the occurrence of certain events, as follows:

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5.1. Corporate Reorganization. Without limiting any of the other provisions hereof, if any Corporate Reorganization shall be effected, then the Company shall use its best efforts to ensure that lawful and adequate provision shall be made whereby the Holder shall thereafter continue to have the right to purchase and receive upon the basis and upon the terms and conditions herein specified and in lieu of the Warrant Shares issuable upon exercise of this Warrant, shares of stock in the surviving or acquiring entity (“Acquirer”), as the case may be, such that the aggregate value of the Holder’s warrants to purchase such number of shares, where the value of each new warrant to purchase one share in the Acquirer is determined in accordance with the Black-Scholes Option Pricing formula set forth in Appendix A hereto, is equivalent to the aggregate value of this Warrant, where the value of this Warrant to purchase one share in the Company is determined in accordance with the Black-Scholes Option Pricing formula set forth in Appendix B hereto. Furthermore, the new warrants to purchase shares in the Acquirer referred to herein shall have the same expiration date as this Warrant, and shall have an exercise price that is calculated in accordance with Appendix A hereto. For the avoidance of doubt, if the surviving or acquiring entity, as the case may be, is a member of a consolidated group for financial reporting purposes, the “Acquirer” shall be deemed to be the parent of such consolidated group for purposes of this Section 5.1 and Appendix A hereto. Moreover, appropriate provision shall be made with respect to the rights and interests of the Holder to the end that the provisions hereof (including, without limitation, provision for adjustment of the Warrant Price) shall thereafter be applicable, as nearly equivalent as may be practicable in relation to any shares of stock thereafter deliverable upon the exercise thereof. In any such case, the successor corporation resulting from such consolidation or merger, or the corporation purchasing or otherwise acquiring such assets or other appropriate corporation or entity shall assume by written instrument, reasonably deemed by the Board of Directors of the Company and the Investor Majority to be satisfactory in form and substance, the obligation to deliver to the holder of the Warrants such shares of stock, as, in accordance with the foregoing provisions, such holder may be entitled to purchase, and the other obligations under the Warrants. The provisions of this Section 5.1 shall similarly apply to successive Corporate Reorganizations.

If the Company, in spite of using its best efforts, is unable to cause the Warrants to continue in full force and effect until the Expiration Date in connection with any Corporate Reorganization, then the Company shall pay the Holder an amount per Warrant to purchase one share in the Company that is calculated in accordance with the Black-Scholes Option Pricing formula set forth in Appendix B hereto. Such payment shall be made in cash in the event that the Corporate Reorganization results in the stockholders of the Company receiving cash from the Acquirer at the closing of the transaction, and shall be made in shares of the Company (with the value of each share in the Company is determined according to Appendix B hereto) in the event that the Corporate Reorganization results in the stockholders of the Company receiving shares in the Acquirer or other entity at the closing of the transaction (with the Holder then participating in the Corporate Reorganization and receiving for such Company shares the consideration per share specified in such transaction). In the event that the stockholders of the Company receive both cash and shares at the closing of the transaction, such payment to the Holder shall be also be made in both cash and shares in the same proportion as the consideration received by the stockholders. For the avoidance of doubt, any term or provision of this Section 5.1 may be revised or waived in connection with a Corporate Reorganization with the written agreement of the Company and an Investor Majority.
5.2. **Subdivision or Combination of Warrant Shares**. If the Company at any time while this Warrant remains outstanding and unexpired shall subdivide or combine its stock, the Warrant Price shall be proportionately decreased in the case of a subdivision or increased in the case of a combination.

5.3. **Stock Dividends**. If the Company at any time while this Warrant is outstanding and unexpired shall pay a dividend with respect to stock payable in, or make any other distribution with respect to stock (except any distribution specifically provided for in the foregoing Sections 5.1 and 5.2) of, stock, then the Warrant Price shall be adjusted, from and after the date of determination of stockholders entitled to receive such dividend or distribution, to that price determined by multiplying the Warrant Price in effect immediately prior to such date of determination by a fraction (i) the numerator of which shall be the total number of shares of stock outstanding immediately prior to such dividend or distribution, and (ii) the denominator of which shall be the total number of shares of stock outstanding immediately after such dividend or distribution.

5.4. **Adjustment of Number of Warrant Shares**. Upon each adjustment in the Warrant Price, the number of shares of stock purchasable hereunder shall be adjusted, to the nearest whole share, to the product obtained by multiplying the number of Warrant Shares purchasable immediately prior to such adjustment in the Warrant Price by a fraction, the numerator of which shall be the Warrant Price immediately prior to such adjustment and the denominator of which shall be the Warrant Price immediately thereafter.

6. **Fractional Warrant Shares**. No fractional Warrant Shares will be issued in connection with any exercise hereunder, but in lieu of such fractional shares the Company shall make a cash payment therefor upon the basis of the Warrant Price then in effect.

7. **Compliance with Securities Act; Non-transferability of Warrant; Disposition of Shares of Stock**.

7.1. **Compliance with Securities Act**. The Holder, by acceptance hereof, agrees that this Warrant and the Warrant Shares are being acquired for investment and that he, she or it will not offer, sell or otherwise dispose of this Warrant or any Warrant Shares except under circumstances which will not result in a violation of the Securities Act of 1933, as amended (the “Act”). Upon exercise of this Warrant, the Holder hereof shall confirm in writing, in a form attached hereto as Attachment B, that the Warrant Shares so purchased are being acquired for investment and not with a view toward distribution or resale. In addition, the Holder shall provide such additional information regarding such Holder’s financial and investment background, as the Company may reasonably request, as is relevant for purposes of determining the Holder’s suitability with respect to a purchase of the Warrant Shares. All Warrant Shares (unless registered under the Act) shall be stamped or imprinted with a legend in substantially the following form (in addition to any legend required under applicable state securities laws):

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THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THIS SECURITY MAY NOT BE SOLD OR TRANSFERRED WITHOUT (I) AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO, (II) AN OPINION OF COUNSEL FOR
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THE HOLDER, SATISFACTORY TO THE COMPANY, THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE ACT OR
(III) RECEIPT OF A NO ACTION LETTER FROM THE SECURITIES AND EXCHANGE COMMISSION. COPIES OF THE
WARRANT AGREEMENT COVERING THE ACQUISITION OF THIS SECURITY AND RESTRICTING ITS TRANSFER MAY BE
OBTAINED AT NO COST BY WRITTEN REQUEST MADE BY THE HOLDER OF RECORD OF THIS SECURITY TO THE
SECRETARY OF THE COMPANY AT THE PRINCIPAL EXECUTIVE OFFICES OF THE COMPANY.

7.2. Transferability of Warrant. This Warrant may not be transferred or assigned in whole or in part without (i) an effective
registration statement related thereto, (ii) an opinion of counsel for the Holder, satisfactory to the Company, that such registration is not required
under the Act or (iii) receipt of a no action letter from the Securities and Exchange Commission (together, “Securities Law Compliance
Guarantees”); provided, however, that the Warrant may be transferred in whole or in part without Securities Law Compliance Guarantees
upon any of the following provided that the transferee agrees in writing to be subject to the terms hereof to the same extent as if he/she were an
original Holder hereunder:

(a) A transfer of the Warrant by a Holder who is a natural person during such Holder’s lifetime or on death by will or
intestacy to such Holder’s immediate family or to any custodian or trustee for the account of such Holder or such Holder’s immediate family. “Immediate family” as used herein shall mean spouse, lineal descendant, father, mother, brother, or sister of the Holder;

(b) A transfer of the Warrant to the Company;

(c) A transfer of the Warrant to a parent, subsidiary or affiliate of a Holder; or

(d) A transfer of the Warrant by a Holder which is a limited or general partnership to any of its partners or former partners
(with a, b and c, a “Permitted Transfer”).

7.3. Disposition of Warrant Shares. Upon exercise of the Warrant Shares, the Holder will be entitled to any registration rights
granted to all holders of the New Preferred Stock issued in the Next Financing (or, if there is no Next Financing, the registration rights held by
the holders of the Series D Preferred Stock). With respect to any offer, sale or other disposition of any Warrant Shares prior to registration of
such shares, the Holder and each subsequent Holder of this Warrant agrees to give written notice to the Company prior thereto, describing briefly
the manner thereof, together with a written opinion of such Holder’s counsel, if requested by the Company, to the effect that such offer, sale or
other disposition may be effected without registration or qualification (under the Act as then in effect or any federal or state law then in effect) of
such Warrant Shares and indicating whether or not under the Act certificates for such shares to be sold or otherwise disposed of require any
restrictive legend as to applicable restrictions on transferability in order to ensure compliance with the Act; provided, however, that no such
opinion of counsel or no-action letter shall be necessary for a Permitted Transfer if the transferee agrees in writing to be subject to the terms
hereof to the same extent as if he/she were an original Holder hereunder.
8. Rights of Stockholders. No Holder of this Warrant shall be entitled to vote or receive dividends or be deemed the holder of stock or any other securities of the Company which may at any time be issuable on the exercise hereof for any purpose, nor shall anything contained herein be construed to confer upon the Holder of this Warrant, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action (whether upon any recapitalization, issuance of stock, reclassification of stock, change of par value or change of stock to no par value, consolidation, merger, conveyance, or otherwise) or to receive notice of meetings, or to receive dividends or subscription rights or otherwise until this Warrant has been exercised and the Warrant Shares shall have become deliverable, as provided herein.

9. Governing Law. The terms and conditions of this Warrant shall be governed by and construed in accordance with Delaware law, without giving effect to conflict of law principles.

10. Miscellaneous. The headings in this Warrant are for purposes of convenience and reference only, and shall not be deemed to constitute a part hereof. All notices and other communications shall be delivered by hand or mailed by first-class registered or certified mail, postage prepaid, to the respective addresses provided in the Loan Agreement, or to such other address as the Company or Holder may designate to the other parties hereto.

11. Loan Agreement. This Warrant is a Warrant referred to in the Loan Agreement and is entitled to all the benefits provided therein.

12. Loss, Theft or Destruction of Warrant. Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft or destruction of this Warrant and of indemnity or security reasonably satisfactory to it, the Company will make and deliver an affidavit of lost warrant which shall carry the same rights carried by this Warrant, stating that such affidavit of lost warrant is issued in replacement of this Warrant, making reference to the original date of issuance of this Warrant (and any successors hereto) and dated as of such cancellation, in lieu of this Warrant.

13. Amendment and Waiver. Any provision of this Warrant may be waived or amended (either generally or in a particular instance, either retroactively or prospectively, and either for a specified period of time or indefinitely), pursuant to Section 5.1 of the Loan Agreement.
IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed by its officers, thereunto duly authorized this day of ____, 2010.

COMPLETE GENOMICS, INC.

By: ________________________________

Name: Clifford A. Reid
Title: President and Chief Executive Officer

SIGNATURE PAGE TO
STOCK PURCHASE WARRANT
TO: Complete Genomics, Inc.

1. The undersigned hereby elects to purchase ________ shares of Common Stock of COMPLETE GENOMICS, INC., pursuant to the terms of the attached Warrant, and tenders herewith payment of the purchase price of such shares in full, together with all applicable transfer taxes, if any.

1. The undersigned hereby elects to convert the attached Warrant into Warrant Shares in the manner specified in Section 3.3 of the Warrant. This conversion is exercised with respect to ________ of the Shares covered by the Warrant.

[Strike paragraph above that does not apply.]

2. Please issue a certificate or certificates representing said shares of stock in the name of the undersigned or in such other name as is specified below:

   Name: ___________________________
   Address: _________________________
   ___________________________

3. The undersigned represents that the aforesaid shares of stock are being acquired for the account of the undersigned for investment and not with a view to, or for resale in connection with, the distribution thereof and that the undersigned has no present intention of distributing or reselling such shares. In support thereof, the undersigned has executed an Investment Representation Statement attached hereto as Attachment C.

                                  WARRANTHOLDER

By: ___________________________
Title: _________________________
Date: __________________________
In connection with the purchase of the above-listed securities and underlying stock (the “Securities”), the undersigned represents to the Company the following:

(a) I/We am purchasing these Securities for my/our own account for investment purposes only and not with a view to, or for the resale in connection with, any “distribution” thereof for purposes of the Securities Act of 1933, as amended (the “Act”).

(b) I/We understand that the Securities have not been registered under the Act in reliance upon a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of my/our investment intent as expressed herein. In this connection, I/we understand that, in the view of the Securities and Exchange Commission (the “SEC”), the statutory basis for such exemption may be unavailable if my/our representation was predicated solely upon a present intention to hold these Securities for the minimum capital gains period specified under tax statutes, for a deferred sale, for or until an increase or decrease in the market price of the Securities, or for a period of one year or any other fixed period in the future.

(c) I/We further understand that the Securities must be held indefinitely unless subsequently registered under the Act or unless an exemption from registration is otherwise available. Moreover, I/we understand that the Company is under no obligation to register the Securities. In addition, I/we understand that the certificate evidencing the Securities will be imprinted with a legend which prohibits the transfer of the Securities unless they are registered or such registration is not required in the opinion of counsel for the Company.

(d) I/We am/are aware of the provisions of Rule 144, promulgated under the Act, which, in substance, permits limited public resale of “restricted securities” acquired, directly or indirectly, from the issuer thereof (or from an affiliate of such issuer), in a non-public offering subject to the satisfaction of certain conditions.

(e) I/We further understand that at the time I/we wish to sell the Securities there may be no public market upon which to make such a sale.

WARRANTHOLDER

________________________________________
(signature)

________________________________________
(title)
APPENDIX A

Black Scholes Option Pricing formula to be used when calculating the value of each new warrant to purchase one share in the Acquirer shall be:

\[ C_{Acq} = S_{Acq} e^{-\lambda(T_{Acq} - t_{Acq})} N(d_1) - K_{Acq} e^{-r(T_{Acq} - t_{Acq})} N(d_2), \text{ where} \]

- \( C_{Acq} \) = value of each warrant to purchase one share in the Acquirer
- \( S_{Acq} \) = price of Acquirer’s stock as determined by reference to the average of the closing prices on the securities exchange or Nasdaq Global Market over the 20-day period ending three trading days prior to the closing of the Corporate Reorganization described in Section 5.1 if the Acquirer’s stock is then traded on such exchange or system, or the average of the closing bid or sale prices (whichever is applicable) in the over-the-counter market over the 20-day period ending three trading days prior to the closing of the Corporate Reorganization if the Acquirer’s stock is then actively traded in the over-the-counter market, or the then most recently completed financing if the Acquirer’s stock is not then traded on a securities exchange or system or in the over-the-counter market.
- \( T_{Acq} \) = expiration date of new warrants to purchase shares in the Acquirer = \( T_{Corp} \)
- \( t_{Acq} \) = date of issue of new warrants to purchase shares in the Acquirer
- \( T_{Acq} - t_{Acq} \) = time until warrant expiration, expressed in years
- \( \sigma \) = volatility = annualized standard deviation of daily log-returns (using a 262-day annualization factor) of the Acquirer’s stock price on the securities exchange or Nasdaq Global Market over a 20-day trading period, determined by the Warrant Holders, that is within the 100-day trading period ending on the trading day immediately after the public announcement of the Corporate Reorganization described in Section 5.1 if the Acquirer’s stock is then traded on such exchange or system, or the annualized standard deviation of daily-log returns (using a 262-day annualization factor) of the closing bid or sale prices (whichever is applicable) in the over-the-counter market over a 20-day trading period, determined by the Warrant Holders, that is within the 100-day trading period ending on the trading day immediately after the public announcement of the Corporate Reorganization if the Acquirer’s stock is then actively traded in the over-the-counter market, or 0.6 (or 60%) if the Acquirer’s stock is not then traded on a securities exchange or system or in the over-the-counter market.
- \( N \) = cumulative normal distribution function
- \( d_1 = (\ln(S_{Acq}/K_{Acq}) + (r - \lambda + \sigma^2/2) (T_{Acq} - t_{Acq})) \div (\sigma \sqrt{T_{Acq} - t_{Acq}}) \)
- \( \ln \) = natural logarithm
- \( \lambda \) = dividend rate of the Acquirer for the most recent 12-month period at the time of closing of the Corporate Reorganization.
- \( K_{Acq} \) = strike price of new warrants to purchase shares in the Acquirer = \( K_{Corp} \times (S_{Acq}/S_{Corp}) \)
- \( r \) = annual yield, as reported by Bloomberg at time \( t_{Acq} \), of the United States Treasury security measuring the nearest time \( T_{Acq} \)
- \( d_2 = d_1 - \sigma \sqrt{T_{Acq} - t_{Acq}} \)
Black Scholes Option Pricing formula to be used when calculating the value of each Warrant to purchase one share in the Company shall be:

\[ C_{\text{Corp}} = S_{\text{Corp}} e^{-\lambda(T_{\text{Corp}}-t_{\text{Corp}})} N(d_1) - K_{\text{Corp}} e^{-r(T_{\text{Corp}}-t_{\text{Corp}})} N(d_2), \]

where

\[ d_1 = \frac{\ln(S_{\text{Corp}}/K_{\text{Corp}}) + (r - \lambda + \sigma^2/2)(T_{\text{Corp}}-t_{\text{Corp}})}{\sigma \sqrt{T_{\text{Corp}}-t_{\text{Corp}}}} \]

\[ d_2 = d_1 - \sigma \sqrt{T_{\text{Corp}}-t_{\text{Corp}}} \]

\[ \ln = \text{natural logarithm} \]

\[ \lambda = \text{dividend rate of the Company for the most recent 12-month period at the time of closing of the Corporate Reorganization.} \]

\[ K_{\text{Corp}} = \text{strike price of warrant} \]

\[ r = \text{annual yield, as reported by Bloomberg at time } t_{\text{Corp}}, \text{ of the United States Treasury security measuring the nearest time } T_{\text{Corp}} \]

\[ N = \text{cumulative normal distribution function} \]
THIS WARRANT AND THE SHARES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”), OR THE SECURITIES LAWS OF ANY STATE AND, EXCEPT AND PURSUANT TO THE PROVISIONS OF ARTICLE 5 BELOW, MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND APPLICABLE STATE SECURITIES LAW OR, IN THE OPINION OF LEGAL COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER OF THESE SECURITIES, SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS EXEMPT FROM REGISTRATION.

WARRANT TO PURCHASE STOCK

Company: Complete Genomics, Inc., a Delaware corporation
Number of Shares: [_____] or such greater amount as set forth in Section 1.7 below
Class of Stock: Series A Preferred
Warrant Price: $1.461632 per share
Issue Date: 
Expiration Date: The 10th anniversary after the Issue Date
Credit Facility: This Warrant is issued in connection with the Committed Equipment Line referenced in the Loan and Security Agreement between Company and Silicon Valley Bank dated September 21, 2006.

THIS WARRANT CERTIFIES THAT, for good and valuable consideration, <<LENDER>>, together with any registered holder from time to time of this Warrant or any holder of the shares issuable or issued upon exercise of this Warrant, “Holder”) is entitled to purchase the number of fully paid and nonassessable shares of the class of securities (the “Shares”) of the Company at the Warrant Price, all as set forth above and as adjusted pursuant to Article 2 of this Warrant, subject to the provisions and upon the terms and conditions set forth in this Warrant.

ARTICLE 1. EXERCISE.

1.1 Method of Exercise. Holder may exercise this Warrant by delivering a duly executed Notice of Exercise in substantially the form attached as Appendix 1 to the principal office of the Company. Unless Holder is exercising the conversion right set forth in Article 1.2, Holder shall also deliver to the Company a check, wire transfer (to an account designated by the Company), or other form of payment acceptable to the Company for the aggregate Warrant Price for the Shares being purchased.

1.2 Conversion Right. In lieu of exercising this Warrant as specified in Article 1.1, Holder may from time to time convert this Warrant, in whole or in part, into a number of Shares determined by dividing (a) the aggregate fair market value of the Shares or other securities otherwise issuable upon exercise of this Warrant minus the aggregate Warrant Price of such Shares by (b) the fair market value of one Share. The fair market value of the Shares shall be determined pursuant to Article 1.3.
1.3 **Fair Market Value.** If the Company’s common stock is traded in a public market and the Shares are common stock, the fair market value of each Share shall be the closing price of a Share reported for the business day immediately before Holder delivers its Notice of Exercise to the Company (or in the instance where the Warrant is exercised immediately prior to the effectiveness of the Company’s initial public offering, the “price to public” per share price specified in the final prospectus relating to such offering). If the Company’s common stock is traded in a public market and the Shares are preferred stock, the fair market value of a Share shall be the closing price of a share of the Company’s common stock reported for the business day immediately before Holder delivers its Notice of Exercise to the Company (or, in the instance where the Warrant is exercised immediately prior to the effectiveness of the Company’s initial public offering, the initial “price to public” per share price specified in the final prospectus relating to such offering), in both cases, multiplied by the number of shares of the Company’s common stock into which a Share is convertible. If the Company’s common stock is not traded in a public market, the Board of Directors of the Company shall determine fair market value in its reasonable good faith judgment.

1.4 **Delivery of Certificate and New Warrant.** Promptly after Holder exercises or converts this Warrant and, if applicable, the Company receives payment of the aggregate Warrant Price, the Company shall deliver to Holder certificates for the Shares acquired and, if this Warrant has not been fully exercised or converted and has not expired, a new Warrant representing the Shares not so acquired.

1.5 **Replacement of Warrants.** On receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of loss, theft or destruction, on delivery of an indemnity agreement reasonably satisfactory in form and amount to the Company or, in the case of mutilation on surrender and cancellation of this Warrant, the Company shall execute and deliver, in lieu of this Warrant, a new warrant of like tenor.

1.6 **Treatment of Warrant Upon Acquisition of Company.**

1.6.1 **“Acquisition.”** For the purpose of this Warrant, “Acquisition” means any sale, license, or other disposition of all or substantially all of the assets of the Company, or any reorganization, consolidation, or merger of the Company where the holders of the Company’s securities before the transaction beneficially own less than 50% of the outstanding voting securities of the surviving entity after the transaction.

1.6.2 **Treatment of Warrant at Acquisition.**

A) Upon the written request of the Company, Holder agrees that, in the event of an Acquisition that is not an asset sale and in which the sole consideration is cash, either (a) Holder shall exercise its conversion or purchase right under this Warrant and such exercise will be deemed effective immediately prior to the consummation of such Acquisition or (b) if Holder elects not to exercise the Warrant, this Warrant will expire upon the consummation of such Acquisition. The Company shall provide Holder with written notice of its request relating to the foregoing (together with such reasonable information as Holder may request in connection with such contemplated Acquisition giving rise to such notice), which is to be delivered to Holder not less than ten (10) days prior to the closing of the proposed Acquisition.
B) Upon the written request of the Company, Holder agrees that, in the event of an Acquisition that is an “arms length” sale of all or substantially all of the Company’s assets (and only its assets) to a third party that is not an Affiliate (as defined below) of the Company (a “True Asset Sale”), either (a) Holder shall exercise its conversion or purchase right under this Warrant and such exercise will be deemed effective immediately prior to the consummation of such Acquisition or (b) if Holder elects not to exercise the Warrant, this Warrant will continue until the Expiration Date if the Company continues as a going concern following the closing of any such True Asset Sale. The Company shall provide Holder with written notice of its request relating to the foregoing (together with such reasonable information as Holder may request in connection with such contemplated Acquisition giving rise to such notice), which is to be delivered to Holder not less than ten (10) days prior to the closing of the proposed Acquisition.

C) Upon the closing of any Acquisition other than those particularly described in subsections (A) and (B) above, the successor entity shall assume the obligations of this Warrant, and this Warrant shall be exercisable for the same securities, cash, and property as would be payable for the Shares issuable upon exercise of the unexercised portion of this Warrant as if such Shares were outstanding on the record date for the Acquisition and subsequent closing. The Warrant Price and/or number of Shares shall be adjusted accordingly.

As used herein “Affiliate” shall mean any person or entity that owns or controls directly or indirectly ten (10) percent or more of the stock of Company, any person or entity that controls or is controlled by or is under common control with such persons or entities, and each of such person’s or entity’s officers, directors, joint venturers or partners, as applicable.

1.7 Number of Shares. The initial aggregate number of shares of Series A Preferred Stock issuable under this Warrant shall be [_______] provided, however, at such time as Holder makes any Equipment Advance to Company pursuant to the Loan Agreement, the additional number of shares of Series A Preferred Stock issuable hereunder shall equal to two percent (2.0%) of each Equipment Advance divided by the price per share of Series A Preferred Stock in effect as of the date of such Equipment Advance.

ARTICLE 2. ADJUSTMENTS TO THE SHARES.

2.1 Stock Dividends, Splits, Etc. If the Company declares or pays a dividend on the Shares payable in common stock, or other securities, then upon exercise of this Warrant, for each Share acquired, Holder shall receive, without cost to Holder, the total number and kind of securities to which Holder would have been entitled had Holder owned the Shares of record as of the date the dividend occurred. If the Company subdivides the Shares by reclassification or otherwise into a greater number of shares or takes any other action which increase the amount of stock into which the Shares are convertible, the number of shares purchasable hereunder shall be proportionately increased and the Warrant Price shall be proportionately decreased. If the outstanding shares are combined or consolidated, by reclassification or otherwise, into a lesser number of shares, the Warrant Price shall be proportionately increased and the number of Shares shall be proportionately decreased.
2.2 **Reclassification, Exchange, Combinations or Substitution.** Upon any reclassification, exchange, substitution, or other event that results in a change of the number and/or class of the securities issuable upon exercise or conversion of this Warrant, Holder shall be entitled to receive, upon exercise or conversion of this Warrant, the number and kind of securities and property that Holder would have received for the Shares if this Warrant had been exercised immediately before such reclassification, exchange, substitution, or other event. Such an event shall include any automatic conversion of the outstanding or issuable securities of the Company of the same class or series as the Shares to common stock pursuant to the terms of the Company's Articles or Certificate (as applicable) of Incorporation upon the closing of a registered public offering of the Company's common stock. The Company or its successor shall promptly issue to Holder an amendment to this Warrant setting forth the number and kind of such new securities or other property issuable upon exercise or conversion of this Warrant as a result of such reclassification, exchange, substitution or other event that results in a change of the number and/or class of securities issuable upon exercise or conversion of this Warrant. The amendment to this Warrant shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article 2 including, without limitation, adjustments to the Warrant Price and to the number of securities or property issuable upon exercise of this Warrant. The provisions of this Article 2.2 shall similarly apply to successive reclassifications, exchanges, substitutions, or other events.

2.3 **Adjustments for Diluting Issuances.** The Warrant Price and the number of Shares issuable upon exercise of this Warrant or, if the Shares are preferred stock, the number of shares of common stock issuable upon conversion of the Shares, shall be subject to adjustment, from time to time in the manner set forth in the Company's Articles or Certificate of Incorporation as if the Shares were issued and outstanding on and as of the date of any such required adjustment. The provisions set forth for the Shares in the Company's Articles or Certificate (as applicable) of Incorporation relating to the above in effect as of the Issue Date may not be amended, modified or waived, without the prior written consent of Holder unless such amendment, modification or waiver affects the rights associated with the Shares in the same manner as such amendment, modification or waiver affects the rights associated with all other shares of the same series and class as the Shares granted to Holder.

2.4 **No Impairment.** The Company shall not, by amendment of its Articles or Certificate (as applicable) of Incorporation or through a reorganization, transfer of assets, consolidation, merger, dissolution, issue, or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed under this Warrant by the Company, but shall at all times in good faith assist in carrying out all the provisions of this Article 2 and in taking all such action as may be necessary or appropriate to protect Holder's rights under this Article against impairment.

2.5 **Fractional Shares.** No fractional Shares shall be issuable upon exercise or conversion of this Warrant and the number of Shares to be issued shall be rounded down to the nearest whole Share. If a fractional share interest arises upon any exercise or conversion of the Warrant, the Company shall eliminate such fractional share interest by paying Holder the amount computed by multiplying the fractional interest by the fair market value of a full Share.
2.6 Certificate as to Adjustments. Upon each adjustment of the Warrant Price, the Company shall promptly notify Holder in writing, and, at the Company's expense, promptly compute such adjustment, and furnish Holder with a certificate of its Chief Financial Officer setting forth such adjustment and the facts upon which such adjustment is based. The Company shall, upon written request, furnish Holder a certificate setting forth the Warrant Price in effect upon the date thereof and the series of adjustments leading to such Warrant Price.

ARTICLE 3. REPRESENTATIONS AND COVENANTS OF THE COMPANY.

3.1 Representations and Warranties. The Company represents and warrants to Holder as follows:

(a) The initial Warrant Price referenced on the first page of this Warrant is not greater than (i) the price per share at which the Shares were last issued in an arms-length transaction in which at least $500,000 of the Shares were sold and (ii) the fair market value of the Shares as of the date of this Warrant.

(b) All Shares which may be issued upon the exercise of the purchase right represented by this Warrant, and all securities, if any, issuable upon conversion of the Shares, shall, upon issuance, be duly authorized, validly issued, fully paid and nonassessable, and free of any liens and encumbrances except for restrictions on transfer provided for herein or under applicable federal and state securities laws.

(c) The Company's capitalization table attached hereto as Schedule 1 is true and complete as of the Issue Date.

3.2 Notice of Certain Events. If the Company proposes at any time (a) to declare any dividend or distribution upon any of its stock, whether in cash, property, stock, or other securities and whether or not a regular cash dividend; (b) to offer for sale any shares of the Company's capital stock or other securities convertible into such capital stock, other than (i) pursuant to the Company's stock option or other compensatory plans, (ii) in connection with commercial credit arrangements or equipment financings, or (iii) in connection with strategic transactions for purposes other than capital raising; (c) to effect any reclassification or recapitalization of any of its stock; (d) to merge or consolidate with or into any other corporation, or sell, lease, license, or convey all or substantially all of its assets, or to liquidate, dissolve or wind up; or (e) offer holders of registration rights the opportunity to participate in an underwritten public offering of the Company's securities for cash, then, in connection with each such event, the Company shall give Holder: (1) at least 10 days prior written notice of the date on which a record will be taken for such dividend, distribution, or subscription rights (and specifying the date on which the holders of common stock will be entitled thereto) or for determining rights to vote, if any, in respect of the matters referred to in (a) and (b) above; (2) in the case of the matters referred to in (c) and (d) above at least 10 days prior written notice of the date when the same will take place (and specifying the date on which the holders of common stock will be entitled to exchange their common stock for securities or other property deliverable upon the occurrence of such event); and (3) in the case of the matter referred to in (e) above, the same notice as is given to the holders of such registration rights. Company will also provide information requested by Holder reasonably necessary to enable Holder to comply with Holder's accounting or reporting requirements.
3.3 **Registration Under Securities Act of 1933, as amended.** The Company agrees that the Shares or, if the Shares are convertible into common stock of the Company, such common stock, shall have certain “piggyback,” registration rights pursuant to and as set forth in the Company’s Investor Rights Agreement or similar agreement. The provisions set forth in the Company’s Investors’ Right Agreement or similar agreement relating to the above in effect as of the Issue Date may not be amended, modified or waived without the prior written consent of Holder unless such amendment, modification or waiver affects the rights associated with the Shares in the same manner as such amendment, modification, or waiver affects the rights associated with all other shares of the same series and class as the Shares granted to Holder.

3.4 **No Shareholder Rights.** Except as provided in this Warrant, Holder will not have any rights as a shareholder of the Company until the exercise of this Warrant.

**ARTICLE 4. REPRESENTATIONS, WARRANTIES OF HOLDER.** Holder represents and warrants to the Company as follows:

4.1 **Purchase for Own Account.** This Warrant and the securities to be acquired upon exercise of this Warrant by Holder will be acquired for investment for Holder’s account, not as a nominee or agent, and not with a view to the public resale or distribution within the meaning of the Act. Holder also represents that Holder has not been formed for the specific purpose of acquiring this Warrant or the Shares.

4.2 **Disclosure of Information.** Holder has received or has had full access to all the information it considers necessary or appropriate to make an informed investment decision with respect to the acquisition of this Warrant and its underlying securities. Holder further has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of this Warrant and its underlying securities and to obtain additional information (to the extent the Company possessed such information or could acquire it without unreasonable effort or expense) necessary to verify any information furnished to Holder or to which Holder has access.

4.3 **Investment Experience.** Holder understands that the purchase of this Warrant and its underlying securities involves substantial risk. Holder has experience as an investor in securities of companies in the development stage and acknowledges that Holder can bear the economic risk of such Holder’s investment in this Warrant and its underlying securities and has such knowledge and experience in financial or business matters that Holder is capable of evaluating the merits and risks of its investment in this Warrant and its underlying securities and/or has a preexisting personal or business relationship with the Company and certain of its officers, directors or controlling persons of a nature and duration that enables Holder to be aware of the character, business acumen and financial circumstances of such persons.

4.4 **Accredited Investor Status.** Holder is an “accredited investor” within the meaning of Regulation D promulgated under the Act.

4.5 **The Act.** Holder understands that this Warrant and the Shares issuable upon exercise or conversion hereof have not been registered under the Act in reliance upon a specific exemption therefrom, which exemption depends upon, among
other things, the bona fide nature of Holder’s investment intent as expressed herein. Holder understands that this Warrant and the Shares issued upon any exercise or conversion hereof must be held indefinitely unless subsequently registered under the Act and qualified under applicable state securities laws, or unless exemption from such registration and qualification are otherwise available.

ARTICLE 5. MISCELLANEOUS.

5.1 Term. This Warrant is exercisable in whole or in part at any time and from time to time on or before the Expiration Date.

5.2 Legends. This Warrant and the Shares (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) shall be imprinted with a legend in substantially the following form:

THIS WARRANT AND THE SHARES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”), OR THE SECURITIES LAWS OF ANY STATE AND, EXCEPT AND PURSUANT TO THE PROVISIONS OF ARTICLE 5 BELOW, MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND APPLICABLE STATE SECURITIES LAW OR, IN THE OPINION OF LEGAL COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER OF THESE SECURITIES, SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS EXEMPT FROM REGISTRATION.

5.3 Compliance with Securities Laws on Transfer. This Warrant and the Shares issuable upon exercise of this Warrant (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) may not be transferred or assigned in whole or in part without compliance with applicable federal and state securities laws by the transferor and the transferee (including, without limitation, the delivery of investment representation letters and legal opinions reasonably satisfactory to the Company, as reasonably requested by the Company). The Company shall not require Silicon Valley Bank (“Bank”) to provide an opinion of counsel if the transfer is to Bank’s parent company, SVB Financial Group (formerly Silicon Valley Bancshares), or any other affiliate of Bank. Additionally, the Company shall also not require an opinion of counsel if there is no material question as to the availability of current information as referenced in Rule 144(c), Holder represents that it has complied with Rule 144(d) and (e) in reasonable detail, the selling broker represents that it has complied with Rule 144(f), and the Company is provided with a copy of Holder’s notice of proposed sale.

5.4 Transfer Procedure. After receipt by Bank of the executed Warrant, Bank will transfer all of this Warrant to SVB Financial Group by execution of an Assignment substantially in the form of Appendix 2. Subject to the provisions of Article 5.3 and upon providing the Company with written notice, SVB Financial Group and any subsequent Holder may transfer all or part of this Warrant or the Shares issuable upon exercise of this Warrant (or the Shares issuable directly or indirectly, upon conversion of the Shares, if any) to any transferee, provided, however, in connection with any such transfer, SVB Financial Group or any subsequent Holder will give the Company notice of the portion of the Warrant being transferred with the name, address and taxpayer
identification number of the transferee and Holder will surrender this Warrant to the Company for reissuance to the transferee(s) (and Holder if applicable). The Company may refuse to transfer this Warrant or the Shares to any person who directly competes with the Company, unless, in either case, the stock of the Company is publicly traded.

5.5 Notices. All notices and other communications from the Company to Holder, or vice versa, shall be deemed delivered and effective when given personally or mailed by first-class registered or certified mail, postage prepaid, at such address as may have been furnished to the Company or Holder, as the case may (or on the first business day after transmission by facsimile) be, in writing by the Company or such Holder from time to time. Effective upon receipt of the fully executed Warrant and the initial transfer described in Article 5.4 above, all notices to Holder shall be addressed as follows until the Company receives notice of a change of address in connection with a transfer or otherwise:

<< LENDER >>

Notice to the Company shall be addressed as follows until Holder receives notice of a change of address:

Complete Genomics, Inc.
Attn: Chief Financial Officer
750 North Pastoria Avenue
Sunnyvale, CA 94085
Telephone: (408) 730-5700
Facsimile: _______________________

5.6 Waiver. This Warrant and any term hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought.

5.7 Attorneys’ Fees. In the event of any dispute between the parties concerning the terms and provisions of this Warrant, the party prevailing in such dispute shall be entitled to collect from the other party all costs incurred in such dispute, including reasonable attorneys’ fees.

5.8 Automatic Conversion upon Expiration. In the event that, upon the Expiration Date, the fair market value of one Share (or other security issuable upon the exercise hereof) as determined in accordance with Section 1.3 above is greater than the Warrant Price in effect on such date, then this Warrant shall automatically be deemed on and as of such date to be converted pursuant to Section 1.2 above as to all Shares (or such other securities) for which it shall not previously have been exercised or converted, and the Company shall promptly deliver a certificate representing the Shares (or such other securities) issued upon such conversion to Holder.
5.9  **Counterparts**. This Warrant may be executed in counterparts, all of which together shall constitute one and the same agreement.

5.10  **Governing Law**. This Warrant shall be governed by and construed in accordance with the laws of the State of California, without giving effect to its principles regarding conflicts of law.

[Signature page follows.]
“COMPANY”

Complete Genomics, Inc.

By: ____________________________
Name: __________________________
(Print) Chairman of the Board, President or Vice President
Title: __________________________

By: ____________________________
Name: __________________________
(Print) Chief Financial Officer, Secretary, Assistant Treasurer or Assistant Secretary
Title: __________________________

“HOLDER”

<< LENDER >>

By: ____________________________
Name: __________________________
(Print) __________________________
Title: __________________________

Date: __________________________
SCHEDULE 1
CAPITALIZATION TABLE

[See attached.]
NOTICE OF EXERCISE

1. Holder elects to purchase __________shares of the Common/Series ______Preferred [strike one] Stock of __________________________pursuant to the terms of the attached Warrant, and tenders payment of the purchase price of the shares in full.
   
   [or]
   
1. Holder elects to convert the attached Warrant into Shares/cash [strike one] in the manner specified in the Warrant. This conversion is exercised for __________________________of the Shares covered by the Warrant.
   
   [Strike paragraph that does not apply.]
   
2. Please issue a certificate or certificates representing the shares in the name specified below:

   __________________________
   Holders Name

   __________________________

   __________________________
   (Address)

3. By its execution below and for the benefit of the Company, Holder hereby restates each of the representations and warranties in Article 4 of the Warrant as the date hereof.

HOLDER:

________________________

By: _______________________

Name: _____________________

Title: _____________________

(Date): ___________________
APPENDIX 2

ASSIGNMENT

For value received, << LENDER >> hereby sells, assigns and transfers unto

Name:
Address:
Tax ID:

that certain Warrant to Purchase Stock issued by ___________________________(the “Company”), on ________, 2 ______(the “Warrant”) together with all rights, title and interest therein.

<< LENDER >>

By: ____________________________
Name: ____________________________
Title: ____________________________

Date: ____________________________

By its execution below, and for the benefit of the Company, [ _________ ] makes each of the representations and warranties set forth in Article 4 of the Warrant and agrees to all other provisions of the Warrant as of the date hereof.

By: ____________________________
Name: ____________________________
Title: ____________________________
THIS WARRANT AND THE UNDERLYING SECURITIES HAVE BEEN ACQUIRED FOR INVESTMENT AND HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THIS WARRANT AND THE UNDERLYING SECURITIES MAY NOT BE SOLD OR TRANSFERRED WITHOUT (I) AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO, (II) AN OPINION OF COUNSEL FOR THE HOLDER, SATISFACTORY TO THE COMPANY, THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE ACT OR (III) RECEIPT OF A NO ACTION LETTER FROM THE SECURITIES AND EXCHANGE COMMISSION. COPIES OF THE AGREEMENT COVERING THE ACQUISITION OF THIS WARRANT AND RESTRICTING ITS TRANSFER MAY BE OBTAINED AT NO COST BY WRITTEN REQUEST MADE BY THE HOLDER OF RECORD OF THIS WARRANT TO THE SECRETARY OF THE COMPANY AT THE PRINCIPAL EXECUTIVE OFFICES OF THE COMPANY.

Void after [Five Years from Date of Issuance]

COMPLETE GENOMICS, INC.

STOCK PURCHASE WARRANT

No. B-«Warrant_No»

THIS CERTIFIES THAT, for value received, «L ENDER » , or its registered assigns (hereinafter called the “ Holder ”) is entitled to purchase from COMPLETE GENOMICS, INC., a Delaware corporation, with its principal place of business at 658 North Pastoria Ave., Sunnyvale, CA 94085 (the “ Company ”), at any time after the date specified in Section 1 hereof and ending at 5:00 p.m. Pacific Standard Time on the Expiration Date, as such term is defined in Section 1 hereof, up to that number of shares of the Company’s Series B Preferred Stock as calculated in the paragraph below. Upon the initial closing of the Next Financing (as defined below), the Company and the Holder shall execute an acknowledgement in the form attached hereto as Attachment A, which shall confirm the number of shares (as calculated in the paragraph below) of the Company’s Series B Preferred Stock that Holder is entitled to purchased upon exercise of this Warrant.

This Warrant (the “ Warrant ”) is being issued pursuant to the terms of that certain Bridge Loan Agreement, dated as of February 21, 2007 by and among the Holder, the Company and certain other investors set forth therein (the “ Loan Agreement ”). This Warrant may be exercised in whole or in part, at the option of the Holder. Unless otherwise defined herein, defined terms in this Warrant shall have the meanings ascribed to them in the Loan Agreement. Unless indicated otherwise, the number of shares of Series B Preferred Stock that Holder may purchase by exercising this Warrant is as follows: the quotient of numerator (A) the product of (x) 0.05, (y) the applicable Loan Amount loaned by such Investor at such Closing and (z) the number of months as measured by the number of complete months and the percentage of a complete month comprised by any less-than-complete month, between the date of the applicable Closing and the date of the closing of the Next Financing (as defined below) and denominator (B) the per share price of the New Preferred Stock issued and sold in the Next Financing.
1. Definitions. As used herein, the following terms shall have the following respective meanings. Any capitalized terms not defined herein shall have the meaning given to them in the Loan Agreement.

(a) Subject to Section 5.1, "Exercise Date" shall mean the period ending on the earlier of (i) [Five Years from Date of Issuance] or (ii) the closing of the initial public offering of the Company’s Common Stock, unless terminated earlier as provided below.

(b) "Exercise Price" shall mean the per share price of the Series B Preferred Stock sold in the Next Financing, subject to adjustments pursuant to Section 5 below.

(c) "Warrant Shares" shall mean the shares of the Company’s Series B Preferred Stock issuable upon exercise of this Warrant, subject to adjustments pursuant to the terms herein, including but not limited to adjustment pursuant to Section 5 below.

2. Term and Vesting Schedule. This Warrant shall be exercisable through the Expiration Date according to the following schedule:

3. Method of Exercise; Payment; Issuance of New Warrant. Subject to Section 1 hereof, the purchase right represented by this Warrant may be exercised by the Holder, in whole or in part, by:

3.1. the surrender of this Warrant (with an executed notice of exercise in the form attached hereto as Attachment B and an duly executed Investment Representation Statement in the form attached hereto as Attachment C) by delivery to the Company at its address set forth above (or such other address as it may designate by notice in writing to the Holder); and

3.2. the payment to the Company, by check, wire transfer, forgiveness of indebtedness, or any combination of the foregoing, of an amount equal to the then applicable Warrant Price per share multiplied by the number of Warrant Shares then being purchased.

If this Warrant should be exercised in part only, the Company shall, upon surrender of this Warrant, execute and deliver a new Warrant evidencing the rights of the Holder thereof to purchase the balance of the Warrant Shares purchasable hereunder. Upon receipt by the Company of this Warrant and such notice of exercise, together with, if applicable, the aggregate Warrant Price, at such office, or by the stock transfer agent or warrant agent of the Company at its office, the Holder shall be deemed to be the holder of record of the applicable Warrant Shares, notwithstanding that the stock transfer books of the Company shall then be closed or that certificates representing such Warrant Shares shall not then be actually delivered to the Holder. The Company shall pay any and all documentary stamp or similar issue or transfer taxes payable in respect of the issue or delivery of the Warrant Shares.

3.3. Net Exercise.

(a) In addition to and without limiting the rights of the Holder under the terms of this Warrant, the Holder may elect to convert this Warrant or any portion thereof (the "Conversion Right") into Warrant Shares, the aggregate value of which Warrant Shares
shall be equal to the value of this Warrant or the portion thereof being converted. The Conversion Right may be exercised by the Holder by surrender of this Warrant at the principal office of the Company together with notice of the Holder’s intention to exercise the Conversion Right, in which event the Company shall issue to the Holder a number of Warrant Shares computed using the following formula:

\[ X = \frac{Y(A-B)}{A} \]

Where:

- \( X \) - The number of Warrant Shares to be issued to the Holder upon exercise of the Conversion Right.
- \( Y \) - The number of Warrant Shares issuable upon exercise of this Warrant (or such lesser number as are being exercised).
- \( A \) - The fair market value of one Warrant Share, as determined pursuant to Section 3.3(b) hereof, as of the time the Conversion Right is exercised pursuant to this Section 3.
- \( B \) - Exercise Price for one Warrant Share under this Warrant (as adjusted to the date of such calculations).

Notwithstanding the foregoing, this Warrant shall be deemed to have converted into Warrant Shares pursuant to this Section 3.3(a) upon the Expiration Date if not previously exercised or converted before such date.

(b) **Fair Market Value.** For purposes of Section 3.3, “**fair market value of one Warrant Share**” shall mean, as of any date:

(i) the last closing price per share of the Company’s Common Stock on the principal national securities exchange on which the Common Stock is listed or admitted to trading;

(ii) the last reported sales price per share of the Company’s Common Stock on the NASDAQ Global Market or the NASDAQ Capital Market (collectively, “Nasdaq”) if the Company’s Common Stock is not listed or traded on any such exchange;

(iii) the average of the bid and asked price per share as reported in the “pink sheets” published by the National Quotation Bureau, Inc. (the “pink sheets”) if the Company’s Common Stock is not listed or traded on any exchange or Nasdaq; or

(iv) if such quotations are not available, the fair market value per share of the New Preferred Stock issued in the Next Financing on the date such notice was
4. **Stock Fully Paid; Reservation of Warrant Shares.** All shares of stock which may be issued upon the exercise of the rights represented by this Warrant will, upon issuance, be fully paid and nonassessable, and free from all taxes, liens and charges with respect to the issue thereof. During the period within which the rights represented by this Warrant may be exercised, the Company will at all times have authorized and reserved for the purpose of issue upon exercise of the purchase rights evidenced by this Warrant, a sufficient number of shares of its stock to provide for the exercise of the rights represented by this Warrant. In the event that there is an insufficient number of Warrant Shares reserved for issuance pursuant to the exercise of this Warrant, the Company will take appropriate action to authorize an increase in its capital stock to allow for such issuance or similar issuance acceptable to the Holder.

5. **Adjustment of Warrant Price and Number of Warrant Shares.** The number and kind of Warrant Shares purchasable upon the exercise of this Warrant and the Warrant Price shall be subject to adjustment from time to time upon the occurrence of certain events, as follows:

5.1. **Reclassification; Merger.** In case of any reclassification or change of outstanding securities of the class issuable upon exercise of this Warrant (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination), or in case of any consolidation or merger of the Company with or into another corporation (other than a merger with another corporation in which the Company is a continuing corporation and which does not result in any reclassification or change of outstanding securities issuable upon exercise of this Warrant), or any other corporate reorganization in which the Company shall not be the continuing or surviving entity of such consolidation, merger or reorganization, or any transaction in which in excess of 50% of the Company’s voting power is transferred, or any sale of all or substantially all of the stock or assets of the Company, the Company shall provide to Holder ten (10) days advance written notice of such reorganization, reclassification, consolidation, merger or sale or other disposition of the Company’s assets, and this Warrant shall terminate unless exercised prior to the date such reorganization, reclassification, consolidation, merger or sale or other disposition of the Company’s assets.

5.2. **Subdivision or Combination of Warrant Shares.** If the Company at any time while this Warrant remains outstanding and unexpired shall subdivide or combine its stock, the Warrant Price shall be proportionately decreased in the case of a subdivision or increased in the case of a combination.

5.3. **Stock Dividends.** If the Company at any time while this Warrant is outstanding and unexpired shall pay a dividend with respect to stock payable in, or make any other distribution with respect to stock (except any distribution specifically provided for in the foregoing Sections 5.1 and 5.2) of, stock, then the Warrant Price shall be adjusted, from and after the date of determination of stockholders entitled to receive such dividend or distribution, to that price determined by multiplying the Warrant Price in effect immediately prior to such date of determination by a fraction (i) the numerator of which shall be the total number of shares of stock outstanding immediately prior to such dividend or distribution, and (ii) the denominator of
which shall be the total number of shares of stock outstanding immediately after such dividend or distribution.

5.4. Adjustment of Number of Warrant Shares. Upon each adjustment in the Warrant Price, the number of shares of stock purchasable hereunder shall be adjusted, to the nearest whole share, to the product obtained by multiplying the number of Warrant Shares purchasable immediately prior to such adjustment in the Warrant Price by a fraction, the numerator of which shall be the Warrant Price immediately prior to such adjustment and the denominator of which shall be the Warrant Price immediately thereafter.

6. Fractional Warrant Shares. No fractional Warrant Shares will be issued in connection with any exercise hereunder, but in lieu of such fractional shares the Company shall make a cash payment therefor upon the basis of the Warrant Price then in effect.

7. Compliance with Securities Act; Non-transferability of Warrant; Disposition of Shares of Stock.

7.1. Compliance with Securities Act. The Holder, by acceptance hereof, agrees that this Warrant and the Warrant Shares are being acquired for investment and that he, she or it will not offer, sell or otherwise dispose of this Warrant or any Warrant Shares except under circumstances which will not result in a violation of the Securities Act of 1933, as amended (the “Act”). Upon exercise of this Warrant, the Holder hereof shall confirm in writing, in a form attached hereto as Attachment C, that the Warrant Shares so purchased are being acquired for investment and not with a view toward distribution or resale. In addition, the Holder shall provide such additional information regarding such Holder’s financial and investment background, as the Company may reasonably request, as is relevant for purposes of determining the Holder’s suitability with respect to a purchase of the Warrant Shares. All Warrant Shares (unless registered under the Act) shall be stamped or imprinted with a legend in substantially the following form (in addition to any legend required under applicable state securities laws):

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THIS SECURITY MAY NOT BE SOLD OR TRANSFERRED WITHOUT (I) AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO, (II) AN OPINION OF COUNSEL FOR THE HOLDER, SATISFACTORY TO THE COMPANY, THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE ACT OR (III) RECEIPT OF A NO ACTION LETTER FROM THE SECURITIES AND EXCHANGE COMMISSION. COPIES OF THE WARRANT AGREEMENT COVERING THE ACQUISITION OF THIS SECURITY AND RESTRICTING ITS TRANSFER MAY BE OBTAINED AT NO COST BY WRITTEN REQUEST MADE BY THE HOLDER OF RECORD OF THIS SECURITY TO THE SECRETARY OF THE COMPANY AT THE PRINCIPAL EXECUTIVE OFFICES OF THE COMPANY.

7.2. Transferability of Warrant. This Warrant may not be transferred or assigned in whole or in part without (i) an effective registration statement related thereto, (ii) an opinion of counsel for the Holder, satisfactory to the Company, that such registration is not
required under the Act or (iii) receipt of a no action letter from the Securities and Exchange Commission (together, “Securities Law Compliance Guarantees”); provided, however, that the Warrant may be transferred in whole or in part without Securities Law Compliance Guarantees upon any of the following provided that the transferee agrees in writing to be subject to the terms hereof to the same extent as if he/she were an original Holder hereunder:

(a) A transfer of the Warrant by a Holder who is a natural person during such Holder’s lifetime or on death by will or intestacy to such Holder’s immediate family or to any custodian or trustee for the account of such Holder or such Holder’s immediate family. “Immediate family” as used herein shall mean spouse, lineal descendant, father, mother, brother, or sister of the Holder;

(b) A transfer of the Warrant to the Company;

(c) A transfer of the Warrant to a parent, subsidiary or affiliate of a Holder; or

(d) A transfer of the Warrant by a Holder which is a limited or general partnership to any of its partners or former partners (with, a, b and c, a “Permitted Transfer”).

7.3 Disposition of Warrant Shares. Upon exercise of the Warrant Shares, the Holder will be entitled to any registration rights granted to all holders of the New Preferred Stock issued in the Next Financing. With respect to any offer, sale or other disposition of any Warrant Shares prior to registration of such shares, the Holder and each subsequent Holder of this Warrant agrees to give written notice to the Company prior thereto, describing briefly the manner thereof, together with a written opinion of such Holder’s counsel, if requested by the Company, to the effect that such offer, sale or other disposition may be effected without registration or qualification (under the Act as then in effect or any federal or state law then in effect) of such Warrant Shares and indicating whether or not under the Act certificates for such shares to be sold or otherwise disposed of require any restrictive legend as to applicable restrictions on transferability in order to ensure compliance with the Act; provided, however, that no such opinion of counsel or no-action letter shall be necessary for a Permitted Transfer if the transferee agrees in writing to be subject to the terms hereof to the same extent as if he/she were an original Holder hereunder.

8. Rights of Stockholders. No Holder of this Warrant shall be entitled to vote or receive dividends or be deemed the holder of stock or any other securities of the Company which may at any time be issuable on the exercise hereof for any purpose, nor shall anything contained herein be construed to confer upon the Holder of this Warrant, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action (whether upon any recapitalization, issuance of stock, reclassification of stock, change of par value or change of stock to no par value, consolidation, merger, conveyance, or otherwise) or to receive notice of meetings, or to receive dividends or subscription rights or otherwise until this Warrant has been exercised and the Warrant Shares shall have become deliverable, as provided herein.
9. **Governing Law.** The terms and conditions of this Warrant shall be governed by and construed in accordance with California law, without giving effect to conflict of law principles.

10. **Miscellaneous.** The headings in this Warrant are for purposes of convenience and reference only, and shall not be deemed to constitute a part hereof. All notices and other communications shall be delivered by hand or mailed by first-class registered or certified mail, postage prepaid, to the respective addresses provided in the Loan Agreement, or to such other address as the Company or Holder may designate to the other parties hereto.

11. **Loan Agreement.** This Warrant is a Warrant referred to in the Loan Agreement and is entitled to all the benefits provided therein.

12. **Loss, Theft or Destruction of Warrant.** Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft or destruction of this Warrant and of indemnity or security reasonably satisfactory to it, the Company will make and deliver an affidavit of lost warrant which shall carry the same rights carried by this Warrant, stating that such affidavit of lost warrant is issued in replacement of this Warrant, making reference to the original date of issuance of this Warrant (and any successors hereto) and dated as of such cancellation, in lieu of this Warrant.

13. **Amendment and Waiver.** Any provision of this Warrant may be waived or amended (either generally or in a particular instance, either retroactively or prospectively, and either for a specified period of time or indefinitely), pursuant to Section 4.1 of the Loan Agreement.

*(Remainder of Page Intentionally Left Blank)*
IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed by its officers, thereunto duly authorized this ___ day of February, 2007.

COMPLETE GENOMICS, INC.

By:
Name: Clifford A. Reid
Title: President and Chief Executive Officer
ACKNOWLEDGEMENT

The undersigned hereby acknowledge as follows:

2. Holder may, by exercising the Warrant, purchase up to that number of shares of Series B Preferred Stock of Complete Genomics, Inc. (the “Company”) as calculated pursuant to the terms of the Warrant.
3. The applicable Loan Amount loaned by Holder at the February 21, 2007 Closing is _____.
4. The date of closing of the Next Financing is March 19, 2007.
5. The per share price of the New Preferred Stock issued and sold in the Next Financing is $2.30.
6. The maximum aggregate number of shares of the Company’s Series B Preferred Stock that Holder may purchase upon exercise of the Warrant, calculated in accordance with the applicable provisions of the Warrant, is _____.
7. Unless otherwise defined in this Acknowledgement, capitalized terms shall have the meanings ascribed to them in the Warrant.

COMPLETE GENOMICS, INC.

By: 
Name: Clifford A. Reid
Title: President and Chief Executive Officer

«L ENDER »
By: 
Name: 
Title: 

COMPLETE GENOMICS, INC.

By: 
Name: 
Title: 
ATTACHMENT B TO WARRANT NO. B- «Warrant_No»

NOTICE OF EXERCISE

TO: Complete Genomics, Inc.

1. The undersigned hereby elects to purchase ________ shares of New Preferred Stock of COMPLETE GENOMICS, I NC., as defined in that certain Bridge Loan Agreement, dated February _____, 2007 and pursuant to the terms of the attached Warrant, and tenders herewith payment of the purchase price of such shares in full, together with all applicable transfer taxes, if any.

2. The undersigned hereby elects to convert the attached Warrant into Warrant Shares in the manner specified in Section 3.3 of the Warrant. This conversion is exercised with respect to ________ of the Shares covered by the Warrant.

[Strike paragraph above that does not apply.]

2. Please issue a certificate or certificates representing said shares of stock in the name of the undersigned or in such other name as is specified below:

Name: __________________________
Address: __________________________
__________________________________

3. The undersigned represents that the aforesaid shares of stock are being acquired for the account of the undersigned for investment and not with a view to, or for resale in connection with, the distribution thereof and that the undersigned has no present intention of distributing or reselling such shares. In support thereof, the undersigned has executed an Investment Representation Statement attached hereto as Attachment C.

«L. ENDER»
By: __________________________
Name: __________________________
Title: __________________________
Date: __________
ATTACHMENT C TO WARRANT NO. «Warrant_No»

INVESTMENT REPRESENTATION STATEMENT

PURCHASER: 
COMPANY: Complete Genomics, Inc.
SECURITY: 
AMOUNT: 
DATE: 

In connection with the purchase of the above-listed securities and underlying stock (the “Securities”), the undersigned represents to the Company the following:

(a) I/We am purchasing these Securities for my/our own account for investment purposes only and not with a view to, or for the resale in connection with, any “distribution” thereof for purposes of the Securities Act of 1933, as amended (the “Act”).

(b) I/We understand that the Securities have not been registered under the Act in reliance upon a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of my/our investment intent as expressed herein. In this connection, I/we understand that, in the view of the Securities and Exchange Commission (the “SEC”), the statutory basis for such exemption may be unavailable if my/our representation was predicated solely upon a present intention to hold these Securities for the minimum capital gains period specified under tax statutes, for a deferred sale, for or until an increase or decrease in the market price of the Securities, or for a period of one year or any other fixed period in the future.

(c) I/We further understand that the Securities must be held indefinitely unless subsequently registered under the Act or unless an exemption from registration is otherwise available. Moreover, I/we understand that the Company is under no obligation to register the Securities. In addition, I/we understand that the certificate evidencing the Securities will be imprinted with a legend which prohibits the transfer of the Securities unless they are registered or such registration is not required in the opinion of counsel for the Company.

(d) I/We am/are aware of the provisions of Rule 144, promulgated under the Act, which, in substance, permits limited public resale of “restricted securities” acquired, directly or indirectly, from the issuer thereof (or from an affiliate of such issuer), in a non-public offering subject to the satisfaction of certain conditions.

(e) I/We further understand that at the time I/we wish to sell the Securities there may be no public market upon which to make such a sale.

«L ENDER »

By: 
Name: 
Title: 

THIS WARRANT AND THE SHARES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES LAWS OF ANY STATE AND, EXCEPT AND PURSUANT TO THE PROVISIONS OF ARTICLE 5 BELOW, MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND APPLICABLE STATE SECURITIES LAW OR, IN THE OPINION OF LEGAL COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER OF THESE SECURITIES, SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS EXEMPT FROM REGISTRATION.

WARRANT TO PURCHASE STOCK

Company: COMPLETE GENOMICS, INC., a Delaware corporation
Number of Shares: [ ___ ]
Class of Stock: Series B Preferred
Warrant Price: $2.30 per share
Issue Date: August 3, 2007
Expiration Date: The 10th anniversary after the Issue Date
Credit Facility: This Warrant is issued in connection with the equipment loan facility referenced in the Loan and Security Agreement among the Company, Silicon Valley Bank and Gold Hill Venture Lending 03, LP dated August 3, 2007.

THIS WARRANT CERTIFIES THAT, for good and valuable consideration, [ « LENDER », together with any registered holder from time to time of this Warrant or any holder of the shares issuable or issued upon exercise of this Warrant, “Holder”) is entitled to purchase the number of fully paid and nonassessable shares of the class of securities (the “Shares”) of the Company at the Warrant Price, all as set forth above and as adjusted pursuant to Article 2 of this Warrant, subject to the provisions and upon the terms and conditions set forth in this Warrant.

ARTICLE 1. EXERCISE.

1.1 Method of Exercise. Holder may exercise this Warrant by delivering a duly executed Notice of Exercise in substantially the form attached as Appendix 1 to the principal office of the Company. Unless Holder is exercising the conversion right set forth in Article 1.2, Holder shall also deliver to the Company a check, wire transfer (to an account designated by the Company), or other form of payment acceptable to the Company for the aggregate Warrant Price for the Shares being purchased.

1.2 Conversion Right. In lieu of exercising this Warrant as specified in Article 1.1, Holder may from time to time convert this Warrant, in whole or in part, into a number of Shares determined by dividing (a) the aggregate fair market value of the Shares or other securities otherwise issuable upon exercise of this Warrant minus the aggregate Warrant Price of such Shares by (b) the fair market value of one Share. The fair market value of the Shares shall be determined pursuant to Article 1.3.
1.3 **Fair Market Value.** If the Company’s common stock is traded in a public market and the Shares are common stock, the fair market value of each Share shall be the closing price of a Share reported for the business day immediately before Holder delivers its Notice of Exercise to the Company (or in the instance where the Warrant is exercised immediately prior to the effectiveness of the Company’s initial public offering, the “price to public” per share price specified in the final prospectus relating to such offering). If the Company’s common stock is traded in a public market and the Shares are preferred stock, the fair market value of a Share shall be the closing price of a share of the Company’s common stock reported for the business day immediately before Holder delivers its Notice of Exercise to the Company (or, in the instance where the Warrant is exercised immediately prior to the effectiveness of the Company’s initial public offering, the initial “price to public” per share price specified in the final prospectus relating to such offering), in both cases, multiplied by the number of shares of the Company’s common stock into which a Share is convertible. If the Company’s common stock is not traded in a public market, the Board of Directors of the Company shall determine fair market value in its reasonable good faith judgment.

1.4 **Delivery of Certificate and New Warrant.** Promptly after Holder exercises or converts this Warrant and, if applicable, the Company receives payment of the aggregate Warrant Price, the Company shall deliver to Holder certificates for the Shares acquired and, if this Warrant has not been fully exercised or converted and has not expired, a new Warrant representing the Shares not so acquired.

1.5 **Replacement of Warrants.** On receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of loss, theft or destruction, on delivery of an indemnity agreement reasonably satisfactory in form and amount to the Company or, in the case of mutilation on surrender and cancellation of this Warrant, the Company shall execute and deliver, in lieu of this Warrant, a new warrant of like tenor.

1.6 **Treatment of Warrant Upon Acquisition of Company.**

1.6.1 **“Acquisition”.** For the purpose of this Warrant, “Acquisition” means any sale, license, or other disposition of all or substantially all of the assets of the Company, or any reorganization, consolidation, or merger of the Company where the holders of the Company’s securities before the transaction beneficially own less than 50% of the outstanding voting securities of the surviving entity after the transaction.

1.6.2 **Treatment of Warrant at Acquisition.**

A) Upon the written request of the Company, Holder agrees that, in the event of an Acquisition that is not an asset sale and in which the sole consideration is cash, either (a) Holder shall exercise its conversion or purchase right under this Warrant and such exercise will be deemed effective immediately prior to the consummation of such Acquisition or (b) if Holder elects not to exercise the Warrant, this Warrant will expire upon the consummation of such Acquisition. The Company shall provide Holder with written notice of its request relating to the foregoing (together with such reasonable information as Holder may request in connection with such contemplated Acquisition giving rise to such notice), which is to be delivered to Holder not less than ten (10) days prior to the closing of the proposed Acquisition.
Upon the written request of the Company, Holder agrees that, in the event of an Acquisition that is an “arms length” sale of all or substantially all of the Company's assets (and only its assets) to a third party that is not an Affiliate (as defined below) of the Company (a “True Asset Sale”), either (a) Holder shall exercise its conversion or purchase right under this Warrant and such exercise will be deemed effective immediately prior to the consummation of such Acquisition or (b) if Holder elects not to exercise the Warrant, this Warrant will continue until the Expiration Date if the Company continues as a going concern following the closing of any such True Asset Sale. The Company shall provide Holder with written notice of its request relating to the foregoing (together with such reasonable information as Holder may request in connection with such contemplated Acquisition giving rise to such notice), which is to be delivered to Holder not less than ten (10) days prior to the closing of the proposed Acquisition.

C) Holder agrees that, in the event of an Acquisition of the Company by an acquirer whose securities are publicly traded if the acquirer in the Acquisition does not agree to assume this Warrant at and as of the closing thereof, and if, on the record date for the Acquisition, the fair market value of the Shares (or other securities issuable upon exercise of this Warrant) based on the amount to be paid to holders of the Shares if the Warrant has been exercised, is equal to or greater than three (3) times the Warrant Price, Company may deem the Warrant to be automatically exercised and the Holder shall participate in the Acquisition as a holder of the Shares (or other securities issuable upon exercise of the Warrant) on the same terms as other holders of the same class of securities of the Company.

D) Upon the closing of any Acquisition other than those particularly described in subsections (A), (B), and (C) above, the successor entity shall assume the obligations of this Warrant, and this Warrant shall be exercisable for the same securities, cash, and property as would be payable for the Shares issuable upon exercise of the unexercised portion of this Warrant as if such Shares were outstanding on the record date for the Acquisition and subsequent closing. The Warrant Price and/or number of Shares shall be adjusted accordingly.

As used herein “Affiliate” shall mean any person or entity that owns or controls directly or indirectly ten (10) percent or more of the stock of Company, any person or entity that controls or is controlled by or is under common control with such persons or entities, and each of such person's or entity's officers, directors, joint venturers or partners, as applicable.

ARTICLE 2. ADJUSTMENTS TO THE SHARES.

2.1 Stock Dividends, Splits, Etc. If the Company declares or pays a dividend on the Shares payable in common stock, or other securities, then upon exercise of this Warrant, for each Share acquired, Holder shall receive, without cost to Holder, the total number and kind of securities to which Holder would have been entitled had Holder owned the Shares of record as of the date the dividend occurred. If the Company subdivides the Shares by reclassification or otherwise into a greater number of shares or takes any other action which increase the amount of stock into which the Shares are convertible, the number of shares purchasable hereunder shall be proportionately increased and the Warrant Price shall be proportionately decreased. If the outstanding shares are combined or consolidated, by reclassification or otherwise,
into a lesser number of shares, the Warrant Price shall be proportionately increased and the number of Shares shall be proportionately decreased.

2.2 Reclassification, Exchange, Combinations or Substitution. Upon any reclassification, exchange, substitution, or other event that results in a change of the number and/or class of the securities issuable upon exercise or conversion of this Warrant, Holder shall be entitled to receive, upon exercise or conversion of this Warrant, the number and kind of securities and property that Holder would have received for the Shares if this Warrant had been exercised immediately before such reclassification, exchange, substitution, or other event. Such an event shall include any automatic conversion of the outstanding or issuable securities of the Company of the same class or series as the Shares to common stock pursuant to the terms of the Company's Certificate of Incorporation upon the closing of a registered public offering of the Company's common stock. The Company or its successor shall promptly issue to Holder an amendment to this Warrant setting forth the number and kind of such new securities or other property issuable upon exercise or conversion of this Warrant as a result of such reclassification, exchange, substitution or other event that results in a change of the number and/or class of securities issuable upon exercise or conversion of this Warrant. The amendment to this Warrant shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article 2 including, without limitation, adjustments to the Warrant Price and to the number of securities or other property issuable upon exercise or conversion of this Warrant. The provisions of this Article 2.2 shall similarly apply to successive reclassifications, exchanges, substitutions, or other events.

2.3 Adjustments for Diluting Issuances. The Warrant Price and the number of Shares issuable upon exercise of this Warrant or, if the Shares are preferred stock, the number of shares of common stock issuable upon conversion of the Shares, shall be subject to adjustment, from time to time in the manner set forth in the Company's Certificate of Incorporation as if the Shares were issued and outstanding on and as of the date of any such required adjustment. The provisions set forth for the Shares in the Company's Certificate of Incorporation relating to the above in effect as of the Issue Date may not be amended, modified or waived, without the prior written consent of Holder unless such amendment, modification or waiver affects the rights associated with the Shares in the same manner as such amendment, modification or waiver affects the rights associated with all other shares of the same series and class as the Shares granted to Holder.

2.4 No Impairment. Except and to the extent waived or consented to in writing by Holder, or as otherwise specifically permitted under the terms hereof, the Company shall not, by amendment of its Certificate of Incorporation or through a reorganization, transfer of assets, consolidation, merger, dissolution, issue, or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed under this Warrant by the Company, but shall at all times in good faith assist in carrying out of all the provisions of this Article 2 and in taking all such action as may be necessary or appropriate to protect Holder’s rights under this Article against impairment.

2.5 Fractional Shares. No fractional Shares shall be issuable upon exercise or conversion of this Warrant and the number of Shares to be issued shall be rounded down to the nearest whole Share. If a fractional share interest arises upon any
exercise or conversion of the Warrant, the Company shall eliminate such fractional share interest by paying Holder the amount computed by multiplying the fractional interest by the fair market value of a full Share.

2.6 Certificate as to Adjustments. Upon each adjustment of the Warrant Price, the Company shall promptly notify Holder in writing, and, at the Company’s expense, promptly compute such adjustment, and furnish Holder with a certificate of its Chief Financial Officer setting forth such adjustment and the facts upon which such adjustment is based. The Company shall, upon written request, furnish Holder a certificate setting forth the Warrant Price in effect upon the date thereof and the series of adjustments leading to such Warrant Price.

ARTICLE 3. REPRESENTATIONS AND COVENANTS OF THE COMPANY.

3.1 Representations and Warranties. The Company represents and warrants to Holder as follows:

(a) The initial Warrant Price referenced on the first page of this Warrant is not greater than (i) the price per share at which the Shares were last issued in an arms-length transaction in which at least $500,000 of the Shares were sold and (ii) the fair market value of the Shares as of the date of this Warrant.

(b) All Shares which may be issued upon the exercise of the purchase right represented by this Warrant, and all securities, if any, issuable upon conversion of the Shares, shall, upon issuance, be duly authorized, validly issued, fully paid and nonassessable, and free of any liens and encumbrances except for restrictions on transfer provided for herein or under applicable federal and state securities laws.

(c) The Company’s capitalization table attached hereto as Schedule 1 is true and complete as of the Issue Date.

3.2 Notice of Certain Events. If the Company proposes at any time (a) to declare any dividend or distribution upon any of its stock, whether in cash, property, stock, or other securities and whether or not a regular cash dividend; (b) to offer for sale any shares of the Company’s capital stock (or other securities convertible into such capital stock), other than (i) pursuant to the Company’s stock option or other compensatory plans, (ii) in connection with commercial credit arrangements or equipment financings, or (iii) in connection with strategic transactions for purposes other than capital raising; (c) to effect any reclassification or recapitalization of any of its stock; (d) to merge or consolidate with or into any other corporation, or sell, lease, license, or convey all or substantially all of its assets, or to liquidate, dissolve or wind up; or (e) offer holders of registration rights the opportunity to participate in an underwritten public offering of the Company’s securities for cash, then, in connection with each such event, the Company shall give Holder: (1) at least 10 days prior written notice of the date on which a record will be taken for such dividend, distribution, or subscription rights (and specifying the date on which the holders of common stock will be entitled thereto) or for determining rights to vote, if any, in respect of the matters referred to in (a) and (b) above; (2) in the case of the matters referred to in (c) and (d) above at least 10 days prior written notice of the date when the same will take place (and specifying the date on which the holders of common stock will be entitled to exchange their common stock for securities or other property deliverable upon the occurrence of such event); and (3) in
the case of the matter referred to in (e) above, the same notice as is given to the holders of such registration rights. Company will also provide information requested by Holder reasonably necessary to enable Holder to comply with Holder’s accounting or reporting requirements.

3.3  Registration Under Securities Act of 1933, as amended. The Company agrees that the Shares or, if the Shares are convertible into common stock of the Company, such common stock, shall have certain “piggyback” and “S-3” registration rights pursuant to and as set forth in the Company’s Amended and Restated Investor Rights Agreement, dated as of March 19, 2007 (the “Investor Rights Agreement”) as may be amended from time to time. Holder agrees to become a party to the Investor Rights Agreement for the purposes of this Section 3.3. The provisions set forth in the Investor Right Agreement relating to the above in effect as of the Issue Date may not be amended, modified or waived without the prior written consent of Holder unless such amendment, modification or waiver affects the rights associated with the Shares in the same manner as such amendment, modification, or waiver affects the rights associated with all other shares of the same series and class as the Shares granted to Holder.

3.4  No Shareholder Rights. Except as provided in this Warrant, Holder will not have any rights as a shareholder of the Company until the exercise of this Warrant.

ARTICLE 4. REPRESENTATIONS, WARRANTIES OF HOLDER. Holder represents and warrants to the Company as follows:

4.1  Purchase for Own Account. This Warrant and the securities to be acquired upon exercise of this Warrant by Holder will be acquired for investment for Holder’s account, not as a nominee or agent, and not with a view to the public resale or distribution within the meaning of the Act. Holder also represents that Holder has not been formed for the specific purpose of acquiring this Warrant or the Shares.

4.2  Disclosure of Information. Holder has received or has had full access to all the information it considers necessary or appropriate to make an informed investment decision with respect to the acquisition of this Warrant and its underlying securities. Holder further has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of this Warrant and its underlying securities and to obtain additional information (to the extent the Company possessed such information or could acquire it without unreasonable effort or expense) necessary to verify any information furnished to Holder or to which Holder has access.

4.3  Investment Experience. Holder understands that the purchase of this Warrant and its underlying securities involves substantial risk. Holder has experience as an investor in securities of companies in the development stage and acknowledges that Holder can bear the economic risk of such Holder’s investment in this Warrant and its underlying securities and has such knowledge and experience in financial or business matters that Holder is capable of evaluating the merits and risks of its investment in this Warrant and its underlying securities and/or has a preexisting personal or business relationship with the Company and certain of its officers, directors or controlling persons of a nature and duration that enables Holder to be aware of the character, business acumen and financial circumstances of such persons.
4.4 Accredited Investor Status. Holder is an “accredited investor” within the meaning of Regulation D promulgated under the Act.

4.5 The Act. Holder understands that this Warrant and the Shares issuable upon exercise or conversion hereof have not been registered under the Act in reliance upon a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of Holder’s investment intent as expressed herein. Holder understands that this Warrant and the Shares issued upon any exercise or conversion hereof must be held indefinitely unless subsequently registered under the Act and qualified under applicable state securities laws, or unless exemption from such registration and qualification are otherwise available.

4.6 Market Stand-Off Agreement. Holder hereby agrees to be bound by the terms and conditions of the market standoff agreement, currently section 1.14, of the Investor Rights Agreement, as it may be amended from time to time. The provisions set forth in the Company’s Investors’ Right Agreement relating to the above in effect as of the Issue Date may not be amended, modified or waived without the prior written consent of the holder if such amendment, modification or waiver affects the rights associated with the Shares in a manner adversely different than such amendment, modification, or waiver affects the rights associated with the other shares of the same series and class as the Shares granted to Holder.

ARTICLE 5. MISCELLANEOUS.

5.1 Term. This Warrant is exercisable in whole or in part at any time and from time to time on or before the Expiration Date.

5.2 Legends. This Warrant and the Shares (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) shall be imprinted with a legend in substantially the following form:

THIS WARRANT AND THE SHARES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”), OR THE SECURITIES LAWS OF ANY STATE AND, EXCEPT AND PURSUANT TO THE PROVISIONS OF ARTICLE 5 BELOW, MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND APPLICABLE STATE SECURITIES LAW OR, IN THE OPINION OF LEGAL COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER OF THESE SECURITIES, SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS EXEMPT FROM REGISTRATION.

5.3 Compliance with Securities Laws on Transfer. This Warrant and the Shares issuable upon exercise of this Warrant (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) may not be transferred or assigned in whole or in part without compliance with applicable federal and state securities laws by the transferor and the transferee (including, without limitation, the delivery of investment representation letters and legal opinions reasonably satisfactory to the Company, as reasonably requested by the Company). [SVB WARRANT - The Company shall not require Silicon Valley Bank (“Bank”) to provide an opinion of counsel]
if the transfer is to Bank’s parent company, SVB Financial Group (formerly Silicon Valley Bancshares), or any other affiliate of Bank.][GHVL WARRANT - The Company shall not require Gold Hill Venture Lending 03, LP (“Gold Hill”) to provide an opinion of counsel if the transfer is to any affiliate of Gold Hill.] Additionally, the Company shall also not require an opinion of counsel if there is no material question as to the availability of current information as referenced in Rule 144(c), Holder represents that it has complied with Rule 144(d) and (e) in reasonable detail, the selling broker represents that it has complied with Rule 144(f), and the Company is provided with a copy of Holder’s notice of proposed sale.

5.4 Transfer Procedure. [SVB WARRANT - After receipt by Bank of the executed Warrant, Bank will transfer all of this Warrant to SVB Financial Group by execution of an Assignment substantially in the form of Appendix 2. Subject to the provisions of Article 5.3 and upon providing the Company with written notice, SVB Financial Group and any subsequent Holder may transfer all or part of this Warrant or the Shares issuable upon exercise of this Warrant (or the Shares issuable directly or indirectly, upon conversion of the Shares, if any) to any transferee, provided, however, in connection with any such transfer, SVB Financial Group or any subsequent Holder will give the Company notice of the portion of the Warrant being transferred with the name, address and taxpayer identification number of the transferee and Holder will surrender this Warrant to the Company for reissuance to the transferee(s) (and Holder if applicable).] [GHVL WARRANT - Subject to the provisions of Article 5.3 and upon providing the Company with written notice, Gold Hill and any subsequent Holder may transfer all or part of this Warrant or the Shares issuable upon exercise of this Warrant (or the Shares issuable directly or indirectly, upon conversion of the Shares, if any) to any transferee, provided, however, in connection with any such transfer, Gold Hill or any subsequent Holder will give the Company notice of the portion of the Warrant being transferred with the name, address and taxpayer identification number of the transferee and Holder will surrender this Warrant to the Company for reissuance to the transferee(s) (and Holder if applicable).] The Company may refuse to transfer this Warrant or the Shares to any person who directly competes with the Company, unless, in either case, the stock of the Company is publicly traded.

5.5 Notices. All notices and other communications from the Company to Holder, or vice versa, shall be deemed delivered and effective when given personally or mailed by first-class registered or certified mail, postage prepaid, at such address as may have been furnished to the Company or Holder, as the case may (or on the first business day after transmission by facsimile) be, in writing by the Company or such Holder from time to time. Effective upon receipt of the fully executed Warrant and the initial transfer described in Article 5.4 above, all notices to Holder shall be addressed as follows until the Company receives notice of a change of address in connection with a transfer or otherwise:

« LENDER »

Notice to the Company shall be addressed as follows until Holder receives notice of a change in address:

Complete Genomics, Inc.
Attn: Chief Financial Officer
658 N. Pastoria Avenue
5.6 **Waiver**. This Warrant and any term hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought.

5.7 **Attorneys' Fees**. In the event of any dispute between the parties concerning the terms and provisions of this Warrant, the party prevailing in such dispute shall be entitled to collect from the other party all costs incurred in such dispute, including reasonable attorneys' fees.

5.8 **Automatic Conversion upon Expiration**. In the event that, upon the Expiration Date, the fair market value of one Share (or other security issuable upon the exercise hereof) as determined in accordance with Section 1.3 above is greater than the Warrant Price in effect on such date, then this Warrant shall automatically be deemed on and as of such date to be converted pursuant to Section 1.2 above as to all Shares (or such other securities) for which it shall not previously have been exercised or converted, and the Company shall promptly deliver a certificate representing the Shares (or such other securities) issued upon such conversion to Holder.

5.9 **Counterparts**. This Warrant may be executed in counterparts, all of which together shall constitute one and the same agreement.

5.10 **Governing Law**. This Warrant shall be governed by and construed in accordance with the laws of the State of California, without giving effect to its principles regarding conflicts of law.

[Signature page follows.]
“COMPANY”

COMPLETE GENOMICS, INC.

By:                          
Name: ________________________  
(Print)                       
Title: Chairman of the Board, President and 
Chief Executive Officer

“HOLDER”

« LENDER »

By:                          
Name: ________________________  
(Print)                       
Title: ________________________

By:                          
Name: ________________________  
(Print)                       
Title: Chief Financial Officer
SCHEDULE 1

CAPITALIZATION TABLE

[See attached.]
APPENDIX 1

NOTICE OF EXERCISE

1. Holder elects to purchase _________ shares of the Common/Series _______Preferred [strike one] Stock of ___________________ pursuant to the terms of the attached Warrant, and tenders payment of the purchase price of the shares in full.

[or]

1. Holder elects to convert the attached Warrant into Shares/cash [strike one] in the manner specified in the Warrant. This conversion is exercised for ________________ of the Shares covered by the Warrant.

[Strike paragraph that does not apply.]

2. Please issue a certificate or certificates representing the shares in the name specified below:

Holders Name

(Address)

3. By its execution below and for the benefit of the Company, Holder hereby restates each of the representations and warranties in Article 4 of the Warrant as the date hereof.

HOLDER:

By: ___________________________

Name: _________________________

Title: __________________________

(Date): ________________________
APPENDIX 2

ASSIGNMENT

For value received, «LENDER» hereby sells, assigns and transfers unto

[Name:
Address:
Tax ID:
][Name:
Address:
Tax ID: ]

that certain Warrant to Purchase Stock issued by Complete Genomics, Inc. (the “Company”), on __________, 2007 (the “Warrant”) together with all rights, title and interest therein.

« LENDER »

By: _____________________________
Name: ___________________________
Title: ___________________________

Date: _____________

By its execution below, and for the benefit of the Company, «LENDER» makes each of the representations and warranties set forth in Article 4 of the Warrant and agrees to all other provisions of the Warrant as of the date hereof.

By: _____________________________
Name: ___________________________
Title: ___________________________
WARRANT

THIS WARRANT AND THE UNDERLYING SECURITIES HAVE BEEN ACQUIRED FOR INVESTMENT AND HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THIS WARRANT AND THE UNDERLYING SECURITIES MAY NOT BE SOLD OR TRANSFERRED WITHOUT (I) AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO, (II) AN OPINION OF COUNSEL FOR THE HOLDER, SATISFACTORY TO THE COMPANY, THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE ACT OR (III) RECEIPT OF A NO ACTION LETTER FROM THE SECURITIES AND EXCHANGE COMMISSION. COPIES OF THE AGREEMENT COVERING THE ACQUISITION OF THIS WARRANT AND RESTRICTING ITS TRANSFER MAY BE OBTAINED AT NO COST BY WRITTEN REQUEST MADE BY THE HOLDER OF RECORD OF THIS WARRANT TO THE SECRETARY OF THE COMPANY AT THE PRINCIPAL EXECUTIVE OFFICES OF THE COMPANY.

Void after __________, 2014

COMPLETE GENOMICS, INC.

STOCK PURCHASE WARRANT

NO. D-«Number»

THIS CERTIFIES THAT, for value received, «Name» or its registered assigns (hereinafter called the "Holder") is entitled to purchase from COMPLETE GENOMICS, INC., a Delaware corporation, with its principal place of business at 2071 Stierlin Court, Mountain View, CA 94043 (the "Company"), at any time after the date specified in Section 1 hereof and ending at 5:00 p.m. Pacific Standard Time on the Expiration Date, as such term is defined in Section 1 hereof, up to that number of shares of the Company's Preferred Stock as specified in the two paragraphs below. Upon the initial closing of the Next Financing (as defined below) or upon the Measurement Date (as defined below), the Company and the Holder shall execute an acknowledgement in the form attached hereto as Attachment A, which shall confirm the number of shares (as calculated in the paragraph below) of the Company’s Preferred Stock that Holder is entitled to purchase upon exercise of this Warrant.

This Warrant (the "Warrant") is being issued pursuant to the terms of that certain Bridge Loan Agreement, dated as of __________, 2009 by and among the Holder, the Company and certain other investors set forth therein (the “Loan Agreement”). This Warrant may be exercised in whole or in part, at the option of the Holder. Unless otherwise defined herein, defined terms in this Warrant shall have the meanings ascribed to them in the Loan Agreement.

1. Definitions. As used herein, the following terms shall have the following respective meanings. Any capitalized terms not defined herein shall have the meaning given to them in the Loan Agreement.
(a) Subject to Section 5.1, “Expiration Date” shall mean the period ending on the earlier of (i) [__________, 2014] or (ii) the closing of the initial public offering of the Company’s Common Stock, unless terminated earlier as provided below.

(b) “Exercise Price” shall mean the per share price of the Series D Preferred Stock sold in the Next Financing, or if the Warrant becomes exercisable for shares of Series C Preferred Stock, $2.54, in each case subject to adjustments pursuant to Section 5 below.

(c) “Warrant Shares” shall mean the shares of the Company’s Series D Preferred Stock or Series C Preferred Stock issuable upon exercise of this Warrant, subject to adjustments pursuant to the terms herein, including but not limited to adjustment pursuant to Section 5 below.

2. Warrant Coverage

(a) If the Notes issued to the original Holder on the date hereof are converted into Series D Preferred Stock of the Company, this Warrant shall be exercisable for a number of shares of Series D Preferred Stock determined as follows: the quotient of numerator (A) the product of (x) 0.05, (y) the aggregate amount loaned by such Investor at the applicable Closing at which this Warrant was issued and (z) the number of months as measured by the number of complete months and the percentage of a complete month comprised by any less-than-complete month, between the date of the applicable Closing and the date of the closing of the Next Financing; provided that such number of months shall not exceed four, and denominator (B) the per share price of the Series D Preferred Stock issued and sold in the Next Financing.

(b) If the Notes issued to the original Holder on the date hereof are paid in full or converted into Series C Preferred Stock of the Company (the date of such, the “Measurement Date”), this Warrant shall be exercisable for the number of shares of the Company’s Series C Preferred Stock equal to the quotient of numerator (A) the product of (x) 0.05, (y) the aggregate amount loaned by such Investor at the applicable Closing at which this Warrant was issued and (z) the number of months as measured by the number of complete months and the percentage of a complete month comprised by any less-than-complete month, between the date of the applicable Closing and the Measurement Date, provided that such number of months shall not exceed four, and denominator (B) $2.54 (as adjusted for stock splits, combinations, reorganizations and the like).

3. Method of Exercise; Payment; Issuance of New Warrant. Subject to Section 1 hereof, the purchase right represented by this Warrant may be exercised by the Holder, in whole or in part, by:

3.1. the surrender of this Warrant (with an executed notice of exercise in the form attached hereto as Attachment B and an duly executed Investment Representation Statement in the form attached hereto as Attachment C) by delivery to the Company at its address set forth above (or such other address as it may designate by notice in writing to the Holder); and

3.2. the payment to the Company, by check, wire transfer, forgiveness of indebtedness, or any combination of the foregoing, of an amount equal to the then applicable Warrant Price per share multiplied by the number of Warrant Shares then being purchased.
If this Warrant should be exercised in part only, the Company shall, upon surrender of this Warrant, execute and deliver a new Warrant evidencing the rights of the Holder thereof to purchase the balance of the Warrant Shares purchasable hereunder. Upon receipt by the Company of this Warrant and such notice of exercise, together with, if applicable, the aggregate Warrant Price, at such office, or by the stock transfer agent or warrant agent of the Company at its office, the Holder shall be deemed to be the holder of record of the applicable Warrant Shares, notwithstanding that the stock transfer books of the Company shall then be closed or that certificates representing such Warrant Shares shall not then be actually delivered to the Holder. The Company shall pay any and all documentary stamp or similar issue or transfer taxes payable in respect of the issue or delivery of the Warrant Shares.

3.3. Net Exercise.

(a) In addition to and without limiting the rights of the Holder under the terms of this Warrant, the Holder may elect to convert this Warrant or any portion thereof (the “Conversion Right”) into Warrant Shares, the aggregate value of which Warrant Shares shall be equal to the value of this Warrant or the portion thereof being converted. The Conversion Right may be exercised by the Holder by surrender of this Warrant at the principal office of the Company together with notice of the Holder’s intention to exercise the Conversion Right, in which event the Company shall issue to the Holder a number of Warrant Shares computed using the following formula:

\[ X = \frac{Y(A - B)}{A} \]

Where:

- **X** - The number of Warrant Shares to be issued to the Holder upon exercise of the Conversion Right.
- **Y** - The number of Warrant Shares issuable upon exercise of this Warrant (or such lesser number as are being exercised).
- **A** - The fair market value of one Warrant Share, as determined pursuant to Section 3.3 (b) hereof, as of the time the Conversion Right is exercised pursuant to this Section 3.
- **B** - Exercise Price for one Warrant Share under this Warrant (as adjusted to the date of such calculations).

Notwithstanding the foregoing, this Warrant shall be deemed to have converted into Warrant Shares pursuant to this Section 3.3(a) upon the Expiration Date if not previously exercised or converted before such date.
(b) **Fair Market Value.** For purposes of Section 3.3, “fair market value of one Warrant Share” shall mean, as of any date:

(i) the last closing price per share of the Company’s Common Stock on the principal national securities exchange on which the Common Stock is listed or admitted to trading;

(ii) the average of the bid and asked price per share as reported in the “pink sheets” published by the National Quotation Bureau, Inc. (the “pink sheets”) if the Company’s Common Stock is not listed or traded on any exchange; or

(iii) if such quotations are not available, the fair market value per share of the New Preferred Stock issued in the Next Financing on the date such notice was received by the Company, as determined in good faith by the Board of Directors of the Company.

4. **Stock Fully Paid; Reservation of Warrant Shares.** All shares of stock which may be issued upon the exercise of the rights represented by this Warrant will, upon issuance, be fully paid and nonassessable, and free from all taxes, liens and charges with respect to the issue thereof. During the period within which the rights represented by this Warrant may be exercised, the Company will at all times have authorized and reserved for the purpose of issue upon exercise of the purchase rights evidenced by this Warrant, a sufficient number of shares of its stock to provide for the exercise of the rights represented by this Warrant. In the event that there is an insufficient number of Warrant Shares reserved for issuance pursuant to the exercise of this Warrant, the Company will take appropriate action to authorize an increase in its capital stock to allow for such issuance or similar issuance acceptable to the Holder.

5. **Adjustment of Warrant Price and Number of Warrant Shares.** The number and kind of Warrant Shares purchasable upon the exercise of this Warrant and the Warrant Price shall be subject to adjustment from time to time upon the occurrence of certain events, as follows:

5.1. **Reclassification; Merger.** In case of any reclassification or change of outstanding securities of the class issuable upon exercise of this Warrant (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination), or in case of any consolidation or merger of the Company with or into another corporation (other than a merger with another corporation in which the Company is a continuing corporation and which does not result in any reclassification or change of outstanding securities issuable upon exercise of this Warrant), or any other corporate reorganization in which the Company shall not be the continuing or surviving entity of such consolidation, merger or reorganization, or any transaction in which in excess of 50% of the Company’s voting power is transferred, or any sale of all or substantially all of the stock or assets of the Company, the Company shall provide to Holder ten (10) days advance written notice of such reorganization, reclassification, consolidation, merger or sale or other disposition of the Company’s assets, and this Warrant shall terminate unless exercised prior to the date such reorganization, reclassification, consolidation, merger or sale or other disposition of the Company’s assets.
5.2. **Subdivision or Combination of Warrant Shares.** If the Company at any time while this Warrant remains outstanding and unexpired shall subdivide or combine its stock, the Warrant Price shall be proportionately decreased in the case of a subdivision or increased in the case of a combination.

5.3. **Stock Dividends.** If the Company at any time while this Warrant is outstanding and unexpired shall pay a dividend with respect to stock payable in, or make any other distribution with respect to stock (except any distribution specifically provided for in the foregoing Sections 5.1 and 5.2) of, stock, then the Warrant Price shall be adjusted, from and after the date of determination of stockholders entitled to receive such dividend or distribution, to that price determined by multiplying the Warrant Price in effect immediately prior to such date of determination by a fraction (i) the numerator of which shall be the total number of shares of stock outstanding immediately prior to such dividend or distribution, and (ii) the denominator of which shall be the total number of shares of stock outstanding immediately after such dividend or distribution.

5.4. **Adjustment of Number of Warrant Shares.** Upon each adjustment in the Warrant Price, the number of shares of stock purchasable hereunder shall be adjusted, to the nearest whole share, to the product obtained by multiplying the number of Warrant Shares purchasable immediately prior to such adjustment in the Warrant Price by a fraction, the numerator of which shall be the Warrant Price immediately prior to such adjustment and the denominator of which shall be the Warrant Price immediately thereafter.

6. **Fractional Warrant Shares.** No fractional Warrant Shares will be issued in connection with any exercise hereunder, but in lieu of such fractional shares the Company shall make a cash payment therefor upon the basis of the Warrant Price then in effect.

7. **Compliance with Securities Act; Non-transferability of Warrant; Disposition of Shares of Stock.**

7.1. **Compliance with Securities Act.** The Holder, by acceptance hereof, agrees that this Warrant and the Warrant Shares are being acquired for investment and that he, she or it will not offer, sell or otherwise dispose of this Warrant or any Warrant Shares except under circumstances which will not result in a violation of the Securities Act of 1933, as amended (the “Act”). Upon exercise of this Warrant, the Holder hereof shall confirm in writing, in a form attached hereto as Attachment C, that the Warrant Shares so purchased are being acquired for investment and not with a view toward distribution or resale. In addition, the Holder shall provide such additional information regarding such Holder’s financial and investment background, as the Company may reasonably request, as is relevant for purposes of determining the Holder’s suitability with respect to a purchase of the Warrant Shares. All Warrant Shares (unless registered under the Act) shall be stamped or imprinted with a legend in substantially the following form (in addition to any legend required under applicable state securities laws):

```
THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THIS SECURITY MAY NOT BE SOLD OR TRANSFERRED WITHOUT (I) AN EFFECTIVE REGISTRATION
```

C-5
7.2. **Transferability of Warrant.** This Warrant may not be transferred or assigned in whole or in part without (i) an effective registration statement related thereto, (ii) an opinion of counsel for the Holder, satisfactory to the Company, that such registration is not required under the Act or (iii) receipt of a no action letter from the Securities and Exchange Commission (together, “**Securities Law Compliance Guarantees**”); provided, however, that the Warrant may be transferred in whole or in part without Securities Law Compliance Guarantees upon any of the following provided that the transferee agrees in writing to be subject to the terms hereof to the same extent as if he/she were an original Holder hereunder:

(a) A transfer of the Warrant by a Holder who is a natural person during such Holder’s lifetime or on death by will or intestacy to such Holder’s immediate family or to any custodian or trustee for the account of such Holder or such Holder’s immediate family. “**Immediate family**” as used herein shall mean spouse, lineal descendant, father, mother, brother, or sister of the Holder;

(b) A transfer of the Warrant to the Company;

(c) A transfer of the Warrant to a parent, subsidiary or affiliate of a Holder; or

(d) A transfer of the Warrant by a Holder which is a limited or general partnership to any of its partners or former partners (with, a, b and c, a “**Permitted Transfer**”).

7.3. **Disposition of Warrant Shares.** Upon exercise of the Warrant Shares, the Holder will be entitled to any registration rights granted to all holders of the New Preferred Stock issued in the Next Financing. With respect to any offer, sale or other disposition of any Warrant Shares prior to registration of such shares, the Holder and each subsequent Holder of this Warrant agrees to give written notice to the Company prior thereto, describing briefly the manner thereof, together with a written opinion of such Holder’s counsel, if requested by the Company, to the effect that such offer, sale or other disposition may be effected without registration or qualification (under the Act as then in effect or any federal or state law then in effect) of such Warrant Shares and indicating whether or not under the Act certificates for such shares to be sold or otherwise disposed of require any restrictive legend as to applicable restrictions on transferability in order to ensure compliance with the Act; provided, however, that no such opinion of counsel or no-action letter shall be necessary for a Permitted Transfer if the
transferee agrees in writing to be subject to the terms hereof to the same extent as if he/she were an original Holder hereunder.

8. **Rights of Stockholders.** No Holder of this Warrant shall be entitled to vote or receive dividends or be deemed the holder of stock or any other securities of the Company which may at any time be issuable on the exercise hereof for any purpose, nor shall anything contained herein be construed to confer upon the Holder of this Warrant, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action (whether upon any recapitalization, issuance of stock, reclassification of stock, change of par value or change of stock to no par value, consolidation, merger, conveyance, or otherwise) or to receive notice of meetings, or to receive dividends or subscription rights or otherwise until this Warrant has been exercised and the Warrant Shares shall have become deliverable, as provided herein.

9. **Governing Law.** The terms and conditions of this Warrant shall be governed by and construed in accordance with California law, without giving effect to conflict of law principles.

10. **Miscellaneous.** The headings in this Warrant are for purposes of convenience and reference only, and shall not be deemed to constitute a part hereof. All notices and other communications shall be delivered by hand or mailed by first-class registered or certified mail, postage prepaid, to the respective addresses provided in the Loan Agreement, or to such other address as the Company or Holder may designate to the other parties hereto.

11. **Loan Agreement.** This Warrant is a Warrant referred to in the Loan Agreement and is entitled to all the benefits provided therein.

12. **Loss, Theft or Destruction of Warrant.** Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft or destruction of this Warrant and of indemnity or security reasonably satisfactory to it, the Company will make and deliver an affidavit of lost warrant which shall carry the same rights carried by this Warrant, stating that such affidavit of lost warrant is issued in replacement of this Warrant, making reference to the original date of issuance of this Warrant (and any successors hereto) and dated as of such cancellation, in lieu of this Warrant.

13. **Amendment and Waiver.** Any provision of this Warrant may be waived or amended (either generally or in a particular instance, either retroactively or prospectively, and either for a specified period of time or indefinitely), pursuant to Section 5.1 of the Loan Agreement.
IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed by its officers, thereunto duly authorized this ___day of __________, 2009.

COMPLETE GENOMICS, INC.

By: __________________________
Name: Clifford A. Reid
Title: President and Chief Executive Officer

Signature Page to Warrant - <<Name>>
ACKNOWLEDGEMENT

The undersigned hereby acknowledge as follows:

i. «Name» (“Holder”) is the record holder of Stock Purchase Warrant No.«Number», dated __________(the “Warrant”).

ii. Holder may, by exercising the Warrant, purchase up to that number of shares of
   - Series C Preferred Stock
   - Series D Preferred Stock

   of Complete Genomics, Inc. (the “Company”) as determined pursuant to the terms of the Warrant.

iii. The applicable Loan Amount loaned by Holder at the Initial Closing is $«Actual_Initial_Closing_Loan_Amount».

iv. The date of closing of the Next Financing is __________, 2009.

4. The Measurement Date is __________, 2009.

   [Strike paragraph above that does not apply.]

v. The maximum aggregate number of shares of the Company’s
   - Series C Preferred Stock
   - Series D Preferred Stock

   that Holder may purchase upon exercise of the Warrant, calculated in accordance with the applicable provisions of the Warrant, is __________.

vi. Unless otherwise defined in this Acknowledgement, capitalized terms shall have the meanings ascribed to them in the Warrant.

COMPLETE GENOMICS, INC.

By: ________________________________
Name: Clifford A. Reid
Title: President and Chief Executive Officer

Warrantholder
By: ________________________________
Title: _____________________________
TO: Complete Genomics, Inc.

1. The undersigned hereby elects to purchase ___________ shares of
   ☐ Series C Preferred Stock
   ☐ Series D Preferred Stock

   of Complete Genomics, Inc., as defined in that certain Bridge Loan Agreement, dated __________, 2009
   and pursuant to the terms of the attached Warrant, and tenders herewith payment of the purchase price of such
   shares in full, together with all applicable transfer taxes, if any.

   1. The undersigned hereby elects to convert the attached Warrant into Warrant Shares in the manner specified
      in Section 3.3 of the Warrant. This conversion is exercised with respect to _________________of the Shares
      covered by the Warrant.

      [Strike paragraph above that does not apply.]

   2. Please issue a certificate or certificates representing said shares of stock in the name of the undersigned or in
      such other name as is specified below:

      Name: ________________________________
      Address: ______________________________
                  ______________________________

   3. The undersigned represents that the aforesaid shares of stock are being acquired for the account of the
      undersigned for investment and not with a view to, or for resale in connection with, the distribution thereof and that the
      undersigned has no present intention of distributing or reselling such shares. In support thereof, the undersigned has
      executed an Investment Representation Statement attached hereto as Attachment C.

   WARRANTHOLDER
   By: ________________________________
   Title: ________________________________
   Date: ________________________________
ATTACHMENT C TO FORM OF WARRANT
INVESTMENT REPRESENTATION STATEMENT

PURCHASER : «Name»
COMPANY : Complete Genomics, Inc.
SECURITY :
AMOUNT :
DATE :

In connection with the purchase of the above-listed securities and underlying stock (the “Securities”), the undersigned represents to the Company the following:

(a) I/We am purchasing these Securities for my/our own account for investment purposes only and not with a view to, or for the resale in connection with, any “distribution” thereof for purposes of the Securities Act of 1933, as amended (the “Act”).

(b) I/We understand that the Securities have not been registered under the Act in reliance upon a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of my/our investment intent as expressed herein. In this connection, I/we understand that, in the view of the Securities and Exchange Commission (the “SEC”), the statutory basis for such exemption may be unavailable if my/our representation was predicated solely upon a present intention to hold these Securities for the minimum capital gains period specified under tax statutes, for a deferred sale, for or until an increase or decrease in the market price of the Securities, or for a period of one year or any other fixed period in the future.

(c) I/We further understand that the Securities must be held indefinitely unless subsequently registered under the Act or unless an exemption from registration is otherwise available. Moreover, I/we understand that the Company is under no obligation to register the Securities. In addition, I/we understand that the certificate evidencing the Securities will be imprinted with a legend which prohibits the transfer of the Securities unless they are registered or such registration is not required in the opinion of counsel for the Company.

(d) I/We am/are aware of the provisions of Rule 144, promulgated under the Act, which, in substance, permits limited public resale of “restricted securities” acquired, directly or indirectly, from the issuer thereof (or from an affiliate of such issuer), in a non-public offering subject to the satisfaction of certain conditions.

(e) I/We further understand that at the time I/we wish to sell the Securities there may be no public market upon which to make such a sale.

WARRANTHOLDER

(signature)

(title)
THIS WARRANT AND THE SHARES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”), OR THE SECURITIES LAWS OF ANY STATE AND, EXCEPT AND PURSUANT TO THE PROVISIONS OF ARTICLE 5 BELOW, MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND APPLICABLE STATE SECURITIES LAWS OR, IN THE OPINION OF LEGAL COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER OF THESE SECURITIES, SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS EXEMPT FROM REGISTRATION.

WARRANT TO PURCHASE STOCK

Company: Complete Genomics, Inc., a Delaware corporation
Number of Shares: As set forth below
Class of Stock: As set forth below
Warrant Price: As set forth below
Issue Date: July ___, 2008
Expiration Date: July ___, 2018
Credit Facility: This Warrant is issued in connection with that certain Loan and Security Agreement of even date herewith among Silicon Valley Bank, Oxford Finance Corporation, Leader Lending, LLC – Series A, Leader Lending, LLC – Series B and the Company.

THIS WARRANT CERTIFIES THAT, for good and valuable consideration, « LENDER » (together with any successor or permitted assignee or transferee of this Warrant or of any shares issued upon exercise hereof, is referred to hereinafter as “Holder”) is entitled to purchase the number of fully paid and non-assessable shares (the “Shares”) of the above-stated Class of Stock (the “Class”) of the above-named company (the “Company”) at the above-stated Warrant Price, all as set forth above and as adjusted pursuant to Article 2 of this Warrant, subject to the provisions and upon the terms and conditions set forth in this Warrant.

A. Number and Class of Shares; Warrant Price.

   1. Certain Definitions. As used herein, the following definitions have the respective meanings set forth below:

      “Acquisition” has the meaning given in Section 1.6.1 below.

      “IPO” means the Company’s initial, underwritten offering and sale of its shares to the public pursuant to an effective registration statement under the Securities Act of 1933, as amended.

      “Qualified Financing” means the first sale or issuance by the Company after the Issue Date of this Warrant set forth above, in a single transaction or series of related transactions, of shares of its convertible preferred stock or other senior equity securities to one or more investors for cash for financing purposes.
“Qualified Financing Securities” means the class and series of convertible preferred stock or other senior equity security sold or issued by the Company in the Qualified Financing, and any securities of the Company into or for which the outstanding shares of such Qualified Financing Securities may be converted, reclassified, reorganized or exchanged.

“Qualified Financing Price” means the lowest effective price per share for which Qualified Financing Securities are sold or issued by the Company in the Qualified Financing.

“Series C Price” means $5.31, subject to adjustment from time to time upon the occurrence of events described in Article 2 hereof.

“Series C Stock” shall mean the Company’s Series C Convertible Preferred Stock, $0.001 par value per share, and any securities of the Company into or for which the outstanding shares of such Series C Convertible Preferred Stock may be converted, reclassified, reorganized or exchanged.

(2) Class of Shares. The class and series of the Company’s capital stock for which this Warrant shall be exercisable (the “Class”) shall be Qualified Financing Securities; provided, that if, upon consummation of the Qualified Financing, the Qualified Financing Price shall be greater than the then-effective Series C Price, then the “Class”: shall be Series C Stock from and after the consummation of such Qualified Financing; provided, further, that if, prior to the consummation of the Qualified Financing, there shall be an Acquisition or IPO, then “Class” shall be Series C Stock as of immediately prior to (i) the effectiveness of the registration statement filed in connection with the IPO, or (ii) the closing of the Acquisition, as the case may be. Notwithstanding the foregoing definition of Class, if Pay to Play Provisions are at any time applied to the outstanding shares of the Class, then from and after such application, “Class” shall mean that security that a holder of outstanding shares of the Class prior to such application would have received had such holder participated in the manner necessary to receive or retain the security having the rights more favorable to the holder. As used herein, “Pay to Play Provisions” means (a) provisions that require the holder of a security to participate in a subsequent round of equity financing or lose all or a portion of the benefit of antidilution protection applicable to a security or have such security automatically convert to common stock or another series of capital stock, or (b) an exchange transaction having the same or similar economic effect.

(3) Warrant Price. The purchase price per Share hereunder (the “Warrant Price”) shall be the Qualified Financing Price; provided, that if upon consummation of the Qualified Financing, the Qualified Financing Price shall be greater than the then-effective Series C Price, then the “Warrant Price” shall be the Series C Price from and after the consummation of such Qualified Financing; provided, further, that if, prior to the consummation of the Qualified Financing, there shall be an Acquisition or IPO, then the “Warrant Price” shall be the Series C Price as of immediately prior to (i) the effectiveness of the registration statement filed in connection with the IPO, or (ii) the closing of the Acquisition, as the case may be; and in any event subject to further adjustment thereafter from time to time in accordance with the provisions of this Warrant.

(4) Number of Shares. The number of Shares for which this Warrant shall be exercisable shall equal (i) ______, divided by (ii) the Warrant Price as
determined pursuant to paragraph A(3) above, and subject to further adjustment from time to time in accordance with the provisions of this Warrant.

ARTICLE 1. EXERCISE.

1.1 Method of Exercise. Holder may exercise this Warrant by delivering the original of this Warrant together with a duly executed Notice of Exercise in substantially the form attached as Appendix 1 to the principal office of the Company. Unless Holder is exercising the conversion right set forth in Article 1.2, Holder shall also deliver to the Company a check, wire transfer (to an account designated by the Company), or other form of payment acceptable to the Company for the aggregate Warrant Price for the Shares being purchased.

1.2 Conversion Right. In lieu of exercising this Warrant as specified in Article 1.1, Holder may from time to time convert this Warrant, in whole or in part, into a number of Shares determined by dividing (a) the aggregate fair market value of the Shares or other securities otherwise issuable upon exercise of this Warrant minus the aggregate Warrant Price of such Shares by (b) the fair market value of one Share. The fair market value of the Shares shall be determined pursuant to Article 1.3.

1.3 Fair Market Value. If the Company’s common stock is traded in a public market and the Shares are common stock, the fair market value of a Share shall be the closing price of a share of common stock reported for the business day immediately before Holder delivers this Warrant together with its Notice of Exercise to the Company (or in the instance where the Warrant is exercised immediately prior to the effectiveness of the Company’s IPO, the “price to public” per share price specified in the final prospectus relating to such offering). If the Company’s common stock is traded in a public market and the Shares are preferred stock, the fair market value of a Share shall be the closing price of a share of the Company’s common stock reported for the business day immediately before Holder delivers this Warrant together with its Notice of Exercise to the Company (or, in the instance where the Warrant is exercised immediately prior to the effectiveness of the IPO, the initial “price to public” per share price specified in the final prospectus relating to such offering), in both cases, multiplied by the number of shares of the Company’s common stock into which a Share is convertible. If the Company’s common stock is not traded in a public market, the Board of Directors of the Company shall determine fair market value in its reasonable good faith judgment.

1.4 Delivery of Certificate and New Warrant. Promptly after Holder exercises or converts this Warrant and, if applicable, the Company receives payment of the aggregate Warrant Price, the Company shall deliver to Holder certificates for the Shares acquired and, if this Warrant has not been fully exercised or converted and has not expired, a new Warrant representing the Shares not so acquired.

1.5 Replacement of Warrants. On receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of loss, theft or destruction, on delivery of an indemnity agreement reasonably satisfactory in form and amount to the Company or, in the case of mutilation, on surrender and cancellation of this Warrant, the Company shall execute and deliver, in lieu of this Warrant, a new warrant of like tenor.
1.6 Treatment of Warrant Upon Acquisition of Company.

1.6.1 “Acquisition.” For the purpose of this Warrant, “Acquisition” means any sale, license, or other disposition of all or substantially all of the assets of the Company, or any reorganization, consolidation, merger or sale of outstanding capital stock of the Company where the holders of the Company’s securities before the transaction beneficially own less than a majority of the outstanding voting securities of the surviving entity after the transaction.

1.6.2 Treatment of Warrant at Acquisition.

A) Upon the written request of the Company, Holder agrees that, in the event of an Acquisition in which the sole consideration is cash, either (a) Holder shall exercise its conversion or purchase right under this Warrant and such exercise will be deemed effective immediately prior to the consummation of such Acquisition or (b) if Holder elects not to exercise the Warrant, this Warrant will expire upon the consummation of such Acquisition. The Company shall provide the Holder with written notice of its request relating to the foregoing (together with such reasonable information as the Holder may request in connection with such contemplated Acquisition giving rise to such notice), which is to be delivered to Holder not less than ten (10) days prior to the closing of the proposed Acquisition.

B) Upon the written request of the Company, Holder agrees that, in the event of an Acquisition that is an “arms length” sale of all or substantially all of the Company’s assets (and only its assets) to a third party that is not an Affiliate (as defined below) of the Company (a “True Asset Sale”), either (a) Holder shall exercise its conversion or purchase right under this Warrant and such exercise will be deemed effective immediately prior to the consummation of such Acquisition or (b) if Holder elects not to exercise the Warrant, this Warrant will continue until the Expiration Date if the Company continues as a going concern following the closing of any such True Asset Sale. The Company shall provide the Holder with written notice of its request relating to the foregoing (together with such reasonable information as the Holder may request in connection with such contemplated Acquisition giving rise to such notice), which is to be delivered to Holder not less than ten (10) days prior to the closing of the proposed Acquisition.

C) Holder agrees that, in the event of an Acquisition of the Company by an acquirer whose securities are publicly traded if the acquirer in the Acquisition does not agree to assume this Warrant at and as of the closing thereof, and if, on the record date for the Acquisition, the fair market value of the Shares (or other securities issuable upon exercise of this Warrant) based on the amount to be paid to holders of the Shares if the Warrant had been exercised, is equal to or greater than three (3) times the Warrant Price, Company may deem the Warrant to be automatically exercised and the Holder shall participate in the Acquisition as a holder of the Shares (or other securities issuable upon exercise of the Warrant) on the same terms as other holders of the same class of securities of the Company.

D) Upon the closing of any Acquisition other than those particularly described in subsections (A), (B) and (C) above, the successor entity shall assume the obligations of this Warrant, and this Warrant shall be exercisable for the same securities, cash, and
property as would be payable for the Shares issuable upon exercise of the unexercised portion of this Warrant as if such Shares were outstanding on the record date for the Acquisition and subsequent closing. The Warrant Price and/or number of Shares shall be adjusted accordingly.

As used in this Section 1.6, “Affiliate” shall mean any person or entity that owns or controls directly or indirectly ten percent (10%) or more of the stock of Company, any person or entity that controls or is controlled by or is under common control with such persons or entities, and each of such person’s or entity’s officers, directors, joint venturers or partners, as applicable.

ARTICLE 2. ADJUSTMENTS TO THE SHARES.

2.1 Stock Dividends, Splits, Etc. If the Company declares or pays a dividend on the outstanding shares of the Class payable in common stock or other securities, then upon exercise of this Warrant, for each Share acquired, Holder shall receive, without cost to Holder, the total number and kind of securities to which Holder would have been entitled had Holder owned the Shares of record as of the date the dividend occurred. If the Company subdivides the outstanding shares of the Class by reclassification or otherwise into a greater number of shares or takes any other action which increase the amount of common stock into which the one share of the Class is convertible, the number of Shares purchasable hereunder shall be proportionately increased and the Warrant Price shall be proportionately decreased. If the outstanding shares of the Class are combined or consolidated, by reclassification or otherwise, into a lesser number of shares, the Warrant Price shall be proportionately increased and the number of Shares shall be proportionately decreased.

2.2 Reclassification, Exchange, Combinations or Substitution. Upon any reclassification, exchange, substitution, or other event that results in a change of the number and/or class of the securities issuable upon exercise or conversion of this Warrant, Holder shall be entitled to receive, upon exercise or conversion of this Warrant, the number and kind of securities and property that Holder would have received for the Shares if this Warrant had been exercised immediately before such reclassification, exchange, substitution, or other event. Such an event shall include any automatic conversion of the outstanding or issuable securities of the Company of the same class or series as the Shares to common stock pursuant to the terms of the Company’s Certificate of Incorporation upon the closing of a registered public offering of the Company’s common stock, but shall not include any conversions or reclassification as a result of a failure to participate in any equity financings of the Company or any “right of first refusal” or other pay to play provisions set forth in the Company’s Third Restated Certificate of Incorporation, as it may be amended from time to time, including Section Fourth.B.3(c) thereof. The Company or its successor shall promptly issue to Holder an amendment to this Warrant setting forth the number and kind of such new securities or other property issuable upon exercise or conversion of this Warrant as a result of such reclassification, exchange, substitution or other event that results in a change of the number and/or class of securities issuable upon exercise or conversion of this Warrant. The amendment to this Warrant shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article 2 including, without limitation, adjustments to the Warrant Price and to the number of securities or property issuable upon exercise of the new Warrant. The provisions of this
Article 2.2 shall similarly apply to successive reclassifications, exchanges, substitutions, or other events.

2.3 Adjustments for Diluting Issuances. The number of shares of common stock issuable upon conversion of the Shares shall be subject to adjustment, from time to time in the manner set forth in the Company's Certificate of Incorporation as if the Shares were issued and outstanding on and as of the date of any such required adjustment. The provisions set forth for the Class in the Company's Certificate of Incorporation relating to the above in effect as of the Issue Date may not be amended, modified or waived, without the prior written consent of Holder unless such amendment, modification or waiver affects the rights associated with the Shares in the same manner as such amendment, modification or waiver affects the rights associated with all other shares of the Class.

2.4 No Impairment. Except and to the extent waived or consented to in writing by Holder, or as otherwise specifically permitted under the terms hereof, the Company shall not, by amendment of its Certificate of Incorporation or through a reorganization, transfer of assets, consolidation, merger, dissolution, issue, or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed under this Warrant by the Company, but shall at all times in good faith assist in carrying out of all the provisions of this Article 2 and in taking all such action as may be necessary or appropriate to protect Holder's rights under this Article against impairment.

2.5 Fractional Shares. No fractional Shares shall be issuable upon exercise or conversion of the Warrant and the number of Shares to be issued shall be rounded down to the nearest whole Share. If a fractional share interest arises upon any exercise or conversion of the Warrant, the Company shall eliminate such fractional share interest by paying Holder the amount computed by multiplying the fractional interest by the fair market value of a full Share.

2.6 Certificate as to Adjustments. Upon each adjustment of the Warrant Price, Class and/or number of Shares, the Company shall promptly notify Holder in writing, and, at the Company's expense, promptly compute such adjustment, and furnish Holder with a certificate of its Chief Financial Officer setting forth such adjustment and the facts upon which such adjustment is based. The Company shall, upon written request, furnish Holder a certificate setting forth the Warrant Price, Class and number of Shares in effect upon the date thereof and the series of adjustments leading to such Warrant Price, Class and number of Shares.

ARTICLE 3. REPRESENTATIONS AND COVENANTS OF THE COMPANY.

3.1 Representations and Warranties. The Company represents and warrants to, and agrees with, the Holder as follows:

(a) The initial Warrant Price referenced on the first page of this Warrant is not greater than the lowest effective price per share at which shares of the same class and series as the Shares were last issued in an arms-length transaction in which at least $500,000 of such shares were sold.
(b) All Shares which may be issued upon the exercise of the purchase right represented by this Warrant, and all securities, if any, issuable upon conversion of the Shares, shall, upon issuance, be duly authorized, validly issued, fully paid and non-assessable, and free of any liens and encumbrances except for restrictions on transfer provided for herein or under applicable federal and state securities laws.

(c) The Company’s capitalization table attached hereto as Schedule 1 is true and complete as of the Issue Date.

3.2 Notice of Certain Events. If the Company proposes at any time (a) to declare any dividend or distribution upon the outstanding shares of the Class, whether in cash, property, stock, or other securities and whether or not a regular cash dividend; (b) to offer for subscription or sale pro rata to the holders of the outstanding shares of the Class any additional shares of any class or series of the Company’s stock; (c) to effect any reclassification, reorganization or recapitalization of the shares of the Class; (d) to effect an Acquisition or to liquidate, dissolve or wind up; or (e) offer holders of registration rights the opportunity to participate in an underwritten public offering of the Company’s securities for cash, then, in connection with each such event, the Company shall give Holder: (1) at least 10 days prior written notice of the date on which a record will be taken for such dividend, distribution, or subscription rights (and specifying the date on which the holders of shares of the same class and series as the Shares will be entitled thereto) or for determining rights to vote, if any, in respect of the matters referred to in (c) and (d) above; (2) in the case of the matters referred to in (c) and (d) above at least 10 days prior written notice of the date when the same will take place (and specifying the date on which the holders of shares of the same class and series as the Shares will be entitled to exchange their shares for the securities or other property deliverable upon the occurrence of such event); and (3) in the case of the matter referred to in (e) above, the same notice as is given to the holders of such registration rights.

3.3 Registration Under Securities Act of 1933, as amended. The Company agrees that the Shares or, if the Shares are convertible into common stock of the Company, such common stock, shall have certain incidental, or “Piggyback,” and S-3 registration rights pursuant to and as set forth in the Company’s Second Amended and Restated Investor Rights Agreement, dated as of February 12, 2008 (the “Investor Rights Agreement”) as may be amended from time to time. Holder agrees to become a party to the Investor Rights Agreement for the purpose of this Section 3.3 in an amendment acceptable to Holder. Company’s Investor Rights Agreement or similar agreement. The provisions set forth in the Investor Rights Agreement relating to the above in effect as of the Issue Date may not be amended, modified or waived without the prior written consent of Holder unless such amendment, modification or waiver affects the rights associated with the Shares in the same manner as such amendment, modification, or waiver affects the rights associated with all other shares of the same series and class as the Shares granted to the Holder.

3.4 No Shareholder Rights. Except as provided in this Warrant, Holder will not have any rights as a shareholder of the Company until the exercise of this Warrant.

3.5 Certain Information. The Company agrees to provide Holder at any time and from time to time with such information as Holder may reasonably request.
ARTICLE 4. REPRESENTATIONS, WARRANTIES OF THE HOLDER. The Holder represents and warrants to the Company as follows:

4.1 Purchase for Own Account. This Warrant and the securities to be acquired upon exercise of this Warrant by Holder will be acquired for investment for Holder’s account, not as a nominee or agent, and not with a view to the public resale or distribution within the meaning of the Act. Holder also represents that it has not been formed for the specific purpose of acquiring this Warrant or the Shares.

4.2 Disclosure of Information. Holder has received or has had full access to all the information it considers necessary or appropriate to make an informed investment decision with respect to the acquisition of this Warrant and its underlying securities. Holder further has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of this Warrant and its underlying securities and to obtain additional information (to the extent the Company possessed such information or could acquire it without unreasonable effort or expense) necessary to verify any information furnished to Holder or to which Holder has access.

4.3 Investment Experience. Holder understands that the purchase of this Warrant and its underlying securities involves substantial risk. Holder has experience as an investor in securities of companies in the development stage and acknowledges that Holder can bear the economic risk of such Holder’s investment in this Warrant and its underlying securities and has such knowledge and experience in financial or business matters that Holder is capable of evaluating the merits and risks of its investment in this Warrant and its underlying securities and/or has a preexisting personal or business relationship with the Company and certain of its officers, directors or controlling persons of a nature and duration that enables Holder to be aware of the character, business acumen and financial circumstances of such persons.

4.4 Accredited Investor Status. Holder is an “accredited investor” within the meaning of Regulation D promulgated under the Act.

4.5 The Act. Holder understands that this Warrant and the Shares issuable upon exercise or conversion hereof have not been registered under the Act in reliance upon a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of the Holder’s investment intent as expressed herein. Holder understands that this Warrant and the Shares issued upon any exercise or conversion hereof must be held indefinitely unless subsequently registered under the Act and qualified under applicable state securities laws, or unless exemption from such registration and qualification are otherwise available.

4.6 Market Stand-Off Agreement. Holder hereby agrees to be bound by the terms and conditions of the market standoff agreement, currently section 1.14, of the Investor Rights Agreement, as it may be amended from time to time. The provisions set forth in the Company’s Investors’ Right Agreement relating to the above in effect as of the Issue Date may not be amended, modified or waived without the prior written consent of Holder if such amendment, modification or waiver affects the rights associated with the Shares in a manner adversely different than such amendment,
modification, or waiver affects the rights associated with the other shares of the same series and class as the Shares granted to Holder.

ARTICLE 5. MISCELLANEOUS.

5.1 Term: This Warrant is exercisable in whole or in part at any time and from time to time on or before the Expiration Date.

5.2 Legends. This Warrant and the Shares (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) shall be imprinted with a legend in substantially the following form:

THIS WARRANT AND THE SHARES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE ACT, OR THE SECURITIES LAWS OF ANY STATE AND, EXCEPT AND PURSUANT TO THE PROVISIONS OF ARTICLE 5 OF THAT CERTAIN WARRANT TO PURCHASE STOCK ISSUED BY THE COMPANY TO SILICON VALLEY BANK DATED AS OF __________, MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND APPLICABLE STATE SECURITIES LAW OR, IN THE OPINION OF LEGAL COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER OF THESE SECURITIES, SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS EXEMPT FROM REGISTRATION.

5.3 Compliance with Securities Laws on Transfer. This Warrant and the Shares issuable upon exercise of this Warrant (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) may not be transferred or assigned in whole or in part without compliance with applicable federal and state securities laws by the transferor and the transferee (including, without limitation, the delivery of investment representation letters and legal opinions reasonably satisfactory to the Company, as reasonably requested by the Company). The Company shall not require Holder to provide an opinion of counsel if the transfer is to SVB Financial Group (Silicon Valley Bank's parent company) or any other affiliate of Holder, provided that any such transferee is an “accredited investor” as defined in Regulation D promulgated under the Act.

5.4 Transfer Procedure. After receipt by Silicon Valley Bank (“Bank”) of the executed Warrant, Bank will transfer all of this Warrant to SVB Financial Group, Holder’s parent company. Subject to the provisions of Article 5.3 and upon providing the Company with written notice, SVB Financial Group and any subsequent Holder may transfer all or part of this Warrant or the Shares issuable upon exercise of this Warrant (or the securities issuable directly or indirectly, upon conversion of the Shares, if any) to any transferee, provided, however, in connection with any such transfer, SVB Financial Group or any subsequent Holder will give the Company notice of the portion of the Warrant being transferred with the name, address and taxpayer identification number of the transferee and Holder will surrender this Warrant to the Company for reissuance to the transferee(s) (and Holder if applicable). The Company may refuse to transfer this
Warrant or the Shares to any person who directly competes with the Company, unless, in either case, the stock of the Company is publicly traded.

5.5 Notices. All notices and other communications from the Company to the Holder, or vice versa, shall be deemed delivered and effective when given personally or mailed by first-class registered or certified mail, postage prepaid (or on the first business day after transmission by facsimile), at such address as may have been furnished to the Company or Holder, as the case may be, in writing by the Company or such holder from time to time. All notices to Holder shall be addressed as follows until the Company receives notice of a change of address in connection with a transfer or otherwise:

« LENDER »

Notice to the Company shall be addressed as follows until Holder receives notice of a change in address:

Complete Genomics, Inc.
Attn: Chief Financial Officer
2071 Stierlin Court
Mountain View, CA 94043
Telephone: 650-943-2843
Facsimile: 650-964-2108

5.6 Waiver. This Warrant and any term hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought.

5.7 Attorney’s Fees. In the event of any dispute between the parties concerning the terms and provisions of this Warrant, the party prevailing in such dispute shall be entitled to collect from the other party all costs incurred in such dispute, including reasonable attorneys’ fees.

5.8 Automatic Conversion upon Expiration. In the event that, upon the Expiration Date, the fair market value of one Share (or other security issuable upon the exercise hereof) as determined in accordance with Section 1.3 above is greater than the Warrant Price in effect on such date, then this Warrant shall automatically be deemed on and as of such date to be converted pursuant to Section 1.2 above as to all Shares (or such other securities) for which it shall not previously have been exercised or converted, and the Company shall promptly deliver a certificate representing the Shares (or such other securities) issued upon such conversion to Holder.

5.9 Counterparts. This Warrant may be executed in counterparts, all of which together shall constitute one and the same agreement.

[Remainder of page left blank intentionally]
5.10 **Governing Law.** This Warrant shall be governed by and construed in accordance with the laws of the State of California, without giving effect to its principles regarding conflicts of law.

“COMPANY”

COMPLETE GENOMICS, INC.

By:  
Name:  
(Print)  
Title:  

“HOLDER”

« LENDER »

By:  
Name:  
(Print)  
Title:  

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NOTICE OF EXERCISE

1. Holder elects to purchase __________ shares of the Common/Series __________Stock of __________pursuant to the terms of the attached Warrant, and tenders payment of the purchase price of the shares in full.

   [or]

1. Holder elects to convert the attached Warrant into Shares/cash [strike one] in the manner specified in the Warrant. This conversion is exercised for _________________ of the Shares covered by the Warrant.

   [Strike paragraph that does not apply.]

2. Please issue a certificate or certificates representing the Shares in the name specified below:

       Holder’s Name
       
       
       (Address)

3. By its execution below and for the benefit of the Company, Holder hereby restates each of the representations and warranties in Article 4 of the Warrant as of the date hereof.

   HOLDER:
   
   By: __________________________
   Name: _______________________
   Title: _________________________
   (Date): _______________________

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SCHEDULE 1

Company Capitalization Table

See attached

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THIRD AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT

This Third Amended and Restated Investor Rights Agreement (this “Agreement”) is made as of August 12, 2009, among Complete Genomics, Inc., a Delaware corporation (the “Company”), the stockholders and warrantholders listed on Exhibit A hereto (each, an “Investor” and collectively, the “Investors”) and the stockholders and founders of the Company listed on Exhibit B hereto (each, a “Founder” and collectively, the “Founders”).

RECITALS

The Company and certain of the Investors have entered into a Series D Preferred Stock Purchase Agreement (the “Purchase Agreement”) of even date herewith pursuant to which the Company wants to sell to such Investors and such Investors want to purchase from the Company shares of the Company’s Series D Preferred Stock. One condition to such Investors’ obligations to purchase shares of the Company’s Series D Preferred Stock under the Purchase Agreement is that the Company and such Investors enter into this Agreement in order to provide such Investors with certain rights to register shares of the Company’s Common Stock issuable upon conversion of the Series D Preferred Stock held by such Investors, certain rights to receive information pertaining to the Company, and a right of first offer with respect to certain issuances by the Company of its securities. The Company wants to induce such Investors to purchase shares of Series D Preferred Stock pursuant to the Purchase Agreement by agreeing to the terms and conditions set forth herein.

The Company, the Investors and the Founders previously entered into that certain Second Amended and Restated Investor Rights Agreement dated February 12, 2008, as amended February 13, 2009 (the “Prior Agreement”). The parties to the Prior Agreement desire to amend and restate the Prior Agreement in its entirety, and to accept the rights and restrictions created in this Agreement in lieu of the rights and restrictions contained in the Prior Agreement. Section 4.10 of the Prior Agreement vested the authority to amend the Prior Agreement in the Company and the Holder or Holders (as defined in the Prior Agreement) holding, in the aggregate, more than a majority of the outstanding shares of the Registrable Securities (as defined in the Prior Agreement) held by the Holders. The Holders holding more than a majority of the Registrable Securities are entering into this Agreement, making this Agreement binding upon all of the parties to the Prior Agreement.

AGREEMENT

The parties agree as follows:

1. Restrictions on Transferability; Registration Rights.

1.1 Certain Definitions. As used in this Agreement, the following terms have the following respective meanings:

“Board” means the board of directors of the Company.

“Commission” means the Securities and Exchange Commission or any other federal agency at the time administering the Securities Act.
“Exchange Act” means the Securities Exchange Act of 1934, as amended, or any similar successor federal statute, and the rules and regulations thereunder, all as the same shall be in effect from time to time.

“Form S-3 Initiating Holders” means any Holder or Holders who in the aggregate hold not less than five percent (5%) of the Registrable Securities then outstanding and who propose to register securities, the aggregate offering price of which exceeds $5,000,000.

“Gold Hill” shall mean Gold Hill Venture Lending 03, L.P.

“Gold Hill Warrant” shall mean the warrant issued to Gold Hill in connection with the Loan and Security Agreement by and among the Company, SVB and Gold Hill, dated as of September 21, 2006.

“Holder” means (i) any Investor or Founder holding Registrable Securities; (ii) SVB and Gold Hill; provided, however, that SVB and Gold Hill shall not be deemed Holders for purposes of Sections 1.3, 2 and 3 of this Agreement except with respect to the Shares of Series C Preferred Stock held by Gold Hill and the Common Stock issuable upon conversion thereof; and (iii) any person holding Registrable Securities to whom the rights under this Agreement have been transferred in accordance with Section 1.11 hereof.

“Initiating Holders” means any Holder or Holders who in the aggregate hold not less than forty percent (40%) of the Registrable Securities then outstanding and who propose to register securities, the aggregate offering price of which, net of underwriting discounts and commissions, exceeds $5,000,000.

“IPO” means the first public offering of the Common Stock of the Company to the general public that is affected pursuant to a registration statement filed with, and declared effective by, the Commission under the Securities Act.


“New Securities” means any shares of capital stock of the Company, including Common Stock and Preferred Stock, whether authorized or not, and rights, options, or warrants to purchase said shares of capital stock, and securities of any type whatsoever that are, or may become, convertible into capital stock; provided, however, that the term “New Securities” does not include (i) the issuance of Common Stock upon the conversion of any bonds, debentures, notes or other evidence of indebtedness, and any warrants shares or any other securities convertible into, exercisable for, or exchangeable for Common Stock, including Preferred Stock (collectively, “Convertible Securities”), outstanding as of the date hereof; (ii) the issuance of shares as approved by the Board (including at least three of the Preferred Directors) of Common Stock (or options to purchase shares of Common Stock) to employees, officers, directors or
consultants of the Company under equity incentive plans, programs or agreements approved by the Board (not including the reissuance of shares repurchased by the Company from employees or consultants of the Company); (iii) the issuance of shares of Common Stock or Convertible Securities to lenders, financial institutions, equipment lessors, or real estate lessors to the Company in connection with commercial credit arrangements, equipment financings, commercial property leases or similar transactions approved by the Board; (iv) the issuance of shares of Common Stock or Convertible Securities pursuant to (A) the acquisition of another business by the Company by merger, purchase of substantially all of the assets or shares, or other reorganization whereby the Company or its shareholders own not less than a majority of the voting power of the surviving or successor business or (B) the acquisition of technology or other intellectual property by outright purchase or exclusive license, in each case, provided that such transaction is approved by the Board; (v) the issuance of shares of Common Stock in connection with a Qualified IPO; (vi) the issuance of shares of Common Stock or Convertible Securities in connection with strategic partnership transactions approved by the Board; (vii) the issuance of shares pursuant to stock splits, stock dividends or similar transactions; or (viii) securities issued pursuant to the Purchase Agreement.

“Other Stockholders” means persons other than Holders who, by virtue of agreements with the Company, are entitled to include their securities in certain registrations hereunder.

“Preferred Director” has the meaning set forth in the Restated Certificate.

“Pro Rata Portion” means the ratio that (x) the sum of the number of shares of the Company’s Common Stock held by an Investor immediately prior to the issuance of New Securities, assuming conversion of the Shares but excluding any other security of the Company exercisable for, or convertible into, Common Stock, bears to (y) the sum of the total number of shares of the Company’s Common Stock then outstanding, assuming conversion of the Shares but excluding any other security of the Company exercisable for, or convertible into, Common Stock then outstanding.

The terms “register”, “registered,” and “registration” refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act, and the declaration or ordering of the effectiveness of such registration statement.

“Qualified IPO” shall have the meaning set forth in the Restated Certificate.

“Registration Expenses” shall mean all expenses incurred by the Company in complying with Sections 1.3, 1.4, and 1.5 hereof, including, without limitation, all registration, qualification, listing and filing fees, printing expenses, escrow fees, fees and disbursements of counsel for the Company, fees and disbursements of one counsel for all of the Holders registering securities in any given registration, blue sky fees and expenses, and the expense of any special audits incident to or required by any such registration (but excluding the compensation of regular employees of the Company which shall be paid in any event by the Company), but shall not include Selling Expenses.
“Registrable Securities” shall mean (i) shares of Common Stock issued or issuable pursuant to the conversion of the Shares, (ii) shares of Series B Preferred Stock issued upon exercise of the SVB Warrant or the Gold Hill Warrant; provided, however, that such shares shall not be deemed Registrable Securities and the holders thereof shall not be deemed Holders for purposes of Sections 1.3, 2 and 3 of this Agreement; (iii) any Common Stock of the Company issued as a dividend or other distribution with respect to or in exchange for or in replacement of the shares referenced in clauses (i) and (ii) above; and (iv) solely for the purposes of Section 1.5, shares of Common Stock issued or issuable to the Founders and to Callida Genomics, Inc.; provided, however, that shares of Common Stock or other securities shall only be treated as Registrable Securities if and so long as they have not been (A) sold to or through a broker or dealer or underwriter in a public distribution or a public securities transaction, (B) transferred in a transaction pursuant to which the registration rights are not also assigned in accordance with Section 1.11 hereof, or (C) with respect to each Holder, all such shares held by such Holder become eligible for sale immediately under Rule 144 of the Securities Act (or any successor rule).

“Restricted Securities” shall mean the securities of the Company required to bear the legend set forth in Section 1.2 hereof.

“Rule 144” means Rule 144 as promulgated by the Commission under the Securities Act, as such Rule may be amended from time to time, or any similar successor rule that may be promulgated by the Commission.

“Rule 145” means Rule 145 as promulgated by the Commission under the Securities Act, as such Rule may be amended from time to time, or any similar successor rule that may be promulgated by the Commission.

“Securities Act” shall mean the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder or any similar federal statute and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

“Selling Expenses” shall mean all underwriting discounts, selling commissions and stock transfer taxes applicable to the securities registered by the Holders and all fees and disbursements of counsel for any Holder, other than the fees and disbursements of one counsel for all of the Holders registering securities in any given registration as provided in the definition of “Registration Expenses” above.

“Shares” means the Company’s Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock.

“SVB” shall mean Silicon Valley Bank, and when SVB transfers the SVB Warrant to SVB Financial Group, shall be the SVB Financial Group.

“SVB Warrant” shall mean the warrant issued to SVB in connection with the Loan and Security Agreement by and among the Company, SVB and Gold Hill, dated as of September 21, 2006.
1.2 Restrictions.

(a) Each Holder agrees not to make any disposition of all or any portion of the Registrable Securities unless and until the transferee has agreed in writing for the benefit of the Company to be bound by this Section 1.2 and by Section 1.14 hereof, provided and to the extent such Sections are then applicable, and (i) there is then in effect a registration statement under the Securities Act covering such proposed disposition and such disposition is made in accordance with such registration statement, or (ii) such Holder shall have notified the Company of the proposed disposition and shall have furnished the Company with a detailed statement of the circumstances surrounding the proposed disposition, and, if reasonably requested by the Company, such Holder shall have furnished the Company with an opinion of counsel or other evidence reasonably satisfactory to the Company, that such disposition will not require registration under the Securities Act. Notwithstanding the foregoing, no such registration statement or opinion of counsel shall be necessary for a transfer by a Holder which is (A) a partnership to its partners or retired partners in accordance with partnership interests, (B) a limited liability company to its members or former members in accordance with their interest in the limited liability company, (C) a corporation to its shareholders in accordance with their interests in the corporation, (D) to the Holder’s family member or trust for the benefit of an individual Holder, or (E) to any of its affiliates (including but not limited to an affiliated fund managed by the same manager or managing member or general partner or management company or by an entity controlling, controlled by, or under common control with such manager or managing member or general partner or management company, each an “Affiliated Entity”), provided in all cases enumerated in clauses (A) – (E) that the transferee is subject to the terms of this Section 1.2 and Section 1.14 as if such transferee were an original Holder hereunder. Each Holder consents to the Company making a notation on its records and giving instructions to any transfer agent of the Restricted Securities in order to implement the restrictions on transfer established in this Section 1.2.

(b) Each certificate representing Registrable Securities shall be stamped or otherwise imprinted with legends substantially in the following forms (in addition to any legend required under applicable state securities laws or the Company’s charter documents):

“THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, PLEDGED, OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER SUCH ACT, OR UNLESS THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL OR OTHER EVIDENCE, REASONABLY SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED.”

“THE SHARES REPRESENTED BY THIS CERTIFICATE MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF AN AGREEMENT BETWEEN THE COMPANY AND THE SHAREHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.”
1.3 Requested Registration.

(a) Request for Registration. If the Company shall receive from Initiating Holders a written request that the Company effect any registration, qualification, or compliance, the Company will:

(i) promptly deliver written notice of the proposed registration, qualification, or compliance to all other Holders; and

(ii) as soon as practicable, use its best efforts to effect such registration, qualification, or compliance (including, without limitation, the execution of an undertaking to file post-effective amendments, appropriate qualification under applicable blue sky or other state securities laws, and appropriate compliance with applicable regulations issued under the Securities Act and any other governmental requirements or regulations) as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any Holder or Holders joining in such request as are specified in a written request delivered to the Company within twenty (20) days after delivery of such written notice from the Company; provided, however, that the Company shall not be obligated to take any action to effect any such registration, qualification, or compliance pursuant to this Section 1.3:

(A) Prior to the earlier of: (i) three (3) years following the date of this Agreement, and (ii) six months following the effective date of an IPO;

(B) After the Company has effected two (2) such registrations pursuant to this Section 1.3, such registrations have been declared or ordered effective, and the securities offered pursuant to such registrations have been sold;

(C) During the period starting with the date sixty (60) days prior to the Company’s estimated date of filing of, and ending on a date one hundred and eighty (180) days after the effective date of, a registration initiated by the Company; provided that the Company (i) delivers notice of the Company’s intent to effect such registration to the Holders within thirty (30) days after the Company’s receipt of the request of the Initiating Holders and is actively employing in good faith all reasonable efforts to cause such registration statement to become effective and that the Company’s estimate of the date of filing such registration statement is made in good faith, and (ii) may not defer its registration obligations under Section 1.3 for more than an aggregate of Two Hundred Forty (240) days in any twelve (12) month period pursuant to this Section 1.3(a)(ii)(C) and/or Section 1.3(a)(ii)(E);

(D) In any particular jurisdiction in which the Company would be required to execute a general consent to service of process in effecting such
registration, qualification or compliance unless the Company is already subject to service in such jurisdiction and except as may be required by the Securities Act;

(E) If in the good faith judgment of the Board, such registration would be seriously detrimental to the Company and the Board concludes, as a result, that it is essential to defer the filing of such registration statement at such time, and the Company thereafter delivers to the Initiating Holders a certificate, signed by the President or Chief Executive Officer of the Company, stating that in the good faith judgment of the Board it would be seriously detrimental to the Company or its stockholders for a registration statement to be filed in the near future, then the Company’s obligation to use its best efforts to register, qualify, or comply under this Section 1.3 shall be deferred for a period, not to exceed sixty (60) days from the delivery of the written request from the Initiating Holders, during which such filing would be seriously detrimental; provided, however, that the Company (i) may not utilize this right more than twice in any twelve (12) month period, and (ii) may not defer its registration obligations under Section 1.3 for more than an aggregate of Two Hundred Forty (240) days in any twelve (12) month period pursuant to this Section 1.3(a)(ii)(E) and/or Section 1.3(a)(ii)(C);

(F) If the Initiating Holders do not request that such offering be firmly underwritten by underwriters selected by the Initiating Holders (subject to the consent of the Company, which consent will not be unreasonably withheld or delayed); or

(G) If the Initiating Holders propose to dispose of shares of Registrable Securities which may be immediately registered on Form S-3 pursuant to a request made under Section 1.4 hereof.

Subject to the foregoing clauses (A) through (G), the Company shall file a registration statement covering the Registrable Securities so requested to be registered as soon as practicable after receipt of the request or requests of the Initiating Holders. The registration statement filed pursuant to the request of the Initiating Holders may, subject to the provisions of Sections 1.3(c) hereof, include other securities of the Company with respect to which registration rights have been granted, and may include securities being sold for the account of the Company. For the avoidance of doubt, the Company may utilize its right to defer registration under Section 1.3(a)(ii)(E) in two consecutive sixty (60) day periods in any twelve (12) month period to defer a requested registration for up to one hundred twenty (120) days (subject to the limitation in Section 1.3(a)(ii)(E)(ii)).

(b) Underwriting. If the Initiating Holders request that such offering be firmly underwritten by underwriters selected by the Initiating Holders (subject to the consent of the Company, which consent will not be unreasonably withheld), the right of any Holder to registration pursuant to this Section 1.3 shall be conditioned upon such Holder’s participation in such underwriting and the inclusion of such Holder’s Registrable Securities in the underwriting to the extent provided herein. A Holder may elect to include in such underwriting all or a part of the Registrable Securities held by such Holder.

(c) Procedures. The Initiating Holders shall, on behalf of all Holders, offer to include such securities in the underwriting and may condition such offer on their acceptance of the applicable provisions of this Section 1 (including without limitation
Section 1.14). The Company shall (together with all Holders or other persons proposing to distribute their securities through such underwriting) enter into and perform its obligations under an underwriting agreement in customary form with the managing underwriter selected for such underwriting by the Initiating Holders holding a majority of the then outstanding shares held by all Initiating Holders (which managing underwriter shall be reasonably acceptable to the Company). Notwithstanding any other provision of this Agreement, if the managing underwriter advises the Initiating Holders in writing that marketing factors require a limitation of the number of shares to be underwritten, the number of shares to be included in the underwriting or registration shall be allocated among all participating Holders thereof, including the Initiating Holders, in proportion (as nearly as practicable) to the amount of Registrable Securities of the Company owned by each participating Holder. In no event shall any Registrable Securities be excluded from such underwriting unless all other securities are first excluded from such offering. If any person who has requested inclusion in such registration as provided above disapproves of the terms of the underwriting, such person shall be excluded therefrom by written notice delivered by the Company or the managing underwriter. Any Registrable Securities and/or other securities so excluded or withdrawn shall also be withdrawn from registration.

1.4 Registration on Form S-3.

(a) Qualification on Form S-3. After the IPO, the Company shall use its best efforts to qualify for registration on Form S-3 or any comparable or successor form. To that end the Company shall register (whether or not required by law to do so) its Common Stock under the Exchange Act in accordance with the provisions of the Exchange Act following the effective date of the first registration of any securities of the Company on Form S-1 or any comparable or successor form or forms.

(b) Request for Registration on Form S-3. After the Company has qualified for the use of Form S-3, if the Company shall receive from Form S-3 Initiating Holders a written request that the Company effect a registration on Form S-3 the Company will:

(i) promptly deliver written notice of the proposed registration to all other Holders; and

(ii) as soon as practicable, use its best efforts to effect such registration, qualification, or compliance (including, without limitation, the execution of an undertaking to file post-effective amendments, appropriate qualification under applicable blue sky or other state securities laws, and appropriate compliance with applicable regulations issued under the Securities Act and any other governmental requirements or regulations) as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any Holder or Holders joining in such request as are specified in a written request delivered to the Company; provided, however, that the Company shall not be obligated to take any action to effect any such registration, qualification, or compliance pursuant to this Section 1.4:

(A) After the fifth anniversary of an IPO;
(B) After the Company has effected two (2) such registrations pursuant to this Section 1.4 during any twelve (12) month period, such registrations have been declared or ordered effective and the securities offered pursuant to such registrations have been sold;

(C) During the period starting with the date sixty (60) days prior to the Company’s estimated date of filing of, and ending on a date one hundred and eighty (180) days after the effective date of, a registration initiated by the Company; provided that the Company (i) delivers notice of the Company’s intent to effect such registration to the Holders within thirty (30) days after the Company’s receipt of the request of the Form S-3 Initiating Holders and is actively employing in good faith all reasonable efforts to cause such registration statement to become effective and that the Company’s estimate of the date of filing such registration statement is made in good faith, and (ii) may not defer its registration obligations under Section 1.4 for more than an aggregate of Two Hundred Forty (240) days in any twelve (12) month period pursuant to this Section 1.4(b)(ii)(C) and/or Section 1.4(b)(ii)(E);

(D) In any particular jurisdiction in which the Company would be required to execute a general consent to service of process in effecting such registration, qualification, or compliance unless the Company is already subject to service in such jurisdiction and except as may be required by the Securities Act;

(E) If in the good faith judgment of the Board, such registration would be seriously detrimental to the Company and the Board concludes, as a result, that it is essential to defer the filing of such registration statement at such time, and the Company thereafter delivers to the Form S-3 Initiating Holders a certificate, signed by the President or Chief Executive Officer of the Company, stating that in the good faith judgment of the Board it would be seriously detrimental to the Company or its stockholders for a registration statement to be filed in the near future, then the Company’s obligation to use its best efforts to register, qualify, or comply under this Section 1.4 shall be deferred, for a period not to exceed sixty (60) days from the date of delivery of the written request from the Form S-3 Initiating Holders, during which such filing would be seriously detrimental; provided, however, that the Company (i) may not utilize this right more than twice in any twelve (12) month period, and (ii) may not defer its registration obligations under Section 1.4 for more than an aggregate of Two Hundred Forty (240) days in any twelve (12) month period pursuant to this Section 1.4(b)(ii)(E) and/or Section 1.4(b)(ii)(C). For the avoidance of doubt, the Company may utilize its right to defer registration under Section 1.4(a)(ii)(E) in two consecutive sixty (60) day periods in any twelve (12) month period to defer a requested registration for up to one hundred twenty (120) days (subject to the limitation in Section 1.4(a)(ii)(E)(ii)).

(c) Underwriting; Procedure. If a registration requested under this Section 1.4 is for an underwritten offering, the provisions of Sections 1.3(b) and 1.3(c) shall apply to such registration. Registrations effected pursuant to this Section 1.4 shall not be counted as demands for registration(s) effected pursuant to Sections 1.3 or 1.5, respectively.
1.5 **Company Registration.**

(a) **Notice of Registration.** If the Company shall determine to register any of its securities, either for its own account or the account of a security holder or holders other than (A) a registration pursuant to Sections 1.3 or 1.4 hereof, (B) a registration relating solely to employee benefit plans, (C) a registration relating solely to a Rule 145 transaction, or (D) a registration on any registration form that does not permit secondary sales, the Company will:

(i) promptly deliver to each Holder written notice thereof; and

(ii) use its best efforts to include in such registration (and any related qualification under blue sky laws or other compliance), except as set forth in Section 1.5(b) below, and in any underwriting involved therein, all the Registrable Securities specified in a written request or requests made by any Holder and delivered to the Company within twenty (20) days after the written notice is delivered by the Company. Such written request may include all or a portion of a Holder’s Registrable Securities.

(b) **Underwriting; Procedures.** If the registration of which the Company gives notice is for a registered public offering involving an underwriting, the Company shall so advise the Holders as a part of the written notice given pursuant to Section 1.5(a)(i). In such event, the right of any Holder to registration pursuant to this Section 1.5 shall be conditioned upon such Holder’s participation in such underwriting and the inclusion of Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall (together with the Company and the other holders distributing their securities through such underwriting) enter into and perform their obligations under an underwriting agreement in customary form with the managing underwriter selected for such underwriting by the Company. Notwithstanding any other provision of this Section 1.5, if the managing underwriter determines that marketing factors require a limitation of the number of shares to be underwritten, the managing underwriter may (subject to the limitations set forth below) exclude Registrable Securities from, or limit the number of Registrable Securities to be included in, the registration and underwriting. The Company shall so advise all holders of securities requesting registration, and the number of shares of securities that are entitled to be included in the registration and underwriting shall be allocated as set forth in Section 1.13. If any person who has requested inclusion in such registration as provided above disapproves of the terms of the underwriting, such person shall be excluded therefrom by written notice delivered by the Company or the managing underwriter. Any Registrable Securities and/or other securities so excluded or withdrawn shall also be withdrawn from registration.

(c) **Right to Terminate Registration.** The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 1.5 prior to the effectiveness of such registration, whether or not any Holder has elected to include securities in such registration.
1.6 Registration Procedures. In the case of each registration, qualification, or compliance effected by the Company pursuant to this Section 1, the Company will keep each Holder advised in writing as to the initiation of each registration, qualification, and compliance and as to the completion thereof and, at its expense, the Company will use its best efforts to:

(a) Prepare and file with the Commission a registration statement with respect to such securities and use its best efforts to cause such registration statement to become and remain effective for at least one hundred eighty (180) days or until the distribution described in the registration statement has been completed, whichever occurs first; provided, however, that (i) such 180-day period shall be extended for a period of time equal to the period the Holder refrains from selling any securities included in such registration at the request of an underwriter of common stock or other securities of the Company, and (ii) in the case of any registration of Registrable Securities on Form S-3 which are intended to be offered on a continuous or delayed basis, such 180-day period shall be extended, if necessary, to keep the registration statement effective until all such Registrable Securities are sold, provided that Rule 415, or any successor rule under the Securities Act, permits an offering on a continuous or delayed basis, and provided further that applicable rules under the Securities Act governing the obligation to file a post-effective amendment permit, in lieu of filing a post-effective amendment which (A) includes any prospectus required by Section 10(a)(3) of the Securities Act or (B) reflects facts or events representing a material or fundamental change in the information set forth in the registration statement, the incorporation by reference of information required to be included in (A) and (B) above shall be contained in periodic reports filed pursuant to Section 13 or 15(d) of the Exchange Act in the registration statement;

(b) Furnish to the Holders participating in such registration and to the underwriters of the securities being registered such reasonable number of copies of the registration statement, preliminary prospectus, final prospectus, and such other documents as they may reasonably request in order to facilitate the public offering of such securities;

(c) Prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection with such registration statements as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement;

(d) Notify each seller of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading or incomplete in the light of the circumstances therein existing, and at the request of any such seller, prepare and furnish to such seller a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchaser of such shares, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading or incomplete in the light of the circumstances therein existing;
(e) Use its best efforts to register and qualify the securities covered by such registration statement under such other securities or blue sky laws of such jurisdictions as shall be reasonably requested by the Holders, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions;

(f) Cause all such Registrable Securities to be listed on each securities exchange on which similar securities issued by the Company are then listed;

(g) Provide a transfer agent and registrar for all Registrable Securities and a CUSIP number for all such Registrable Securities, in each case not later than the effective date of such registration;

(h) Use its best efforts to furnish, at the request of any Holder requesting registration of Registrable Securities pursuant to this Section 1, on the date that such Registrable Securities are delivered to the underwriters for sale in connection with a registration pursuant to this Section 1, if such securities are being sold through underwriters, or, if such securities are not being sold through underwriters, on the date that the registration statement with respect to such securities becomes effective, (i) an opinion, dated such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities and (ii) a letter, dated such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities (to the extent the then-applicable standards of professional conduct permit said letter to be addressed to the Holders);

(i) In connection with any underwritten offering pursuant to a registration statement filed pursuant to this Agreement, enter into and perform an underwriting agreement in form reasonably necessary to effect the offer and sale of Registrable Securities, provided such underwriting agreement contains reasonable and customary provisions, and provided further that each Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement; and

(j) Make available for inspection by any underwriter participating in any disposition pursuant to such registration statement, and any attorney or accountant retained by any such underwriter (collectively, the “Inspectors”), all pertinent records and documents of the Company (collectively, the “Records”) as shall be reasonably necessary to enable them to exercise any applicable due diligence responsibility, and cause the Company’s officers, directors, and employees to use good faith to supply such information as is reasonably requested by any such Inspector to meet such responsibilities. Records which the Company determines, in good faith, to be confidential shall not be disclosed by the Inspectors unless (i) the disclosure of such Records is necessary to avoid or correct a misstatement or omission in the registration statement or (ii) the release of such Records is ordered pursuant to a subpoena or other order from a court of competent jurisdiction. The relevant Inspector will, upon learning that disclosure of such Records is sought in a court of competent jurisdiction, give
notice to the Company and allow the Company, at the Company’s expense, to undertake appropriate action to prevent disclosure of the Records deemed confidential.

1.7 Information by Holder. The Holder or Holders of Registrable Securities included in any registration shall furnish to the Company such information regarding such Holder or Holders, the Registrable Securities held by them, and the distribution proposed by such Holder or Holders as the Company may request in writing and as shall be required in connection with any registration, qualification, or compliance referred to in this Section 1, and the refusal to furnish such information by any Holder or Holder shall relieve the Company of its obligations in this Section 1 with respect to such Holder or Holders. Furthermore, the Company shall have no obligation with respect to any registration requested pursuant to Section 1.3 or Section 1.4 of this Agreement if, as a result of the application of the preceding sentence, the number of shares or the anticipated aggregate offering price of the Registrable Securities to be included in the registration does not equal or exceed the number of shares or the anticipated aggregate offering price required to originally trigger the Company’s obligation to initiate such registration as specified in the definition of “Initiating Holders” or “Form S-3 Initiating Holders,” whichever is applicable.

1.8 Indemnification.

(a) To the extent permitted by law, the Company will indemnify and hold harmless each Holder, each of its officers, directors, members, partners, legal counsel, and accountants, and each person controlling such Holder within the meaning of Section 15 of the Securities Act, with respect to which registration, qualification, or compliance has been effected pursuant to this Section 1, and each underwriter, if any, and each person who controls any underwriter within the meaning of Section 15 of the Securities Act, against all expenses, claims, losses, damages, or liabilities (or actions, proceedings, or settlements in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained or incorporated by reference in any registration statement, prospectus, offering circular, or other document (including any related registration statement, notification, or the like), or any amendment or supplement thereto, incident to any such registration, qualification, or compliance, or based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, or any violation (or alleged violation) by the Company of the Securities Act or Exchange Act, or any applicable state securities law, or any rule or regulation promulgated thereunder applicable to the Company in connection with any such registration, qualification, or compliance, and the Company will reimburse each such Holder, each of its officers, directors, members, partners, legal counsel, and accountants, and each person controlling such Holder, each such underwriter and each person who controls any such underwriter, for any legal and any other expenses reasonably incurred in connection with investigating, preparing, defending, or settling any such claim, loss, damage, liability, or action, as such expenses are incurred, provided that the Company will not be liable in any such case to the extent that any such claim, loss, damage, liability, or expense arises out of or is based on any untrue statement or omission or alleged untrue statement or omission, made in reliance upon and in conformity with written information furnished to the Company by such Holder, controlling person, or underwriter and stated to be specifically for use therein. It is agreed that the indemnity agreement contained in this Section 1.8 shall not apply to amounts paid in settlement.
of any such loss, claim, damage, liability, or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld or delayed).

(b) To the extent permitted by law, each Holder will, if Registrable Securities held by such Holder are included in the securities as to which such registration, qualification, or compliance is being effected, indemnify the Company, each of its directors, officers, partners, legal counsel, and accountants, and each underwriter, if any, of the Company’s securities covered by such a registration statement, each person who controls the Company or such underwriter within the meaning of Section 15 of the Securities Act, and each other such Holder, each of their officers, directors, members and partners, and each person controlling such Holder within the meaning of Section 15 of the Securities Act, against all claims, losses, damages, and liabilities (or actions in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained or incorporated by reference in any such registration statement, prospectus, offering circular, or other document, or any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse the Company and such Holders, directors, officers, members, partners, legal counsel, and accountants, persons, underwriters, or control persons for any legal or any other expenses reasonably incurred in connection with investigating or defending any such claim, loss, damage, liability, or action, as such expenses are incurred, in each case to the extent, but only to the extent, that such untrue statement (or alleged untrue statement) or omission (or alleged omission) is made in such registration statement, prospectus, offering circular, or other document in reliance upon and in conformity with written information furnished to the Company by such Holder and stated to be specifically for use therein, provided, however, that the obligations of such Holder hereunder shall not apply to amounts paid in settlement of any such claims, losses, damages, or liabilities (or actions in respect thereof) if such settlement is effected without the consent of such Holder (which consent shall not be unreasonably withheld or delayed); and provided that that in no event shall any indemnity under this Section 1.8 (when combined with any contribution under Section 1.8(d)) exceed the net proceeds received by such Holder in such offering.

(c) Each party entitled to indemnification under this Section 1.8 (the “Indemnified Party”) shall give notice to the party required to provide indemnification (the “Indemnifying Party”) promptly after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, and shall permit the Indemnifying Party to assume the defense of any such claim or any litigation resulting therefrom, provided that counsel for the Indemnifying Party, who shall conduct the defense of such claim or litigation, shall be approved by the Indemnified Party (whose approval shall not unreasonably be withheld), and the Indemnified Party may participate in such defense at such party’s expense, provided further, however, that an Indemnified Party (together with all other Indemnified Parties that may be represented without conflict by one counsel) shall have the right to retain one separate counsel, with the reasonable fees and expenses to be paid by the Indemnifying Party, if representation of such Indemnified Party by the counsel retained by the Indemnifying Party would be inappropriate due to actual or potential differing interests between such Indemnified Party and any other party represented by such counsel in such proceeding; and provided further that the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under this Section 1 unless (and only to the extent) the failure to give such notice is materially prejudicial to an Indemnifying Party’s ability to defend.
such action. No Indemnifying Party, in the defense of any such claim or litigation, shall, except with the consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation. Each Indemnified Party shall furnish such information regarding itself or the claim in question as an Indemnifying Party may reasonably request in writing and as shall be reasonably required in connection with the defense of such claim and litigation resulting therefrom.

(d) If the indemnification provided for in this Section 1.8 is held by a court of competent jurisdiction to be unavailable to an Indemnified Party with respect to any claim, loss, damage, liability, or expense referred to therein, then the Indemnifying Party, in lieu of indemnifying such Indemnified Party hereunder, shall contribute to the amount paid or payable by such Indemnified Party as a result of such claim, loss, damage, liability, or expense in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party on the one hand and the Indemnified party on the other in connection with the statements or omissions that resulted in such claim, loss, damage, liability, or expense, as well as any other relevant equitable considerations. The relative fault of the Indemnifying Party and of the Indemnified Party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact related to information supplied by the Indemnifying Party or by the Indemnified Party and the parties’ relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission. The Company and the Holders agree that it would not be just and equitable if contribution pursuant to this Section 1.8 were based solely upon the number of entities from whom contribution was requested or by any other method of allocation which does not take account of the equitable considerations referred to above. In no event shall any contribution by a Holder under this Section 1.8 (when combined with any indemnification under Section 1.8(b)) exceed the net proceeds received by such Holder in such offering.

(e) The amount paid or payable by an Indemnified Party as a result of the losses, claims, damages, and liabilities referred to above in this Section 1.8 shall be deemed to include any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such action or claim, subject to the provisions of Section 1.8(c). No person guilty of fraudulent misrepresentation (within the meaning of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(f) Notwithstanding the foregoing, to the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into in connection with the underwritten public offering are in conflict with the foregoing provisions, the provisions in the underwriting agreement shall control.

(g) The obligations of the Company and Holders under this Section 1.8 shall survive the completion of any offering of Registrable Securities in a registration statement.

1.9 Expenses of Registration. All Registration Expenses shall be borne by the Company; provided, however, that if the Holders bear the Registration Expenses for
any registration proceeding begun pursuant to Section 1.3 and subsequently withdrawn by the Holders registering shares therein, such registration proceeding shall not be counted as a requested registration pursuant to Section 1.3. Furthermore, in the event that a withdrawal by the Holders is based upon material adverse information relating to the Company that is different from the information known or reasonably available (upon request from the Company or otherwise) to the Holders requesting registration at the time of their request for registration under Section 1.3, such registration proceeding shall not be counted as a requested registration pursuant to Section 1.3, even though the Holders do not bear the Registration Expenses for such registration. All Selling Expenses relating to securities registered on behalf of the Holders shall be borne by the holders of the registered securities included in such registration pro rata on the basis of the number of shares so registered.

1.10 **Rule 144 Reporting.** With a view to making available the benefits of certain rules and regulations of the Commission which may at any time permit the sale of the Restricted Securities to the public without registration after such time as a public market exists for the Common Stock of the Company, the Company agrees to use its best efforts to:

(a) Make and keep public information available, as those terms are understood and defined in Rule 144, at all times after the effective date that the Company becomes subject to the reporting requirements of the Securities Act or the Exchange Act;

(b) File with the Commission in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements); and

(c) So long as a Holder owns any Restricted Securities, to furnish to the Holder forthwith upon request a written statement by the Company as to its compliance with the reporting requirements of Rule 144 and of any other reporting requirements of the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements), a copy of the most recent annual or quarterly report of the Company, and such other reports and documents of the Company and other information in the possession of or reasonably obtainable by the Company as a Holder may reasonably request in availing itself of any rule or regulation of the Commission allowing a Holder to sell any such securities without registration.

(d) Take such action, including the voluntary registration of its Common Stock under Section 12 of the Exchange Act, as is necessary to enable the Holders to utilize Form S-3 for the sale of their Registrable Securities, such action to be taken as soon as practicable after the end of the fiscal year in which the first registration statement filed by the Company for the offering of its securities to the general public is declared effective.

1.11 **Transfer of Registration Rights.** The rights to cause the Company to register securities granted to any party hereto under Section 1 may be assigned by a Holder only to a transferee or assignee of the lesser of (i) all of such Holder’s Registrable Securities and (ii) Two Million Five Hundred Thousand (2,500,000) shares of Registrable Securities (as appropriately adjusted for stock splits and the like) or, with respect to Registrable Securities that are Series C Preferred Stock or Series D Preferred Stock or shares of Common Stock issuable
upon conversion of Series C Preferred Stock or Series D Preferred Stock, Five Hundred Thousand (500,000) shares (as appropriately adjusted for stock splits and the like), provided that the Company is given written notice at the time of or promptly after said assignment, stating the name and address of the transferee or assignee and identifying the securities with respect to which such registration rights are being assigned, and, provided further, that the assignee of such rights agree in writing to be bound by the terms and conditions of this Agreement. Notwithstanding the foregoing, no such minimum share assignment requirement shall be necessary for an assignment by a Holder which is (A) a partnership to its partners or retired partners in accordance with partnership interests, (B) a limited liability company to its members or former members in accordance with their interest in the limited liability company, (C) a corporation to its shareholders in accordance with their interests in the corporation, (D) to the Holder’s family member or trust for the benefit of an individual Holder, or (E) to any Affiliated Entity.

1.12 Limitations on Subsequent Registration Rights. From and after the date hereof, the Company shall not, without the prior written consent of Holders who in the aggregate hold more than sixty percent (60%) of the Common Stock then issued or issuable upon conversion of the Shares, enter into any agreement granting any holder or prospective holder of any securities of the Company registration rights the terms of which are more favorable than the registration rights granted to holders of Shares hereunder.

1.13 Procedure for Underwriter Cutbacks. In any circumstance in which all of the Registrable Securities and other shares of Common Stock of the Company with registration rights that have not been expressly subordinated to the rights under this Agreement (the “Other Shares”) requested to be included in a registration pursuant to Section 1.5 on behalf of Holders or Other Stockholders cannot be so included as a result of limitations of the aggregate number of shares of Registrable Securities and Other Shares that may be so included, the number of shares of Registrable Securities and Other Shares that may be so included shall be allocated among the Holders and Other Stockholders requesting inclusion of shares pro rata based upon the total number of Registrable Securities or Other Shares held by such Holders and Other Stockholders, respectively; provided, however, that such allocation shall not operate to reduce the aggregate number of Registrable Securities or Other Shares to be included in such registration if any Holder or Other Stockholder does not request inclusion of the maximum number of shares of Registrable Securities or Other Shares allocated to such Holder or Other Stockholder pursuant to the above-described procedure, in which case the remaining portion of his allocation shall be reallocated among those requesting Holders and Other Stockholders whose allocations did not satisfy their requests pro rata on the basis of total number of shares of Registrable Securities and Other Shares held by such Holders and Other Stockholders, and this procedure shall be repeated until all shares of Registrable Securities and Other Shares which may be included in the registration on behalf of the Holders and Other Stockholders have been so allocated. The Company shall not limit the number of shares of Registrable Securities to be included in a registration pursuant to Section 1.5 in order to include shares of stock issued to founders of the Company or to employees, officers, directors, or consultants pursuant to the Company’s equity incentive plans, or to otherwise hold shares of any other stockholder that are not Other Shares. Notwithstanding the foregoing, the number of shares of Registrable Securities included in a registration pursuant to Section 1.5 of this Agreement shall not be reduced below
twenty five percent (25%) of the securities included in such registration unless such offering is the Qualified IPO.

1.14 Standoff Agreement. Each Holder agrees in connection with the Company’s IPO that, upon request of the underwriters managing such IPO, not to sell, make any short sale of, loan, pledge or otherwise hypothecate or encumber, grant any option for the purchase of, or otherwise dispose of any Registrable Securities (other than those included in the registration) without the prior written consent of such underwriters, as the case may be, for such period of time (not to exceed one hundred eighty (180) days from the effective date of such registration (or such longer period, not to exceed 18 days after the expiration of the 180-day period, as the underwriters or the Company shall request in order to facilitate compliance with NASD Rule 2711)) as may be requested by such managing underwriters, provided that all directors, officers and holders of two percent (2%) or more of the Company’s outstanding capital stock are similarly bound. The Company agrees not to (and shall not permit the underwriter to) release any other stockholder from any lock up agreement or covenant unless the Holders are also released on a proportionate basis relative to their respective ownership of securities. The obligations described in this Section 1.14 shall not apply to a registration relating solely to employee benefit plans on Form S-1 or Form S-8 or similar forms that may be promulgated in the future, or a registration relating solely to a transaction on Form S-4 or similar forms that may be promulgated in the future.

1.15 Termination of Rights. The rights of any particular Holder to cause the Company to register securities under Sections 1.3, 1.4, and 1.5 shall terminate with respect to such Holder upon the earlier to occur of (i) the five (5) year anniversary of the effective date of the IPO or (ii) when all Registrable Securities held by such Holder may be sold immediately pursuant to Rule 144.

2. Right of First Refusal.

2.1 Right of First Refusal. Subject to the terms and conditions contained in this Section 2.1, the Company hereby grants to each Major Investor the right of first refusal to purchase their Pro Rata Portion of any New Securities which the Company may, from time to time, propose to issue and sell, provided, however, with respect to each Major Investor, that such Major Investor continues to hold any Shares or Common Stock issued upon conversion thereof.

(b) Notice of Right. In the event the Company proposes to undertake an issuance of New Securities, it shall give each Major Investor written notice of its intention, describing the type of New Securities and the price and terms upon which the Company proposes to issue the same. Each Major Investor shall have twenty (20) days from the date of delivery of any such notice to agree to purchase up to such Major Investor’s Pro Rata Portion of such New Securities, for the price and upon the terms specified in the notice, by delivering written notice to the Company and stating therein the quantity of New Securities to be purchased.
(c) **Right of Over-Allotment.** In the event that the Major Investors fail to fully exercise the right of first refusal within such twenty- (20-) day period, each Major Investor fully exercising its right of first refusal shall be offered the right to purchase up to the remaining portion that the Major Investors failed to exercise (the “**Over-Allotment Shares**”); provided, that if the Major Investors with such over-allotment right exercise such right for an aggregate number in excess of such Over-Allotment Shares, the Over-Allotment Shares shall be allocated among them in accordance with their respective Pro Rata Portions (or in such other manner as such electing Major Investors agree). The Company will promptly notify those Major Investors fully exercising their rights of first refusal, in writing, of the availability of Over-Allotment Shares, and each of the fully-exercising Major Investors shall have ten (10) days from the date of receipt of any such notice to agree to purchase up to such Over-Allotment Shares (subject to the proviso in the preceding sentence).

(d) **Lapse and Reinstatement of Right.** The Company shall have sixty (60) days following the twenty- (20-) day period described in Section 2.1(b) and the additional ten- (10-) day period described in Section 2.1(c) to sell or enter into an agreement (pursuant to which the sale of New Securities covered thereby shall be closed, if at all, within thirty (30) days from the date of said agreement) to sell the New Securities with respect to which the Major Investors’ right of first refusal was not exercised, at a price and upon terms no more favorable to the purchasers of such securities than specified in the Company’s notice. In the event the Company has not sold the New Securities or entered into an agreement to sell the New Securities within said sixty- (60-) day period (or sold and issued New Securities in accordance with the foregoing within thirty (30) days from the date of said agreement), the Company shall not thereafter issue or sell any New Securities without first offering such securities to the Major Investors in the manner provided above.

2.2 **Assignment of Right of First Refusal.** The right of first refusal granted hereunder may not be assigned or transferred, except that: (i) such right is assignable by each Major Investor to one or more Affiliated Entities, or to any wholly-owned subsidiary or parent of, or to any corporation or entity that is, within the meaning of the Securities Act, controlling, controlled by, or under common control with, any such Investor; and (ii) such right is assignable between and among any Major Investors.

2.3 **Termination of Right of First Refusal.** The right of first refusal granted under Section 2.1 of this Agreement shall expire upon the earlier of, and shall not be applicable to, (i) a Qualified IPO, or (ii) a Liquidation (as defined in the Restated Certificate).

3. **Affirmative Covenants of the Company.** The Company hereby covenants and agrees, so long as any Major Investor holds Registrable Securities, as follows:

3.1 **Financial Information.** The Company will furnish to such Major Investor the following reports:

(a) As soon as practicable after the end of each fiscal year, and in any event within one hundred twenty (120) days thereafter (or such longer period as is approved by the Board, including each of the Preferred Directors), audited consolidated balance sheets of the Company and its subsidiaries, if any, as of the end of such fiscal year, and
3.2 Operating Plan and Budget. As soon as practicable upon approval or adoption by the Board, and in any event at least thirty (30) days prior to the end of each fiscal year, the Company will furnish the Major Investors with the Company’s budget and operating plan (including projected balance sheets and profit and loss and cash flow statements, forecasts of revenues, expenses, significant projected milestones and projected cash position on a month-to-month basis) for the upcoming fiscal year.

3.3 Inspection. The Company shall permit each Major Investor, at such Major Investor’s expense and upon reasonable notice given to the Company to visit and inspect the Company’s properties, to examine its books of account and other records (and make copies and take extracts therefrom), and to discuss the Company’s affairs, finances and accounts with its officers, all at such reasonable times as may be requested by such Major Investor.

3.4 Stock Vesting. All stock and stock options issued to employees, directors, consultants and other service providers after the date of this Agreement will be subject
to vesting at a rate of 25% one year after the vesting commencement date, with monthly vesting thereafter for the next thirty six (36) months, unless otherwise approved by the Board. Each agreement pursuant to which such stock or stock option is issued or granted shall include a repurchase option such that, upon termination of the employee, director, consultant or other service provider, as the case may be, whether such termination be with or without cause, the Company or its assignee (to the extent permissible under applicable securities laws) retains the option to repurchase any unvested shares held by such employee, director, consultant or other service provider at the price such employee, director, consultant or other service provider paid for the shares.

3.5 **Key Man Life Insurance**. The Company shall, as soon as practicable, secure a “key person” term life insurance policy from a financially sound and reputable insurer which names the Company as sole beneficiary, on such executives and on such terms, as are reasonably acceptable to the Board.

3.6 **Directors’ & Officers’ Liability**. The Company shall purchase, within 30 days of the date of this Agreement, and maintain a policy or policies of directors’ and officers’ liability insurance (“**D&O Insurance**”) on terms and conditions reasonably acceptable to the Company and the Holders who in the aggregate hold more than sixty percent (60%) of the Common Stock then issued or issuable upon conversion of the Shares. The Company shall keep such D&O Insurance in place so long as any of the Major Investors’ designees serve on the Board. In addition, the Company’s Certificate of Incorporation and Bylaws shall provide for (a) elimination of the liability of directors to the maximum extent permitted by law and (b) indemnification of directors for acts on behalf of the Company to the maximum extent permitted by law.

3.7 **Board Committees**. The Audit and Compensation Committees of the Board shall be composed of non-management directors. The Audit Committee shall include at least one Series A Director, the Series C Director and one Series D Director (each, as defined in the Restated Certificate), and the Compensation Committee shall include at least one Series A Director, the Series B Director, the Series C Director and one Series D Director (as defined in the Restated Certificate). The Compensation Committee shall be responsible for reviewing and approving all option grants.

3.8 **Actions Requiring Board Approval**. So long as shares of Preferred Stock remain outstanding, the Company will not, without the approval of the Board (and without complying with any other approval required by the Company’s certificate of incorporation, if any):

   (a) make any loan or advance to, or own any stock or other securities of, any subsidiary or other corporation, partnership, or other entity unless it is wholly-owned by the Company;

   (b) make any loan or advance to any person, including any employee or director, except advances and similar expenditures in the ordinary course of business or under the terms of a employee stock or option plan approved by the Board;
(c) guarantee any indebtedness except for trade accounts of the Company or any subsidiary arising in the ordinary course of business;

(d) make any investment other than investments pursuant to a Board-approved investment policy, including in prime commercial paper, money market funds, certificates of deposit in any United States bank having a net worth in excess of $100,000,000 or obligations issued or guaranteed by the United States of America, in each case having a maturity not in excess of two years;

(e) incur any aggregate indebtedness in excess of $500,000 that is not already included in a Board-approved budget, other than trade credit incurred in the ordinary course of business;

(f) enter into or be a party to any transaction with any director, officer or employee of the Company or any “associate” (as defined in Rule 12b-2 promulgated under the Exchange Act) of any such person except compensation paid in the ordinary course of business or transactions resulting in payments to or by the Company in an amount less than $60,000 per year;

(g) hire, fire or change the compensation of the executive officers, including approving any equity incentive compensation or any severance or change of control arrangements;

(h) change the principal business of the Company, enter new lines of business or exit the current line of business; or

(i) sell, transfer, license, pledge or encumber technology or intellectual property, other than licenses granted in the ordinary course of business.

3.9 Debt Offerings. If the Company elects to raise capital through a debt offering, including the issuance of bonds or establishment of a loan, the Company shall provide written notice to Highland of the Company’s decision to raise capital in this manner and Highland shall have thirty (30) days from delivery of such notice to elect to provide financing for the Company; provided, however, that the financing shall be on terms acceptable to the Company in the Company’s sole discretion.

3.10 Actions Requiring a Waiver of the Preferred. So long as shares of Preferred Stock remain outstanding, unless waived by the holders of at least sixty percent (60%) of the then outstanding Preferred Stock, the Company will:

(a) maintain its corporate existence and good standing;

(b) pay all taxes when due, including withholding taxes, except for such taxes being contested in good faith by appropriate proceedings;

(c) promptly provide each Major Investor with written notice of any claim made or threatened in writing by any third party with potential liability in excess of $250,000; and
(d) maintain commercially reasonable general liability, casualty and product liability insurance.

3.11 **Company Confidential Information**. Notwithstanding anything to the contrary in this Section 3, no Holder by reason of this Agreement shall have access to any trade secrets or classified information of the Company. Each Holder agrees to hold in confidence and trust and not to misuse or disclose any confidential information provided pursuant to this Section 3. The Company shall not be required to comply with this Section 3 in respect of any Holder whom the Company reasonably determines to be a competitor or an officer, employee, director, or greater than ten percent (10%) stockholder of a competitor. Notwithstanding the foregoing, no information which is confidential or proprietary in nature shall be disclosed to Genentech, Inc. ("Genentech") pursuant to this Agreement. Any confidential or proprietary information disclosed to Genentech shall be disclosed pursuant to a separate confidential disclosure agreement signed by the Company and Genentech.

3.12 **Observer Rights**.

(a) Until August 10, 2010, provided Essex or its affiliate continues to hold shares of Series D Preferred, the Company shall allow one individual designated by Essex or its affiliate to attend all meetings of its Board in a nonvoting observer capacity (the "Essex Representative"), and, in connection therewith, shall give the Essex Representative copies of all notices, minutes, consents and other materials that it provides to its directors at the same time and in the same manner as provided to such directors. The Essex Representative shall agree to hold in confidence and trust and to act in a fiduciary manner with respect to all such materials and information it obtains at each such meeting and the Company reserves the right to withhold any materials and information and to exclude the Essex Representative from any meeting or portion thereof if the Company or the Board believes that such withholding or exclusion is reasonably necessary (i) to preserve the attorney-client privilege, (ii) to protect highly confidential and proprietary information, (iii) to preserve any fiduciary obligations of the Board, (iv) to prevent any conflict of interest, (v) to protect information regarding potential or actual strategic investments or partnerships with a commercial entity or (vi) for other similar reasons. The Company shall not be required to comply with the provisions of this Section 3.12(a) if Essex or the Essex Representative becomes a holder of more than five percent (5%) of the outstanding securities of a competitor of the Company or if the Essex Representative becomes an officer, employee or director of a competitor of the Company.

(b) As long as OrbiMed or its affiliate continues to hold at least fifty percent (50%) of the Series D Preferred issued by the Company to OrbiMed pursuant to the Series D Agreement, the Company shall allow one individual designated by OrbiMed or its affiliate to attend all meetings of its Board in a nonvoting observer capacity (the "OrbiMed Representative"), and, in connection therewith, shall give the OrbiMed Representative copies of all notices, minutes, consents and other materials that it provides to its directors at the same time and in the same manner as provided to such directors. The OrbiMed Representative shall agree to hold in confidence and trust and to act in a fiduciary manner with respect to all such materials and information it obtains at each such meeting and the Company reserves the right to withhold any materials and information and to exclude the OrbiMed Representative from any meeting or portion thereof if the Company or the Board believes that such withholding or
exclusion is reasonably necessary (i) to preserve the attorney-client privilege, (ii) to protect highly confidential and proprietary information, (iii) to preserve any fiduciary obligations of the Board, (iv) to prevent any conflict of interest, (v) to protect information regarding potential or actual strategic investments or partnerships with a commercial entity or (vi) for other similar reasons. The Company shall not be required to comply with the provisions of this Section 3.12(b) if OrbiMed or the OrbiMed Representative becomes a holder of more than five percent (5%) of the outstanding securities of a competitor of the Company or if the OrbiMed Representative becomes an officer, employee or director of a competitor of the Company.

(c) As long as Highland continues to hold at least fifty percent (50%) of the Series C Preferred held by Highland at the Closing (as defined in the Series D Agreement), the Company shall allow one individual designated by Highland to attend all meetings of its Board in a nonvoting observer capacity (the “Highland Representative”), and, in connection therewith, shall give the Highland Representative copies of all notices, minutes, consents and other materials that it provides to its directors at the same time and in the same manner as provided to such directors. The Highland Representative shall agree to hold in confidence and trust and to act in a fiduciary manner with respect to all such materials and all information it obtains at each such meeting and the Company reserves the right to withhold any materials and information and to exclude the Highland Representative from any meeting or portion thereof if the Company or the Board believes that such withholding or exclusion is reasonably necessary (i) to preserve the attorney-client privilege, (ii) to protect highly confidential and proprietary information, (iii) to preserve any fiduciary obligations of the Board, (iv) to prevent any conflict of interest, (v) to protect information regarding potential or actual strategic investments or partnerships with a commercial entity or (vi) for other similar reasons. The Company shall not be required to comply with the provisions of this Section 3.12(c) if Highland or the Highland Representative becomes a holder of more than five percent (5%) of the outstanding securities of a competitor of the Company or if the Highland Representative becomes an officer, employee or director of a competitor of the Company.

3.13 Termination of Covenants. The covenants set forth in this Section 3 shall terminate and be of no further force or effect after the earlier of (i) the date on which the Company is required to file reports with the Commission pursuant to Section 13 or 15(d) of the Exchange Act and (ii) the occurrence of any of the events specified in Section 2.3 hereof; provided, that the covenants set forth in Section 3.6 shall not terminate so long as any Major Investor’s designee serves on the Board.

4. Acknowledgement. The Company hereby acknowledges that one (1) or more of the directors nominated to serve on the Board by the Investors (each, a “Fund Director”) may have certain rights to indemnification, advancement of expenses and/or insurance provided by one or more of the Investors and certain of their affiliates (collectively, the “Fund Indemnitors”). The Company hereby agrees (a) that it is the indemnitor of first resort (that is, its obligations to any such Fund Director are primary and any obligation of the Fund Indemnitors to advance expenses or to provide indemnification for the same expenses or liabilities incurred by such Fund Director are secondary), (b) that it shall be required to advance the full amount of expenses incurred by such Fund Director and shall be liable for the full amount of all expenses, judgments, penalties, fines and amounts paid in settlement by or on behalf of any such Fund Director to the extent legally permitted and as required by the Restated Certificate or Bylaws of
the Company (or any agreement between the Company and such Fund Director), without regard to any rights such Fund Director may have against the Fund Indemnitors, and (c) that it irrevocably waives, relinquishes and releases the Fund Indemnitors from any and all claims against the Fund Indemnitors for contribution, subrogation or any other recovery of any kind in respect thereof. The Company further agrees that no advancement or payment by the Fund Indemnitors on behalf of any such Fund Director with respect to any claim for which such Fund Director has sought indemnification from the Company shall affect the foregoing and the Fund Indemnitors shall have a right of contribution and/or be subrogated to the extent of such advancement or payment to all of the rights of recovery of such Fund Director against the Company.

5. Miscellaneous.

5.1 Governing Law. This Agreement shall be governed in all respects by the laws of the State of California without regard to choice of laws or conflict of laws provisions thereof.

5.2 Successors and Assigns. Except as otherwise provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors, and administrators of the parties hereto. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided by this Agreement.

5.3 Entire Agreement. This Agreement and the other documents delivered pursuant hereto constitute the full and entire understanding and agreement among the parties with regard to the subjects hereof and thereof. Subject to the provisions of Section 5.10 below, neither this Agreement nor any term hereof may be amended, waived, discharged or terminated other than by a written instrument signed by the party against enforcement of any such amendment, waiver, discharge or termination is sought, unless otherwise provided.

5.4 Notices. All notices and other communications required or permitted hereunder shall be in writing and shall be mailed by registered mail, certified mail (return receipt requested) or by internationally recognized express courier (e.g., Federal Express), postage prepaid, or sent by fax or otherwise delivered by hand or by messenger addressed:

(a) If to an Investor, at the Investor’s address or fax number set forth beneath such Investor’s signature hereto, or at such other address as such Investor shall have furnished to the Company;

(b) If to the Company, one copy should be sent to its address or fax number of record and addressed to the attention of the President, or at such other address or fax number as the Company shall have furnished to the parties hereto, with copies to Alan C. Mendelson and Greg Chin, Latham & Watkins LLP, 140 Scott Drive, Menlo Park, California 94025, (fax) 650-463-2600; and
(c) Each such notice shall for all purposes of this Agreement be treated as effective or having been given on the earliest to occur of the following:

(i) The date of personal delivery or delivery by messenger;

(ii) One (1) business day after transmission by fax, with confirmation of transmission;

(iii) One (1) business day after deposit with an internationally recognized express courier for United States deliveries, or three (3) business days after such deposit for deliveries outside of the United States; or

(iv) Three (3) business days after deposit in a regularly maintained receptacle for the deposit of the United Stated mail be registered or certified mail (return receipt requested) for United States deliveries.

5.5 Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any Holder upon any breach or default of the Company under this Agreement shall impair any such right, power, or remedy of such party, nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent, or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing or as provided in this Agreement. All remedies, either under this Agreement or by law or otherwise afforded to any party, shall be cumulative and not alternative.

5.6 Dispute Resolution Fees. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorney’s fees, costs, and disbursements in addition to any other relief to which such party may be entitled.

5.7 Counterparts. This Agreement may be executed in any number of counterparts and signatures may be delivered by facsimile, each of which may be executed by less than all parties, each of which shall be enforceable against the parties actually executing such counterparts, and all of which together shall constitute one instrument.

5.8 Severability. If any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable, or void, portions of such provision, or such provision in its entirety, to the extent necessary, shall be severed from this Agreement and the balance of this Agreement shall be enforceable in accordance with its terms.

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5.9 **Titles and Subtitles.** The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

5.10 **Amendment and Waiver.** Any provision of this Agreement may be amended or waived (either generally or in a particular instance and either retroactively or prospectively) only with the written consent of the Company and a Holder or Holders holding, in the aggregate, more than sixty percent (60%) of the outstanding shares of Common Stock issued or issuable pursuant to conversion of the Shares. Any amendment or waiver effected in accordance with this paragraph shall be binding upon each Holder and the Company; provided, however, that any amendment that would materially and adversely affect the rights of, or impose additional material obligations on, any Holder or groups of Holders in a manner different than the other Holders shall not be effective against such affected Holder without the written consent of such Holder. In addition, except as provided in Section 1.14 above, the Company may waive performance of any obligation owing to it, as to some or all of the Holders, or agree to accept alternatives to such performance, without obtaining the consent of any Holder. Notwithstanding anything to the contrary herein, if the Company shall issue additional shares of Series D Preferred pursuant to the Purchase Agreement, any purchaser of such shares of Series D Preferred may become a party to this Agreement by delivering an executed counterpart signature page to the Company and such purchaser shall be deemed an “Investor” hereunder, all without the requirement of any consent from any party hereunder or amendment or waiver hereof.

5.11 **Effect of Amendment or Waiver.** The Holders and their successors and assigns acknowledge that by the operation of Section 5.10 hereof Holders holding more than sixty percent (60%) of the outstanding shares of Common Stock issued or issuable pursuant to conversion of the Shares, acting in conjunction with the Company, will have the right and power to diminish or eliminate any or all rights pursuant to this Agreement.

5.12 **Termination of Prior Agreement.** The Prior Agreement is hereby amended and restated in full to read as set forth herein.

5.13 **Waiver.** The Investors who were party to the Prior Agreement and who were “Major Investors” as defined in the Prior Agreement hereby waive any and all right of first refusal and notice requirements set forth in Section 2.1 of the Prior Agreement with respect to the issuance of the Series D Preferred Stock pursuant to the Purchase Agreement. The Investors who were party to the Prior Agreement also hereby consent to the registration rights granted herein as required by Section 1.12 of the Prior Agreement.

5.14 **Rights of Investors.** Each party to this Agreement shall have the absolute right to exercise or refrain from exercising any right or rights that such party may have by reason of this Agreement, including, without limitation, the right to consent to the waiver or modification of any obligation under this Agreement, and such party shall not incur any liability to any other party or other holder of any securities of the Company as a result of exercising or refraining from exercising any such right or rights.

5.15 **Aggregation of Stock.** All shares of Preferred Stock and Common Stock of the Company held or acquired by affiliated entities or persons (including those held by
5.16 **Specific Performance**. The rights of the parties under this Agreement are unique and, accordingly, the parties shall, in addition to such other remedies as may be available to any of them at law or in equity, have the right to enforce their rights hereunder by actions for specific performance to the extent permitted by law.

5.17 **Jurisdiction and Venue; Waiver of Jury Trial**. Any action, suit or proceeding arising out of or relating to this Agreement shall be brought in the state courts of the State of California located in Santa Clara County, or, if it has or can acquire jurisdiction, any Federal court located in such State and County, and EACH OF THE PARTIES HERETO, AFTER CONSULTING WITH OR HAVING HAD THE OPPORTUNITY TO CONSULT WITH COUNSEL, HEREBY KNOWINGLY, VOLUNTARILY, INTENTIONALLY AND IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS AND WAIVES TRIAL BY JURY, IN EACH CASE IN CONNECTION WITH ANY ACTION, SUIT OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT. Each of the parties hereto hereby irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby in the courts of the State of California or the United States of America, in each case located in Santa Clara County, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such matter brought in any such court has been brought in an inconvenient forum.

[THIS SPACE LEFT BLANK INTENTIONALLY]
IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

COMPLETE GENOMICS, INC.

By: /s/ Clifford A. Reid
   Clifford A. Reid, President and
   Chief Executive Officer

Company Address:

2071 Stierlin Court
Mountain View, CA 94043

SIGNATURE PAGE TO THE THIRD AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT
ESSEX WOODLANDS HEALTH VENTURES FUND VIII, L.P.

By: ESSEX WOODLANDS HEALTH VENTURES VIII, L.P.
   Its General Partner

   By: ESSEX WOODLANDS HEALTH VENTURES VIII, LLC
       Its General Partner

       By: /s/Jeff Himawan
           Name: Jeff Himawan
           Title: Manager

Address: 335 Bryant Street
          Palo Alto, CA 94301
          Attn: Jeff Himawan

Fax No: (650) 327-9755

ESSEX WOODLANDS HEALTH VENTURES FUND VIII-A, L.P.

By: ESSEX WOODLANDS HEALTH VENTURES VIII, L.P.
   Its General Partner

   By: ESSEX WOODLANDS HEALTH VENTURES VIII, LLC
       Its General Partner

       By: /s/Jeff Himawan
           Name: Jeff Himawan
           Title: Manager

Address: 335 Bryant Street
          Palo Alto, CA 94301
          Attn: Jeff Himawan

Fax No: (650) 327-9755

SIGNATURE PAGE TO THE THIRD AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT
ESSEX WOODLANDS HEALTH VENTURES FUND VIII-B, L.P.

By: ESSEX WOODLANDS HEALTH VENTURES VIII, L.P.
   Its General Partner

By: ESSEX WOODLANDS HEALTH VENTURES VIII, LLC
   Its General Partner

By: /s/Jeff Himawan
Name: Jeff Himawan
Title: Manager

Address: 335 Bryant Street
         Palo Alto, CA 94301
         Attn: Jeff Himawan
Fax No: (650) 327-9755

SIGNATURE PAGE TO THE THIRD AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT
Investors:

ORBIMED ASSOCIATES III, LP
By: /s/ Carl Gordon
Carl Gordon
General Partner
Address: 767 Third Avenue, 30th Floor
New York, NY 10017

CADUCEUS PRIVATE INVESTMENTS III, LP
By: /s/ Carl Gordon
Carl Gordon
General Partner
Address: 767 Third Avenue, 30th Floor
New York, NY 10017

SIGNATURE PAGE TO THE THIRD AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT
HIGHLAND CRUSADER OFFSHORE PARTNERS, L.P.
By: Highland Crusader Fund GP, L.P.
Its: General Partner
By: Highland Crusader GP, LLC.
By: Highland Capital Management, L.P.
Its: Sole Member
By: Strand Advisors, Inc.
Its: General Partner

/s/ Jason Post
Name: Jason Post
Title: Operations Director

HIGHLAND CREDIT OPPORTUNITIES CDO L.P.
By: Highland Credit Opportunities CDO GP, L.P.
Its: General Partner
By: Highland Credit Opportunities CDO GP, LLC
Its: General Partner
By: Highland Capital Management, L.P.
Its: Sole Member
By: Strand Advisors, Inc.
Its: General Partner

/s/ Jason Post
Name: Jason Post
Title: Operations Director

SIGNATURE PAGE TO THE THIRD AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT
Investors:

**OVP Venture Partners VI, L.P.**
By: OVMC VI, LLC, as General Partner

By: /s/ Chad Waite
    Managing Member or Attorney In Fact

Address: 1010 Market Street
Kirkland WA 98033

**OVP VI Entrepreneurs Fund, L.P.**
By: OVMC VI, LLC, as General Partner

By: /s/ Chad Waite
    Managing Member or Attorney In Fact

Address: 1010 Market Street
Kirkland WA 98033

SIGNATURE PAGE TO THE THIRD AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT
Investors:

**Enterprise Partners VI, LP**
By: Enterprise Management Partners VI, LLC as General Partner

/s/ Andrew E. Senyei
By: Andrew E. Senyei
Managing Director

Address: 2223 Avenida de la Playa
Suite 300
La Jolla CA 92037

**Enterprise Partners V, LP**
By: Enterprise Management Partners VI, LLC as General Partner

/s/ Andrew E. Senyei
By: Andrew E. Senyei
Managing Director

Address: 2223 Avenida de la Playa
Suite 300
La Jolla CA 92037

SIGNATURE PAGE TO THE THIRD AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT
Investors:

Prospect Venture Partners III, L.P.

By: Prospect Management Co. III, L.L.C.
Its: General Partner

/s/ Alex Barkas
Name: 
Title: Managing Director
Address: 

SIGNATURE PAGE TO THE THIRD AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT
Aquilo Partners, L.P.

By:
Its:

/s/ James F. Zanze
Name: James F. Zanze
Title: Managing Director

Address:

SIGNATURE PAGE TO THE THIRD AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT
Investors:

The Mendelson Family Trust

/s/ Alan C. Mendelson
By: Alan C. Mendelson
Title: Trustee
Address: 76 De Bell Drive
         Atherton, CA 94027

VP Company Investments 2004, LLC

/s/ Alan C. Mendelson
By: Alan Mendelson
Title: Managing Member
Address: 555 West Fifth Street
         Suite 80
         Los Angeles, CA 90013

VP Company Investments 2008, LLC

/s/ Alan C. Mendelson
By: Alan Mendelson
Title: Managing Member
Address: 555 West Fifth Street
         Suite 80
         Los Angeles, CA 90013

SIGNATURE PAGE TO THE THIRD AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT
Investors:

Gold Hill Venture Lending 03 LP
By:  Gold Hill Venture Lending Partners 03, LP
Its:  General Partner

\[/s/ \text{Tim McDonough}\]
By:  Tim McDonough
Title:  Principal, Gold Hill Capital

SIGNATURE PAGE TO THE THIRD AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT
Investors:

Genentech, Inc.

By:
Its:

/s/ Robert Andreatta
Name: Robert Andreatta
Title: Vice President, Controller & Chief Accounting Officer

Address:
1 DNA Way
South San Francisco, CA 94080

SIGNATURE PAGE TO THE THIRD AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT
Investors:

/s/ C. Thomas Caskey
C. Thomas Caskey, M.D.

Address:
Essex Woodlands Health Ventures
1825 Pressler Street
Suite 205
Houston, TX 77030

SIGNATURE PAGE TO THE THIRD AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT
Enterprise Partners Management, LLC

/s/ Andrew E. Senyei
Andrew E. Senyei
As sole Director of Andrew E. Senyei, Inc.
Manager of Enterprise Partners Management, LLC

Address:
2223 Avenida de la Playa
La Jolla CA 92037

SIGNATURE PAGE TO THE THIRD AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT
Founders:

**THE CURSON FAMILY LIVING TRUST**
**DATED JULY 30, 2001**

/s/ Robert John Curson  
Robert John Curson, Trustee  
Address:  
135 Ponderosa Drive  
Santa Cruz, CA 95060

**DRMANAC FAMILY TRUST DATED JUNE 21, 2000**

/s/ Radoje Drmanac  
Radoje Drmanac, Trustee  
Address:  
27635 Red Rock Road  
Los Altos Hills, CA 94022

**CLIFFORD A. REID LIVING TRUST, DATED SEPTEMBER 3, 1997**

/s/ Clifford A. Reid  
Clifford A. Reid, Trustee  
Address:  
151 Blackburn Terrace  
Pacifica, CA 94044

SIGNATURE PAGE TO THE THIRD AMENDED AND RESTATE INVESTOR RIGHTS AGREEMENT
Founders:

**ROBERT JOHN CURSON**

\[/s/\] Robert John Curson

Address:
135 Ponderosa Drive
Santa Cruz, CA 95060

**RADOJE DRMANAC**

\[/s/\] Radoje Drmanac

Address:
27635 Red Rock Road
Los Altos Hills, CA 94022

**CLIFFORD A. REID**

\[/s/\] Clifford A. Reid

Address:
151 Blackburn Terrace
Pacifica, CA 94044

SIGNATURE PAGE TO THE THIRD AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT
Callida:

CALLIDA GENOMICS, INC.

/s/ Radoje Drmanac
Address: 750 N. Pastoria Ave
Sunnyvale, CA 94085

SIGNATURE PAGE TO THE THIRD AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT
ESSEX WOODLANDS HEALTH VENTURES FUND VIII, L.P.
Essex Woodlands Health Ventures Fund VIII -A, L.P.
Essex Woodlands Health Ventures Fund VIII-B, L.P.
OrbiMed Associates III, LP
Caduceus Private Investments III, LP
Highland Crusader Offshore Partners, L.P.
Highland Credit Opportunities CDO, L.P.
OVP Venture Partners VI, L.P.
OVP VI Entrepreneurs Fund L.P.
Enterprise Partners VI, LP
Enterprise Partners V, L.P.
Aquilo Partners, L.P.
Prospect Venture Partners III, L.P.
The Mendelson Family Trust
VP Company Investments 2004, LLC
VP Company Investments 2008, LLC
Gold Hill Venture Lending 03, LP
Genentech, Inc.
C. Thomas Caskey, M.D.
Enterprise Partners Management, LLC
EXHIBIT B

SCHEDULE OF FOUNDERS

The Curson Family Living Trust Dated July 30, 2001
Drmanac Family Trust Dated June 21, 2000
Clifford A. Reid Living Trust, Dated September 3, 1997
Robert John Curson
Radoje Drmanac
Clifford A. Reid
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EXHIBIT A - Schedule of Investors
EXHIBIT B - Schedule of Founders
OMNIBUS AMENDMENT

This Omnibus Amendment, dated as of November 6, 2009 (this “Omnibus Amendment”) amends (i) that certain Third Amended and Restated Investor Rights Agreement, dated as of August 12, 2009, among Complete Genomics, Inc., a Delaware corporation (the “Company”), the Investors (as defined therein) and the Founders (as defined therein) (“the IRA”), (ii) that certain Third Amended and Restated Right of First Refusal and Co-Sale Agreement, dated as of August 12, 2009, among the Investors (as defined therein), the Founders (as defined therein) and the Company (the “ROFR Agreement”) and (iii) that certain Third Amended and Restated Voting Agreement, dated as of August 12, 2009, among the Company and the Stockholders (as defined therein) (the “Voting Agreement” together with the IRA and the ROFR Agreement, the “Agreements”).

RECITALS

WHEREAS: In connection with the Company’s proposed 30:1 reverse stock split, the undersigned signatories wish to amend the Agreements to clarify certain provisions of the Agreements;

WHEREAS: Section 5.10 of the IRA provides that the IRA may be amended with the written consent of the Company and Holders (as defined therein) of more than sixty percent (60%) of the outstanding shares of Common Stock issued or issuable pursuant to conversion of the Shares (as defined therein) (the “IRA Amendment Threshold”);

WHEREAS: Section 10.10 of the ROFR Agreement provides that the ROFR Agreement may be amended with the written consent of the Company, the Significant Common Stock Holders (as defined therein) holding, in the aggregate, a majority of the outstanding shares held by all Significant Common Stock Holders and any individual Investor (as defined therein) or group of Investors holding, in the aggregate, more than sixty percent (60%) of the common stock issued or issuable upon conversion of the Preferred Stock held by all Investors (the “ROFR Agreement Amendment Threshold”);

WHEREAS: Section 10.9 of the Voting Agreement provides that the Voting Agreement may be amended with the written consent of the Company, the holders of at least a majority of the outstanding Common Stock of the Company and the holders of at least sixty percent (60%) of the outstanding Preferred Stock of the Company and that any amendment or waiver of Section 2.1 of the Voting Agreement shall additionally require the consent of the Director Designator(s) (as defined therein) affected by such amendment or waiver; (the “Voting Agreement Amendment Threshold”); and

WHEREAS: The undersigned meet each of the IRA Amendment Threshold, the ROFR Agreement Amendment Threshold and the Voting Agreement Amendment Threshold.

NOW, THEREFORE: In consideration of the mutual promises and covenants set forth herein, and other consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree as follows:
1. IRA Amendments.

1.1 Section 1.1 of the IRA is hereby amended to add the following definition:

“`Restated Certificate`” means the Company’s Fifth Restated Certificate of Incorporation, as may be amended from time to time.”

1.2 Section 1.11 of the IRA is hereby deleted in its entirety and replaced with the following:

“1.11 TRANSFER OF REGISTRATION RIGHTS. The rights to cause the Company to register securities granted to any party hereto under Section 1 may be assigned by a Holder only to a transferee or assignee of the lesser of (i) all of such Holder’s Registrable Securities and (ii) Eighty-Three Thousand Three Hundred Thirty-Three (83,333) shares of Registrable Securities (as appropriately adjusted for stock splits and the like; provided that no adjustment shall be made with respect to the reverse stock split occurring upon filing of the Restated Certificate) or, with respect to Registrable Securities that are Series C Preferred Stock or Series D Preferred Stock or shares of Common Stock issuable upon conversion of Series C Preferred Stock or Series D Preferred Stock, Sixteen Thousand Six Hundred Sixty-Seven (16,667) shares (as appropriately adjusted for stock splits and the like provided that no adjustment shall be made with respect to the reverse stock split occurring upon filing of the Restated Certificate), provided that the Company is given written notice at the time of or promptly after said assignment, stating the name and address of the transferee or assignee and identifying the securities with respect to which such registration rights are being assigned, and, provided further, that the assignee of such rights agree in writing to be bound by the terms and conditions of this Agreement. Notwithstanding the foregoing, no such minimum share assignment requirement shall be necessary for an assignment by a Holder which is (A) a partnership to its partners or retired partners in accordance with partnership interests, (B) a limited liability company to its members or former members in accordance with their interest in the limited liability company, (C) a corporation to its shareholders in accordance with their interests in the corporation, (D) to the Holder’s family member or trust for the benefit of an individual Holder, or (E) to any Affiliated Entity.”

2. ROFR Amendment.

2.1. Section 8 of the ROFR Agreement is hereby deleted in its entirety and replaced with the following:

“8. Termination. This Agreement shall terminate upon the earliest to occur of any one of the following events: (i) a Liquidation (as defined in the Company’s Fifth Restated Certificate of Incorporation (the “`Restated Certificate`”)); (ii) the execution by the Company of a general assignment for the benefit of creditors or the appointment of a receiver or trustee to take possession of the property and assets of the Company or (iii) a Qualified IPO (as defined in the Restated Certificate).”

2.2. Exhibits A and B of the ROFR Agreement is hereby deleted in their entirety and replaced with the exhibit attached hereto as Exhibits A and B.
3. Voting Agreement Amendment.

3.1 Section 2.1 of the Voting Agreement is hereby deleted in its entirety and replaced with the following:

“2.1 Two (2) members of the Board designated by the holders of the Series D Preferred, one of which shall be designed by Essex Woodlands Health Ventures Fund VIII, L.P. and its affiliates ("Essex") and of which the other shall be designated by OrbiMed Associates III, LP and its affiliates ("OrbiMed") as the Series D Directors (as defined in the Company’s Fifth Restated Certificate of Incorporation (the “Restated Certificate”). The initial designee of Essex shall be C. Thomas Caskey, M.D. The initial designee of OrbiMed shall be Carl Gordon, Ph.D;”

4. Merger. Except as expressly amended above, the IRA, the ROFR Agreement and the Voting Agreement shall remain in full force and effect.

5. Counterparts. This Omnibus Amendment may be executed in any number of counterparts, each of which shall be enforceable against the parties actually executing such counterparts, and all of which together shall constitute one instrument.

6. Governing Law. This Omnibus Amendment shall be construed and interpreted in accordance with and be governed by the laws of the State of California without giving effect to any conflict of laws principles that would result in the application of the laws of any state other than the State of California.

[Signature Pages Follow]
IN WITNESS WHEREOF, the parties hereto have executed this Omnibus Amendment effective as of the day and year first above written.

COMPANY:

COMPLETE GENOMICS, INC.

By: /s/ Clifford A. Reid
    Clifford A. Reid, President and
    Chief Executive Officer

Address for Notice:
2071 Stierlin Court
Mountain View, CA 94043

SIGNATURE PAGE TO OMNIBUS AMENDMENT
STOCKHOLDERS:

ESSEX WOODLANDS HEALTH Ventures Fund VIII, L.P.

By: Essex Woodlands Health Ventures VIII, L.P., its General Partner

By: Essex Woodlands Health Ventures VIII, LLC, its General Partner

By: /s/ Jeff Himawan
Name: Jeff Himawan
Title: Manager

Address:
Essex Woodlands Health Ventures
335 Bryant Street
Third Floor
Palo Alto, CA 943010

ESSEX WOODLANDS HEALTH Ventures Fund VIII-A, L.P.

By: Essex Woodlands Health Ventures VIII, L.P., its General Partner

By: Essex Woodlands Health Ventures VIII, LLC, its General Partner

By: /s/ Jeff Himawan
Name: Jeff Himawan
Title: Manager

Address:
Essex Woodlands Health Ventures
335 Bryant Street
Third Floor
Palo Alto, CA 943010

SIGNATURE PAGE TO OMNIBUS AMENDMENT
By: Essex Woodlands Health Ventures VIII, L.P., its General Partner

By: Essex Woodlands Health Ventures VIII, LLC, its General Partner

By: /s/ Jeff Himawan
Name: Jeff Himawan
Title: Manager

Address:
Essex Woodlands Health Ventures
335 Bryant Street
Third Floor
Palo Alto, CA 943010

SIGNATURE PAGE TO OMNIBUS AMENDMENT
STOCKHOLDERS:

ORBIMED ASSOCIATES III, LP

By: /s/ Carl Gordon
    Carl L. Gordon, Ph.D., CFA
    General Partner

Address:
OrbiMed Advisors, LLC
767 Third Avenue
Thirtieth Floor
New York, NY 10017

CADUCEUS PRIVATE INVESTMENTS III, LP

By: /s/ Carl Gordon
    Carl L. Gordon, Ph.D., CFA
    General Partner

Address:
OrbiMed Advisors, LLC
767 Third Avenue
Thirtieth Floor
New York, NY 10017

SIGNATURE PAGE TO OMNIBUS AMENDMENT
STOCKHOLDERS:

HIGHLAND CRUSADER OFFSHORE PARTNERS, L.P.
By: Highland Crusader Fund GP, L.P.
Its: General Partner
By: Highland Crusader GP, LLC.
By: Highland Capital Management, L.P.
Its: Sole Member
By: Strand Advisors, Inc.
Its: General Partner

/s/ Jason Post
Name: Jason Post
Title: Operations Director

HIGHLAND CREDIT OPPORTUNITIES CDO L.P.
By: Highland Credit Opportunities CDO GP, L.P.
Its: General Partner
By: Highland Credit Opportunities CDO GP, LLC
Its: General Partner
By: Highland Capital Management, L.P.
Its: Sole Member
By: Strand Advisors, Inc.
Its: General Partner

/s/ Jason Post
Name: Jason Post
Title: Operations Director

SIGNATURE PAGE TO OMNIBUS AMENDMENT
STOCKHOLDERS:

OVP V ENTREPRISE VI, L.P.
By: OVMC VI, LLC, as General Partner

By: /s/ Chad Waite
    Managing Member or Attorney In Fact

Address:
OVP Venture Partners
1010 Market Street
Kirkland, WA 98033

OVP VI ENTREPRENEURS FUND, L.P.
By: OVMC VI, LLC, as General Partner

By: /s/ Chad Waite
    Managing Member or Attorney In Fact

Address:
OVP Venture Partners
1010 Market Street
Kirkland, WA 98033

SIGNATURE PAGE TO OMNIBUS AMENDMENT
STOCKHOLDERS:

ENTERPRISE PARTNERS V, LP
By: Enterprise Management Partners V, LLC
   as General Partner

/s/ Andrew E. Senyei
By: Andrew E. Senyei
   Managing Director
Address:
2223 Avenida de la Playa
Suite 300
La Jolla CA 92037

ENTERPRISE PARTNERS VI, LP
By: Enterprise Management Partners VI, LLC as
   General Partner

/s/ Andrew E. Senyei
By: Andrew E. Senyei
   Managing Director
Address:
2223 Avenida de la Playa
Suite 300
La Jolla CA 92037

SIGNATURE PAGE TO OMNIBUS AMENDMENT
STOCKHOLDERS:

P ROPECT V ENTURE P ARTNERS III, L.P.

By: Prospect Management Co. III, L.L.C.
Its: General Partner

/s/ Alex Barkas
By:  
Title: Managing Director

Address:
Prospect Venture Partners
435 Tasso Street
Suite 200
Palo Alto, CA 94301

SIGNATURE PAGE TO OMNIBUS AMENDMENT
STOCKHOLDERS:

THE MENDELSON FAMILY TRUST

/s/ Alan C. Mendelson
By: Alan Mendelson
Title: Trustee

Address:
76 De Bell Drive
Atherton, CA 94027

VP COMPANY INVESTMENTS 2008, LLC

/s/ Alan C. Mendelson
By: Alan Mendelson
Title: Trustee

Address:
c/o Latham & Watkins LLP
555 West Fifth Street
Suite 800
Los Angeles, CA 90013-1021
STOCKHOLDERS:

A QUILO PARTNERS, L.P.

/s/ James F. Zanje
By: James F. Zanje
Title: Managing Director

Address:
One Maritime Plaza
Suite 1570
San Francisco, CA 94111

SIGNATURE PAGE TO OMNIBUS AMENDMENT
SIGNIFICANT COMMON STOCK HOLDERS:

THE CURSON FAMILY LIVING TRUST DATED JULY 30, 2001

/s/ Robert John Curson
Robert John Curson, Trustee
Address:
135 Ponderosa Drive
Santa Cruz, CA 95060

DRMANAC FAMILY TRUST DATED JUNE 21, 2000

/s/ Radoje Drmanac
Radoje Drmanac, Trustee
Address:
27635 Red Rock Road
Los Altos Hills, CA 94022

CLIFFORD A. REID LIVING TRUST, DATED SEPTEMBER 3, 1997

/s/ Clifford A. Reid
Clifford A. Reid, Trustee
Address:
151 Blackburn Terrace
Pacifica, CA 94044

SIGNATURE PAGE TO OMNIBUS AMENDMENT
For the avoidance of confusion, it is noted that the numbers above include certain shares and/or warrants that are not taken into account in the calculations of “Co-Sale Pro Rata Portion” and “ROFR Pro Rata Portion” under this Agreement.

<table>
<thead>
<tr>
<th>Investor</th>
<th>Number of Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Essex Woodlands Health Ventures Fund VIII, L.P.</td>
<td>1,798,115</td>
</tr>
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<td>Essex Woodlands Health Ventures Fund VIII-A, L.P.</td>
<td>129,644</td>
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<td>Essex Woodlands Health Ventures Fund VIII-B, L.P.</td>
<td>56,367</td>
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<tr>
<td>Orbimed Associates III</td>
<td>18,718</td>
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<td>Caduceus Private Investments III</td>
<td>1,965,408</td>
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<td>Highland Crusader Offshore Partners, L.P.</td>
<td>1,249,214</td>
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<td>Highland Credit Opportunities CDO, L.P.</td>
<td>362,122</td>
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<td>Genentech, Inc.</td>
<td>85,888</td>
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<td>OVP Venture Partners VI, L.P.</td>
<td>1,793,502</td>
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<td>OVP VI Entrepreneurs Fund L.P.</td>
<td>27,725</td>
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<td>Enterprise Partners VI, LP</td>
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<td>Enterprise Partners V, LP</td>
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<td>VP Company Investments 2004, LLC</td>
<td>5,323</td>
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<td>VP Company Investments 2008, LLC</td>
<td>5,521</td>
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<td>The Mendelson Family Trust</td>
<td>10,844</td>
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<td>Prospect Venture Partners III, L.P.</td>
<td>1,730,366</td>
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<td>Gold Hill Venture Lending 03, LP</td>
<td>32,729</td>
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<tr>
<td>Aquilo Partners, L.P.</td>
<td>11,986</td>
</tr>
<tr>
<td>Significant Common Holders</td>
<td>Number of Shares</td>
</tr>
<tr>
<td>----------------------------------------------------------------</td>
<td>------------------</td>
</tr>
<tr>
<td>Clifford A. Reid Living Trust, Dated September 3, 1997</td>
<td>33,333</td>
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<td>Drmanac Family Trust Dated June 21, 2000</td>
<td>33,333</td>
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<tr>
<td>The Curson Family Living Trust Dated July 30, 2001</td>
<td>11,666</td>
</tr>
</tbody>
</table>
This Omnibus Amendment, dated as of February 16, 2010 (this “Omnibus Amendment”), amends (i) that certain Series D Preferred Stock Purchase Agreement dated as of August 12, 2009 (the “Purchase Agreement”), among Complete Genomics, Inc., a Delaware corporation (the “Company”), and the entities and individuals listed on Exhibit A thereto (each an “Investor” and together the “Investors”), (ii) that certain Third Amended and Restated Investor Rights Agreement, dated as of August 12, 2009, as amended on November 6, 2009, among the Company, the Investors (as defined therein) and the Founders (as defined therein) (“the “IRA”), (iii) that certain Third Amended and Restated Right of First Refusal and Co-Sale Agreement, dated as of August 12, 2009, as amended on November 6, 2009, among the Investors (as defined therein), the Founders (as defined therein) and the Company (the “ROFR Agreement”) and (iv) that certain Third Amended and Restated Voting Agreement, dated as of August 12, 2009, as amended on November 6, 2009, among the Company and the Stockholders (as defined therein) (the “Voting Agreement,” together with the Purchase Agreement, the IRA and the ROFR Agreement, the “Agreements”).

RECITALS

WHEREAS, the Company and the undersigned Investors desire to amend the Purchase Agreement to add an additional closing to the Purchase Agreement to (i) provide for the issuance of an additional 1,346,762 shares of Series D Preferred Stock of the Company (the “Series D Extension Financing”), (ii) add C. Thomas Caskey to the Agreement as an Investor and (iii) to effect certain other related changes.

WHEREAS, in connection with the Series D Extension Financing, the Company and the undersigned Investors desire to make certain conforming amendments to the IRA, the ROFR Agreement and the Voting Agreement.

WHEREAS, Section 6.10 of the Purchase Agreement provides that the Purchase Agreement may be amended or waived only with the written consent of the Company and the holders of a majority of the Common Stock issuable or issued upon conversion of the Shares (as defined therein) (the “Purchase Agreement Threshold”).

WHEREAS, Section 5.10 of the IRA provides that the IRA may be amended with the written consent of the Company and Holders (as defined therein) of more than sixty percent (60%) of the outstanding shares of Common Stock issued or issuable pursuant to conversion of the Shares (as defined therein) (the “IRA Amendment Threshold”).

WHEREAS, Section 10.10 of the ROFR Agreement provides that the ROFR Agreement may be amended with the written consent of the Company, the Significant Common Stock Holders (as defined therein) holding, in the aggregate, a majority of the outstanding shares held by all Significant Common Stock Holders and any individual Investor (as defined therein) or group of Investors holding, in the aggregate, more than sixty percent (60%) of the common stock issued or issuable upon conversion of the Preferred Stock held by all Investors (the “ROFR Agreement Amendment Threshold”).
WHEREAS, Section 10.9 of the Voting Agreement provides that the Voting Agreement may be amended with the written consent of the Company, the holders of at least a majority of the outstanding Common Stock of the Company and the holders of at least sixty percent (60%) of the outstanding Preferred Stock of the Company (the “Voting Agreement Amendment Threshold”).

WHEREAS, The undersigned constitute each of the Purchase Agreement Threshold, the IRA Amendment Threshold, the ROFR Agreement Amendment Threshold and the Voting Agreement Amendment Threshold.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

1. Amendments.

(A) Section 1.1 of the Purchase Agreement is hereby amended and restated to read in its entirety as follows:

“1.1 Sale and Issuance of Series D Preferred Stock.

(a) The Company shall adopt and file with the Secretary of State of the State of Delaware on or before the Initial Closing (as defined below in Section 1.3(a)) the Fourth Restated Certificate of Incorporation in the form attached hereto as Exhibit B (the “Fourth Restated Certificate”). The Company shall adopt and file with the Secretary of State of the State of Delaware on or before the 2010 Initial Closing (as defined below in Section 1.3(c)) the Sixth Restated Certificate of Incorporation in the form attached hereto as Exhibit B-1 (the “Sixth Restated Certificate”). The term “Restated Certificate,” as used herein shall, prior to the 2010 Initial Closing, refer to the Fourth Restated Certificate and from and after the 2010 Initial Closing shall refer to the Sixth Restated Certificate.

(b) Subject to the terms and conditions of this Agreement, each Investor agrees, severally and not jointly, to purchase at the applicable Closing, and the Company agrees, severally and not jointly, to sell and issue to each Investor at the applicable Closing, that number of shares of the Company’s Series D Preferred Stock (the “Series D Preferred”) set forth opposite each Investor’s name on Exhibit A hereto at a purchase price of $0.252 per share (if such Shares are purchased at the Initial Closing) or $7.56 per share (if such Shares are purchased at the 2010 Initial Closing). The shares of Series D Preferred to be sold pursuant to this Agreement are collectively referred to herein as the “Shares.” The Shares will have the rights, preferences, privileges and restrictions set forth in the Restated Certificate or the Sixth Restated Certificate, as applicable.”

(B) Exhibit A of the Purchase Agreement is hereby amended to read in its entirety as set forth on Exhibit A hereto.

(C) Exhibit B-1 is hereby added to the Purchase Agreement to read in its entirety as set forth on Exhibit B-1 hereto.
(D) Section 1.3(c) of the Purchase Agreement is hereby amended and restated to read in its entirety as follows and Sections 1.3(d), (e) and (f) of the Agreement are hereby added to read in their entirety as follows:

“(c) The purchase and sale of Shares listed on Exhibit A hereto under the heading “2010 Initial Closing” shall take place at the offices of Latham & Watkins LLP at 12:00 p.m. on February 16, 2010, or at such other time and place as the Company and Investors acquiring in the aggregate more than half of the Shares at such Closing shall mutually agree (which time and place are designated as the “2010 Initial Closing”).

(d) At any time on or before the fifteenth (15th) day following the 2010 Initial Closing or at such later time as the Company and the Majority Holders shall mutually agree upon, the Company may sell to persons or entities (and their affiliates) listed on Exhibit A-1 hereto under the heading “2010 Additional Closing” the number of shares of Series D Preferred set forth next to such person’s or entity’s name (the “2010 Additional Closing”). All such sales made at the 2010 Additional Closing shall be made on the terms and conditions set forth in this Agreement. The representations and warranties of the Company set forth in Section 2 hereof (and the Schedule of Exceptions) shall speak as of the 2010 Initial Closing and the Company shall have no obligation to update any such disclosure. The representations and warranties of investor(s) participating in the 2010 Additional Closing (each, an “2010 Additional Closing Investor”) shall speak as of such 2010 Additional Closing. The Schedule of Investors may be amended by the Company without the consent of the Investors to reflect the date of the 2010 Additional Closing and the number of Shares purchased by any 2010 Additional Closing Investor in accordance with this Section 1.3(d) upon the execution by such Additional Closing Investor of a counterpart signature page to this Amendment (and, if the 2010 Additional Closing Investor was not an Additional Closing Investor, the Ancillary Agreements), making such purchaser a party to and bound by the terms and conditions of this Agreement, as amended, and the Ancillary Agreements. Any shares of Series D Preferred sold pursuant to this Section 1.3(d) shall be deemed to be “Shares” for all purposes under this Agreement and each 2010 Additional Closing Investor shall be deemed to be an “Investor” for all purposes under this Agreement. For the avoidance of doubt, without the prior written consent of the Majority Holders the Company may not sell any additional Shares at the 2010 Additional Closing except in the amounts, and to the 2010 Additional Closing Investors, in each case that are listed on Exhibit A-1 as of the date of the 2010 Initial Closing.

3
(e) If any of Essex Woodlands Health Ventures Fund VIII, L.P., Essex Woodlands Health Ventures Fund VIII-A, L.P. and Essex Woodlands Health Ventures Fund VIII-B, L.P. (collectively, “Essex”), OrbiMed Associates III, LP and Caduceus Private Investments III, LP (collectively, “OrbiMed”), Highland Capital Management, L.P. (“Highland”), Prospect Venture Partners III, L.P. (“Prospect”), OVP Venture Partners VI, L.P. and OVP VI Entrepreneurs Fund, L.P. (collectively, “OVP”) and Enterprise Partners V, LP (collectively, “Enterprise”), together with their respective affiliates (the “Major Investors”), do not purchase their pro rata portion (calculated by comparing the ratio of the number of shares of Preferred Stock held by such Major Investor to the number of shares of Preferred Stock held by all Major Investors, each on an as-converted to Common Stock basis, the “Pro Rata Portion”) of Ten Million dollars ($10,000,000) (the “Extension Amount”) at either the 2010 Initial Closing or the 2010 Additional Closing, each Major Investors who purchases its Pro Rata Portion of the Extension Amount (the “Participating Major Investors”) shall have the right, but not the obligation, to purchase up to the remaining portion that the Major Investors failed to exercise (the “Over-Allotment Shares”); provided, that if the Major Investors with such over-allotment right exercise such right for an aggregate number in excess of such Over-Allotment Shares, the Over-Allotment Shares shall be allocated among them in accordance with their respective Pro Rata Portions (or in such other manner as such Participating Major Investors agree). The sale of the Over-Allotment Shares shall take place within fifteen (15) days after the 2010 Additional Closing (the “Over-Allotment Closing”) and such sale shall be made on the terms and conditions set forth in this Agreement. The representations and warranties of the Company set forth in Section 2 hereof (and the Schedule of Exceptions) shall speak as of the 2010 Initial Closing and the Company shall have no obligation to update any such disclosure. The representations and warranties of investor(s) participating in the Over-Allotment Closing (each, an “Over-Allotment Investor”) shall speak as of the Over-Allotment Closing. The Schedule of Investors may be amended by the Company without the consent of the Investors to reflect the date of the Over-Allotment Closing and the number of Shares purchased by any Over-Allotment Investor in accordance with this Section 1.3(e). Any shares of Series D Preferred sold pursuant to this Section 1.3(e) shall be deemed to be “Shares” for all purposes under this Agreement.

(f) As soon as practicable after each Closing, the Company shall deliver to each Investor a certificate or certificates representing that number of Shares set forth opposite such Investor’s name on Exhibit A hereto and, if applicable, the Warrants, against payment of the purchase price therefor by check, wire transfer, cancellation of indebtedness, any combination of the foregoing, or such other forms of payment as may be approved by the Company’s Board of Directors (the “Board”).

(E) Exhibit A-1 of the Purchase Agreement is hereby amended to read in its entirety as set forth on Exhibit A-1 hereto.

(F) The introductory clause of Section 2 of the Purchase Agreement is hereby amended to read in its entirety as follows:

“2 Representations and Warranties of the Company. The Company hereby represents and warrants to each Investor as of the Initial Closing or the 2010 Initial Closing, as applicable, except where another date is specified in such representation or warranty and except
as set forth in the Schedule of Exceptions attached hereto as Exhibit F, which Schedule of Exceptions shall be updated as of the 2010 Initial Closing and attached hereto as Exhibit F-1 (each, the “Schedule of Exceptions”), specifically identifying the relevant subparagraph(s) hereof, which exceptions shall be deemed to be representations and warranties hereunder:

(G) The last sentence of Section 2 of the Purchase Agreement is hereby amended to read in its entirety as follows:

“True and accurate copies of the Company’s Certificate of Incorporation and Bylaws, each as amended and in effect at the Initial Closing and the 2010 Initial Closing, have been made available to the Investors.”

(H) Clause (i) of Section 2.4 of the Purchase Agreement is hereby amended and restated in its entirety as follows:

“(i) the filing of the Fourth Restated Certificate in the office of the Secretary of State of the State of Delaware, which has been filed by the Company prior to the Initial Closing or, with respect to the 2010 Initial Closing or the 2010 Additional Closing, the filing of the Sixth Restated Certificate in the office of the Secretary of State of the State of Delaware, which has been filed by the Company prior to the 2010 Initial Closing.”

(I) The first sentence of Section 2.8 of the Purchase Agreement is hereby amended and restated in its entirety as follows:

“The Company is not in violation or default of any provision of its Certificate of Incorporation or Bylaws, each as amended and in effect as of the Initial Closing or the 2010 Initial Closing, as applicable.”

(J) The first sentence of Section 2.24 of the Purchase Agreement is hereby amended and restated in its entirety as follows:

“The Company has made available to each Investor the audited balance sheet, income statement and statement of cash flows of the Company as of and for the period ended December 31, 2008 and the unaudited balance sheet, income statement and statements of cash flows of the Company as, of and for the nine (9) month period ended September 30, 2009, with respect to the 2010 Initial Closing) (collectively, the “Financial Statements”).”

(K) The fourth sentence of Section 2.24 of the Purchase Agreement is hereby amended and restated in its entirety as follows:

“Except as set forth in the Financial Statements, the Company has no material liabilities or obligations, contingent or otherwise, other than (i) liabilities incurred in the ordinary course of business subsequent to September 30, 2009 and (ii) obligations under contracts and commitments incurred in the ordinary course of business and not required under generally accepted accounting principles to be reflected in the Financial Statements, which, in both cases, individually or in the aggregate are not material to the financial condition or operating results of the Company.”
(L) The introductory clause of Section 2.25 of the Purchase Agreement is hereby amended and restated in its entirety as follows:

“2.25 Changes. Since September 30, 2009, there has not been:”

(M) The introductory clause of Section 3 of the Purchase Agreement is hereby amended and restated in its entirety as follows:

“3 Representations and Warranties of the Investors. Each Investor hereby severally represents and warrants as of each Closing at which such Investor purchases Shares as follows:”

(N) Section 4.1 of the Purchase Agreement is hereby amended and restated in its entirety as follows:

“4.1 Representations and Warranties. The representations and warranties of the Company contained in Section 2 shall be true on and as of the Initial Closing and the 2010 Initial Closing with the same effect as though such representations and warranties had been made on and as of the date of the Initial Closing or the 2010 Initial Closing, as applicable.”

(O) Section 4.4 of the Purchase Agreement is hereby amended and restated in its entirety as follows:

“4.4 Restated Certificate. The Fourth Restated Certificate shall have been filed with the Secretary of State of Delaware prior to the Initial Closing and the Sixth Restated Certificate shall have been filed with the State of Delaware prior to the 2010 Initial Closing.”

(P) Section 4.8 of the Purchase Agreement is hereby amended and restated in its entirety as follows:

“4.8 Opinion of Company Counsel. The Investors shall have received from Latham & Watkins LLP, counsel for the Company, an opinion, dated as of the Initial Closing or the 2010 Initial Closing, as applicable, in the form attached hereto as Exhibit G.”

(Q) Section 6.8 of the Purchase Agreement is hereby amended and restated in its entirety as follows:

“6.8 Expenses. The Company and each Investor shall bear their own expenses and legal fees incurred on their behalf with respect to this Agreement and the transactions contemplated hereby: provided, however, that promptly after the Initial Closing, the Company shall pay reasonable out of pocket legal fees and expenses incurred in connection with the transactions contemplated by this Agreement, including review of intellectual property, of Essex and OrbiMed (the “New Investors”) in an amount not to exceed $175,000 in the aggregate, and the reasonable out of pocket legal fees and expenses incurred in connection with the transactions contemplated by this Agreement of one counsel to certain of the Investors (other than the New Investors) in an amount not to exceed $30,000 in the aggregate. The Company shall also reimburse Essex, or pay at the discretion of Essex, the reasonable legal fees and expenses of Essex incurred in connection with any waiver, amendment or modification of this Agreement or
the Ancillary Agreements that is requested by the Company. Promptly after the 2010 Initial Closing, the Company shall pay the reasonable out of pocket legal fees and expenses incurred by one counsel to the New Investors in connection with the Series D Extension Financing, as supported by a detailed invoice in an amount not to exceed $10,000 in the aggregate.”

(R) Any reference to the Company’s Fifth Restated Certificate of Incorporation in the IRA, the ROFR Agreement or the Voting Agreement shall hereafter be deemed to be a reference to the Company’s Sixth Restated Certificate of Incorporation, as may be amended from time to time.

2. Reference to and Effect on the Agreements. On or after the date hereof, each reference in the Agreements to “this Agreement,” “hereunder,” “herein” or words of like import shall mean and be a reference to the Agreements as amended hereby. No reference to this Amendment need be made in any instrument or document at any time referring to the Agreements, a reference to the Agreements in any of such to be deemed a reference to the Agreements as amended hereby.

3. No Other Amendments. Except as set forth herein, the Agreements shall remain in full force and effect in accordance with their terms.

4. Counterparts. This Amendment may be executed in any number of counterparts, each of which may be executed by less than all of the parties, each of which shall be enforceable against the parties actually executing such counterparts, and all of which together shall constitute one instrument.

5. Definitions. Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Purchase Agreement.

6. Headings. All section headings herein are inserted for convenience only and shall not modify or affect the construction or interpretation of any provisions of this Amendment or the Agreements.

7. Governing Law. This Amendment and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of California, without giving effect to principles of conflicts of law.

(Signature pages follow)
IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first above written.

Complete Genomics, Inc.

/s/ Clifford A. Reid
Clifford A. Reid, President and
Chief Executive Officer

Address for Notice:
2071 Stierlin Court
Mountain View, CA 94043

SIGNATURE PAGE TO COMPLETE GENOMICS, INC. OMNIBUS AMENDMENT
IN CONNECTION WITH SERIES D EXTENSION FINANCING
ESSEX WOODLANDS HEALTH VENTURES FUND VIII, L.P.

By: ESSEX WOODLANDS HEALTH VENTURES VIII, L.P.
   Its General Partner

By: ESSEX WOODLANDS HEALTH VENTURES VIII, LLC
   Its General Partner

By: /s/ Jeff Himawan
Name: Jeff Himawan
Title: Manager

Address: 335 Bryant Street
Palo Alto, CA 94301
Attn: Jeff Himawan
Fax No: (650) 327-9755

ESSEX WOODLANDS HEALTH VENTURES FUND VIII-A, L.P.

By: ESSEX WOODLANDS HEALTH VENTURES VIII, L.P.
   Its General Partner

By: ESSEX WOODLANDS HEALTH VENTURES VIII, LLC
   Its General Partner

By: /s/ Jeff Himawan
Name: Jeff Himawan
Title: Manager

Address: 335 Bryant Street
Palo Alto, CA 94301
Attn: Jeff Himawan
Fax No: (650) 327-9755

SIGNATURE PAGE TO COMPLETE GENOMICS, INC. OMNIBUS AMENDMENT IN CONNECTION WITH SERIES D EXTENSION FINANCING
ESSEX WOODLANDS HEALTH VENTURES
FUND VIII-B, L.P.

By: ESSEX WOODLANDS HEALTH VENTURES
   VIII, L.P.
   Its General Partner

By: ESSEX WOODLANDS HEALTH VENTURES
   VIII, LLC
   Its General Partner

By: /s/ Jeff Himawan
Name: Jeff Himawan
Title: Manager

Address: 335 Bryant Street
         Palo Alto, CA 94301
         Attn: Jeff Himawan
Fax No: (650) 327-9755

SIGNATURE PAGE TO COMPLETE GENOMICS, INC. OMNIBUS AMENDMENT
IN CONNECTION WITH SERIES D EXTENSION FINANCING
Investors:

ORBIMED ASSOCIATES III, LP

By: /s/ Carl Gordon
    Carl Gordon
    General Partner

Address: 767 Third Avenue, 30th Floor
New York, NY 10017

CADUCEUS PRIVATE INVESTMENTS III, LP

By: /s/ Carl Gordon
    Carl Gordon
    General Partner

Address: 767 Third Avenue, 30th Floor
New York, NY 10017

SIGNATURE PAGE TO COMPLETE GENOMICS, INC. OMNIBUS AMENDMENT
IN CONNECTION WITH SERIES D EXTENSION FINANCING
Investors:

OVP Venture Partners VI, L.P.
By: OVMC VI, LLC, as General Partner

By: 
/s/ Chad Waite
Managing Member or Attorney In Fact

Address:

OVP VI Entrepreneurs Fund, L.P.
By: OVMC VI, LLC, as General Partner

By: 
/s/ Chad Waite
Managing Member or Attorney In Fact

Address:

SIGNATURE PAGE TO COMPLETE GENOMICS, INC. OMNIBUS AMENDMENT
IN CONNECTION WITH SERIES D EXTENSION FINANCING
Investors:

Enterprise Partners VI, LP
By: Enterprise Management Partners VI, LLC as General Partner

/s/ Andrew E. Senyei
By: Andrew E. Senyei
Managing Director

Address: 2223 Avenida de la Playa
La Jolla CA 92037

Enterprise Partners V, LP
By: Enterprise Management Partners V, LLC as General Partner

/s/ Andrew E. Senyei
By: Andrew E. Senyei
Managing Director

Address: 2223 Avenida de la Playa
La Jolla CA 92037

Enterprise Partners Management, LLC

/s/ Andrew E. Senyei
Andrew E. Senyei
As sole Director of Andrew E. Senyei, Inc.
Manager of Enterprise Partners Management, LLC

Address: 2223 Avenida de la Playa
La Jolla CA 92037
Prospect Venture Partners III, L.P.

By: Prospect Management Co. III, L.L.C.
Its: General Partner

/s/ David Markland
Name: 
Title: Managing Director or Attorney In Fact

Address:

SIGNATURE PAGE TO COMPLETE GENOMICS, INC. OMNIBUS AMENDMENT
IN CONNECTION WITH SERIES D EXTENSION FINANCING
Investors:

HIGHLAND CRUSADER OFFSHORE PARTNERS, L.P.
By: Highland Crusader Fund GP, L.P., as General Partner
By: Highland Crusader GP, LLC.
By: Highland Capital Management, L.P., as Sole Member
By: Strand Advisors, Inc., as General Partner

By: /s/ Mark Okada
Name: Mark Okada
Title: Executive Vice President

HIGHLAND CREDIT OPPORTUNITIES CDO, L.P.
By: Highland Crusader Fund GP, L.P., as General Partner
By: Highland Crusader GP, LLC.
By: Highland Capital Management, L.P., as Sole Member
By: Strand Advisors, Inc., as General Partner

By: /s/ Mark Okada
Name: Mark Okada
Title: Executive Vice President
Investors:

Aquilo Partners, L.P.

By:
Its:

/s/ John Rumsey
Name: John Rumsey
Title: Managing Director

Address:

SIGNATURE PAGE TO COMPLETE GENOMICS, INC. OMNIBUS AMENDMENT
IN CONNECTION WITH SERIES D EXTENSION FINANCING
Investors:

The Mendelson Family Trust

/s/ Alan C. Mendelson  
By: Alan C. Mendelson  
Title: Trustee  
Address:  
76 De Bell Drive  
Atherton, CA 94027

VP Company Investments 2008, LLC

/s/ Alan C. Mendelson  
By: Alan C. Mendelson  
Title: Managing Member  
Address: 555 West Fifth Street  
Suite 800  
Los Angeles, CA 90013

SIGNATURE PAGE TO COMPLETE GENOMICS, INC. OMNIBUS AMENDMENT  
IN CONNECTION WITH SERIES D EXTENSION FINANCING
Investors:

C. Thomas Caskey

/s/ C. Thomas Caskey

Address:
Essex Woodlands Health Ventures
1825 Pressler Street
Suite 205
Houston, TX 77030

SIGNATURE PAGE TO COMPLETE GENOMICS, INC. OMNIBUS AMENDMENT
IN CONNECTION WITH SERIES D EXTENSION FINANCING
Investors:

Gold Hill Venture Lending 03 L.P.
By: Gold Hill Venture Lending Partners
    03, L.P., as General Partner

/s/ Tim McDonough
By: Tim McDonough
Title: Principal, Gold Hill Capital

Address:
Gold Hill Capital
One Almaden Boulevard
Suite 630
San Jose, CA 95113

SIGNATURE PAGE TO COMPLETE GENOMICS, INC. OMNIBUS AMENDMENT
IN CONNECTION WITH SERIES D EXTENSION FINANCING
Investors:

Genentech, Inc.

By:
Its:

/s/ Robert Andreatta
Name: Robert Andreatta
Title: Vice President, Controller & Chief Accounting Officer

Address:
1 DNA Way
South San Francisco, CA 94080

SIGNATURE PAGE TO COMPLETE GENOMICS, INC. OMNIBUS AMENDMENT
IN CONNECTION WITH SERIES D EXTENSION FINANCING
Significant Common Stockholders:*

THE CURSON FAMILY LIVING TRUST DATED JULY 30, 2001

/s/ Robert John Curson
Robert John Curson, Trustee
Address:
135 Ponderosa Drive
Santa Cruz, CA 95060

DRMANAC FAMILY TRUST DATED JUNE 21, 2000

/s/ Radoje Drmanac
Radoje Drmanac, Trustee
Address:
27635 Red Rock Road
Los Altos Hills, CA 94022

CLIFFORD A. REID LIVING TRUST, DATED SEPTEMBER 3, 1997

/s/ Clifford A. Reid
Clifford A. Reid, Trustee
Address:
151 Blackburn Terrace
Pacifica, CA 94044

* Signing for purposes of amendment of Right of First Refusal and Co-Sale Agreement and Voting Agreement only.

SIGNATURE PAGE TO COMPLETE GENOMICS, INC. OMNIBUS AMENDMENT IN CONNECTION WITH SERIES D EXTENSION FINANCING
Founders:

ROBERT JOHN CURSON

/s/ Robert John Curson

Address:
135 Ponderosa Drive
Santa Cruz, CA 95060

RADOJE DRMANAC

/s/ Radoje Drmanac

Address:
27635 Red Rock Road
Los Altos Hills, CA 94022

CLIFFORD A. REID

/s/ Clifford A. Reid

Address:
151 Blackburn Terrace
Pacifica, CA 94044

* Signing for purposes of amendment of Right of First Refusal and Co-Sale Agreement and Voting Agreement only.

SIGNATURE PAGE TO COMPLETE GENOMICS, INC. OMNIBUS AMENDMENT IN CONNECTION WITH SERIES D EXTENSION FINANCING
## EXHIBIT A
### SCHEDULE OF INVESTORS
#### Initial Closing – August 12, 2009

<table>
<thead>
<tr>
<th>Investor</th>
<th>Number of Shares</th>
<th>Aggregate Purchase Price</th>
<th>Common Stock</th>
</tr>
</thead>
<tbody>
<tr>
<td>Essex Woodlands Health Ventures Fund VIII</td>
<td>53,943,453</td>
<td>$13,593,750.16</td>
<td>0</td>
</tr>
<tr>
<td>Essex Woodlands Health Ventures Fund VIII - A</td>
<td>3,889,340</td>
<td>$980,113.68</td>
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<tr>
<td>Essex Woodlands Health Ventures Fund VIII-B</td>
<td>1,691,017</td>
<td>$426,136.29</td>
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<tr>
<td>Orbimed Associates III</td>
<td>561,548</td>
<td>$141,510.10</td>
<td>0</td>
</tr>
<tr>
<td>Caduceus Private Investments III</td>
<td>58,962,262</td>
<td>$14,858,490.03</td>
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<tr>
<td>Highland Crusader Offshore Partners, L.P.</td>
<td>12,237,678</td>
<td>$3,083,894.86</td>
<td>9,889,156</td>
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<tr>
<td>OVP Venture Partners VI, L.P.</td>
<td>16,031,186</td>
<td>$4,039,858.88</td>
<td>13,337,730</td>
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<tr>
<td>OVP VI Entrepreneurs Fund, L.P.</td>
<td>244,608</td>
<td>$61,641.22</td>
<td>94,022</td>
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<tr>
<td>Enterprise Partners VI, L.P.</td>
<td>11,274,790</td>
<td>$2,841,247.08</td>
<td>9,267,909</td>
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<tr>
<td>Enterprise Partners V, L.P.</td>
<td>5,001,004</td>
<td>$1,260,253.01</td>
<td>4,163,843</td>
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<tr>
<td>Prospect Venture Partners III, L.P.</td>
<td>14,734,541</td>
<td>$3,713,104.34</td>
<td>12,166,279</td>
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<tr>
<td>The Mendelson Family Trust</td>
<td>104,396</td>
<td>$26,307.80</td>
<td>0</td>
</tr>
<tr>
<td>VP Company Investments 2008, LLC</td>
<td>104,396</td>
<td>$26,307.80</td>
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<tr>
<td>Aquilo Partners, L.P.</td>
<td>96,253</td>
<td>$24,255.76</td>
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</table>


(5) Paid by conversion of Subordinated Convertible Promissory Notes dated April 6, 2009 and June 12, 2009.


<table>
<thead>
<tr>
<th>Investor</th>
<th>Number of Shares</th>
<th>Aggregate Purchase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Essex Woodlands Health Ventures Fund VIII</td>
<td>263,019</td>
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<tr>
<td>Essex Woodlands Health Ventures Fund VIII -A</td>
<td>18,964</td>
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<td>Essex Woodlands Health Ventures Fund VIII-B</td>
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<tr>
<td>Orbimed Associates III</td>
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<td>Caduceus Private Investments III</td>
<td>287,490</td>
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<td>OVP Venture Partners VI, L.P.</td>
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<td>OVP VI Entrepreneurs Fund, L.P.</td>
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<td>Enterprise Partners Management, LLC</td>
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<td>Enterprise Partners VI, L.P.</td>
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<td>Enterprise Partners V, L.P.</td>
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<td>Prospect Venture Partners III, L.P.</td>
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<td><strong>Total</strong></td>
<td><strong>1,142,006</strong></td>
<td><strong>$8,633,565.36</strong></td>
</tr>
</tbody>
</table>
## SCHEDULE OF INVESTORS/ADDITIONAL CLOSINGS

### Additional Closing – August 21, 2009

<table>
<thead>
<tr>
<th>Investor</th>
<th>Number of Shares</th>
<th>Aggregate Purchase</th>
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</thead>
<tbody>
<tr>
<td>The Mendelson Family Trust</td>
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<tr>
<td>VP Company Investments 2008, LLC</td>
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<tr>
<td>Aquilo Partners, L.P.</td>
<td>20,928</td>
<td>$5,273.86</td>
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### 2010 Additional Closing – March 9, 2010

<table>
<thead>
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<th>Investor</th>
<th>Number of Shares</th>
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<td>Highland Crusader Offshore Partners, L.P.</td>
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<tr>
<td>Highland Credit Opportunities CDO, L.P.</td>
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<tr>
<td>Genentech, Inc.</td>
<td>12,366</td>
<td>$93,486.96</td>
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<tr>
<td>Aquilo Partners, L.P.</td>
<td>1,653</td>
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<td>Gold Hill Venture Lending 03, LP</td>
<td>3,723</td>
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<td>C. Thomas Caskey</td>
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<tr>
<td>The Mendelson Family Trust</td>
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<tr>
<td>VP Company Investments 2008, LLC</td>
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<td>$11,203.92</td>
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| Total                                             | 204,756          | $1,547,955.36      |
EXHIBIT B-1

SIXTH AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
INTELLECTUAL PROPERTY LICENSE AGREEMENT

BETWEEN

CALLIDA GENOMICS, INC.

AND

COMPLETE GENOMICS, INC.

EFFECTIVE AS OF MARCH 28, 2006
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1. DEFINITIONS
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   1.2 “Callida Information”  
   1.3 “Callida Intellectual Property”  
   1.4 “Callida Patents”  
   1.5 “Callida Probe Ligation Application”  
   1.6 “Callida Random Array Intellectual Property”  
   1.7 “Callida Random Array Patents”  
   1.8 “Capture Period”  
   1.9 “CGI Business”  
   1.10 “Common Stock”  
   1.11 “Contract Year”  
   1.12 “Control”  
   1.13 “Exploit”  
   1.14 “Fair Market Value”  
   1.15 “Field of Use”  
   1.16 “Improvement”  
   1.17 “Licensed Method”  
   1.18 “Licensed Patents”  
   1.19 “Licensed Product”  
   1.20 “Note Payment”  
   1.21 “Sales Transaction”  
   1.22 “Territory”  
   1.23 “Third Party”  
   1.24 “Third Party Agreements”  
   1.25 “[*] Information”  
   1.26 “[*] Patents”  

2. LICENSE
   2.1 License Grant to Callida Random Array Intellectual Property  
   2.2 License Grant to Callida Intellectual Property  
   2.3 License Grant to Callida Probe Ligation Application
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<tr>
<th>Section</th>
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<th>Page</th>
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<td>Callida Retained Rights</td>
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<td>Sublicensing</td>
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<td>2.6</td>
<td>Duration of License</td>
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<td>3.</td>
<td>IMPROVEMENTS</td>
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<td>3.1</td>
<td>Improvements Made by Callida</td>
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<tr>
<td>3.2</td>
<td>Improvements Made by CGI</td>
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<tr>
<td>3.3</td>
<td>License to CGI Improvements</td>
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<tr>
<td>4.</td>
<td>FEES</td>
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<tr>
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<td>Fee</td>
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<td>4.3</td>
<td>Note Payment</td>
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<td>4.4</td>
<td>Reimbursement for Prior Patent Costs</td>
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<tr>
<td>4.5</td>
<td>Audit Right</td>
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<tr>
<td>5.</td>
<td>PROSECUTION AND ENFORCEMENT</td>
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<tr>
<td>5.1</td>
<td>Prosecution of Callida Random Array Patents and the Callida Probe Ligation Application</td>
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<td>5.2</td>
<td>Prosecution of Callida Patents</td>
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<td>5.3</td>
<td>Enforcement</td>
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<tr>
<td>6.</td>
<td>CONFIDENTIALITY</td>
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<td>Confidential Information</td>
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<td>6.2</td>
<td>Protection of Confidential Information</td>
<td>8</td>
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<tr>
<td>6.3</td>
<td>Exceptions</td>
<td>8</td>
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<tr>
<td>6.4</td>
<td>Return of Confidential Information</td>
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<tr>
<td>7.</td>
<td>REPRESENTATIONS AND WARRANTIES</td>
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<tr>
<td>7.1</td>
<td>Representations and Warranties of CGI</td>
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</tr>
<tr>
<td>7.2</td>
<td>Representations and Warranties by Callida</td>
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<tr>
<td>7.3</td>
<td>Covenants of Callida</td>
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<td>7.4</td>
<td>Disclaimer</td>
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<tr>
<td>8.</td>
<td>INDEMNIFICATION</td>
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<td>8.1</td>
<td>Indemnification by Callida</td>
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</tr>
<tr>
<td>8.2</td>
<td>Indemnification by CGI</td>
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</tbody>
</table>
## LIMITATION OF LIABILITY

## TERM AND TERMINATION

10.1 Term

10.2 Termination for Cause

10.3 Termination on Bankruptcy of CGI

10.4 Security Agreement

10.5 Termination for Convenience

10.6 Effect of Termination

10.7 Survival

## GENERAL

11.1 Notice

11.2 Governing Law

11.3 Export Law

11.4 Assignment

11.5 Remedies

11.6 Bankruptcy

11.7 Waiver

11.8 Severability

11.9 Independent Parties

11.10 Construction

11.11 Counterparts

11.12 Entire Agreement

11.13 Time of the Essence

## EXHIBITS:

<table>
<thead>
<tr>
<th>Exhibit</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exhibit A</td>
<td>Callida Random Array Patents</td>
</tr>
<tr>
<td>Exhibit B</td>
<td>Callida Patents</td>
</tr>
</tbody>
</table>
This INTELLECTUAL PROPERTY LICENSE AGREEMENT (this “Agreement”) is entered into as of March 28, 2006 (the “Effective Date”) by and between Callida Genomics, Inc., a Delaware corporation having a principal place of business located at 750 North Pastoria Ave., Sunnyvale, CA 94085 (“Callida”) and Complete Genomics, Inc., a Delaware corporation having a principal place of business located at 750 North Pastoria Ave., Suite 100, Sunnyvale, CA 94085 (“CGI”). Callida and CGI each may be referred to herein individually as a “Party,” or collectively as the “Parties.”

RECITALS

A. Callida owns or has the right to grant rights and licenses under certain patents, patent applications, know-how and other intellectual property relating to sequencing by hybridization; and

B. CGI desires to obtain from Callida, and Callida is willing to grant to CGI, licenses under such patents, patent applications, know-how and other intellectual property for development and commercialization of Callida Products;

NOW, THEREFORE, in consideration of the mutual covenants and obligations set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledges, Callida and CGI hereby agree as follows:

AGREEMENT

1. DEFINITIONS. As used in this Agreement:

1.1 “Affiliate” With respect to either Party, means any entity controlling, controlled by, or under common control with such Party. For the purposes of this Section 1.1 only, “control” will refer to (a) the possession, directly or indirectly, of the power to direct the management or policies of a person, whether through the ownership of voting securities, by contract or otherwise, or (b) the ownership, directly or indirectly, of at least fifty per cent (50%) (or, if less, the maximum ownership interest permitted by law) of the voting securities or other ownership interest of a person; provided that, if local law requires a minimum percentage of local ownership, control will be established by direct or indirect beneficial ownership of one hundred per cent (100%) of the maximum ownership percentage that may, under such local law, be owned by foreign interests.

1.2 “Callida Information” means all technical, business and scientific information, including without limitation improvements to such information, owned or Controlled by Callida as of the Effective Date and at any time during the Capture Period relating to the CGI Business and necessary or reasonably useful to Exploit any CGI Product, including for example ideas, discoveries, knowledge, know-how, data, processes, procedures, methods, techniques, protocols, formulae, trade secrets, inventions (whether or not patentable), research tools, formulations,
other physical, chemical or biological information, business plans, investor presentations or investor lists.

1.3 "Callida Intellectual Property" means (a) the Callida Patents and (b) the Callida Information, and excludes the [*] Information.

1.4 "Callida Patents" means any and all patent applications (including provisionals) and patents owned or Controlled by Callida as of the Effective Date and at any time during the Capture Period, excluding the [*] Patents, whether domestic or foreign, that claim any invention, including without limitation improvements to such inventions, necessary or reasonably useful for CGI Business or to Exploit any Licensed Product including, without limitation (a) the patents and patent applications listed in Exhibit B (Callida Patents); (b) any and all patents issuing or claiming priority from any of the patents and patent applications listed in Exhibit B (Callida Patents), including continuations, continuations-in-part, divisionals, reexaminations, and reissues thereof; (c) foreign counterparts of the patents and patent applications listed in Exhibit B (Callida Patents) and described in clause (b); (d) Callida Improvement Patents (as defined in Section 3.1 (Improvements Made by Callida)) outside of the Field of Use. Callida Patents do not include Callida Random Array Patents. Callida Probe Ligation Application is included in the Callida Patents, except where noted otherwise.

1.5 "Callida Probe Ligation Application" means international publication number [*] titled [*] and published [*], from international application number [*] filed [*], claiming priority to [*], by applicant Callida Genomics and inventor [*].

1.6 "Callida Random Array Intellectual Property" means (a) Callida Information in the Field of Use and (b) Callida Random Array Patents, and excludes the [*] Information.

1.7 "Callida Random Array Patents" means (a) the patents and patent applications listed in Exhibit A (Callida Random Array Patents); (b) any and all patents issuing or claiming priority from any of the patents and patent applications listed in Exhibit A (Callida Random Array Patents), including continuations, continuations-in-part, divisionals, reexaminations, and reissues thereof; (c) foreign counterparts of the patents and patent applications listed in Exhibit A (Callida Random Array Patents); and described in clause (b); (d) any and all patents and patent applications (i) that are owned by Callida or any of its Affiliates at any time during the Capture Period, (ii) that are based upon inventions made, conceived, or reduced to practice since December 4, 2004 or during the Capture Period, and (iii) that claim or relate to the Field of Use and (e) Callida Improvement Patents (as defined in Section 3.1 (Improvements Made by Callida)) in the Field of Use. Callida Random Array Patents do not include Callida Patents and do not include [*] Patents.

1.8 "Capture Period" means a period of [*] from the Effective Date.

1.9 "CGI Business" means random DNA arrays and uses thereof.

1.10 "Common Stock" means the common stock of CGI, par value $0.001 per share.

1.11 "Contract Year" means a one-year period beginning on the Effective Date or an anniversary of the Effective Date.
1.12 “Control” means the ability and the right of a Party to grant a license or sublicense as provided for herein without violating the terms of any agreement or other arrangement with a Third Party.

1.13 “Exploit” means make, have made, import, use, sell, offer for sale or otherwise dispose of.

1.14 “Fair Market Value” means, with respect to securities:

(a) If the applicable security is listed on any established stock exchange or a national market system, including, without limitation, the Nasdaq National Market or the Nasdaq SmallCap Market of The Nasdaq Stock Market, its Fair Market Value shall be the closing sales price for a share of such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system for the last market trading day prior to the time of determination.

(b) If the applicable security is regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value shall be the mean between the high bid and low asked prices for a share of the Common Stock on the last market trading day prior to the day of determination.

(c) If the applicable property is not a publicly traded security, the Fair Market Value of such property shall be as determined by the Board of Directors of CGI in good faith.

1.15 “Field of Use” means random DNA arrays. This does not include probe arrays.

1.16 “Improvement” means any improvement, modification, or variation of the inventions, methods, apparatuses, or technology claimed or described in the Licensed Patents, including all patent applications and patents resulting therefrom.

1.17 “Licensed Method” means any method or process that, if used or performed by CGI without the License, would infringe one or more claims of a Licensed Patent.

1.18 “Licensed Patents” means the Callida Random Array Patents and the Callida Patents.

1.19 “Licensed Product” means any product or component thereof that (i) if Exploited by CGI without the License, would infringe one or more claims of a the Licensed Patents or (ii) is manufactured using a Licensed Method or (iii) when used, performs a Licensed Method.

1.20 “Note Payment” shall have the meaning set forth in Section 4.3 below.

1.21 “Sales Transaction” means the acquisition of CGI by means of: (i) any transaction or series of related transactions (including, without limitation, any reorganization, merger, share exchange or consolidation) provided that the applicable transaction shall not be deemed a Sales Transaction unless CGI’s stockholders constituted immediately prior to such transaction hold less than 50% of the voting power of the surviving or acquiring entity; or (ii) the sale, conveyance or other disposal of all or substantially all of the property or business of CGI.

3.
1.22 “Territory” means worldwide.

1.23 “Third Party” means any party other than Callida, CGI or an Affiliate of either Callida or CGI.

1.24 “Third Party Agreements” means those written agreements provided by Callida to CGI and provided by CGI to counsel for the Investors, as such term is defined in that certain Series A Preferred Stock Purchase Agreement, dated as of the Effective Date among CGI and the investors named therein.

1.25 “[*] Information” means, collectively, the “Licensed Software” and “Technical Information,” as “Licensed Software” and “Technical Information” are defined in Sections 1.I and 1.O, respectively, of the License Agreement, dated [*] between [*] and Callida Genomics, Inc.

1.26 “[*] Patents” means the “Licensed Patents,” as “Licensed Patents” is defined in Section 1.G of the License Agreement, dated [*] between [*] and Callida Genomics, Inc.

2. LICENSE

2.1 License Grant to Callida Random Array Intellectual Property. Subject to the terms and conditions of this Agreement, Callida hereby grants to CGI in the Field of Use in the Territory an exclusive, royalty-free right and license under Callida Random Array Intellectual Property to (a) Exploit Licensed Products; (b) use and perform any Licensed Method; and (c) otherwise practice the claimed inventions in every manner.

2.2 License Grant to Callida Intellectual Property. Subject to the terms and conditions of this Agreement, Callida hereby grants to CGI in the Field of Use in the Territory a non-exclusive, royalty-free right and license under the Callida Intellectual Property to (a) Exploit Licensed Products; (b) use any method or process in manufacturing Licensed Products; (c) use and perform any Licensed Method; and (d) otherwise practice the claimed inventions in every manner.

2.3 License Grant to Callida Probe Ligation Application. Upon payment of the Note Payment by CGI to Callida, pursuant to Section 4.3 (Note Payment) below, Callida hereby grants to CGI in the Field of Use in the Territory, [*], an exclusive, royalty-free right and license under the Callida Probe Ligation Application to (a) Exploit Licensed Products; (b) use and perform any Licensed Method; and (c) otherwise practice the claimed inventions in every manner.

2.4 Callida Retained Rights. Notwithstanding the foregoing, Callida shall have the right to use the Callida Random Array Intellectual Property and Callida Probe Ligation Application internally at Callida solely for research purposes. Any Improvements resulting from such research use are subject to Section 3.1 below.

2.5 Sublicensing. The rights and licenses granted in Sections 2.1 (License Grant to Callida Random Array Intellectual Property) and 2.3 (License Grant to Callida Probe Ligation Application) include the right to sublicense any or all of the licensed rights to one or more tiers.
of sublicensees or in connection with the sale or transfer of all or substantially all of any one or more of CGI’s business operations or units.

2.6 Duration of License. The rights and licenses granted in Sections 2.1 (License Grant to Callida Random Array Intellectual Property) and 2.2 (License Grant to Callida Intellectual Property), and 2.3 (License Grant to Callida Probe Ligation Application) will remain in effect until all Callida Random Array Patents and Callida Patents, and any patent issuing from the Callida Probe Ligation Application, respectively and as the case may be, have expired, been abandoned, or been ruled invalid or unenforceable in a final non-appealable decision by a court of competent jurisdiction and with respect to Callida Information, will remain in effect in perpetuity.

3. Improvements

3.1 Improvements Made by Callida. Callida will exclusively own all Improvements conceived, made, reduced to practice, invented or developed by or on behalf of Callida or any of its Affiliates (“Callida Improvements”). Callida will use reasonable efforts to notify CGI in writing within thirty (30) days after filing any patent application or the issuance of any patent based on a Callida Improvement.

3.2 Improvements Made by CGI. CGI will exclusively own all Improvements conceived, made, reduced to practice, invented, or developed by or on behalf of CGI or any of its Affiliates (“CGI Improvements”). CGI will use reasonable efforts to notify Callida in writing within thirty (30) days after filing any patent application or the issuance of any patent based on a CGI Improvement (a “CGI Improvement Patent”).

3.3 License to CGI Improvements. CGI hereby grants to Callida a non-exclusive license to CGI Improvements solely in the field of probe arrays.

4. Fees

4.1 Equity. Pursuant to the Common Stock Purchase Agreement, dated as of the Effective Date, between CGI and Callida, in consideration for the rights and licenses granted in this Agreement, CGI shall issue to Callida four hundred thousand (400,000) shares of Common Stock within ten (10) days of the Effective Date (the “Callida Shares”).

4.2 Fee. In further consideration for the rights and licenses granted in this Agreement, CGI shall pay Callida a cash payment of two-hundred and fifty thousand dollars ($250,000) per Contract Year, payable within ten (10) days of the Effective Date and yearly on the anniversary of the Effective Date thereafter, until the earlier of:

(a) the end of the Capture Period,

(b) the closing of the sale or exchange by Callida of the Callida Shares, in connection with a Sales Transaction or otherwise, for cash or property with a Fair Market Value equal to or exceeding two million dollars ($2,000,000); or

(c) such time as the following conditions are met:
(i) CGI’s Common Stock or the class of securities issued to Callida in exchange for the Callida Shares, in connection with a Sales Transaction or otherwise, as applicable, is (x) registered under the Securities Exchange Act of 1934, as amended, and (y) is traded or listed on an established stock exchange or a national market system, including, without limitation, the Nasdaq National Market or the Nasdaq SmallCap Market of The Nasdaq Stock Market;

(ii) the Callida Shares or the securities issued to Callida in exchange for the Callida Shares, in connection with a Sales Transaction or otherwise (the “Callida Equity Consideration”), (i) have been registered for resale under the Securities Act of 1933, as amended (the “Act”) or (ii) are resaleable pursuant to an exemption from registration under the Act;

(iii) Callida is not otherwise prohibited from selling the Callida Equity Consideration; and

(iv) the Fair Market Value of the Callida Equity Consideration is equal to or exceeds two million dollars ($2,000,000).

4.3 Note Payment. CGI shall pay Callida a cash payment of [*] on or before [*], and Callida shall pay, on behalf of [*] or on its own behalf, in full the promissory notes issued by [*] to [*], and [*] on [*] (the “Notes”), which Notes were issued in connection with the Security Agreement entered into on [*] between Callida, [*] (the “Security Agreement”). In addition, prior to the above date, CGI will pay to Callida an amount equal to any interest due under the Notes upon thirty (30) days of written notice from Callida that such interest is due and payable under the Notes (the “Interest Payment”), and Callida shall pay, on behalf of [*] or on its own behalf, such interest.

4.4 Reimbursement for Prior Patent Costs. Within ten (10) days of the Effective Date, CGI shall pay Callida up to $50,000, to reimburse Callida for patent prosecution costs owed by Callida to Marshall, Gerstein and Borun LLP.

4.5 Audit Right. Callida shall permit CGI, or a representative designated by CGI and reasonably acceptable to Callida, at CGI’s expense, to have access, no more than once in each calendar month until December 1, 2008, during regular business hours and upon at least three (3) days written notice, to Callida’s records, books and other financial information.

5. PROSECUTION AND ENFORCEMENT

5.1 Prosecution of Callida Random Array Patents and the Callida Probe Litigation Application. CGI will have sole control over the filing, prosecution, and maintenance (“Prosecution”) of the Callida Probe Litigation Application and all Callida Random Array Patents, (together the “Callida Prosecution Patents”) and will pay all fees and costs related thereto. Within thirty (30) days after the Effective Date, Callida will transfer to CGI or its designated representative the files of all Callida Prosecution Patents and all other documents related to the Callida Prosecution Patents including notebooks and invention disclosures. Callida will cooperate with CGI in the Prosecution of all Callida Prosecution Patents, including executing and delivering to CGI, at CGI’s request, all instruments and documents, including powers of attorney, needed to Prosecute the Callida Prosecution Patents and providing any other assistance.

6.
If CGI is unable for any reason to secure Callida’s signature on any document needed in connection with the Prosecution of the Callida Prosecution Patents, Callida irrevocably designates and appoints CGI as Callida’s agent and attorney-in-fact, which appointment is coupled with an interest, to act for and on Callida’s behalf to execute, verify, and file such document and to do all other lawfully permitted acts to Prosecute the Callida Prosecution Patents with the same legal force and effect as if executed or done by Callida. CGI will notify Callida in writing when any pending application included in the Callida Prosecution Patents issues as a patent. If CGI elects to abandon any Callida Prosecution Patents, CGI will notify Callida in writing of CGI’s intent to abandon such Callida Prosecution Patents and Callida will have the option to Prosecute such Callida Prosecution Patents.

5.2 Prosecution of Callida Patents. Excluding the Callida Probe Ligation Application, Callida will have sole control over the filing, prosecution, and maintenance (“Prosecution”) of all Callida Patents and will pay all fees and costs related thereto. Callida will notify CGI in writing when any pending application included in the Callida Patents issues as a patent. If Callida elects to abandon any Callida Patents, Callida will notify CGI in writing of Callida’s intent to abandon such Callida Patents and Callida will have the option to Prosecute such Callida Patents. Furthermore, if Callida takes any action or fails to take action that comprises or jeopardizes the Callida Patents, including, but not limited to, breach of the Security Agreement, CGI will have the option to assume Prosecution of such Callida Patents. In such cases, if CGI is unable for any reason to secure Callida’s signature on any document needed in connection with the Prosecution of any such Callida Patents, Callida irrevocably designates and appoints CGI as Callida’s agent and attorney-in-fact, which appointment is coupled with an interest, to act for and on Callida’s behalf to execute, verify, and file such document and to do all other lawfully permitted acts to Prosecute any such Callida Patents with the same legal force and effect as if executed or done by Callida.

5.3 Enforcement. Callida will promptly notify CGI if Callida becomes aware of any known or suspected infringement of any Callida Prosecution Patents. Such notice will include the identity of the party or parties known or suspected to have infringed the Callida Prosecution Patents and any available information that is relevant to such infringement. CGI will have sole control over enforcement and defense of the Callida Prosecution Patents against third-party infringers. If CGI asserts or files any claim (including counterclaims), suit, or action (a “Claim”) against any such third-party infringer, Callida will cooperate with CGI, at CGI’s request, in enforcing or defending such Claim, including, but not limited to, breach of the Security Agreement, CGI will have the option to assume Prosecution of such Callida Patents. In such cases, if CGI is unable for any reason to secure Callida’s signature on any document needed in connection with the Prosecution of any such Callida Patents, Callida irrevocably designates and appoints CGI as Callida’s agent and attorney-in-fact, which appointment is coupled with an interest, to act for and on Callida’s behalf to execute, verify, and file such document and to do all other lawfully permitted acts to Prosecute any such Callida Patents with the same legal force and effect as if executed or done by Callida.

Callida will promptly notify CGI if Callida becomes aware of any known or suspected infringement of any Callida Patents. Such notice will include the identity of the party or parties known or suspected to have infringed the Callida Patents and any available information that is relevant to such infringement. CGI may, at CGI’s sole discretion, be allowed join any suit or action brought by Callida in enforcing or defending any Claim against any such third-party infringer of the Callida Patents, or, if no such Claim is brought by Callida, CGI may, at CGI’s
sole discretion, assert or file a Claim against any such third-party infringer to enforce and defend the Callida Patents. If CGI asserts or files such a Claim, Callida will cooperate with CGI, at CGI’s request, in enforcing or defending such Claim, including joining CGI as a party to such suit or action. CGI will be responsible for [*] reasonable out-of-pocket costs, expenses, and legal fees (collectively, “Costs”) incurred by Callida in connection with any Claim. CGI will be entitled to all damages awarded as a result of or agreed to in a monetary settlement of any Claim. Nothing in this Section will obligate CGI to enforce or defend any Callida Patent.

6. CONFIDENTIALITY

6.1 Confidential Information. The Parties may from time to time during the term of this Agreement disclose to each other certain confidential information, including but not limited to each Party’s know-how, invention disclosures, proprietary materials and/or technologies, trade secrets and material embodiments thereof (“Confidential Information”). Callida will identify all Confidential Information disclosed orally as confidential at the time of disclosure and provide a written summary of such Confidential Information to CGI within thirty (30) days after such oral disclosure. All pending patent applications, correspondence to and from the patent offices, invention disclosures, and inventor note books will be treated as Confidential Information (subject to Section 6.3 (Exceptions)) whether or not they are marked or identified as confidential.

6.2 Protection of Confidential Information. CGI will not use any Confidential Information of Callida for any purpose not contemplated by this Agreement, and will disclose the Confidential Information only to the employees and agents of CGI who are under a duty of confidentiality no less restrictive than CGI’s duty hereunder. CGI will protect the Confidential Information from unauthorized use, access, or disclosure in the same manner as CGI protects its own confidential or proprietary information of a similar nature and with no less than reasonable care.

6.3 Exceptions. CGI’s obligations under Section 6.2 (Protection of Confidential Information) with respect to any Confidential Information will terminate if or when such information: (a) was already known to CGI, free of any duty of confidentiality to the Callida, at the time of disclosure by Callida; (b) is disclosed to CGI by a Third Party who had the right to make such disclosure without any confidentiality restrictions; (c) is, or through no fault of CGI becomes, generally available to the public; or (d) is independently developed by CGI without access to, or use of, the Confidential Information. In addition, CGI will be allowed to disclose the Confidential Information to the extent that such disclosure is (i) approved in writing by Callida, (ii) necessary in the course of legal proceedings for CGI to defend itself or to enforce its rights under this Agreement; or (iii) required by law or by the order of a court or similar judicial or administrative body, provided that CGI notifies Callida of such required disclosure promptly and in writing and cooperates with Callida, at Callida’s reasonable request and expense, in any lawful action to contest or limit the scope of such required disclosure.

6.4 Return of Confidential Information. CGI will return to Callida or destroy all tangible copies of Confidential Information in CGI’s possession or control and permanently erase all electronic copies of Confidential Information promptly upon the written request of Callida or the expiration or termination of this Agreement, whichever comes first, except for Confidential Information that CGI has a continuing right to use.
7. **Representations and Warranties**

7.1 **Representations and Warranties of CGI.** CGI represents and warrants that it has full right, power, and authority to enter into this Agreement and to perform its obligations and duties under this Agreement, and that the performance of such obligations and duties does not and will not conflict with or result in a breach of any other agreement of CGI or any judgment, order, or decree by which CGI is bound.

7.2 **Representations and Warranties by Callida.** Callida represents and warrants that:

(a) subject to the Third Party Agreements, it has full right, power, and authority to enter into this Agreement and to perform its obligations and duties under this Agreement, and that the performance of such obligations and duties does not and will not conflict with or result in a breach of any other agreement of Callida or any judgment, order, or decree by which Callida is bound;

(b) subject to the Third Party Agreements, it has full right, power, and authority to grant the licenses granted in Section 2.1 (License Grant to Callida Random Array Intellectual Property), Section 2.2 (License Grant to Callida Intellectual Property) and Section 2.3 (License Grant to Callida Probe Ligation Application);

(c) to the best of Callida’s knowledge, using, making, selling, or importing a Licensed Product or performing a Licensed Method as contemplated as of the Effective Date and as permitted under this Agreement will not infringe, directly or indirectly, any patent of a Third Party under the laws of the United States or any other jurisdiction;

(d) all maintenance fees, annuity payments, and similar payments relating to the Callida Probe Ligation Application and the Callida Random Array Patents have been made in a timely manner;

(e) it has diligently prosecuted the Callida Probe Ligation Application and all Callida Random Array Patents; and

(f) with the exception of office actions and preliminary reports pursuant to the U.S. Patent and Trademark Office and foreign counterparts, no proceeding is pending (including, but not limited to, oppositions or interferences) or, to the best of Callida’s knowledge, threatened, nor has any claim been made, which challenges or challenged the validity or enforceability of any Licensed Patent.

7.3 **Covenants of Callida.** Callida covenants that:

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Callida shall not grant during the Term any right, license or interest in, to or under the Callida Random Array Intellectual Property or the Callida Intellectual Property that is inconsistent with the rights, licenses and interest granted to CGI hereunder;

Callida shall notify CGI promptly if (i) Callida receives any notice or communication stating that Callida has defaulted or committed a breach of a material term or condition of the Security Agreement or (ii) Callida has any knowledge of a breach of a material term or condition of the Notes by [*] or any successors to [*];

Callida shall immediately transfer the Note Payment received by Callida pursuant to Section 4.3 (Note Payment), in the appropriate allocations, to [*] and [*] to pay in full the Notes. Further, Callida will immediately transfer any Interest Payments received by Callida pursuant to Section 4.3 (Note Payment), in the appropriate allocations, to [*] and [*] to pay in full any interest due on the Notes;

During the Capture Period, Callida shall allow CGI to use for research and development purposes (i) Callida’s existing instruments, and (ii) Callida’s stock of [*], for time periods and in amounts, respectively, reasonably requested by CGI and reasonably available; and

If the Grant Proposal is transferable to CGI under NIH-NHGRI guidelines, (i) Callida shall transfer to CGI the grant proposal titled [*] (the “Grant Proposal”), and (ii) Callida shall use its best efforts to perform all steps reasonably necessary to effect the transfer to CGI, including, but not limited to, obtaining necessary consents and approvals from NIH-NHGRI.

7.4 Disclaimer. Neither Party makes any representations or warranties of any kind, other than the representations and warranties expressly stated in this agreement.

8. INDEMNIFICATION

8.1 Indemnification by Callida. At CGI’s request, Callida will defend, indemnify, and hold CGI, CGI’s Affiliates, and their directors, officers, employees, agents, and customers (“CGI Indemnitees”) harmless from and against any and all claims, losses, liabilities, damages, costs, and expenses (including attorneys’ fees, expert witness fees, and court costs) directly or indirectly arising from or relating to any breach of or inaccuracy in any covenants, representations or warranties made by Callida in this Agreement. CGI will use reasonable efforts to notify Callida promptly of any claim for which CGI believes it is entitled to indemnification under this Section 8.1 and which CGI desires Callida to defend. However, CGI’s failure to provide such notice or delay in providing such notice will relieve Callida of its obligation under this Section 8.1 to defend the claim only if such delay or failure materially prejudices Callida’s ability to defend the claim. If Callida is defending a third-party claim pursuant to this Section 8.1, CGI will have the right to participate in the defense of the claim with its own counsel and at its own expense. No settlement of any such claim will be binding on CGI without CGI’s express prior written consent.

8.2 Indemnification by CGI. At Callida’s request, CGI will defend, indemnify, and hold Callida, Callida’s Affiliates, and their directors, officers, employees, agents, and customers (“Callida Indemnitees”) harmless from and against (a) any and all claims, losses, liabilities,
damages, costs, and expenses (including attorneys’ fees, expert witness fees, and court costs) directly or indirectly arising from or relating to any breach of or inaccuracy in any covenants, representations, or warranties made by CGI in this Agreement, and (b) any action against Callida brought by a Third Party to the extent that the action is based upon (i) any product liability claim based on any defect in any Licensed Product sold or distributed by CGI or any of its Affiliates or sublicensees caused by the design or manufacturing of such Licensed Product, or (ii) any claim of misappropriation or infringement of any patent, trademark, or other intellectual property. Callida will use reasonable efforts to notify CGI promptly of any claim for which Callida believes it is entitled to indemnification under this Section 8.2 and which Callida desires CGI to defend. However, Callida’s failure to provide such notice or delay in providing such notice will relieve CGI of its obligation under this Section 8.2 to defend the claim only if such delay or failure materially prejudices CGI’s ability to defend the claim. If CGI is defending a third-party claim pursuant to this Section 8.2, Callida will have the right to participate in the defense of the claim with its own counsel and at its own expense. No settlement of any such claim will be binding on Callida without Callida’s express prior written consent.

9. LIMITATION OF LIABILITY. Neither Party will be liable to the other Party or any Third Party for any consequential, indirect, punitive, exemplary, special, or incidental damages, including any lost profits, arising from or relating to this Agreement or the Licensed Patents. Each Party’s total cumulative liability in connection with this Agreement and the Licensed Patents (other than for payment of license fees owed under this Agreement), whether in contract or tort or otherwise, will not exceed [*]. The limitations of liability in this Section 9 will not apply to any breach of the confidentiality obligations in this agreement.

10. TERM AND TERMINATION

10.1 Term. This Agreement will take effect on the Effective Date and will remain in effect until each Licensed Patent has expired, been abandoned, or been ruled invalid or unenforceable in a final, non-appealable decision by a court of competent jurisdiction (the “Term”).

10.2 Termination for Cause. If either Party materially breaches any term or condition of this Agreement, the other Party may notify the breaching Party in writing of such breach, setting forth the nature of the breach in reasonably detail. If the breaching Party fails to cure such breach within thirty (30) days (in the case of payment due on this Agreement) or one hundred twenty (120) days (in the case of any other breach) of the receipt of the foregoing notice from the non-breaching Party, then, subject to the terms of this Section 10.2, the non-breaching Party may terminate this Agreement effective immediately upon a second written notice to the breaching Party.

10.3 Termination on Bankruptcy of CGI. Callida shall have the right to terminate this Agreement if (i) a bankruptcy proceeding is filed by or against CGI and such proceeding is not dismissed within sixty (60) days or (ii) if CGI ceases to conduct business operations in the ordinary course for a period of not less than sixty (60) days.

10.4 Security Agreement. Notwithstanding the foregoing, in the case of any breach by Callida of Section 7.3 (b) or Section 7.3(c), or any action or inaction on the part of Callida

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which in any way compromises or jeopardizes Callida’s ownership of or right to Control the Licensed Patents under the Security Agreement, CGI will, at CGI’s sole discretion, have the right to do anything necessary to preserve CGI’s access to the Licensed Patents, including, but not limited to assuming the Security Agreement or making the Note Payment directly to [*] and/or [*].

10.5 Termination for Convenience. Any time after [*] from the Effective Date until the expiration of the Term, CGI may terminate this Agreement for any reason or no reason by giving Callida written notice of termination.

10.6 Effect of Termination. On the effective date of termination of this Agreement (the “Termination Date”), all licenses granted by Callida to CGI under this Agreement will be revoked and CGI will cease all further use, manufacture, sale, or importation of the Licensed Products and use of the Licensed Methods, except as provided in this Section. CGI may complete and sell any work-in-process and inventory of the Licensed Products that exist as of the Termination Date for a period of [*] after the Termination Date. Within [*] after the Termination Date, CGI will (i) return to Callida all Callida Intellectual Property, including all information, data, papers, records, documents, computer disks, and any and all other media in which the Callida Intellectual property has been embodied, or (ii) upon Callida’s specific request, destroy any such papers, records, documents, computer disks, and any other media that contain the Callida Intellectual Property. All sublicenses granted by CGI under Section 2.5 (Sublicensing) terminate upon termination of the respective licenses granted in Sections 2.1 (License Grant to Callida Random Array Intellectual Property) and 2.3 (License Grant to Callida Probe Litigation Application) under which any such sublicense is granted.

10.7 Survival. Upon termination or expiration of this Agreement, Sections 1 (Definitions), 3.1 (Improvements Made by Callida (except notification obligations)), 3.2 (Improvements Made by CGI (except notification obligations)), 6 (Confidentiality), 7.4 (Disclaimer), 8 (Indemnification), 9 (Limitation of Liability), 10.6 (Effect of Termination), 10.7 (Survival), and 11 (General), and any payments accrued prior to such termination or expiration will survive.

11. GENERAL

11.1 Notice. Any notice, approval, authorization, consent, or other communication required or permitted to be delivered to either Party under this Agreement must be in writing and will be deemed properly delivered and given on receipt (or when delivery is refused) if delivered (a) by hand, or (b) by courier or express delivery service, or (c) by facsimile (with a copy sent by postage prepaid first-class mail) to the address or facsimile number set forth beneath the name of such Party below (or to such other address or facsimile number as such Party may have specified in a written notice to the other Party):
11.2 Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of California without regard to any conflicts of law principles that would result in application of the laws of any other jurisdiction. If any legal action is brought to enforce this Agreement, the prevailing Party will be entitled to receive its attorneys’ fees, court costs, and other collection expenses, in addition to any other relief it may receive.

11.3 Export Law. CGI will comply with all applicable export and import control laws and regulations in its manufacturing, use, and distribution of the Licensed Products. In particular, CGI will not export or re-export the Licensed Products or any technical data or confidential information derived from or pertaining to the Licensed Products or Licensed Patents without all required U.S. and foreign government licenses.

11.4 Assignment. Neither Party may assign or transfer any of its rights under this Agreement or delegate any of its obligations or duties under this Agreement without the other Party’s prior written consent. Any attempted assignment or delegation without such consent will be null and void. Notwithstanding the foregoing, either Party may assign this entire Agreement or any of its rights hereunder, without the other Party’s consent, (a) to any of such Party’s Affiliates; or (b) in connection with the sale of all or a material portion of any subsidiary, division, or business unit of that Party, whether by merger, sale of assets, sale of stock. This Agreement will be binding upon and inure to the benefit of the Parties and their respective permitted successors and assigns.

11.5 Remedies. The rights and remedies of the Parties will be cumulative (and not alternative). If any legal action is brought to enforce this Agreement, the prevailing Party will be entitled to receive its attorneys’ fees, court costs, and other collection expenses, in addition to any other relief it may receive.

11.6 Bankruptcy. The Parties acknowledge and agree that this Agreement is a contract under which Callida is a licensor of intellectual property as provided in Section 365(n) of Title 11, United States Code (the “Bankruptcy Code”). Callida acknowledges that if Callida, as a debtor in possession, or a trustee in bankruptcy in a case under the Bankruptcy Code (the “Bankruptcy Trustee”) rejects this Agreement, CGI may elect to retain its rights under this Agreement as provided in Section 365(n) of the Bankruptcy Code. Upon the written request of CGI to Callida or the Bankruptcy Trustee, Callida or such Bankruptcy Trustee will not interfere with the rights of CGI as provided in this Agreement.

11.7 Waiver. All waivers must be in writing and signed by an authorized representative of the Party to be charged. Any waiver or failure to enforce any provision of this Agreement on one occasion will not be deemed a waiver of any other provision or of such provision on any other occasion.
11.8 Severability. If any provision of this Agreement is unenforceable, such provision will be changed and interpreted to accomplish the objectives of such provision to the greatest extent possible under applicable law and the remaining provisions will continue in full force and effect.

11.9 Independent Parties. This Agreement is not intended to establish any partnership, joint venture, employment, or other relationship between the Parties except that of independent parties.

11.10 Construction. The section headings in this Agreement are for convenience of reference only, will not be deemed to be a part of this Agreement, and will not be referred to in connection with the construction or interpretation of this Agreement. Any rule of construction to the effect that ambiguities are to be resolved against the drafting party will not be applied in the construction or interpretation of this Agreement. As used in this Agreement, the words “include” and “including,” and variations thereof, will not be deemed to be terms of limitation, but rather will be deemed to be followed by the words “without limitation.” All references in this Agreement to “Sections” are intended to refer to sections of this Agreement, unless specifically stated otherwise.

11.11 Counterparts. This Agreement may be executed in several counterparts, each of which will constitute an original and all of which, when taken together, will constitute one agreement.

11.12 Entire Agreement. This Agreement, along with the Exhibits hereto, contains the entire understanding of the Parties relating to the subject matter hereof and supersedes all prior or contemporaneous agreements, communications, and understandings between the Parties (whether written or oral) relating to the subject matter hereof. This Agreement may not be amended, modified, altered, or supplemented other than by means of a written instrument duly executed and delivered on behalf of both Parties.

11.13 Time of the Essence. Both Parties acknowledge that with regard to all dates and time periods set forth or referred to in this Agreement, time is of the essence, and that any delay in the completion of their respective obligations by the dates or within the time periods specified herein will constitute a material breach of this contract.
I N W I T N E S S W H E R E O F , the Parties have executed this Agreement as of the Effective Date.

CALLIDA:

By: /s/ Radoje Drmanac
Name: Radoje Drmanac
Title: President
Date: 

CGI:

By: /s/ Clifford A. Reid
Name: Clifford A. Reid
Title: President and Chief Executive Officer
Date: 
| [*] | [*] | [*] | [*] | [*] | [*] |
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**EXHIBIT B**

**CALLIDA PATENTS**

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**PENDING APPLICATIONS**

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AMENDMENT
to the
INTELLECTUAL PROPERTY LICENSE AGREEMENT

THIS AMENDMENT TO THE INTELLECTUAL PROPERTY LICENSE AGREEMENT (“Amendment”), effective as of December 17, 2008 (the “Amendment Date”), is made and entered into by and between CALLIDAGENOMICS, INC., a Delaware corporation having a principal place of business located at 750 North Pastoria Ave., Sunnyvale, CA 94085 (“Callida”) and COMPLETEGENOMICS, INC., a Delaware corporation having a principal place of business located at 2071 Stierlin Court, Mountain View CA 94043 (“CGI”).

WHEREAS, Callida and CGI are parties to a certain Intellectual Property License Agreement, effective as of March 28, 2006, whereby Callida granted licenses to CGI under certain of Callida’s intellectual property (the “License Agreement”); and

WHEREAS, Callida and CGI wish to amend the terms of the License Agreement as provided in this Amendment to clarify the scope of the rights granted to CGI under the License Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and obligations set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Callida and CGI hereby agree as follows:

1. In General.

Capitalized terms used in this Amendment that are not otherwise defined herein shall have the meaning set forth in the License Agreement.

2. Amendment of the License Agreement.

Amendment of Recitals, Paragraph B. Recitals, Paragraph B is hereby amended as follows:

The term “Callida Products” in the last line of Paragraph B is replaced with the term “Licensed Products.”

Amendment of Paragraph 1.2. Paragraph 1.2 is hereby amended as follows:

The term “CGI Product” in the fourth line of Paragraph 1.2 is replaced with the term “Licensed Product.”

Amendment of Paragraph 1.9. Paragraph 1.9 is hereby deleted and the following is substituted to read in its entirety:

1.9 “CGI Business” means Random DNA Arrays and uses thereof.
Amendment of Paragraph 1.15. Paragraph 1.15 is hereby deleted and the following is substituted to read in its entirety:

1.15 “Field of Use” means Random DNA Arrays including their production and use, including but not limited to sample preparation for such arrays, ligation chemistry on such arrays, instrumentation for such arrays, and analysis of data obtained from such arrays. For the avoidance of doubt, Field of Use does not include Probe Arrays.

Amendment of Paragraph 1.19. Paragraph 1.19 is hereby amended as follows:

The phrase “a the Licensed Patents” in the second line of Paragraph 1.19 is replaced with the phrase “a Licensed Patent.”

Amendment of Paragraph 3.3. Paragraph 3.3 is hereby deleted and the following is substituted to read in its entirety:

3.3 License to CGI Improvements. CGI hereby grants to Callida a non-exclusive, royalty free, non-sublicensable, non-transferable (except that Callida may transfer the license to an Affiliate of Callida or in connection with a Change of Control of Callida) license to CGI Improvements solely in the Field of Probe Arrays. “Field of Probe Arrays” means Probe Arrays including their production and use, including but not limited to sample preparation for such arrays, ligation chemistry on such arrays, instrumentation for such arrays, and analysis of data obtained from such arrays.

New definitions. The following new definitions are added to Article 1:

1.27 “Probe Array” means arrays that consist of a support on which nucleic acid probes are attached directly or indirectly (e.g. using beads) as single molecules or localized groups of replicas, with each usable probe having a known or determined nucleic acid sequence and known position on the support so that the position on the support can be used in an assay to identify the nucleic acid probe. Locations of probe attachment sites or probe position assignment may be random or in the form of a predefined pattern.

As a clarification, Probe Arrays can be prepared by random probe assignment to probe positions and determination of which probe is in which position by sequencing or otherwise identifying the sequences of the attached probes. Some positions may have unusable nucleic acid probe with undetermined and/or unknown sequence. Usable probes may have degenerate bases.

1.28 “Random DNA Array” means arrays consisting of DNA molecules or fragments thereof each having an unknown nucleic acid sequence and attached directly or indirectly (e.g. using beads) to a support, as single molecules or localized groups of replicas, without pre-specified assignment of positions of any given molecule. Locations of DNA attachment sites may be random or in the form of a predefined pattern.
As a clarification, DNA in solution analyzed in arrays of wells, channels or pores (e.g. single molecule analysis in arrays of nano-pores or nano-channels) does not represent either Random DNA Arrays or Probe Arrays.

1.29 “Change of Control” means that any of the following occurs or a Party (or any successor or assignee) enters into a definitive agreement providing for:

   a) any legal entity becoming the beneficial owner, directly or indirectly, of more than fifty percent (50%) of the voting securities of a Party (or any successor or assign);

   b) the sale or other disposition of all or substantially all of the assets of a Party (or successor or assign); or

   c) a consolidation or merger of a Party with any Third Party, other than a merger or consolidation which would result in the voting securities of such Party outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the total voting power represented by the voting securities of such Party or such surviving entity outstanding immediately after such merger or consolidation.

Amendment of Paragraph 5.2. Paragraph 5.2 is hereby amended as follows:

The word “comprises” in the eighth line of Paragraph 5.2 is replaced with the word “compromises.”

3. Other Provisions.

All provisions of the License Agreement not expressly modified by this Amendment shall remain in full force and effect.

IN WITNESS WHEREOF, Callida and CGI have caused this Amendment to be executed by their respective authorized officers.

CALLIDA GENOMICS, INC.
(“Callida”)

By:  /s/ Radoje Drmanac
Name: Radoje Drmanac
Title: President

COMPLETE GENOMICS, INC.
(“CGI”)

By:  /s/ Clifford A. Reid
Name: Clifford A. Reid
Title: CEO
LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT (this “Agreement”) dated as of July 30, 2008 (the “Effective Date”) among (i) SILICON VALLEY BANK, a California corporation with a loan production office located at 2400 Hanover Street, Palo Alto, California 94304 (“SVB”), as collateral agent (the “Collateral Agent”), (ii) and the Lenders listed on Schedule 1.1 thereof and party hereto, including without limitation, SVB, OXFORD FINANCE CORPORATION, a Delaware corporation (“Oxford”), LEADER LENDING, LLC – SERIES A (“Leader A”), and LEADER LENDING, LLC – SERIES B (“Leader B”), and (iii) COMPLETE GENOMICS, INC., a Delaware corporation (“Borrower”), provides the terms on which Lenders shall lend to Borrower and Borrower shall repay Lenders. The parties agree as follows:

1 ACCOUNTING AND OTHER TERMS

Accounting terms not defined in this Agreement shall be construed following GAAP. Calculations and determinations must be made following GAAP. Capitalized terms not otherwise defined in this Agreement shall have the meanings set forth in Section 13. All other terms contained in this Agreement, unless otherwise indicated, shall have the meaning provided by the Code to the extent such terms are defined therein.

2 LOAN AND TERMS OF PAYMENT

2.1 Promise to Pay. Borrower hereby unconditionally promises to pay Lenders the outstanding principal amount of all Credit Extensions and accrued and unpaid interest thereon as and when due in accordance with this Agreement.

2.1.1 Term Loan.

(a) Availability. Subject to the terms and conditions of this Agreement, on the Effective Date, Lenders agree, severally and not jointly, to make one (1) loan available to Borrower in an amount up to $8,000,000.00 (the “Term Loan”) (which must be used to pay in full and terminate the Existing Loan Agreements), according to each Lender’s pro-rata share of the Term Loan based upon the respective Commitment Percentage of each Lender. After repayment, the Term Loan may not be re-borrowed.

(b) Repayment. Commencing on the first Payment Date of the month following the month in which the Funding Date occurs and continuing on the Payment Date of each month thereafter, Borrower shall make consecutive equal monthly payments of principal and interest, to each Lender, in arrears, as calculated by Collateral Agent based upon: (1) the amount of the Term Loan multiplied by each Lender’s Commitment Percentage, (2) the effective rate of interest, as set forth in Section 2.2(a), and (3) a repayment schedule equal to thirty-six (36) months. All outstanding principal and accrued and unpaid interest is due and payable in full on the Term Loan Maturity Date. The Term Loan may only be prepaid, at Borrower’s option, in accordance with Section 2.1.1(d).

(c) Mandatory Prepayment Upon an Acceleration. If the Term Loan is accelerated following the occurrence of an Event of Default or otherwise, Borrower shall immediately pay to Lenders an amount equal to the sum of: (i) all outstanding principal plus accrued interest, (ii) the Prepayment Fee, (iii) the Final Payment, plus (iv) all other sums, that shall have become due and payable, including interest at the Default Rate with respect to any past due amounts.

(d) Permitted Prepayment of Term Loan. Borrower shall have the option to prepay all, but not less than all, of the Term Loan advanced by Lenders under this Agreement, provided Borrower (i) provides written notice to Collateral Agent of its election to prepay the Term Loan at least ten (10) Business Days prior to such prepayment, and (ii) pays, on the date of such prepayment (A) all outstanding principal plus accrued interest, (B) the Prepayment Fee, (C) the Final Payment, plus (D) all other sums, that shall have become due and payable, including interest at the Default Rate with respect to any past due amounts.
2.1.2 Equipment Advances.

(a) Availability. Subject to the terms and conditions of this Agreement, during the Draw Period, Lenders agree, severally and not jointly, to make advances (each, an “Equipment Advance” and, collectively, “Equipment Advances”) not exceeding the Equipment Line, in each case according to each Lender’s pro-rata share of the Equipment Line based upon the respective Commitment Percentage of each Lender. Equipment Advances may only be used to finance Eligible Equipment purchased within ninety (90) days (determined based upon the applicable invoice date of such Eligible Equipment) before the date of each Equipment Advance. Notwithstanding the foregoing, the initial Equipment Advance (the “Initial Equipment Advance”), hereunder may be used to reimburse Borrower for Eligible Equipment purchased on or after January 1, 2008. No Equipment Advance may exceed one hundred percent (100%) of the total invoice for Eligible Equipment (excluding taxes, shipping, warranty charges, freight discounts and installation expenses relating to such Eligible Equipment except to the extent such are allowed to be financed pursuant hereto as Other Equipment). Unless otherwise agreed to by Lenders, not more than thirty-five percent (35%) of the proceeds of the Equipment Line shall be used to finance Other Equipment. Each Equipment Advance, other than the final Equipment Advance, must be in an amount equal to at least Five Hundred Thousand Dollars ($500,000.00). Borrower may only request six (6) Equipment Advances hereunder. After repayment, no Equipment Advance may be reborrowed.

(b) Repayment. Each Equipment Advance shall immediately amortize and be payable in thirty-six (36) equal payments of principal and interest commencing on the first Payment Date of the month following the month in which the Funding Date of such Equipment Advance occurs and continuing on the Payment Date of each month thereafter. Notwithstanding the foregoing, all unpaid principal and interest on each Equipment Advance shall be due on the applicable Equipment Maturity Date.

(c) Mandatory Prepayment Upon an Acceleration. If an Equipment Advance is accelerated following the occurrence of an Event of Default or otherwise, Borrower shall immediately pay to Lenders an amount equal to the sum of: (i) all outstanding principal plus accrued interest, (ii) the Prepayment Fee, (iii) the Final Payment, plus (iv) all other sums, that shall have become due and payable, including interest at the Default Rate with respect to any past due amounts.

(d) Permitted Prepayment of Equipment Advances. Borrower shall have the option to prepay all, but not less than all, of the Equipment Advances advanced by Lenders under this Agreement, provided Borrower (i) provides written notice to Collateral Agent of its election to prepay all such Equipment Advances at least ten (10) days prior to such prepayment, and (ii) pays, on the date of such prepayment (A) all outstanding principal plus accrued interest, (B) the Prepayment Fee, (C) the Final Payment, plus (D) all other sums, that shall have become due and payable, including interest at the Default Rate with respect to any past due amounts.

2.2 Payment of Interest on the Credit Extensions.

(a) Interest Rate. Subject to Section 2.2(b), the principal amount outstanding under the Loans shall accrue interest at a fixed per annum rate equal to the Basic Rate, determined by Collateral Agent as of the applicable Funding Date for such Loan, which interest shall be payable monthly in accordance with Section 2.2(e).

(b) Default Rate. Immediately upon the occurrence and during the continuance of an Event of Default, Obligations shall bear interest at a rate per annum which is five percentage points above the rate that is otherwise applicable thereto (the “Default Rate”). Payment or acceptance of the increased interest rate provided in this Section 2.2(b) is not a permitted alternative to timely payment and shall not constitute a waiver of any Event of Default or otherwise prejudice or limit any rights or remedies of Collateral Agent.

(c) 360-Day Year. Interest shall be computed on the basis of a 360-day year comprising twelve (12) months consisting of thirty (30) days.
(d) **Debit of Accounts.** Collateral Agent or Lender may debit any of Borrower’s deposit accounts, including the Designated Deposit Account, for principal and interest payments or any other amounts Borrower owes Lenders under the Loan Documents when due. These debits shall not constitute a set-off. Each Lender will notify Collateral Agent and Borrower if such Lender elects to debit any of Borrower’s deposit accounts and Borrower will provide such Lender with account information necessary to process debits through automated clearing house transfers. Notwithstanding the foregoing, each Lender may only debit Borrower’s accounts for its portion of principal and interest payments, and Collateral Agent will not debit Borrower’s accounts for any such amount debited by any Lender.

(e) **Payments.** Unless otherwise provided, interest is payable monthly on the Payment Date of each month. Payments of principal and/or interest received after 12:00 noon Pacific time are considered received at the opening of business on the next Business Day. When a payment is due on a day that is not a Business Day, the payment is due the next Business Day.

2.3 **Secured Promissory Notes.** Each Loan shall be evidenced by a Secured Promissory Note in the form attached as Exhibit D hereto (each a “Secured Promissory Note”), and shall be repayable as set forth herein. The Borrower irrevocably authorizes each Lender to make or cause to be made, on or about the Funding Date of any Loan or at the time of receipt of any payment of principal on such Lender’s Secured Promissory Note, an appropriate notation on such Lender’s Secured Promissory Note Record reflecting the making of such Loan or (as the case may be) the receipt of such payment. The outstanding amount of each Loan set forth on such Lender’s Secured Promissory Note Record shall be prima facie evidence of the principal amount thereof owing and unpaid to such Lender, but the failure to record, or any error in so recording, any such amount on such Lender’s Secured Promissory Note Record shall not limit or otherwise affect the obligations of the Borrower hereunder or under any Secured Promissory Note to make payments of principal or interest on any Secured Promissory Note when due. Upon receipt of an affidavit of an officer of a Lender as to the loss, theft, destruction, or mutilation of its Secured Promissory Note, the Borrower shall issue, in lieu thereof, a replacement Secured Promissory Note in the same principal amount thereof and of like tenor.

2.4 **Fees.** Borrower shall pay to Collateral Agent:

(a) **Commitment Fee.** A fully earned, non-refundable commitment fee of One Hundred Thirty Thousand Dollars ($130,000.00) to be shared between the Lenders pursuant to their respective Commitment Percentages;

(b) **Prepayment Fee.** The Prepayment Fee, when due hereunder;

(c) **Lenders’ Expenses.** All Lenders’ Expenses (including reasonable attorneys’ fees and expenses, which attorney’s fees for the documentation and negotiation of this Agreement will not exceed Thirty-Five Thousand Dollars ($35,000.00) as of the Effective Date, plus expenses, for documentation and negotiation of this Agreement) incurred through and after the Effective Date, when due; and

(d) **Final Payment.** The Final Payment, when due hereunder.

3 **CONDITIONS OF LOANS**

3.1 **Conditions Precedent to Initial Credit Extension.** Each Lender’s obligation to make the initial Credit Extension is subject to the condition precedent that Borrower shall consent to or shall have received, in form and substance satisfactory to Lenders, such documents, and completion of such other matters, as Lenders may reasonably deem necessary or appropriate, including, without limitation:

(a) duly executed original signatures to the Loan Documents to which Borrower is a party;

(b) duly executed original signatures to the Warrant;

(c) duly executed original signatures to the Control Agreements relating to Borrower’s accounts at SVB;
3.2 Conditions Precedent to All Credit Extensions. The obligation of each Lender to make each Credit Extension, including the initial Credit Extension, is subject to the following:

(a) except as otherwise provided in Section 3.4, timely receipt of an executed Payment/Advance Form;

(b) the representations and warranties in Section 5 shall be true, in all material respects on the date of the Payment/Advance Form and on the Funding Date of each Credit Extension; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date; and no Event of Default shall have occurred and be continuing or result from the Credit Extension. Each Credit Extension is Borrower’s representation and warranty on that date that the representations and warranties in Section 5 remain true in all material respects; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date; and

(c) in such Lender’s reasonable discretion, there has not been any material impairment in the general affairs, management, results of operation, financial condition or the prospect of repayment of the Obligations, nor has there been any material adverse deviation by Borrower from the most recent business plan of Borrower presented to and accepted by Collateral Agent.

3.3 Covenant to Deliver. Borrower agrees to deliver to Collateral Agent each item required to be delivered to Collateral Agent under this Agreement as a condition to any Credit Extension. Borrower expressly agrees that a Credit Extension made prior to the receipt by Collateral Agent of any such item shall not constitute a waiver by Lenders of Borrower’s obligation to deliver such item, and any such Credit Extension in the absence of a required item shall be made in Collateral Agent’s sole discretion.

3.4 Procedures for Borrowing.
(a) **Term Loan.** Subject to the prior satisfaction of all other applicable conditions to the making of the Term Loan set forth in this Agreement, to obtain the Term Loan, Borrower shall notify Collateral Agent (which notice shall be irrevocable) by electronic mail, facsimile, or telephone by 12:00 p.m. Pacific time two (2) Business Days prior to the date the Term Loan is to be made. Together with any such electronic or facsimile notification, Borrower shall deliver to Collateral Agent by electronic mail or facsimile a completed Payment/Advance Form executed by a Responsible Officer or his or her designee. Upon receipt of a Payment/Advance Form, Collateral Agent shall promptly provide a copy of the same to each Lender. Collateral Agent may rely on any telephone notice given by a person whom Collateral Agent believes is a Responsible Officer or designee. On the Funding Date of the Term Loan, each Lender shall credit and/or transfer (as applicable) to Borrower’s Designated Deposit Account, an amount equal to its Commitment Percentage multiplied by the amount of the Term Loan.

(b) **Equipment Advances.** Subject to the prior satisfaction of all other applicable conditions to the making of an Equipment Advance set forth in this Agreement, to obtain an Equipment Advance, Borrower shall notify Collateral Agent (which notice shall be irrevocable) by electronic mail or facsimile no later than 12:00 noon Pacific time five (5) Business Day before the proposed Funding Date. The notice shall be a Payment/Advance Form, must be signed by a Responsible Officer or designee.

4 **CREATION OF SECURITY INTEREST**

4.1 **Grant of Security Interest.** Borrower hereby grants to Collateral Agent, for the ratable benefit of the Lenders, to secure the payment and performance in full of all of the Obligations, a continuing security interest in, and pledges to Collateral Agent, for the ratable benefit of the Lenders, the Collateral, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof. Borrower represents, warrants, and covenants that the security interest granted herein is and shall at all times continue to be a first priority perfected security interest in the Collateral (subject only to Permitted Liens that may have superior priority under this Agreement). If Borrower shall acquire a commercial tort claim (as defined in the Code), Borrower shall promptly notify Collateral Agent in a writing signed by Borrower of the general details thereof (and further details as may be required by Collateral Agent) and grant to Collateral Agent, for the ratable benefit of the Lenders, in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance reasonably satisfactory to Collateral Agent.

If this Agreement is terminated, Collateral Agent’s Lien in the Collateral shall continue until the Obligations (other than inchoate indemnity obligations) are repaid in full in cash. Upon payment in full in cash of the Obligations and at such time as the Lenders’ obligation to make Credit Extensions has terminated, the Collateral Agent, shall, at Borrower’s sole cost and expense, release its Liens in the Collateral and all rights therein shall revert to Borrower.

4.2 **Authorization to File Financing Statements.** Borrower hereby authorizes Collateral Agent to file financing statements, without notice to Borrower, with all appropriate jurisdictions to perfect or protect Collateral Agent’s interest or rights hereunder, including a notice that any disposition of the Collateral, by either Borrower or any other Person, may violate the rights of the Collateral Agent and the Lenders under this Agreement.

5 **REPRESENTATIONS AND WARRANTIES**

Borrower represents and warrants as follows:

5.1 **Due Organization, Authorization: Power and Authority.** Borrower and each of its Subsidiaries, if any, are duly existing and in good standing, as Registered Organizations in their respective jurisdictions of formation and are qualified and licensed to do business and are in good standing in any jurisdiction in which the conduct of their business or their ownership of property requires that they be qualified except where the failure to do so could not reasonably be expected to have a material adverse effect on Borrower’s business. In connection with this Agreement, Borrower has delivered to Collateral Agent a completed perfection certificate signed by Borrower (the “Perfection Certificate”). Borrower represents and warrants that (a) Borrower’s exact legal name is that indicated on the Perfection Certificate and on the signature page hereof; (b) Borrower is an organization of the type and is organized in the jurisdiction set forth in the Perfection Certificate;
(c) the Perfection Certificate accurately sets forth Borrower’s organizational identification number or accurately states that Borrower has none; (d) the Perfection Certificate accurately sets forth Borrower’s place of business, or, if more than one, its chief executive office as well as Borrower’s mailing address (if different than its chief executive office); (e) Borrower (and each of its predecessors) has not, in the past five (5) years, changed its jurisdiction of formation, organizational structure or type, or any organizational number assigned by its jurisdiction; and (f) all other information set forth on the Perfection Certificate pertaining to Borrower and each of its Subsidiaries is accurate and complete (it being understood and agreed that Borrower may from time to time update certain information in the Perfection Certificate after the Effective Date to the extent permitted by one or more specific provisions in this Agreement). If Borrower is not now a Registered Organization but later becomes one, Borrower shall promptly notify Collateral Agent of such occurrence and provide Collateral Agent with Borrower’s organizational identification number.

The execution, delivery and performance by Borrower of the Loan Documents to which it is a party have been duly authorized, and do not (i) conflict with any of Borrower’s Operating Documents, (ii) contravene, conflict with, constitute a default under or violate any material Requirement of Law, (iii) contravene, conflict or violate any applicable order, writ, judgment, injunction, decree, determination or award of any Governmental Authority by which Borrower or any of its Subsidiaries or any of their property or assets may be bound or affected, (iv) require any action by, filing, registration, or qualification with, or Governmental Approval from, any Governmental Authority (except such Governmental Approvals which have already been obtained and are in full force and effect) or are being obtained pursuant to Section 6.1(b), or (v) constitute an event of default under any material agreement by which Borrower is bound. Borrower is not in default under any agreement to which it is a party or by which it is bound in which the default could reasonably be expected to have a material adverse effect on Borrower’s business.

5.2 Collateral. Borrower has good title to, has rights in, and the power to transfer each item of the Collateral upon which it purports to grant a Lien hereunder, free and clear of any and all Liens except Permitted Liens. Borrower has no deposit accounts other than the deposit accounts with Collateral Agent, the deposit accounts, if any, described in the Perfection Certificate delivered to Collateral Agent in connection herewith, or of which Borrower has given Collateral Agent notice and taken such actions as are necessary to give Collateral Agent a perfected security interest therein.

The Collateral is not in the possession of any third party bailee (such as a warehouse) except as otherwise provided in the Perfection Certificate. None of the components of the Collateral shall be maintained at locations other than as provided in the Perfection Certificate or as permitted pursuant to Section 7.2. In the event that Borrower, after the date hereof, intends to store or otherwise deliver any portion of the Collateral to a bailee, then Borrower will first receive the written consent of Collateral Agent and such bailee must execute and deliver a bailee agreement in form and substance satisfactory to Collateral Agent.

All Financed Equipment is new, except for such Financed Equipment that has been disclosed in writing to Collateral Agent by Borrower as “used” and that Lenders, in their reasonable discretion, in accordance with standard business practices, have agreed to finance. All Inventory is in all material respects of good and marketable quality, free from material defects.

Except as noted on the Perfection Certificate, Borrower is not a party to, nor is bound by, any material license or other agreement with respect to which Borrower is a licensee that (a) prohibits or otherwise restricts Borrower from granting a security interest in Borrower’s interest in such license or agreement or any other property, or (b) for which a default under or termination of could interfere with Collateral Agent’s right to sell any Collateral. Borrower shall provide written notice to Collateral Agent within ten (10) days of entering or becoming bound by any such license or agreement which is reasonably likely to have a material impact on Borrower’s business or financial condition (other than over-the-counter software that is commercially available to the public). Borrower shall take such steps as Collateral Agent reasonably requests to obtain the consent of, or waiver by, any person whose consent or waiver is necessary for (x) all such licenses or agreements to be deemed “Collateral” and for Collateral Agent to have a security interest in it that might otherwise be restricted or prohibited by law or by the terms of any such license or, whether now existing or entered into in the future, and (y) Collateral Agent shall have the ability in the event of a liquidation of any Collateral to dispose of such Collateral in accordance with Collateral Agent’s rights and remedies under this Agreement and the other Loan Documents.
5.3 **Litigation**. There are no actions or proceedings pending or, to the knowledge of the Responsible Officers, threatened in writing by or against Borrower or any of its Subsidiaries involving more than One Hundred Thousand Dollars ($100,000.00).

5.4 **No Material Deviation in Financial Statements**. All consolidated financial statements for Borrower and any of its Subsidiaries delivered to Collateral Agent fairly present, in all material respects Borrower’s consolidated financial condition and Borrower’s consolidated results of operations. There has not been any material deterioration in Borrower’s consolidated financial condition since the date of the most recent financial statements submitted to Collateral Agent.

5.5 **Solvency**. The fair salable value of Borrower’s assets (including goodwill minus disposition costs) exceeds the fair value of its liabilities; Borrower is not left with unreasonably small capital after the transactions in this Agreement; and Borrower is able to pay its debts (including trade debts) as they mature.

5.6 **Regulatory Compliance**. Borrower is not an “investment company” or a company “controlled” by an “investment company” under the Investment Company Act of 1940, as amended. Borrower is not engaged as one of its important activities in extending credit for margin stock (under Regulations T and U of the Federal Reserve Board of Governors). Borrower has complied in all material respects with the Federal Fair Labor Standards Act. Neither Borrower nor any of its Subsidiaries is a “holding company” or an “affiliate” of a “holding company” or a “subsidiary company” of a “holding company” as each term is defined and used in the Public Utility Holding Company Act of 2005. Borrower has not violated any laws, ordinances or rules, the violation of which could reasonably be expected to have a material adverse effect on its business. None of Borrower’s or any of its Subsidiaries’ properties or assets has been used by Borrower or any Subsidiary or, to the best of Borrower’s knowledge, by previous Persons, in disposing, producing, storing, treating, or transporting any hazardous substance other than legally. Borrower and each of its Subsidiaries have obtained all consents, approvals and authorizations of, made all declarations or filings with, and given all notices to, all Governmental Authorities that are necessary to continue their respective businesses as currently conducted.

5.7 **Subsidiaries; Investments**. Borrower does not own any stock, partnership interest or other equity securities except for Permitted Investments.

5.8 **Tax Returns and Payments; Pension Contributions**. Borrower has timely filed all required tax returns and reports, and Borrower and its Subsidiaries have timely paid all foreign, federal, state and local taxes, assessments, deposits and contributions owed by Borrower. Borrower may defer payment of any contested taxes, provided that Borrower (a) in good faith contests its obligation to pay the taxes by appropriate proceedings promptly and diligently instituted and conducted, (b) notifies Collateral Agent in writing of the commencement of, and any material development in, the proceedings, (c) posts bonds or takes any other steps required to prevent the governmental authority levying such contested taxes from obtaining a Lien upon any of the Collateral that is other than a “Permitted Lien”. Borrower is unaware of any claims or adjustments proposed for any of Borrower’s prior tax years which could result in additional taxes becoming due and payable by Borrower. Borrower has paid all amounts necessary to fund all present pension, profit sharing and deferred compensation plans in accordance with their terms, and Borrower has not withdrawn from participation in, and has not permitted partial or complete termination of, or permitted the occurrence of any other event with respect to, any such plan which could reasonably be expected to result in any liability of Borrower, including any liability to the Pension Benefit Guaranty Corporation or its successors or any other governmental agency.

5.9 **Use of Proceeds**. Borrower shall use the proceeds of the Credit Extensions solely as working capital, to pay off and terminate the Existing Loan Agreements, to finance the purchase of Eligible Equipment and to fund its general business requirements and not for personal, family, household or agricultural purposes.

5.10 **Full Disclosure**. No written representation, warranty or other statement of Borrower in any certificate or written statement given to Collateral Agent or any Lender, as of the date such representation, warranty, or other statement was made, taken together with all such written certificates and written statements given to Collateral Agent or any Lender, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained in the certificates or statements not misleading (it being recognized that the projections and forecasts provided by Borrower in good faith and based upon reasonable assumptions are not viewed as facts and that actual results during the period or periods covered by such projections and forecasts may differ from the projected or forecasted results).

6 **AFFIRMATIVE COVENANTS**
Borrower shall do all of the following:

6.1 Government Compliance.

(a) Maintain its and all its Subsidiaries’ legal existence and good standing in their respective jurisdictions of formation and maintain qualification in each jurisdiction in which the failure to so qualify would reasonably be expected to have a material adverse effect on Borrower’s business or operations. Borrower shall comply, and have each Subsidiary comply, with all laws, ordinances and regulations to which it is subject, the noncompliance with which could have a material adverse effect on Borrower’s business.

(b) Obtain all of the Governmental Approvals necessary for the performance by Borrower of its obligations under the Loan Documents to which it is a party and the grant of a security interest to Collateral Agent for the ratably benefit of the Lenders, in all of its property. Borrower shall promptly provide copies of any such obtained Governmental Approvals to Collateral Agent.

6.2 Financial Statements, Reports, Certificates.

(a) Deliver to Collateral Agent: (i) as soon as available, but no later than thirty (30) days after the last day of each month, a company prepared consolidated and consolidating balance sheet and income statement covering Borrower’s consolidated operations (prepared in accordance with GAAP) for such month certified by a Responsible Officer and in a form acceptable to Collateral Agent; (ii) as soon as available, but no later than two hundred forty (240) days after the last day of Borrower’s fiscal year, audited consolidated financial statements prepared under GAAP, consistently applied, together with an unqualified opinion on the financial statements from Pricewaterhouse Coopers or another nationally recognized independent certified public accounting firm; (iii) as soon as available, but at least annually, Borrower’s financial projections for current fiscal year as approved by Borrower’s Board of Directors; (iv) within five (5) days of delivery, copies of all statements, reports and notices made available to all of Borrower’s security holders or to any holders of Subordinated Debt; (v) in the event that Borrower becomes subject to the reporting requirements under the Securities Exchange Act of 1934, as amended, within five (5) days of filing, all reports on Form 10-K, 10-Q and 8-K filed with the Securities and Exchange Commission or a link thereto on Borrower’s or another website on the Internet; (vi) copies of all board packages, excluding any information the company determines in good faith is highly sensitive or confidential; (vii) a prompt report of any legal actions pending or threatened against Borrower or any of its Subsidiaries that could result in damages or costs to Borrower or any of its Subsidiaries of Two Hundred Fifty Thousand Dollars ($250,000) or more; and (viii) other financial information reasonably requested by Collateral Agent.

(b) Within thirty (30) days after the last day of each month, deliver to Collateral Agent with the monthly financial statements, a duly completed Compliance Certificate signed by a Responsible Officer.

6.3 Inventory; Returns. Keep all Inventory in good and marketable condition, free from material defects except for all Inventory (i) sold in the ordinary course of business, and (ii) for which adequate reserves have been made. Returns and allowances between Borrower and its Account Debtors shall follow Borrower’s customary practices as they exist at the Effective Date. Borrower must promptly notify Collateral Agent of all returns, recoveries, disputes and claims that involve more than One Hundred Thousand Dollars ($100,000).

6.4 Taxes; Pensions. Timely file and require each of its Subsidiaries to timely file, all required tax returns and reports and timely pay, and require each of its Subsidiaries to timely file, all foreign, federal, state, and local taxes, assessments, deposits and contributions owned by Borrower and each of its Subsidiaries, except for deferred payment of any taxes contested pursuant to the terms of Section 5.8 hereof, and shall deliver to Collateral Agent, on demand, appropriate certificates attesting to such payments, and pay all amounts necessary to fund all present pension, profit sharing and deferred compensation plans in accordance with their terms.

6.5 Insurance. Keep its business and the Collateral insured for risks and in amounts standard for companies in Borrower’s industry and location and as Collateral Agent may reasonably request. Insurance policies shall be in a form, with companies, and in amounts that are satisfactory to Collateral Agent. All property policies shall have a lender’s loss payable endorsement showing Collateral Agent as lender loss payee and waive subrogation against Collateral Agent, and all liability policies shall show, or have endorsements showing, the Collateral Agent, as an additional insured. All policies (or the loss
payable and additional insured endorsements) shall provide that the insurer must give Collateral Agent at least twenty (20) days notice before canceling, amending, or declining to renew its policy. At Collateral Agent’s request, Borrower shall deliver certified copies of policies and evidence of all premium payments. Proceeds payable under any policy shall, at Collateral Agent’s option, be payable to Collateral Agent on behalf of the Lenders on account of the Obligations. Notwithstanding any provision herein to the contrary, the Prepayment Fee shall not apply to or be assessed upon any prepayment made by Borrower if such payments were required by Collateral Agent to be made pursuant to the terms of this Section 6.5. Notwithstanding the foregoing, (a) so long as no Event of Default has occurred and is continuing, Borrower shall have the option of applying the proceeds of any casualty policy up to $100,000 with respect to any loss, but not exceeding $200,000, in the aggregate for all losses under all casualty policies in any one year, toward the replacement or repair of destroyed or damaged property; provided that any such replaced or repaired property (i) shall be of equal or like value as the replaced or repaired Collateral and (ii) shall be deemed Collateral in which Collateral Agent and Lenders have been granted a first priority security interest, and (b) after the occurrence and during the continuance of an Event of Default, all proceeds payable under such casualty policy shall, at the option of Collateral Agent, be payable to Collateral Agent, for the ratable benefit of the Lenders, on account of the Obligations. If Borrower fails to obtain insurance as required under this Section 6.5 or to pay any amount or furnish any required proof of payment to third persons and Collateral Agent, Collateral Agent may make all or part of such payment or obtain such insurance policies required in this Section 6.5, and take any action under the policies Collateral Agent deems prudent.

6.6 Operating Accounts.

(a) Maintain its and its subsidiaries’ and parent’s operating, depository, and securities accounts with Collateral Agent or an Affiliate of Collateral Agent.

(b) Provide Collateral Agent five (5) days’ prior written notice before establishing any Collateral Account at or with any bank or financial institution other than Collateral Agent or its Affiliates. In addition, for each Collateral Account that Borrower at any time maintains, Borrower shall cause the applicable bank or financial institution (other than Collateral Agent) at or with which any Collateral Account is maintained to execute and deliver a Control Agreement or other appropriate instrument with respect to such Collateral Account to perfect Collateral Agent’s Lien in such Collateral Account in accordance with the terms hereunder, which Control Agreement may not be terminated without prior written consent of Collateral Agent. The provisions of the previous sentence shall not apply to deposit accounts exclusively used for payroll, payroll taxes and other employee wage and benefit payments to or for the benefit of Borrower’s employees and identified to Collateral Agent by Borrower as such.

6.7 Protection of Intellectual Property Rights. Borrower shall protect, defend and maintain the validity and enforceability of its intellectual property.

6.8 Litigation Cooperation. From the date hereof and continuing through the termination of this Agreement, make available to Collateral Agent, without expense to Collateral Agent, Borrower and its officers, employees and agents and Borrower’s books and records, to the extent that Collateral Agent may deem them reasonably necessary to prosecute or defend any third-party suit or proceeding instituted by or against Collateral Agent with respect to any Collateral or relating to Borrower.

6.9 Further Assurances. Execute any further instruments and take further action as Collateral Agent reasonably requests to perfect or continue Collateral Agent’s and Lenders’ Lien in the Collateral or to effect the purposes of this Agreement. Deliver to Collateral Agent, within five (5) days after the same are sent or received, copies of all correspondence (excluding routine correspondence), reports, documents and other filings with any Governmental Authority regarding compliance with or maintenance of Governmental Approvals or Requirements of Law or that could reasonably be expected to have a material effect on any of the Governmental Approvals or otherwise on the operations of Borrower or any of its Subsidiaries.

6.10 Notices of Litigation and Default. Borrower will give prompt written notice to Collateral Agent of any litigation or governmental proceedings pending or threatened (in writing) against Borrower which would reasonably be expected to have a material adverse effect with respect to Borrower. Without limiting or contradicting any other more specific provision of this Agreement, promptly (and in any event within three (3) Business Days) upon Borrower becoming aware of the existence of any Event of Default or event which, with the giving of notice or passage of time, or both, would...
constitute an Event of Default, Borrower shall give written notice to Collateral Agent of such occurrence, which such notice shall include a reasonably detailed description of such Event of Default or event which, with the giving of notice or passage of time, or both, would constitute an Event of Default.

6.11 Creation/Acquisition of Subsidiaries. In the event Borrower or any Subsidiary creates or acquires any Subsidiary, Borrower and such Subsidiary shall promptly notify Collateral Agent of the creation or acquisition of such new Subsidiary and take all such action as may be reasonably required by Collateral Agent to cause each such domestic Subsidiary to guarantee the Obligations of Borrower under the Loan Documents and grant a continuing pledge and security interest in and to the assets of such Subsidiary (substantially as described on Exhibit A hereto); and Borrower shall grant and pledge to Collateral Agent, for the ratable benefit of Lenders a perfected security interest in the stock, units or other evidence of ownership of each.

6.12 New Office Location, Name, and Jurisdiction. Borrower shall provide at least thirty (30) days prior written notice to Collateral Agent before: (1) adding any new offices or business locations, including warehouses (unless any such new office or business location contains less than Ten Thousand Dollars ($10,000) in Borrower’s assets or property), (2) changing its jurisdiction of organization, (3) changing its organizational structure or type, (4) changing its legal name, or (5) changing any organizational number (if any) assigned by its jurisdiction of organization. Notwithstanding anything to the contrary and without limiting the generality of the foregoing, Borrower shall deliver a landlord’s waiver, in form and substance reasonably acceptable to Collateral Agent, for any location that contains greater than Two Hundred Fifty Thousand Dollars ($250,000) in Borrower’s assets or property.

7 NEGATIVE COVENANTS

Borrower shall not do any of the following without Collateral Agent’s prior written consent:

7.1 Dispositions. Convey, sell, lease, transfer, assign, or otherwise dispose of (collectively, “Transfer”), or permit any of its Subsidiaries to Transfer, all or any part of its business or property, except for Transfers (a) of Inventory in the ordinary course of business; (b) of worn-out or obsolete Equipment that does not constitute Financed Equipment; and (c) in connection with Permitted Liens and Permitted Investments; and (d) of non-exclusive licenses for the use of the property, of Borrower or its Subsidiaries in the ordinary course of business.

7.2 Changes in Business, Management, Ownership, or Business Locations. (a) Engage in or permit any of its Subsidiaries to engage in any business other than the businesses currently engaged in by Borrower and such Subsidiary, as applicable, or reasonably related thereto; (b) liquidate or dissolve; or (c) (i) have a change in senior management or (ii) enter into any transaction or series of related transactions in which the stockholders of Borrower who were not stockholders immediately prior to the first such transaction own more than 40% of the voting stock of Borrower immediately after giving effect to such transaction or related series of such transactions (other than by the sale of Borrower’s equity securities in a public offering or to venture capital investors so long as Borrower identifies to Collateral Agent the venture capital investors prior to the closing of the transaction).

7.3 Mergers or Acquisitions. Without the prior written consent of the Collateral Agent, which consent will not be unreasonably withheld or delayed, merge or consolidate, or permit any of its Subsidiaries to merge or consolidate, with any other Person, or acquire, or permit any of its Subsidiaries to acquire, all or substantially all of the capital stock or property of another Person. A Subsidiary may merge or consolidate into another Subsidiary or into Borrower.

7.4 Indebtedness. Create, incur, assume, or be liable for any Indebtedness, or permit any Subsidiary to do so, other than Permitted Indebtedness.

7.5 Encumbrance. Create, incur, allow, or suffer any Lien on any of its property, or assign or convey any right to receive income, including the sale of any Accounts, or permit any of its Subsidiaries to do so, except for Permitted Liens, or permit any Collateral not to be subject to the first priority security interest granted herein, or enter into any agreement, document, instrument or other arrangement (except with or in favor of Collateral Agent) with any Person which directly or indirectly prohibits or has the effect of prohibiting Borrower or any Subsidiary from assigning, mortgaging, pledging, granting a security interest in or upon, or encumbering any of Borrower’s or any Subsidiary’s intellectual property, except as is otherwise permitted in Section 7.1 hereof and the definition of “Permitted Liens” herein.
7.6 **Maintenance of Collateral Accounts.** Maintain any Collateral Account except pursuant to the terms of Section 6.6(b) hereof.

7.7 **Distributions; Investments.** (a) Pay any dividends or make any distribution or payment or redeem, retire or purchase any capital stock, provided that (i) Borrower may convert any of its convertible securities into other securities pursuant to the terms of such convertible securities or otherwise in exchange thereof, (ii) Borrower may pay dividends solely in common stock; and (iii) Borrower may repurchase the stock of former employees, directors, or consultants pursuant to stock repurchase agreements so long as an Event of Default does not exist at the time of such repurchase and would not exist after giving effect to such repurchase, provided such repurchase does not exceed in the aggregate of One Hundred Thousand Dollars ($100,000) per fiscal year, or (b) directly or indirectly make any Investment other than Permitted Investments, or permit any of its Subsidiaries to do so.

7.8 **Transactions with Affiliates.** Directly or indirectly enter into or permit to exist any material transaction with any Affiliate of Borrower, except for transactions that are in the ordinary course of Borrower’s business, upon fair and reasonable terms that are no less favorable to Borrower than would be obtained in an arm’s length transaction with a non-affiliated Person.

7.9 **Subordinated Debt.** (a) Make or permit any payment on any Subordinated Debt, except under the terms of the subordination, intercreditor, or other similar agreement to which such Subordinated Debt is subject, or (b) amend any provision in any document relating to the Subordinated Debt which would increase the amount thereof or adversely affect the subordination thereof to Obligations owed to the Lenders.

7.10 **Compliance.** Become an “investment company” or a company controlled by an “investment company”, under the Investment Company Act of 1940, as amended or undertake as one of its important activities extending credit to purchase or carry margin stock (as defined in Regulation U of the Board of Governors of the Federal Reserve System), or use the proceeds of any Credit Extension for that purpose; fail to meet the minimum funding requirements of ERISA, permit a Reportable Event or Prohibited Transaction, as defined in ERISA, to occur; fail to comply with the Federal Fair Labor Standards Act or violate any other law or regulation, if the violation could reasonably be expected to have a material adverse effect on Borrower’s business, or permit any of its Subsidiaries to do so; withdraw or permit any Subsidiary to withdraw from participation in, permit partial or complete termination of, or permit the occurrence of any other event with respect to, any present pension, profit sharing and deferred compensation plan which could reasonably be expected to result in any liability of Borrower, including any liability to the Pension Benefit Guaranty Corporation or its successors or any other governmental agency.

7.11 **Indebtedness Payments.** Borrower shall not (i) prepay, redeem, purchase, defease or otherwise satisfy in any manner prior to the scheduled repayment thereof any Indebtedness for borrowed money (other than (A) amounts due or permitted to be prepaid under this Loan Agreement, (B) prepayment of amounts due under the Existing Loan Agreements or (C) the conversion of convertible debt securities into equity securities and in connection therewith cash payments in lieu of issuing fractional shares) or any lease obligations, (ii) amend, modify or otherwise change the terms of any Indebtedness (other than the Loans) or capital lease obligations so as to accelerate the scheduled repayment thereof or (iii) repay any Indebtedness to officers, directors or shareholders.

8 **EVENTS OF DEFAULT**

Any one of the following shall constitute an event of default (an “Event of Default”) under this Agreement:

8.1 **Payment Default.** Borrower fails to (a) make any payment of principal or interest on any Credit Extension on its due date, or (b) pay any other Obligations within three (3) Business Days after such Obligations are due and payable (which three (3) Business Day grace period shall not apply to payments due on the Maturity Date). During the cure period, the failure to cure the payment default is not an Event of Default (but no Credit Extension will be made during the cure period);

8.2 **Covenant Default.**
(a) Borrower fails or neglects to perform any obligation in Sections 6.2, 6.4, 6.5, 6.6, or 6.11, or violates any covenant in Section 7; or

(b) Borrower fails or neglects to perform, keep, or observe any other term, provision, condition, covenant or agreement contained in this Agreement or any Loan Documents, and as to any default (other than those specified in this Section 8) under such other term, provision, condition, covenant or agreement that can be cured, has failed to cure the default within ten (10) days after the occurrence thereof; provided, however, that if the default cannot by its nature be cured within the ten (10) day period or cannot after diligent attempts by Borrower be cured within such ten (10) day period, and such default is likely to be cured within a reasonable time, then Borrower shall have an additional period (which shall not in any case exceed thirty (30) days) to attempt to cure such default, and within such reasonable time period the failure to cure the default shall not be deemed an Event of Default (but no Credit Extensions shall be made during such cure period). Grace periods provided under this Section shall not apply, among other things, to financial covenants or any other covenants set forth in subsection (a) above;

8.3 Lack of Investor Support. There is a lack of Investor Support;

8.4 Attachment; Levy; Restraint on Business.

(a) (i) The service of process seeking to attach, by trustee or similar process, any funds of Borrower or of any entity under control of Borrower (including a Subsidiary) on deposit with Lenders or any Lender Affiliate, or (ii) a notice of lien, levy, or assessment is filed against any of Borrower’s assets by any government agency, and the same under subclauses (i) and (ii) hereof are not, within ten (10) days after the occurrence thereof, discharged or stayed (whether through the posting of a bond or otherwise); provided, however, no Credit Extensions shall be made during any ten (10) day cure period; and

(b) (i) any material portion of Borrower’s assets is attached, seized, levied on, or comes into possession of a trustee or receiver, or (ii) any court order enjoins, restrains, or prevents Borrower from conducting any part of its business;

8.5 Insolvency (a) Borrower is unable to pay its debts (including trade debts) as they become due or otherwise becomes insolvent; (b) Borrower begins an Insolvency Proceeding; or (c) an Insolvency Proceeding is begun against Borrower and not dismissed or stayed within forty-five (45) days (but no Credit Extensions shall be made while of any of the conditions described in clause (a) exist and/or until any Insolvency Proceeding is dismissed);

8.6 Other Agreements. There is a default in any agreement to which Borrower is a party with a third party or parties resulting in a right by such third party or parties, whether or not exercised, to accelerate the maturity of any Indebtedness in an amount in excess of One Hundred Thousand Dollars ($100,000) or that could have a material adverse effect on Borrower’s business.

8.7 Judgments. One or more judgments, orders, or decrees for the payment of money in an amount, individually or in the aggregate, of at least Fifty Thousand Dollars ($50,000) (not covered by independent third-party insurance as to which liability has been accepted by such insurance carrier) shall be rendered against Borrower and shall remain unsatisfied, unvacated, or unstayed for a period of ten (10) days after the entry thereof (provided that no Credit Extensions will be made prior to the satisfaction, vacation, or stay of such judgment, order or decree);

8.8 Misrepresentations. Borrower or any Person acting for Borrower makes any representation, warranty, or other statement now or later in this Agreement, any Loan Document or in any writing delivered to Collateral Agent and/or Lenders or to induce Collateral Agent and/or Lenders to enter this Agreement or any Loan Document, and such representation, warranty, or other statement is incorrect in any material respect when made;

8.9 Subordinated Debt. A default or breach occurs under any agreement between Borrower and any creditor of Borrower that signed a subordination, intercreditor, or other similar agreement with Collateral Agent or Lenders, or any creditor that has signed such an agreement with Collateral Agent or Lenders breaches any terms of such agreement; or

8.10 Governmental Approvals. Any Governmental Approval shall have been (a) revoked, rescinded, suspended, modified in an adverse manner or not renewed in the ordinary course for a full term or (b) subject to any decision
by a Governmental Authority that designates a hearing with respect to any applications for renewal of any of such Governmental Approval or that could result in the Governmental Authority taking any of the actions described in clause (a) above, and such decision or such revocation, rescission, suspension, modification or non-renewal (i) has, or could reasonably be expected to have, a material adverse effect on Borrower’s business or operations.

9 RIGHTS AND REMEDIES

9.1 Rights and Remedies. While an Event of Default occurs and continues Collateral Agent may, without notice or demand, do any or all of the following:

(a) declare all Obligations immediately due and payable (but if an Event of Default described in Section 8.5 occurs all Obligations are immediately due and payable without any action by Collateral Agent or Lenders);

(b) stop advancing money or extending credit for Borrower’s benefit under this Agreement or under any other agreement between Borrower and Collateral Agent and/or Lenders;

(c) settle or adjust disputes and claims directly with Account Debtors for amounts on terms and in any order that Collateral Agent considers advisable, notify any Person owing Borrower money of Collateral Agent’s and Lenders’ security interest in such funds, and verify the amount of such account;

(d) make any payments and do any acts it considers necessary or reasonable to protect the Collateral and/or its security interest in the Collateral. Borrower shall assemble the Collateral if Collateral Agent requests and make it available as Collateral Agent designates. Collateral Agent may enter premises where the Collateral is located, take and maintain possession of any part of the Collateral, and pay, purchase, contest, or compromise any Lien which appears to be prior or superior to its security interest and pay all expenses incurred. Borrower grants Collateral Agent a license to enter and occupy any of its premises, without charge, to exercise any of Collateral Agent’s rights or remedies;

(e) apply to the Obligations any (i) balances and deposits of Borrower it holds, or (ii) any amount held by Collateral Agent or Lenders owing to or for the credit or the account of Borrower;

(f) ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, advertise for sale, and sell the Collateral. Collateral Agent is hereby granted a non-exclusive, royalty-free license or other right to use, without charge, Borrower’s labels, patents, copyrights, mask works, rights of use of any name, trade secrets, trade names, trademarks, service marks, and advertising matter, or any similar property as it pertains to the Collateral, in completing production of, advertising for sale, and selling any Collateral and, in connection with Collateral Agent’s exercise of its rights under this Section, Borrower’s rights under all licenses and all franchise agreements inure to Collateral Agent for the benefit of the Lenders;

(g) place a “hold” on any account maintained with Collateral Agent or Lenders and/or deliver a notice of exclusive control, any entitlement order, or other directions or instructions pursuant to any Control Agreement or similar agreements providing control of any Collateral;

(h) demand and receive possession of Borrower’s Books; and

(i) exercise all rights and remedies available to Collateral Agent under the Loan Documents or at law or equity, including all remedies provided under the Code (including disposal of the Collateral pursuant to the terms thereof).

9.2 Power of Attorney. Borrower hereby irrevocably appoints Collateral Agent as its lawful attorney-in-fact, exercisable only upon the occurrence and during the continuance of an Event of Default, to: (a) endorse Borrower’s name on any checks or other forms of payment or security; (b) sign Borrower’s name on any invoice or bill of lading for any Account or drafts against Account Debtors; (c) settle and adjust disputes and claims about the Accounts directly with Account Debtors, for amounts and on terms Collateral Agent determines reasonable; (d) make, settle, and adjust all claims under Borrower’s insurance policies; (e) pay, contest or settle any Lien, charge, encumbrance, security interest, and adverse claim
in or to the Collateral, or any judgment based thereon, or otherwise take any action to terminate or discharge the same; and (f) transfer the Collateral into the name of Collateral Agent or a third party as the Code permits. Borrower hereby appoints Collateral Agent as its lawful attorney-in-fact to sign Borrower’s name on any documents necessary to perfect or continue the perfection of Collateral Agent’s and Lenders’ security interest in the Collateral regardless of whether an Event of Default has occurred until all Obligations have been satisfied in full and Collateral Agent and Lenders are under no further obligation to make Credit Extensions hereunder. Collateral Agent’s foregoing appointment as Borrower’s attorney in fact, and all of Collateral Agent’s rights and powers, coupled with an interest, are irrevocable until all Obligations have been fully repaid and performed and Collateral Agent’s and Lenders’ obligation to provide Credit Extensions terminates.

9.3 Protective Payments. If Borrower fails to obtain the insurance called for by Section 6.5 or fails to pay any premium thereon or fails to pay any other amount which Borrower is obligated to pay under this Agreement or any other Loan Document, Collateral Agent may obtain such insurance or make such payment, and all amounts so paid by Collateral Agent are Lenders’ Expenses and immediately due and payable, bearing interest at the then highest applicable rate, and secured by the Collateral. Collateral Agent will make reasonable efforts to provide Borrower with notice of Collateral Agent obtaining such insurance at the time it is obtained or within a reasonable time thereafter. No payments by Collateral Agent are deemed an agreement to make similar payments in the future or Collateral Agent’s waiver of any Event of Default.

9.4 Application of Payments and Proceeds. Borrower shall have no right to specify the order or the accounts to which Collateral Agent shall allocate or apply any payments required to be made by Borrower to Collateral Agent or otherwise received by Collateral Agent under this Agreement when any such allocation or application is not specified elsewhere in this Agreement. If an Event of Default has occurred and is continuing, Collateral Agent may apply any funds in its possession, whether from Borrower account balances, payments, proceeds realized as the result of any collection of Accounts or other disposition of the Collateral, or otherwise, to the Obligations in such order as the Lenders shall determine in their sole discretion. Any surplus shall be paid to Borrower or other Persons legally entitled thereto; Borrower shall remain liable to Lenders for any deficiency. If Collateral Agent, in its good faith business judgment, directly or indirectly enters into a deferred payment or other credit transaction with any purchaser at any sale of Collateral, Collateral Agent shall have the option, exercisable at any time, of either reducing the Obligations by the principal amount of the purchase price or deferring the reduction of the Obligations until the actual receipt by Collateral Agent of cash therefor.

9.5 Liability for Collateral. So long as the Collateral Agent and Lenders comply with reasonable banking practices regarding the safekeeping of the Collateral in the possession or under the control of the Collateral Agent and Lenders, the Collateral Agent and Lenders shall not be liable or responsible for: (a) the safekeeping of the Collateral; (b) any loss or damage to the Collateral; (c) any diminution in the value of the Collateral; or (d) any act or default of any carrier, warehouseman, bailee, or other Person. Borrower bears all risk of loss, damage or destruction of the Collateral.

9.6 No Waiver; Remedies Cumulative. Collateral Agent’s failure, at any time or times, to require strict performance by Borrower of any provision of this Agreement or any other Loan Document shall not waive, affect, or diminish any right of Collateral Agent thereafter to demand strict performance and compliance herewith or therewith. No waiver hereunder shall be effective unless signed by Collateral Agent and then is only effective for the specific instance and purpose for which it is given. Collateral Agent’s rights and remedies under this Agreement and the other Loan Documents are cumulative. Collateral Agent has all rights and remedies provided under the Code, by law, or in equity. Collateral Agent’s exercise of one right or remedy is not an election, and Collateral Agent’s waiver of any Event of Default is not a continuing waiver. Collateral Agent’s delay in exercising any remedy is not a waiver, election, or acquiescence.

9.7 Demand Waiver. Borrower waives demand, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension, or renewal of accounts, documents, instruments, chattel paper, and guarantees held by Collateral Agent on which Borrower is liable.

10 NOTICES

All notices, consents, requests, approvals, demands, or other communication (collectively, “Communication”) by any party to this Agreement or any other Loan Document must be in writing and shall be deemed to have been validly served, given, or delivered: (a) upon the earlier of actual receipt and three (3) Business Days after deposit in the U.S. mail, first class, registered or certified mail return receipt requested, with proper postage prepaid; (b) upon transmission, when sent by electronic mail (if an email address is specified herein) or facsimile transmission; (c) one (1) Business Day after deposit with a reputable overnight courier with all charges.
prepaid; or (d) when delivered, if hand-delivered by messenger, all of which shall be addressed to the party to be notified and sent to the address, facsimile number, or email address indicated below. Either Collateral Agent, Lender or Borrower may change its address or facsimile number by giving the other party written notice thereof in accordance with the terms of this Section 10.

If to Borrower: Complete Genomics, Inc.  
2071 Stierlin Court  
Mountain View, California 94043  
Attn: John Curson, Chief Financial Officer  
Fax: (650) 964-2108  
Email: jcurson@completegenomics.com

If to Collateral Agent: Silicon Valley Bank  
2400 Hanover Street  
Palo Alto, California 94304  
Attn: Mr. Rob Freelen  
Fax: (650) 320-0016  
Email: RFreelen@svb.com

with a copy to: Riemer & Braunstein LLP  
Three Center Plaza  
Boston, Massachusetts 02108  
Attn: David A. Ephraim, Esquire  
Fax: (617) 880-3456  
Email: DEphraim@riemerlaw.com

If to Oxford: Oxford Finance Corporation  
133 North Fairfax Street  
Alexandria, Virginia 22314  
Attn: General Counsel  
Fax: (703) 519-5225

If to Leader A or Leader B: Leader Lending, LLC – Series A  
Leader Lending, LLC – Series B  
c/o Leader Ventures, LLC  
311 California Street, Suite 420  
San Francisco, California 94104  
Attn: Robert W. Molke  
Fax: (415) 956-8233  
Email: rmolke@leaderventures.com

11 CHOICE OF LAW, VENUE, JURY TRIAL WAIVER AND JUDICIAL REFERENCE

California law governs the Loan Documents without regard to principles of conflicts of law. Each of Borrower, Collateral Agent and each Lender submits to the exclusive jurisdiction of the State and Federal courts in California; provided, however, that nothing in this Agreement shall be deemed to operate to preclude Collateral Agent or any lender from bringing suit or taking other legal action in any other jurisdiction to realize on the Collateral or any other security for the Obligations, or to enforce a judgment or other court order in favor of such Person. Borrower expressly submits and consents in advance to such jurisdiction in any action or suit commenced in any such court, and Borrower hereby waives any objection that it may have based upon lack of personal jurisdiction, improper venue, or forum non conveniens and hereby consents to the granting of such legal or equitable relief as is deemed appropriate by such court. Borrower hereby waives personal service of the summons, complaints, and other process issued in such action or suit and agrees that service of such summons, complaints, and other process may be made by registered or certified mail addressed to Borrower at the address set forth in Section
10 of this Agreement and that service so made shall be deemed completed upon the earlier to occur of Borrower’s actual receipt thereof or three (3) days after deposit in the U.S. mails, proper postage prepaid.

TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, EACH OF BORROWER, COLLATERAL AGENT AND EACH LENDER WAIVES ITS RIGHT TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION ARISING OUT OF OR BASED UPON THIS AGREEMENT, THE LOAN DOCUMENTS OR ANY CONTEMPLATED TRANSACTION, INCLUDING CONTRACT, TORT, BREACH OF DUTY AND ALL OTHER CLAIMS. THIS WAIVER IS A MATERIAL INDUCEMENT FOR BOTH PARTIES TO ENTER INTO THIS AGREEMENT. EACH PARTY HAS REVIEWED THIS WAIVER WITH ITS COUNSEL.

WITHOUT INTENDING IN ANY WAY TO LIMIT THE PARTIES’ AGREEMENT TO WAIVE THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY, if the above waiver of the right to a trial by jury is not enforceable, the parties hereto agree that any and all disputes or controversies of any nature between them arising at any time shall be decided by a reference to a private judge, mutually selected by the parties (or, if they cannot agree, by the Presiding Judge of the Santa Clara County, California Superior Court) appointed in accordance with California Code of Civil Procedure Section 638 (or pursuant to comparable provisions of federal law if the dispute falls within the exclusive jurisdiction of the federal courts), sitting without a jury, in Santa Clara County, California; and the parties hereby submit to the jurisdiction of such court. The reference proceedings shall be conducted pursuant to and in accordance with the provisions of California Code of Civil Procedure §§ 638 through 645.1, inclusive. The private judge shall have the power, among others, to grant provisional relief, including without limitation, entering temporary restraining orders, issuing preliminary and permanent injunctions and appointing receivers. All such proceedings shall be closed to the public and confidential and all records relating thereto shall be permanently sealed. If during the course of any dispute, a party desires to seek provisional relief, but a judge has not been appointed at that point pursuant to the judicial reference procedures, then such party may apply to the Santa Clara County, California Superior Court for such relief. The proceeding before the private judge shall be conducted in the same manner as it would be before a court under the rules of evidence applicable to judicial proceedings. The parties shall be entitled to discovery which shall be conducted in the same manner as it would be before a court under the rules of discovery applicable to judicial proceedings. The private judge shall oversee discovery and may enforce all discovery rules and order applicable to judicial proceedings in the same manner as a trial court judge. The parties agree that the selected or appointed private judge shall have the power to decide all issues in the action or proceeding, whether of fact or of law, and shall report a statement of decision thereon pursuant to the California Code of Civil Procedure § 644(a). Nothing in this paragraph shall limit the right of any party at any time to exercise self-help remedies, foreclose against collateral, or obtain provisional remedies. The private judge shall also determine all issues relating to the applicability, interpretation, and enforceability of this paragraph.

12 GENERAL PROVISIONS

12.1 Successors and Assigns. This Agreement binds and is for the benefit of the successors and permitted assigns of each party. Borrower may not assign this Agreement or any rights or obligations under it without Collateral Agent’s prior written consent (which may be granted or withheld in Collateral Agent’s discretion). Lenders have the right, without the consent of or notice to Borrower, to sell, transfer, assign, negotiate, or grant participation in all or any part of, or any interest in, Lenders’ obligations, rights, and benefits under this Agreement and the other Loan Documents.

12.2 Indemnification. Borrower agrees to indemnify, defend and hold Collateral Agent and the Lenders and their respective directors, officers, employees, agents, attorneys, or any other Person affiliated with or representing Collateral Agent or the Lenders (each, an “Indemnified Person”) harmless against: (a) all obligations, demands, claims, and liabilities (collectively, “Claims”) asserted by any other party in connection with the transactions contemplated by the Loan Documents; and (b) all losses or Lenders’ Expenses incurred, or paid by Indemnified Person from, following, or arising from transactions between Collateral Agent, and/or Lenders and Borrower (including reasonable attorneys’ fees and expenses), except for Claims and/or losses directly caused by such Indemnified Person’s gross negligence or willful misconduct.

12.3 Time of Essence. Time is of the essence for the performance of all Obligations in this Agreement.

12.4 Severability of Provisions. Each provision of this Agreement is severable from every other provision in determining the enforceability of any provision.
12.5 Correction of Loan Documents. Collateral Agent and the Lenders may correct patent errors and fill in any blanks in this Agreement and the other Loan Documents consistent with the agreement of the parties.

12.6 Amendments in Writing; Integration. All amendments to this Agreement must be in writing signed by Collateral Agent, Lenders and Borrower. This Agreement and the Loan Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of this Agreement and the Loan Documents merge into this Agreement and the Loan Documents.

12.7 Counterparts. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, are an original, and all taken together, constitute one Agreement.

12.8 Survival. All covenants, representations and warranties made in this Agreement continue in full force until this Agreement has terminated pursuant to its terms and all Obligations (other than inchoate indemnity obligations and any other obligations which, by their terms, are to survive the termination of this Agreement) have been satisfied. The obligation of Borrower in Section 12.2 to indemnify each Lender and Collateral Agent shall survive until the statute of limitations with respect to such claim or cause of action shall have run.

12.9 Confidentiality. In handling any confidential information, Lenders and Collateral Agent shall exercise the same degree of care that it exercises for its own proprietary information, but disclosure of information may be made: (a) to Lenders’ and Collateral Agent’s Subsidiaries or Affiliates; (b) to prospective transferees or purchasers of any interest in the Credit Extensions (provided, however, Lenders and Collateral Agent shall use commercially reasonable efforts to obtain such prospective transferee’s or purchaser’s agreement to the terms of this provision); (c) as required by law, regulation, subpoena, or other order; (d) to regulators or as otherwise required in connection with an examination or audit; (e) as Collateral Agent considers appropriate in exercising remedies under the Loan Documents; and (f) to third party service providers of Lenders and/or Collateral Agent so long as such service providers have executed a confidentiality agreement with Lenders and Collateral Agent with terms no less restrictive than those contained herein. Confidential information does not include information that either: (i) is in the public domain or in Lenders’ and/or Collateral Agent’s possession when disclosed to Lenders and/or Collateral Agent; or (ii) is disclosed to Lenders and/or Collateral Agent by a third party, if Lenders and/or Collateral Agent does not know that the third party is prohibited from disclosing the information. Collateral Agent may use confidential information for any purpose, including, without limitation, for the development of client databases, reporting purposes, and market analysis, so long as Collateral Agent does not disclose Borrower’s identity or the identity of any person associated with Borrower unless otherwise expressly permitted by this Agreement. The provisions of the immediately preceding sentence shall survive the termination of this Agreement.

12.10 Attorneys’ Fees, Costs and Expenses. In any action or proceeding between Borrower and any one or more of Collateral Agent and any Lender arising out of or relating to the Loan Documents, the prevailing party shall be entitled to recover its reasonable attorneys’ fees and other costs and expenses incurred, in addition to any other relief to which it may be entitled.

12.11 Right of Set Off. Borrower hereby grants to Collateral Agent, a lien, security interest and right of set off as security for all Obligations to Collateral Agent hereunder, whether now existing or hereafter arising upon and against all deposits, credits, collateral and property, now or hereafter in the possession, custody, safekeeping or control of Collateral Agent or Lenders or any entity under the control of Collateral Agent or Lenders (including an Collateral Agent affiliate) or in transit to any of them. At any time after the occurrence and during the continuance of an Event of Default, without demand or notice, Collateral Agent or Lenders may set off the same or any part thereof and apply the same to any liability or obligation of Borrower even though unmatured and regardless of the adequacy of any other collateral securing the Obligations. ANY AND ALL RIGHTS TO REQUIRE COLLATERAL AGENT TO EXERCISE ITS RIGHTS OR REMEDIES WITH RESPECT TO ANY OTHER COLLATERAL WHICH SECURES THE OBLIGATIONS, PRIOR TO EXERCISING ITS RIGHT OF SETOFF WITH RESPECT TO SUCH DEPOSITS, CREDITS OR OTHER PROPERTY OF BORROWER ARE HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVED.

13 DEFINITIONS
13.1 Definitions. As used in this Agreement, the following terms have the following meanings:

“Account” is any “account” as defined in the Code with such additions to such term as may hereafter be made, and includes, without limitation, all accounts receivable and other sums owing to Borrower.

“Account Debtor” is any “account debtor” as defined in the Code with such additions to such term as may hereafter be made.

“Affiliate” of any Person is a Person that owns or controls directly or indirectly the Person, any Person that controls or is controlled by or is under common control with the Person, and each of that Person’s senior executive officers, directors, partners and, for any Person that is a limited liability company, that Person’s managers and members.

“Agreement” is defined in the preamble hereof.

“Basic Rate” is the per annum rate of interest (based on a year of 360 days) equal to the greater of: (i) 10.50%, and (ii) the sum of (a) U.S. Treasury note yield to maturity for a term equal to the Treasury Note Maturity as reported in Federal Reserve Statistical Release H.15- Selected Interest Rates under the heading “U.S. Government Securities/Treasury Constant Maturities” at the “week ending” rate applicable immediately prior to the Funding Date for such Loan, plus (b) the Loan Margin. In the event Release H.15 is no longer published, Collateral Agent shall select a comparable publication to determine the U.S. Treasury note yield to maturity.

“Borrower” is defined in the preamble hereof.

“Borrower’s Books” are all Borrower’s books and records including ledgers, federal and state tax returns, records regarding Borrower’s assets or liabilities, the Collateral, business operations or financial condition, and all computer programs or storage or any equipment containing such information.

“Borrowing Resolutions” are, with respect to any Person, those resolutions adopted by such Person’s Board of Directors and delivered by such Person to Collateral Agent approving the Loan Documents to which such Person is a party and the transactions contemplated thereby, together with a certificate executed by its secretary on behalf of such Person certifying that (a) such Person has the authority to execute, deliver, and perform its obligations under each of the Loan Documents to which it is a party, (b) that attached as Exhibit A to such certificate is a true, correct, and complete copy of the resolutions then in full force and effect authorizing and ratifying the execution, delivery, and performance by such Person of the Loan Documents to which it is a party, (c) the name(s) of the Person(s) authorized to execute the Loan Documents on behalf of such Person, together with a sample of the true signature(s) of such Person(s), and (d) that Collateral Agent and the Lenders may conclusively rely on such certificate unless and until such Person shall have delivered to Collateral Agent a further certificate canceling or amending such prior certificate.

“Business Day” is any day that is not a Saturday, Sunday or a day on which Collateral Agent is closed.

“Cash Equivalents” are (a) marketable direct obligations issued or unconditionally guaranteed by the United States or any agency or any State thereof having maturities of not more than one (1) year from the date of acquisition; (b) commercial paper maturing no more than one (1) year after its creation and having the highest rating from either Standard & Poor’s Ratings Group or Moody’s Investors Service, Inc., and (c) SVB’s certificates of deposit issued maturing no more than one (1) year after issue. For the avoidance of doubt, the direct purchase by the borrower, co-borrower, or any subsidiary of the borrower of any Auction Rate Securities, or purchasing participation in, or entering into any type of swap or other derivative transaction, or otherwise holding or engaging in any ownership interest in any type of Auction Rate Security by Borrower, co-borrower, or any subsidiary of Borrower shall be conclusively determined by the Lenders as an ineligible Cash Equivalent, and any such transaction shall expressly violate each other provision of this agreement governing Permitted Investments. Notwithstanding the foregoing, Cash Equivalents does not include and each Borrower and Subsidiary is prohibited from purchasing, purchasing participation in, entering into any type of swap or other equivalent derivative transaction, or otherwise holding or engaging in any ownership interest in any type of debt instrument, including.

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without limitation, any corporate or municipal bonds with a long-term nominal maturity for which the interest rate is reset through a Dutch auction and more commonly referred to as an auction rate security.

“Claims” are defined in Section 12.2 hereof.

“Code” is the Uniform Commercial Code, as the same may, from time to time, be enacted and in effect in the State of California provided, that, to the extent that the Code is used to define any term herein or in any Loan Document and such term is defined differently in different Articles or Divisions of the Code, the definition of such term contained in Article or Division 9 shall govern; provided further, that in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection, or priority of, or remedies with respect to, Collateral Agent’s and Lenders’ Lien on any Collateral is governed by the Uniform Commercial Code in effect in a jurisdiction other than the California, the term “Code” shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes on the provisions thereof relating to such attachment, perfection, priority, or remedies and for purposes of definitions relating to such provisions.

“Collateral” is any and all properties, rights and assets of Borrower described on Exhibit A.

“Collateral Account” is any Deposit Account, Securities Account, or Commodity Account.

“Collateral Agent” means SVB, not in its individual capacity, but solely in its capacity as agent on behalf of and for the benefit of the Lenders.

“Commitment Percentage” is set forth in Schedule 1.1, as amended from time to time.

“Commodity Account” is any “commodity account” as defined in the Code with such additions to such term as may hereafter be made.

“Communication” is defined in Section 10 hereof.

“Compliance Certificate” is that certain certificate in the form attached hereto as Exhibit C.

“Contingent Obligation” is, for any Person, any direct or indirect liability, contingent or not, of that Person for (a) any indebtedness, lease, dividend, letter of credit or other obligation of another such as an obligation directly or indirectly guaranteed, endorsed, co-made, discounted or sold with recourse by that Person, or for which that Person is directly or indirectly liable; (b) any obligations for undrawn letters of credit for the account of that Person; and (c) all obligations from any interest rate, currency or commodity swap agreement, interest rate cap or collar agreement, or other agreement or arrangement designated to protect a Person against fluctuation in interest rates, currency exchange rates or commodity prices; but “Contingent Obligation” does not include endorsements in the ordinary course of business. The amount of a Contingent Obligation is the stated or determined amount of the primary obligation for which the Contingent Obligation is made or, if not determinable, the maximum reasonably anticipated liability for it determined by the Person in good faith; but the amount may not exceed the maximum of the obligations under any guarantee or other support arrangement.

“Control Agreement” is any control agreement entered into among the depository institution at which Borrower maintains a Deposit Account or the securities intermediary or commodity intermediary at which Borrower maintains a Securities Account or a Commodity Account, Borrower, and Collateral Agent pursuant to which Collateral Agent obtains control (within the meaning of the Code) for the benefit of the Lenders over such Deposit Account, Securities Account, or Commodity Account.

“Credit Extension” is any Term Loan, Equipment Advance or any other extension of credit by Collateral Agent or Lenders for Borrower’s benefit.

“Default Rate” is defined in Section 2.2(b) hereof.

“Deposit Account” is any “deposit account” as defined in the Code with such additions to such term as may hereafter be made.
Designated Deposit Account” is Borrower’s deposit account, account number 3300497905, maintained with SVB.

“Dollars,” “dollars” and “$” each mean lawful money of the United States.

“Draw Period” is the period of time from the Effective Date through the earlier to occur of (a) December 31, 2008, or (b) an Event of Default.

“Effective Date” is defined in the preamble of this Agreement.

“Eligible Equipment” is the following to the extent it complies with all of Borrower’s representations and warranties to Collateral Agent and the Lenders, is acceptable to Collateral Agent in all respects, is located at 2071 Stierlin Court, Mountain View, California 94043 or such other location of which Collateral Agent has approved in writing, and is subject to a first priority Lien in favor of Collateral Agent, for the benefit of the Lenders, subject to Permitted Liens: (a) new and used computer equipment, office equipment, laboratory equipment, and furnishings, subject to the limitations set forth herein, and (b) Other Equipment.

“Equipment” is all “equipment” as defined in the Code with such additions to such term as may hereafter be made, and includes without limitation all machinery, fixtures, goods, vehicles (including motor vehicles and trailers), and any interest in any of the foregoing.

“Equipment Advance” is defined in Section 2.1.2(a) hereof.

“Equipment Line” is an Equipment Advance or Equipment Advances in an aggregate amount of up to Five Million Dollars ($5,000,000.00).

“Equipment Maturity Date” is, for each Equipment Advance, the date which is thirty-five (35) months after the first Payment Date with respect to such Equipment Advance.

“ERISA” is the Employee Retirement Income Security Act of 1974, and its regulations.

“Event of Default” is defined in Section 8 hereof.

“Existing Lenders” are the lenders party to the Existing Loan Agreements.

“Existing Loan Agreements” are (i) that existing Loan and Security Agreement by and between Borrower and SVB dated as of September 6, 2006, and (ii) that existing Loan and Security Agreement by and among Borrower, SVB and Gold Hill Venture Lending 03 LP dated as of August 3, 2007, in each case as amended and in effect.

“Final Payment” is a payment (in addition to and not a substitution for the regular monthly payments of principal plus accrued interest) due on the earlier to occur of (a) the Maturity Date, (b) the acceleration of the Loans, or (c) the prepayment of the Loans, equal to the amount of Loans multiplied by the Final Payment Percentage.

“Final Payment Percentage” is four percent (4.00%).

“Financed Equipment” is all present and future Eligible Equipment in which Borrower has any interest which is financed by an Equipment Advance.

“Funding Date” is any date on which a Credit Extension is made to or on account of Borrower which shall be a Business Day.

“GAAP” is generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other Person as
may be approved by a significant segment of the accounting profession, which are applicable to the circumstances as of the date of determination.

“General Intangibles” is all “general intangibles” as defined in the Code in effect on the date hereof with such additions to such term as may hereafter be made, and includes without limitation, all copyright rights, copyright applications, copyright registrations and like protections in each work of authorship and derivative work, whether published or unpublished, any patents, trademarks, service marks and, to the extent permitted under applicable law, any applications therefor, whether registered or not, any trade secret rights, including any rights to unpatented inventions, payment intangibles, royalties, contract rights, goodwill, franchise agreements, purchase orders, customer lists, route lists, telephone numbers, domain names, claims, income and other tax refunds, security and other deposits, options to purchase or sell real or personal property, rights in all litigation presently or hereafter pending (whether in contract, tort or otherwise), insurance policies (including without limitation key man, property damage, and business interruption insurance), payments of insurance and rights to payment of any kind.

“Governmental Approval” is any consent, authorization, approval, order, license, franchise, permit, certificate, accreditation, registration, filing or notice, of, issued by, from or to, or other act by or in respect of, any Governmental Authority.

“Governmental Authority” is any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative functions of or pertaining to government, any securities exchange and any self-regulatory organization.

“Indebtedness” is (a) indebtedness for borrowed money or the deferred price of property or services, such as reimbursement and other obligations for surety bonds and letters of credit, (b) obligations evidenced by notes, bonds, debentures or similar instruments, (c) capital lease obligations, and (d) Contingent Obligations.

“Indemnified Person” is defined in Section 12.2 hereof.

“Initial Equipment Advance” is defined in Section 2.1.2(a).

“Insolvency Proceeding” is any proceeding by or against any Person under the United States Bankruptcy Code, or any other bankruptcy or insolvency law, including assignments for the benefit of creditors, compositions, extensions generally with its creditors, or proceedings seeking reorganization, arrangement, or other relief.

“Inventory” is all “inventory” as defined in the Code in effect on the date hereof with such additions to such term as may hereafter be made, and includes without limitation all merchandise, raw materials, parts, supplies, packing and shipping materials, work in process and finished products, including without limitation such inventory as is temporarily out of Borrower’s custody or possession or in transit and including any returned goods and any documents of title representing any of the above.

“Investment” is any beneficial ownership interest in any Person (including stock, partnership interest or other securities), and any loan, advance or capital contribution to any Person.

“Investor Support” means it is the clear intention of Borrower’s investors to continue to fund the Borrower in the amounts and timeframe necessary to enable Borrower to satisfy the Obligations as they become due and payable.

“Lender” is any one of the Lenders.

“Lenders” shall mean the Persons identified on Schedule 1.1 hereto and each assignee that becomes a party to this Agreement pursuant to Section 12.1 hereof.

“Lenders’ Expenses” are all audit fees and expenses, costs, and expenses (including reasonable attorneys’ fees and expenses) for preparing, amending, negotiating, administering, defending and enforcing the Loan.
“**Lien**” is a claim, mortgage, deed of trust, levy, charge, pledge, security interest or other encumbrance of any kind, whether voluntarily incurred or arising by operation of law or otherwise against any property.

“**Loan**” and “**Loans**” are singly or collectively, the Term Loan and the Equipment Advances.

“**Loan Documents**” are, collectively, this Agreement, the Perfection Certificate, any note, or notes or guaranties executed by Borrower, and any other present or future agreement between Borrower and/or for the benefit of Lenders and Collateral Agent in connection with this Agreement, all as amended, restated, or otherwise modified.

“**Loan Margin**” is 803 basis points.

“**Maturity Date**” is the Term Loan Maturity Date or an Equipment Maturity Date, as applicable.

“**Obligations**” are Borrower’s obligation to pay when due any debts, principal, interest, Lenders’ Expenses, Prepayment Fee, and other amounts Borrower owes Lenders now or later, whether under this Agreement, the Loan Documents, including, without limitation, all obligations relating to letters of credit (including reimbursement obligations for drawn and undrawn letters of credit), cash management services, and foreign exchange contracts, if any, and including interest accruing after Insolvency Proceedings begin (whether or not allowed) and debts, liabilities, and the performance of Borrower’s duties under the Loan Documents.

“**Operating Documents**” are, for any Person, such Person’s formation documents, as certified with the Secretary of State of such Person’s state of formation on a date that is no earlier than 30 days prior to the Effective Date, and (a) if such Person is a corporation, its bylaws in current form, (b) if such Person is a limited liability company, its limited liability company agreement (or similar agreement), and (c) if such Person is a partnership, its partnership agreement (or similar agreement), each of the foregoing with all current amendments or modifications thereto.

“**Other Equipment**” is leasehold improvements, software licenses, and soft costs including taxes, shipping, warranty charges, freight discounts and installation expenses and any other costs approved by Collateral Agent.

“**Payment/Advance Form**” is that certain form attached hereto as Exhibit B.

“**Payment Date**” is the first day of each calendar month.

“**Perfection Certificate**” is defined in Section 5.1 hereof.

“**Permitted Indebtedness**” is:

(a) Borrower’s Indebtedness to Lenders and Collateral Agent under this Agreement and the other Loan Documents;

(b) Indebtedness existing on the Effective Date and shown on the Perfection Certificate other than Indebtedness incurred in connection with the Existing Loan Agreements;

(c) Subordinated Debt;

(d) unsecured Indebtedness to trade creditors incurred in the ordinary course of business;

(e) Indebtedness secured by Permitted Liens; and
(f) extensions, refinancings, modifications, amendments and restatements of any items of Permitted Indebtedness (a) through (e) above, provided that the principal amount thereof is not increased or the terms thereof are not modified to impose more burdensome terms upon Borrower or its Subsidiary, as the case may be.

“Permitted Investments” are:

(a) Investments shown on the Perfection Certificate and existing on the Effective Date; and

(b) Cash Equivalents.

“Permitted Liens” are:

(a) Liens existing on the Effective Date and shown on the Perfection Certificate (other than Liens granted in favor of any Existing Lender in connection with the Existing Loan Agreements) or arising under this Agreement and the other Loan Documents;

(b) Liens for taxes, fees, assessments or other government charges or levies, either not delinquent or being contested in good faith and for which Borrower maintains adequate reserves on its Books, provided that no notice of any such Lien has been filed or recorded under the Internal Revenue Code of 1986, as amended, and the Treasury Regulations adopted thereunder;

(c) purchase money Liens (i) on Equipment (other than Financed Equipment) acquired or held by Borrower incurred for financing the acquisition of the Equipment securing no more than One Hundred Thousand Dollars ($100,000) in the aggregate amount outstanding, or (ii) existing on Equipment (other than Financed Equipment) when acquired, if the Lien is confined to the property and improvements and the proceeds of the Equipment;

(d) Liens incurred in the extension, renewal or refinancing of the indebtedness secured by Liens described in (a) through (c), but any extension, renewal or replacement Lien must be limited to the property encumbered by the existing Lien and the principal amount of the indebtedness may not increase;

(e) leases or subleases of real property granted in the ordinary course of business, and leases, subleases, non-exclusive licenses or sublicenses of property (other than real property or intellectual property) granted in the ordinary course of Borrower’s business, if the leases, subleases, licenses and sublicenses do not prohibit granting Collateral Agent a security interest;

(f) non-exclusive licenses of intellectual property granted to third parties in the ordinary course of business; and

(g) carriers’, warehousemen’s, mechanic’s, materialmen’s, repairmen’s or other similar Liens arising in the ordinary course of business and which are not delinquent or remain payable without penalty or which are being contested in good faith and by appropriate proceedings.

“Person” is any individual, sole proprietorship, partnership, limited liability company, joint venture, company, trust, unincorporated organization, association, corporation, institution, public benefit corporation, firm, joint stock company, estate, entity or government agency.

“Prepayment Fee” shall be an additional fee payable to the Collateral Agent in amount equal to, for a prepayment made on or before the Maturity Date, six percent (6.0%) of the principal amount of the outstanding Loans as of the date of such prepayment.

“Registered Organization” is any “registered organization” as defined in the Code with such additions to such term as may hereafter be made.

“Requirement of Law” is as to any Person, the organizational or governing documents of such Person, and any law (statutory or common), treaty, rule or regulation or determination of an arbitrator or a court or other.
Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

“Responsible Officer” is any of the Chief Executive Officer, President, Chief Financial Officer and Controller of Borrower.

“Secured Promissory Note” is defined in Section 2.3 hereof.

“Secured Promissory Note Record” is a record maintained by each Lender with respect to the outstanding Obligations and credits made thereto.

“Securities Account” is any “securities account” as defined in the Code with such additions to such term as may hereafter be made.

“Subordinated Debt” is indebtedness incurred by Borrower subordinated to all of Borrower’s now or hereafter indebtedness to Lenders (pursuant to a subordination, intercreditor, or other similar agreement in form and substance satisfactory to Collateral Agent and Lenders entered into between Collateral Agent, the Borrower and the other creditor), on terms acceptable to Collateral Agent and Lenders.

“Subsidiary” means, with respect to any Person, any Person of which more than 50.0% of the voting stock or other equity interests (in the case of Persons other than corporations) is owned or controlled, directly or indirectly, by such Person or one or more of Affiliates of such Person.

“Term Loan” is defined in Section 2.1.1 hereof.

“Term Loan Maturity Date” is the date which is thirty-five (35) months after the first Payment Date with respect to the Term Loan.

“Transfer” is defined in Section 7.1 hereof.

“Treasury Note Maturity” is thirty-six (36) months.

“Warrant” is that certain Warrants to Purchase Stock dated as of the Effective Date executed by Borrower in favor of each Lender.
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the Effective Date.

BORROWER:

COMPLETE GENOMICS, INC., as Borrower

By /s/ John Curson
Name: John Curson
Title: Chief Financial Officer

LENDERS:

SILICON VALLEY BANK, as Collateral Agent and as a Lender

By ____________________________
Name: __________________________
Title: __________________________

OXFORD FINANCE CORPORATION, as a Lender

By ____________________________
Name: __________________________
Title: __________________________

LEADER LENDING, LLC – SERIES A, as a Lender

By: Leader Ventures, LLC,
   Its Manager

   By ____________________________
   Name: __________________________
   Title: __________________________

LEADERLENDING, LLC – SERIES B, as a Lender

By: Leader Ventures, LLC,
   Its Manager

   By ____________________________
   Name: __________________________
   Title: __________________________

Signature Page to Loan and Security Agreement
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the Effective Date.

BORROWER:
COMPLETE GENOMICS, INC., as Borrower

By ________________________________
Name: ______________________________
Title: ______________________________

LENDERS:
SILICON VALLEY BANK, as Collateral Agent and as a Lender

By /s/ ROBERT FREELEN
Name: ROBERT FREELEN
Title: VP

OXFORD FINANCE CORPORATION, as a Lender

By ________________________________
Name: ______________________________
Title: ______________________________

LEADER LENDING, LLC – SERIES A, as a Lender

By: Leader Ventures, LLC,
   Its Manager

   By ________________________________
   Name: ______________________________
   Title: ______________________________

LEADER LENDING, LLC – SERIES B, as a Lender

By: Leader Ventures, LLC,
   Its Manager

   By ________________________________
   Name: ______________________________
   Title: ______________________________

Signature Page to Loan and Security Agreement
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the Effective Date.

BORROWER:

COMPLETE GENOMICS, INC., as Borrower

By

Name: ____________________________
Title: ____________________________

LENDERS:

SILICON VALLEY BANK, as Collateral Agent and as a Lender

By

Name: ____________________________
Title: ____________________________

OXFORD FINANCE CORPORATION, as a Lender

By /s/ T.A. LEX

Name: T.A. LEX
Title: COO

LEADER LENDING, LLC – SERIES A, as a Lender

By: Leader Ventures, LLC,
    Its Manager

    By

    Name: ____________________________
    Title: ____________________________

LEADER LENDING, LLC – SERIES B, as a Lender

By: Leader Ventures, LLC,
    Its Manager

    By

    Name: ____________________________
    Title: ____________________________

Signature Page to Loan and Security Agreement
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the Effective Date.

BORROWER:

COMPLETE GENOMICS, INC., as Borrower

By
Name: ________________________________
Title: ________________________________

LENDERS:

SILICON VALLEY BANK, as Collateral Agent and as a Lender

By
Name: ________________________________
Title: ________________________________

OXFORD FINANCE CORPORATION, as a Lender

By
Name: ________________________________
Title: ________________________________

LEADER LENDING, LLC – SERIES A, as a Lender

By: Leader Ventures, LLC,
    Its Manager

    By /s/ Patrick Gordan
    Name: Patrick Gordan
    Title: Executive Managing Director

LEADER LENDING, LLC – SERIES B, as a Lender

By: Leader Ventures, LLC,
    Its Manager

    By /s/ Patrick Gordan
    Name: Patrick Gordan
    Title: Executive Managing Director

Signature Page to Loan and Security Agreement
SCHEDULE 1.1

LENDERS AND COMMITMENTS

<table>
<thead>
<tr>
<th>Lender</th>
<th>Commitment</th>
<th>Commitment Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oxford Finance Corporation</td>
<td>$5,500,000.00</td>
<td>42.308%</td>
</tr>
<tr>
<td>Silicon Valley Bank</td>
<td>$3,750,000.00</td>
<td>28.846%</td>
</tr>
<tr>
<td>Leader Lending, LLC – Series A</td>
<td>$1,875,000.00</td>
<td>14.423%</td>
</tr>
<tr>
<td>Leader Lending, LLC – Series B</td>
<td>$1,875,000.00</td>
<td>14.423%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$13,000,000.00</td>
<td>100.000%</td>
</tr>
</tbody>
</table>

Schedule 1.1 to Loan and Security Agreement
EXHIBIT A

The Collateral consists of all of Borrower’s right, title and interest in and to the following personal property:

All goods, Accounts (including health-care receivables), Equipment, Inventory, contract rights or rights to payment of money, leases, license agreements, franchise agreements, General Intangibles (except as provided below), commercial tort claims, documents, instruments (including any promissory notes), chattel paper (whether tangible or electronic), cash, deposit accounts, all certificates of deposit, fixtures, letters of credit rights (whether or not the letter of credit is evidenced by a writing), securities, and all other investment property, supporting obligations, and financial assets, whether now owned or hereafter acquired, wherever located; and

all Borrower’s Books relating to the foregoing, and any and all claims, rights and interests in any of the above and all substitutions for, additions, attachments, accessories, accessions and improvements to and replacements, products, proceeds and insurance proceeds of any or all of the foregoing.

Notwithstanding the foregoing, the Collateral does not include any of the following, whether now owned or hereafter acquired: any copyright rights, copyright applications, copyright registrations and like protections in each work of authorship and derivative work, whether published or unpublished, any patents, patent applications and like protections, including improvements, divisions, continuations, renewals, reissues, extensions, and continuations-in-part of the same, trademarks, service marks and, to the extent permitted under applicable law, any applications therefor, whether registered or not, and the goodwill of the business of Borrower connected with and symbolized thereby, know-how, operating manuals, trade secret rights, rights to unpatented inventions, and any claims for damage by way of any past, present, or future infringement of any of the foregoing; provided, however, the Collateral shall include all Accounts, license and royalty fees and other revenues, proceeds, or income arising out of or relating to any of the foregoing.

Pursuant to the terms of a certain negative pledge arrangement with Collateral Agent and Lenders, Borrower has agreed not to encumber any of its copyright rights, copyright applications, copyright registrations and like protections in each work of authorship and derivative work, whether published or unpublished, any patents, patent applications and like protections, including improvements, divisions, continuations, renewals, reissues, extensions, and continuations-in-part of the same, trademarks, service marks and, to the extent permitted under applicable law, any applications therefor, whether registered or not, and the goodwill of the business of Borrower connected with and symbolized thereby, know-how, operating manuals, trade secret rights, rights to unpatented inventions, and any claims for damage by way of any past, present, or future infringement of any of the foregoing, without Collateral Agent’s prior written consent.

Exhibit A to Loan and Security Agreement
EXHIBIT B  
Loan Payment/Advance Request Form  
DEADLINE IS NOON E.S.T.  

Fax To:              Date: __________________________

<table>
<thead>
<tr>
<th>LOAN PAYMENT:</th>
<th>Complete Genomics, Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>From Account #</td>
<td></td>
</tr>
<tr>
<td>(Deposit Account #)</td>
<td></td>
</tr>
<tr>
<td>Principal $</td>
<td></td>
</tr>
<tr>
<td>Authorized Signature:</td>
<td></td>
</tr>
<tr>
<td>Print Name/Title:</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LOAN ADVANCE:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Complete Outgoing Wire Request section below if all or a portion of the funds from this loan advance are for an outgoing wire.</td>
<td></td>
</tr>
<tr>
<td>From Account #</td>
<td></td>
</tr>
<tr>
<td>(Loan Account #)</td>
<td></td>
</tr>
<tr>
<td>Amount of Advance $</td>
<td></td>
</tr>
<tr>
<td>Authorized Signature:</td>
<td></td>
</tr>
<tr>
<td>Print Name/Title:</td>
<td></td>
</tr>
</tbody>
</table>

Borrower confirms that there has not been any material impairment in the general affairs, management, results of operation, financial condition or the prospect of repayment of the Obligations. In addition, Borrower’s representations and warranties in the Loan and Security Agreement are true, correct and complete in all material respects on the date of the request for an advance; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date.
**OUTGOING WIRE REQUEST:**

Complete only if all or a portion of funds from the loan advance above is to be wired.

Deadline for same day processing is noon, E.S.T.

<table>
<thead>
<tr>
<th>Benefitary Name:</th>
<th>Amount of Wire: $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefitary Lender:</td>
<td>Account Number:</td>
</tr>
<tr>
<td>City and State:</td>
<td></td>
</tr>
</tbody>
</table>

Beneficiary Lender Transit (ABA) #: 
Beneficiary Lender Code (Swift, Sort, Chip, etc.): 
(For International Wire Only)

Intermediary Lender: 
Transit (ABA) #: 

For Further Credit to: 

Special Instruction:

By signing below, I (we) acknowledge and agree that my (our) funds transfer request shall be processed in accordance with and subject to the terms and conditions set forth in the agreement(s) covering funds transfer service(s), which agreement(s) were previously received and executed by me (us).

<table>
<thead>
<tr>
<th>Authorized Signature:</th>
<th>2 nd</th>
</tr>
</thead>
<tbody>
<tr>
<td>Signature (if required):</td>
<td></td>
</tr>
<tr>
<td>Print Name/Title:</td>
<td></td>
</tr>
<tr>
<td>Telephone #:</td>
<td></td>
</tr>
</tbody>
</table>

| Print Name/Title: | |
| Telephone #: | |

Exhibit B to Loan and Security Agreement
EXHIBIT C

COMPLIANCE CERTIFICATE

TO: SILICON VALLEY BANK, as Collateral Agent

FROM: COMPLETE GENOMICS, INC., as Borrower

Date: _____________

The undersigned authorized officer of Complete Genomics, Inc. (“Borrower”) certifies that under the terms and conditions of the Loan and Security Agreement among Borrower, Collateral Agent and the Lenders (as amended, restated, supplemented or otherwise modified from time to time, the “Agreement”), (1) Borrower is in complete compliance for the period ending ________ with all required covenants except as noted below, (2) there are no Events of Default, (3) all representations and warranties in the Agreement are true and correct in all material respects on this date except as noted below; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date, (4) Borrower, and each of its Subsidiaries, has timely filed all required tax returns and reports, and Borrower has timely paid all foreign, federal, state and local taxes, assessments, deposits and contributions owed by Borrower except as otherwise permitted pursuant to the terms of Section 5.8 of the Agreement, and (5) no Liens have been levied or claims made against Borrower or any of its Subsidiaries relating to unpaid employee payroll or benefits of which Borrower has not previously provided written notification to Collateral Agent. Attached are the required documents supporting the certification. The undersigned certifies, in the capacity as an officer of the Borrower, that these are prepared in accordance with GAAP consistently applied from one period to the next except as explained in an accompanying letter or footnotes. The undersigned acknowledges, in the capacity as an officer of the Borrower, that no borrowings may be requested at any time or date of determination that Borrower is not in compliance with any of the terms of the Agreement, and that compliance is determined not just at the date this certificate is delivered. Capitalized terms used but not otherwise defined herein shall have the meanings given them in the Agreement.

Please indicate compliance status by circling Yes/No under “Complies” column.

<table>
<thead>
<tr>
<th>Reporting Covenant</th>
<th>Required</th>
<th>Complies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly Financial Statements Compliance Certificate</td>
<td>Monthly within 30 days</td>
<td>Yes No</td>
</tr>
<tr>
<td>Audited Financial Statements</td>
<td>Annually within 240 days after FYE</td>
<td>Yes No</td>
</tr>
<tr>
<td>Board Approved Projections</td>
<td>Annually within 10 days after FYE</td>
<td>Yes No</td>
</tr>
</tbody>
</table>

The following are the exceptions with respect to the certification above: (If no exceptions exist, state “No exceptions to note.”)

COLLATERAL AGENT USE ONLY

Received by: ________________

AUTHORIZED SIGNER

Date: ________________

Verified: ________________

AUTHORIZED SIGNER

Date: ________________

Compliance Status: Yes No

COMPLETE GENOMICS, INC.

By: ____________________________

Name: __________________________

Title: __________________________

Exhibit C to Loan and Security Agreement
EXHIBIT D

SECURED PROMISSORY NOTE

FOR VALUE RECEIVED, the undersigned, COMPLETE GENOMICS, INC., a Delaware corporation ("Borrower"), HEREBY PROMISES TO PAY to the order of [SVB / OXFORD / LEADER A / LEADER B] ("Lender") the principal amount of $_________ or such lesser amount as shall equal the outstanding principal balance of the Loans made to Borrower by Lender, plus interest on the aggregate unpaid principal amount of the Loans, at the rates and in accordance with the terms of the Loan and Security Agreement by and among Borrower and Silicon Valley Bank, as Collateral Agent, and the Lenders, including without limitation, Oxford Finance Corporation, SVB, Leader Lending, LLC – Series A and Leader Lending, LLC – Series B (as amended, restated, supplemented or otherwise modified from time to time, the “Loan Agreement”). If not sooner paid, the entire principal amount and all accrued interest hereunder and under the Loan Agreement shall be due and payable on the applicable Maturity Date as set forth in the Loan Agreement.

Borrower agrees to pay any initial partial month interest payment from the date of this Note to the first Payment Date (“Interim Interest”) on the first Payment Date.

Principal, interest and all other amounts due with respect to the Loans, are payable in lawful money of the United States of America to Lender as set forth in the Loan Agreement and this Secured Promissory Note. The principal amount of this Note and the interest rate applicable thereto, and all payments made with respect thereto, shall be recorded by Lender and, prior to any transfer hereof, endorsed on the grid attached hereto which is part of this Note.

The Loan Agreement, among other things, (a) provides for the making of secured Loans to Borrower, and (b) contains provisions for acceleration of the maturity hereof upon the happening of certain stated events.

This Note may not be prepaid except as set forth in Section 2 of the Loan Agreement.

This Note and the obligation of Borrower to repay the unpaid principal amount of the Loans, interest on the Loans and all other amounts due Lender under the Loan Agreement is secured under the Loan Agreement.

Presentment for payment, demand, notice of protest and all other demands and notices of any kind in connection with the execution, delivery, performance and enforcement of this Note are hereby waived.

Borrower shall pay all reasonable fees and expenses, including, without limitation, reasonable attorneys’ fees and costs, incurred by Lender in the enforcement or attempt to enforce any of Borrower’s obligations hereunder not performed when due. This Note shall be governed by, and construed and interpreted in accordance with, the laws of the State of California.

Note Register; Ownership of Note. The ownership of an interest in this Note shall be registered on a record of ownership maintained by Lender or its agent. Notwithstanding anything else in this Note to the contrary, the right to the principal of, and stated interest on, this Note may be transferred only if the transfer is registered on such record of ownership and the transferee is identified as the owner of an interest in the obligation. Borrower shall be entitled to treat the registered holder of this Note (as recorded on such record of ownership) as the owner in fact thereof for all purposes and shall not be bound to recognize any equitable or other claim to or interest in this Note on the part of any other person or entity.

Exhibit D to Loan and Security Agreement
IN WITNESS WHEREOF, Borrower has caused this Note to be duly executed by one of its officers thereunto duly authorized on the date hereof.

BORROWER:

COMPLETE GENOMICS, INC.

By: 

Name: 

Title: 

Exhibit D to Loan and Security Agreement
LEASE

Landlord: Britannia Hacienda VIII, LLC
Tenant: Complete Genomics, Inc.
Date: October 31, 2008

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EXHIBITS

EXHIBIT A-1  Site Plan (The Center)
EXHIBIT A-2  2071 Building Plan
EXHIBIT A-3  2025 Building Plan
EXHIBIT B  Workletter
EXHIBIT C  Form of Acknowledgment of Commencement Date
LEASE

THIS LEASE ("Lease") is made and entered into as of October 31, 2008 (the "Lease Commencement Date"), by and between BRITANNIA HACIENDA VIII, LLC, a Delaware limited liability company ("Landlord"), and COMPLETE GENOMICS, INC., a Delaware corporation ("Tenant"). This Lease supersedes the Short Term Lease Agreement dated as of September 15, 2008 previously executed by Landlord and Tenant with respect to the Existing Premises (as defined below), which Short Term Lease Agreement is hereby terminated and shall be of no further force or effect.

THE PARTIES AGREE AS FOLLOWS:

1. PROPERTY

1.1 Lease of Premises.

(a) Landlord leases to Tenant and Tenant hires and leases from Landlord, on the terms, covenants and conditions hereinafter set forth, the premises consisting of the freestanding two-story building containing approximately 66,096 rentable square feet, commonly known as 2071 Stierlin Court (the "2071 Building"), located in the Britannia Shoreline Technology Park (referred to interchangeably herein as the "Center" or the "Property") in the City of Mountain View, County of Santa Clara, State of California. For purposes of the initial phasing-in period under this Lease, the 2071 Building is considered to be subdivided into two parts: the first floor leasable premises in the 2071 Building, consisting of an exclusive occupancy area on the first floor of the 2071 Building plus the nonexclusive right to use the 2071 Building Common Areas (as defined below) (the "Existing Premises"), containing approximately 32,148 rentable square feet (including an allocable portion of the 2071 Building Common Areas), and the second floor leasable premises in the 2071 Building, consisting of the entire second floor of the 2071 Building plus the nonexclusive right to use the 2071 Building Common Areas (the "Expansion Premises"), containing approximately 33,948 rentable square feet (including an allocable portion of the 2071 Building Common Areas). The Existing Premises are presently occupied by Tenant as a subtenant under a sublease (the "Aerogen Sublease") from Aerogen, Inc. ("Aerogen"). which in turn is the master tenant of the Existing Premises pursuant to a direct lease from Landlord’s predecessor in interest (the "Aerogen Lease"); both the Aerogen Lease and the Aerogen Sublease are scheduled to expire on February 28, 2009. The Expansion Premises are presently occupied by QLogic Corporation under a lease which is scheduled to expire on January 31, 2010 (the "QLogic Lease"). The Center, the 2071 Building and the approximate location of the 2071 Building within the Center are depicted on the site plan attached hereto as Exhibit A-1 and incorporated herein by this reference (the "Site Plan"). The footprint and general interior configuration of the 2071 Building, including the 2071 Building Common Areas, are depicted on the drawings attached hereto as Exhibit A-2 and incorporated herein by this reference (collectively, the "2071 Building Plan"). The parking areas, driveways, sidewalks, landscaped areas and other portions of the Center that lie outside the exterior walls of the buildings now or hereafter existing from time to time in the Center, as depicted in the Site Plan and as hereafter modified by Landlord from time to time in accordance with the provisions of this Lease, are sometimes referred to
herein as the “**Center Common Areas**.” Such Center Common Areas include, but are not limited to, the “recreational area” which is currently maintained by Landlord in the area between the buildings at 2023 Stierlin Court and 2025 Stierlin Court, **provided** that the right of Tenant and other occupants of the Center to use such “recreational area” is subject to the right of the City of Mountain View to require that a portion of the recreational area be paved and converted to parking use at a time to be determined at the discretion of the City and/or the potential development of that area by Landlord or any subsequent owner of the Center.

(b) Tenant is also being granted under this Lease certain rights, as more particularly set forth below, with respect to the freestanding two-story building containing approximately 40,044 rentable square feet, commonly known as 2025 Stierlin Court (the “**2025 Building**”), also located in the Center. For purposes of such rights, the 2025 Building is considered to be subdivided into two parts: the second floor leasable premises in the 2025 Building, consisting of the entire second floor of the 2025 Building plus the nonexclusive right to use the 2025 Building Common Areas (as defined below) (the “**2025 Expansion Premises**”), containing approximately 21,671 rentable square feet (including an allocable portion of the 2025 Building Common Areas), and the first floor leasable premises in the 2025 Building, consisting of an exclusive occupancy area on the first floor of the 2025 Building plus the nonexclusive right to use the 2025 Building Common Areas (the “**First Refusal Premises**”), containing approximately 18,333 rentable square feet (including an allocable portion of the 2025 Building Common Areas). The 2025 Building and the approximate location of the 2025 Building within the Center are depicted on the Site Plan, and the approximate footprint and general interior configuration of the 2025 Building, including the 2025 Building Common Areas, are depicted on the drawings attached hereto as **Exhibit A-3** and incorporated herein by this reference (collectively, the “**2025 Building Plan**”).

(c) As used in this Lease, the term “**Premises**” refers collectively to all of the respective premises as to which a “Commencement Date” has occurred as of the date the term “Premises” is being applied or interpreted. Thus, from and after the Existing Premises Commencement Date (as defined below), the Premises shall include the Existing Premises; from and after the Expansion Premises Commencement Date (as defined below), the Premises shall include the Expansion Premises; from and after the 2025 Expansion Premises Commencement Date (as defined below), if Tenant validly exercises its expansion option with respect to the 2025 Expansion Premises, the Premises shall include the 2025 Expansion Premises; and from and after the First Refusal Premises Commencement Date (as defined below), if Tenant validly exercises its first refusal right with respect to the First Refusal Premises, the Premises shall include the First Refusal Premises. As used in this Lease, the term “**Building**” (i) refers solely to the 2071 Building with respect to any period when the Premises consist solely of the Existing Premises and/or the Expansion Premises, and (ii) refers collectively to the 2071 Building and the 2025 Building, or severally to either one of them if the context reasonably so requires, with respect to any period when the Premises consist of both the 2071 Building and also part or all of the 2025 Building. As used in this Lease with reference to a specified Building, the term “**Building Common Areas**” means those portions of the first floor of the applicable Building designated by Landlord from time to time as Building common areas, including (but not limited to), to the extent applicable, the entrance lobby, any common restrooms and showers, any shared loading dock, any master electrical closet, and any common exit hallways.
(d) As an appurtenance to Tenant’s leasing of the Premises pursuant to this Lease, Landlord hereby grants to Tenant, for the benefit of Tenant and its employees, suppliers, shippers, customers and invitees, during the term of this Lease, the non-exclusive right to use, in common with others entitled to such use, (i) those portions of the Center Common Areas improved from time to time for use as parking areas, driveways, sidewalks, landscaped areas, or for other common purposes, and (ii) all access easements and similar rights and privileges relating to or appurtenant to the Center and created or existing from time to time under any access easement agreements, declarations of covenants, conditions and restrictions, or other written agreements now or hereafter of record with respect to the Center, subject however to any limitations applicable to such rights and privileges under applicable law, under this Lease and/or under the written agreements creating such rights and privileges.

1.2 Landlord’s Reserved Rights. To the extent reasonably necessary to permit Landlord to exercise any rights of Landlord and discharge any obligations of Landlord under this Lease, Landlord shall have, in addition to the right of entry set forth in Section 12.1 hereof, the following rights: (i) to make changes to the Building Common Areas and/or the Center Common Areas, including, without limitation, changes in the location, size or shape of any portion of the Building Common Areas and/or the Center Common Areas, and to construct and/or relocate parking structures and/or parking spaces in the Center; (ii) to close temporarily any of the Building Common Areas and/or the Center Common Areas for maintenance or other reasonable purposes; (iii) to construct, alter or add to other buildings and Center Common Area improvements in the Center; (iv) to use the Center Common Areas while engaged in making additional improvements, repairs or alterations to the Center or any portion thereof; and (v) to do and perform such other acts with respect to the Building Common Areas, the Center Common Areas and the Center as may be necessary or appropriate. Landlord shall not exercise rights reserved to it pursuant to this Section 1.2 in such a manner as to cause any material diminution of Tenant’s rights, or any material increase of Tenant’s obligations, under this Lease, or in such a manner as to leave Tenant without reasonable parking or reasonable access to the Premises or otherwise to materially impair Tenant’s ability to conduct its activities in the normal manner; provided, however, that the foregoing shall not limit or restrict Landlord’s right to undertake reasonable construction activity and Tenant’s use of the Premises shall be subject to reasonable temporary disruption incidental to such activity diligently prosecuted.

1.3 Expansion Option. The 2025 Expansion Premises are presently occupied by Bytemobile, Inc. (“Bytemobile”) under a lease which is scheduled to expire on December 31, 2009 (the “Bytemobile Lease”). Tenant shall have the option, exercisable by written notice to Landlord at any time on or before April 30, 2009, to cause the 2025 Expansion Premises to be added to the Premises upon expiration of the Bytemobile Lease, at the minimum rental set forth in Section 3.1 and otherwise upon all the terms and provisions set forth in this Lease. If Tenant is in default hereunder, beyond any applicable notice and cure periods, on the date of such notice or on the date possession of the 2025 Expansion Premises is to be tendered to Tenant, then the exercise of the option shall be of no force or effect, the 2025 Expansion Premises shall not be added to the Premises, and this option shall be of no further force or effect. The option granted herein is personal to Tenant, and may not be exercised (except with Landlord’s prior written consent, in Landlord’s sole discretion) by any assignee of Tenant’s interest under this Lease or by any subtenant.
1.4 First Refusal Right.

(a) The First Refusal Premises are presently leased to another tenant, Omnicell, Inc. (“Omnicell”), under a lease presently scheduled to expire in August 2011. Landlord shall not lease all or any portion of the First Refusal Premises at any time during the term of this Lease (including any extended term, if applicable), except in compliance with this Section 1.4; provided, however, that the foregoing restriction shall not apply during any period in which Tenant is in default under this Lease, beyond any applicable notice and cure periods; provided further, that Tenant’s rights pursuant to this Section 1.4 are subordinate to the rights of Omnicell and its successors in interest (if any) pursuant to Omnicell’s lease presently in effect as amended from time to time (the “Omnicell Lease”), including (without limitation) the two-year renewal right existing in favor of Omnicell under the Omnicell Lease as of the Lease Commencement Date (all such superior rights described in this proviso being hereinafter collectively referred to as “Omnicell Rights”); provided further, that if Tenant fails to timely and effectively exercise its expansion option with respect to the 2025 Expansion Premises under Section 1.3 above, then Tenant’s rights under this Section 1.4 shall expire as of May 1, 2009 and shall thereafter be of no further force or effect; and provided further, that Tenant’s rights pursuant to this Section 1.4 are personal to Tenant, and may not be exercised (except with Landlord’s prior written consent, in Landlord’s sole discretion) by any assignee of Tenant’s interest under this Lease or by any subtenant.

(b) If, at any time during the term of this Lease (including any extended term, if applicable), Landlord receives and wishes to accept a bona fide written offer from a person or entity (an “Offeror,” provided, however, that the term “Offeror” shall not include Omnicell or any successor in interest with respect to any rights or negotiations under the Omnicell Lease or with respect to any other Omnicell Rights) to lease all or any portion of the First Refusal Premises and if Tenant is not then in default under this Lease (beyond any applicable notice and cure periods), then Landlord shall give written notice of such bona fide written offer to Tenant (the “First Refusal Notice”), specifying the material terms on which the Offeror proposes to lease the First Refusal Premises or applicable portion thereof (the “Offered Space”), and shall offer to Tenant the opportunity to lease the Offered Space on the terms specified in the First Refusal Notice. For purposes of this Section 1.4(b), an offer shall be considered bona fide if it is contained in a letter of intent, terms sheet or other writing signed by the Offeror and specifies the material terms of the proposed lease. Tenant shall have five (5) business days after the date of giving of the First Refusal Notice in which to accept such offer by written notice to Landlord. Upon such acceptance by Tenant, the Offered Space shall be leased to Tenant on the terms set forth in the First Refusal Notice and on the additional terms and provisions set forth in this Lease (except to the extent inconsistent with the terms set forth in the First Refusal Notice), and the parties shall promptly (and in all events within twenty (20) days after delivery of Tenant’s acceptance) execute a lease amendment or other written agreement incorporating and implementing the terms of Tenant’s leasing of the Offered Space in accordance with this subparagraph (b). If Tenant does not accept Landlord’s offer within the allotted time or if the parties fail to enter into such a lease amendment or other written agreement within the required time (notwithstanding Landlord’s and Tenant’s good faith and diligent efforts to enter into such a lease amendment or other written agreement, provided that neither party shall be entitled to invoke its own lack of good faith, diligent efforts, if applicable, as a basis for invoking this
parenthetical qualification), Landlord shall thereafter have the right to lease the Offered Space to the Offeror or to any other third party, at any time within one hundred eighty (180) days after the expiration of Landlord’s offer under the First Refusal Notice, at a minimum rental and on other terms and conditions not materially more favorable to the lessee than the minimum rental and other terms offered to Tenant in the First Refusal Notice. If, in the course of negotiations with the Offeror or another third party during the 180-day period described in the preceding sentence, Landlord wishes to modify the minimum rental or other terms set forth in the First Refusal Notice in a manner materially more favorable to the Offeror or other third party than the minimum rental or other terms set forth in the First Refusal Notice, then Landlord shall be required to re-offer the Offered Space to Tenant on such more favorable terms pursuant to a new First Refusal Notice. For purposes of the preceding two sentences, a variance of less than five percent (5%) in the amount of minimum or base NNN rent payments shall not be deemed materially more favorable to the Offeror than the terms set forth in the First Refusal Notice. If Landlord does not lease the Offered Space to the Offeror or another third party during the 180-day period described above, or if Landlord leases the Offered Space to the Offeror or another third party and Landlord later, upon expiration or termination of such lease, again wishes to lease the Offered Space or any portion thereof during the term of this Lease (including any extended terms, if applicable), then in either such event this first refusal right shall reattach to the Offered Space on all of the same terms set forth above.

2. TERM

2.1 Term.

(a) The term of this Lease shall commence on the Lease Commencement Date as defined above. Tenant’s occupancy rights, obligation to pay minimum rental and Operating Expenses and other rights and obligations under this Lease with respect to the various Premises shall commence as follows (the respective dates defined or described in each of the following subparagraphs being sometimes referred to in this Lease collectively as the “Commencement Dates” or individually as a “Commencement Date” as the context reasonably requires):

(i) Such rights and obligations shall commence with respect to the Existing Premises on March 1, 2009 (the “Existing Premises Commencement Date”), immediately following the expiration of the master lease with Aerogen, Inc. and of Tenant’s sublease thereunder.

(ii) Such rights and obligations shall commence with respect to the Expansion Premises on the date Landlord tenders possession of the Expansion Premises to Tenant, free and clear of all other rights and tenancies (the “Expansion Premises Commencement Date”). Although the QLogic Lease is scheduled to expire on January 31, 2010, Landlord is engaged in negotiations regarding an early termination of the QLogic Lease. Based on the present status of those negotiations, Landlord’s current target date for early termination of the QLogic Lease is February 16, 2009. Landlord shall use reasonable diligence and commercially reasonable efforts (A) to achieve a negotiated early termination of the QLogic Lease at the earliest practicable date, (B) to deliver possession of the Expansion Premises to Tenant as soon as practicable following the effective date of such early termination of the QLogic Lease, and (C) to give Tenant

- 5 -
at least ten (10) days prior written notice of the date on which Landlord expects the Expansion Premises Commencement Date to occur. Moreover, without limiting the foregoing provisions, if QLogic has not surrendered possession of the Expansion Premises to Landlord by February 16, 2009, then Landlord shall use reasonable diligence and commercially reasonable efforts to take all steps which a reasonable, prudent and experienced commercial landlord would take (including, without limitation, initiation of unlawful detainer proceedings if such proceedings would be a reasonable and prudent step under the foregoing standards) in order to recover possession and control of the Expansion Premises at the earliest practicable date after February 16, 2009.

(iii) Assuming a timely and effective exercise of Tenant’s expansion option under Section 1.3 above, (A) such rights and obligations shall commence with respect to the 2025 Expansion Premises on the date Landlord tenders possession of the 2025 Expansion Premises to Tenant, free and clear of all other rights and tenancies (the “2025 Expansion Premises Commencement Date”), except that Tenant’s obligation to pay monthly minimum rental with respect to the 2025 Expansion Premises shall not commence until the date which is sixty (60) days after the 2025 Expansion Premises Commencement Date; (B) assuming a timely surrender of the 2025 Expansion Premises by Bytemobile at the expiration of the Bytemobile Lease, Landlord’s target date for tender of possession of the 2025 Expansion Premises to Tenant would be January 1, 2010, in which event the date for commencement of Tenant’s monthly minimum rental obligation with respect to the 2025 Expansion Premises would be March 2, 2010; and (C) Landlord shall use reasonable diligence and commercially reasonable efforts (x) to tender possession of the 2025 Expansion Premises to Tenant as soon as practicable following the expiration of the Bytemobile Lease and surrender of the 2025 Expansion Premises by Bytemobile, and (y) to give Tenant at least ten (10) days prior written notice of the date on which Landlord expects the tender of possession of the 2025 Expansion Premises to Tenant to occur.

(iv) Assuming a timely and effective exercise of Tenant’s first refusal right with respect to any Offered Space pursuant to Section 1.4 above, such rights and obligations shall commence with respect to the applicable Offered Space on the date established pursuant to the First Refusal Notice and the lease amendment or other implementing agreement contemplated in Section 1.4(b) above (the “First Refusal Premises Commencement Date”).

(b) The term of this Lease shall end on August 31, 2016 (the “Termination Date”), unless sooner terminated or extended as hereinafter provided.

(c) Notwithstanding anything to the contrary contained in this Lease or in the Workletter (as defined below), if Landlord has not been able to achieve an early termination of the QLogic Lease and delivery of the Expansion Premises to Tenant prior to April 1, 2009, then Tenant shall have the right to terminate this Lease (subject to the express provisions of this paragraph (c)) by written notice to Landlord at any time on or after April 1, 2009 and prior to Landlord’s delivery of the Expansion Premises to Tenant, in which event upon timely delivery of such a written notice of termination by Tenant, unless otherwise expressly agreed by Landlord and Tenant in writing, the following provisions shall apply:
(i) this Lease shall continue in effect solely with respect to the Existing Premises, and the parties shall have no further rights or obligations under this Lease with respect to the Expansion Premises, the 2025 Expansion Premises or the First Refusal Premises;

(ii) the initial term of this Lease with respect to the Existing Premises shall expire on June 30, 2009, at which time this Lease shall then become a continuing month-to-month lease of the Existing Premises terminable by either party on not less than thirty (30) days prior written notice to the other party, which termination maybe effective as of June 30, 2009 (if notice is duly given by either party at least 30 days prior to that date) or at any time thereafter, subject to timely delivery of appropriate written notice by the terminating party;

(iii) no Tenant Improvement Allowance shall be available to Tenant with respect to the Existing Premises; and

(iv) the minimum rental payable with respect to the Existing Premises shall be $96,444.00 ($3.00 per rentable square foot) per month, both during such initial three-month term and during the month-to-month period which follows.

(d) Notwithstanding anything to the contrary in the preceding portions of this Section 2.1, Tenant shall have the right to elect an early termination of this Lease, effective as of either September 1, 2011 or September 1, 2012, subject to the following terms and conditions:

(i) Tenant shall give written notice of its exercise of such early termination right to Landlord no later than nine (9) months prior to the applicable effective date; and

(ii) Concurrently with its delivery of such written notice, Tenant shall pay to Landlord, in immediately available funds, a termination fee calculated as follows:

(A) in the case of a termination as of September 1, 2011, the termination fee shall be equal to the entire Additional Monthly Rent (if any) due under this Lease (without regard to such early termination) for the period from September 1, 2011 through August 31, 2016, plus sixty-five percent (65%) of the minimum monthly rent and Operating Expenses due under this Lease (without regard to such early termination) for the period from September 1, 2011 through August 31, 2016; and

(B) in the case of a termination as of September 1, 2012, the termination fee shall be equal to the entire Additional Monthly Rent (if any) due under this Lease (without regard to such early termination) for the period from September 1, 2012 through August 31, 2016, plus fifty percent (50%) of the minimum monthly rent and Operating Expenses due under this Lease (without regard to such early termination) for the period from September 1, 2012 through August 31, 2016.
2.3 **Condition of Premises.** Tenant has had an opportunity to inspect the condition of the Premises and agrees to accept each applicable portion of the Premises “as is” in its condition existing as of the date of this Lease, without any obligation on the part of Landlord to improve, alter, repair or clean the Premises in any way for Tenant’s occupancy hereunder, except as otherwise expressly provided herein. Notwithstanding the foregoing:

(a) As noted above, Tenant has been occupying the Existing Premises as a subtenant and will simply continue such occupancy, as a direct tenant under this Lease, effective as of the Existing Premises Commencement Date. Accordingly, this Lease has no specific delivery requirements with respect to the physical condition of the Existing Premises; obligations of the applicable parties with respect to the physical condition of the Existing Premises (including, but not limited to, repair and maintenance obligations) shall be governed by the Aerogen Lease (and, as between Aerogen and Tenant, by the Aerogen Sublease) for the period prior to the Existing Premises Commencement Date, and by this Lease for the period commencing on the Existing Premises Commencement Date.

(b) Landlord shall deliver the Expansion Premises, 2025 Expansion Premises (if applicable) and First Refusal Premises (if applicable), together with all related Building systems and existing improvements, in “as is” condition, except that Landlord shall, at Landlord’s sole expense, perform all work necessary to cause the following (collectively, “**Landlord’s Work**”) to be true prior to or as soon as practicable after the applicable Commencement Date with respect to the applicable portion of the Premises: (i) the applicable portion of the Premises shall be delivered in broom-clean condition, and (ii) all existing Building systems (including, but not limited to, HVAC, mechanical, electrical, plumbing and life safety systems) and utilities serving the applicable portion of the Premises shall be in good working condition and operable in their current locations, prior to modifications (or damage, if any) as a result of Tenant’s improvements or use. To the extent it is not reasonably practicable for Landlord’s Work to be completed by the applicable Commencement Date with respect to any portion of the Premises, Landlord shall thereafter proceed diligently and with reasonable efforts to complete Landlord’s Work as promptly as practicable thereafter, and Landlord and Tenant shall cooperate reasonably and in good faith with one another (and cause their respective consultants and contractors to cooperate reasonably and in good faith with one another) in endeavoring to minimize any interference or delay by either party with respect to the other party’s work during the concurrent performance of their respective work in the applicable portion of the Premises. Following Landlord’s written notice to Tenant that Landlord has completed Landlord’s Work in any applicable portion of the Premises and is delivering such portion of the Premises and the related existing Building systems and improvements in the condition required above in this paragraph (“**Landlord’s Completion Notice**”), the respective obligations of the parties with respect to the maintenance, repair and/or replacement of all such systems and improvements shall be determined in accordance with the provisions of Article 8 hereof and any other applicable provisions of this Lease. If Landlord’s obligations with respect to Landlord’s Work under this paragraph in any applicable portion of the Premises are violated in any respect, then it shall be the obligation of Landlord, after receipt of written notice from Tenant setting forth with specificity the nature of the violation, to correct promptly and diligently, at Landlord’s sole cost, the condition(s) constituting such violation, except that Tenant
shall be responsible for any such corrective work to the extent the conditions) constituting the violation are attributable to modifications (or damage, if any) in the course of Tenant’s improvements to or use of the applicable portion of the Premises; provided, however, that Tenant’s failure to give such written notice to Landlord regarding any alleged violation within sixty (60) days after the later of (x) the Commencement Date with respect to such portion of the Premises or (y) the delivery of Landlord’s Completion Notice with respect to such portion of the Premises shall give rise to a conclusive and irrebuttable presumption that Landlord has complied with all Landlord’s obligations under this paragraph with respect to such portion of the Premises. TENANT ACKNOWLEDGES THAT THE WARRANTIES AND/OR OBLIGATIONS CONTAINED IN THIS SECTION 2.3 ARE IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE PHYSICAL CONDITION OF THE PREMISES, BUILDING SYSTEMS AND EXISTING IMPROVEMENTS IN THE PREMISES, AND THAT LANDLORD MAKES NO OTHER WARRANTIES EXCEPT AS EXPRESSLY SET FORTH IN THIS SECTION 2.3.

(c) Tenant’s construction of any alterations or improvements that Tenant may elect to construct in connection with Tenant’s initial occupancy and use of the respective portions of the Premises shall be governed by the Workletter attached hereto as Exhibit B and incorporated herein by this reference (the “Workletter”), the provisions of which Workletter are incorporated in this Lease as if fully set forth herein, and such alterations and improvements shall be constructed in compliance with all of the provisions thereof (including, without limitation, all conditions relating to Landlord’s approval of contractors, subcontractors, and plans and specifications), as well as the provisions of this Section 2.3.

2.4 Acknowledgment of Commencement Date. Promptly following each respective Commencement Date, Landlord and Tenant shall execute a written acknowledgment of such Commencement Date, the Termination Date and related matters, substantially in the form attached hereto as Exhibit C (with appropriate insertions), each of which acknowledgments shall be deemed to be incorporated herein by this reference. Notwithstanding the foregoing requirement, the failure of either party to execute such a written acknowledgment shall not affect the determination of the applicable Commencement Date, Termination Date and related matters in accordance with the provisions of this Lease.

2.5 Holding Over. If Tenant holds possession of the Premises or any portion thereof after the term of this Lease with Landlord’s written consent, then except as otherwise specified in such consent, Tenant shall become a tenant from month to month at one hundred twenty-five percent (125%) of the minimum rental and otherwise upon the terms herein specified for the period immediately prior to such holding over and shall continue in such status until the tenancy is terminated by either party upon not less than thirty (30) days prior written notice. If Tenant holds possession of the Premises or any portion thereof after the term of this Lease without Landlord’s written consent, then Landlord in its sole discretion may elect (by written notice to Tenant) to have Tenant become a tenant either from month to month or at will, at one hundred fifty percent (150%) of the minimum rental (prorated on a daily basis for an at-will tenancy, if applicable) and otherwise upon the terms herein specified for the period immediately prior to such holding over, or may elect to pursue any and all legal remedies available to Landlord under applicable law with respect to such unconsented holding over by Tenant. Tenant shall indemnify and hold Landlord harmless from any loss, damage, claim, liability, cost or expense (including
reasonable attorneys’ fees) resulting from any delay by Tenant in surrendering the Premises or any portion thereof, including but not limited to any claims made by a succeeding tenant by reason of such delay. Acceptance of rent by Landlord following expiration or termination of this Lease shall not constitute a renewal of this Lease.

2.6 Option to Extend Term. Tenant shall have the option to extend the term of this Lease, at the minimum rental set forth in Section 3.1(c) and otherwise upon all the terms and provisions set forth herein with respect to the initial term of this Lease, for one (1) additional term of five (5) years, commencing upon the expiration of the initial term hereof; provided, however, that such option shall be exercisable solely with respect to one of the following two configurations of space: either (a) with respect to the entire Premises covered by this Lease on the date of exercise of such option, or (b) with respect to the entire Premises located in the 2071 Building but not with respect to any portion of the Premises located in the 2025 Building (if applicable). Exercise of such option shall be by written notice to Landlord not less than nine (9) months and not more than twelve (12) months prior to the expiration of the initial term hereof. If Tenant is in default hereunder, beyond any applicable notice and cure periods, on the date of such notice or on the date the extended term is to commence, then the exercise of the option shall be of no force or effect, the extended term shall not commence and this Lease shall expire at the end of the initial term of this Lease (or at such earlier time as Landlord may elect pursuant to the default provisions of this Lease). If Tenant properly exercises its extension option under this Section, then all references in this Lease (other than in this Section 2.6 itself) to the “term” of this Lease shall be construed to include the extension term thus elected by Tenant. The extension option granted herein is personal to Tenant, and may not be exercised (except with Landlord’s prior written consent, in Landlord’s sole discretion) by any assignee of Tenant’s interest under this Lease or by any subtenant. Except as expressly set forth in this Section 2.6, Tenant shall have no right to extend the term of this Lease beyond its prescribed term.

3. RENTAL

3.1 Rental Amounts.

(a) Minimum Monthly Rental.

(i) 2071 Building. Tenant shall pay to Landlord as minimum rental for the Premises in the 2071 Building, in advance, without deduction, offset, notice or demand, on or before the earlier to occur of the Existing Premises Commencement Date or the Expansion Premises Commencement Date and thereafter on or before the first day of each subsequent calendar month of the initial term of this Lease, the following amounts per month:

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The foregoing table assumes occurrence of the Expansion Premises Commencement Date on February 15, 2009 and of the Existing Premises Commencement Date on March 1, 2009. If either or both of such actual Commencement Dates differ from the assumed dates, then the table and the applicable date(s) for commencement of Tenant’s rental obligations as reflected therein shall be modified accordingly.

(ii) 2025 Expansion Premises (If Applicable). Assuming a timely and effective exercise of Tenant’s expansion option under Section 1.3 above, Tenant shall pay to Landlord as minimum rental for the 2025 Expansion Premises, in advance, without deduction, offset, notice or demand, on or before the date which is sixty (60) days after the 2025 Expansion Premises Commencement Date and thereafter on or before the first day of each subsequent calendar month of the initial term of this Lease, the following amounts per month:

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<thead>
<tr>
<th>Months</th>
<th>Sq Ft</th>
<th>PSF/mo</th>
<th>Monthly Minimum Rental</th>
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</thead>
<tbody>
<tr>
<td>03/02/10-02/28/11</td>
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<td>$66,963.39</td>
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<tr>
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<td>$3.18</td>
<td>$68,913.78</td>
</tr>
<tr>
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<td>$3.69</td>
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</tr>
</tbody>
</table>

The foregoing table assumes occurrence of the 2025 Expansion Premises Commencement Date on January 1, 2010, with the 60th day thereafter falling on March 2, 2010. If the actual 2025 Expansion Premises Commencement Date differs from the assumed date, then the table and the applicable date for commencement of Tenant’s rental obligations as reflected therein shall be modified accordingly; if the 60th day after the 2025 Expansion Premises Commencement Date occurs earlier than March 1, 2010, then the applicable rental rate per square foot per month for the 2025 Expansion Premises during periods prior to March 1, 2010 shall be $3.00 per square foot per month. If Tenant
fails to timely and effectively exercise its expansion option with respect to the 2025 Expansion Premises under Section 1.3 above, then the provisions of this subparagraph (ii) shall have no force or effect.

(iii) *First Refusal Premises (If Applicable).* Assuming a timely and effective exercise of Tenant’s first refusal right with respect to any Offered Space pursuant to Section 1.4 above, Tenant’s monthly minimum rental obligations with respect to the applicable Offered Space shall commence on the applicable First Refusal Premises Commencement Date and the amount of such obligations shall be established pursuant to the First Refusal Notice and the lease amendment or other implementing agreement contemplated in Section 1.4(b) above.

(iv) **Partial Months.** If the obligation to pay minimum rental hereunder for any portion of the Premises during the initial term or during any extended term commences on other than the first day of a calendar month or if the initial term or any extended term of this Lease terminates on other than the last day of a calendar month, the minimum rental for such first or last month of the applicable initial or extended term of this Lease, as the case may be, shall be prorated based on the number of days the applicable term of this Lease is in effect during such month. If an increase in minimum rental becomes effective on a day other than the first day of a calendar month, the minimum rental for that month shall be the sum of the two applicable rates, each prorated for the portion of the month during which such rate is in effect.

(b) *Additional Monthly Rent.* If Tenant draws down any portion of the Additional TI Allowance (as defined in the Workletter), then beginning on the later of the first Commencement Date to occur under this Lease or the first day of the calendar month following the month in which the first disbursement of Additional TI Allowance funds by Landlord occurs and continuing on the first day of each subsequent calendar month throughout the remainder of the initial term of this Lease, Tenant shall pay to Landlord, in addition to the minimum monthly rental payable under Section 3.1(a), additional monthly rent ("Additional Monthly Rent" which term may refer either severally or collectively to the First Tranche Additional Monthly Rent and/or the Second Tranche Additional Monthly Rent, as the context reasonably requires) as follows:

(i) To the extent funds are disbursed by Landlord from the First Tranche of the Additional TI Allowance (as defined in the Workletter), Additional Monthly Rent shall be payable in an amount equal to the amount necessary to amortize the entire cumulative amount of the funds drawn down by Tenant from the First Tranche of the Additional TI Allowance over the remainder of the initial term of this Lease on a level-payment basis with an implied interest rate of nine percent (9%) per annum on the unamortized balance of such funds drawn from the First Tranche of the Additional TI Allowance from time to time (the "First Tranche Additional Monthly Rent").

(ii) To the extent funds are disbursed by Landlord from the Second Tranche of the Additional TI Allowance (as defined in the Workletter), Additional Monthly Rent shall be payable in an amount equal to the amount necessary to amortize the entire cumulative amount of the funds drawn down by Tenant from the Second
(iii) The parties acknowledge that to the extent funds from either Tranche of the Additional TI Allowance are drawn down in two or more separate months by Tenant, it will be necessary for the First Tranche Additional Monthly Rent or the Second Tranche Additional Monthly Rent, as applicable, to be recalculated following each successive draw-down, in order to reflect the additional amortization amounts attributable to such successive draw-down.

(iv) The parties acknowledge that Tenant’s payment of Additional Monthly Rent based on amounts drawn under the Additional TI Allowance as set forth in this Section 3.1(b) represents a method of cost recovery and does not constitute a loan from Landlord to Tenant. Any terminology similar to that which might be used in connection with a loan (e.g., amortization concepts and interest rates) is used solely for convenience in calculating the rates of such cost recovery and may not be used or relied upon to imply any lending relationship between the parties.

(c) Rental Amounts During Extended Term. If Tenant properly exercises its option to extend the term of this Lease pursuant to Section 2.6 above, then (i) the monthly minimum rental during the first year of the extended term shall be equal to the greater of (A) one hundred three percent (103%) of the aggregate monthly minimum rental (but not Additional Monthly Rent) payable for the Premises as to which the extension is effective immediately prior to expiration of the initial term of this Lease or (B) the fair market rental (as defined below) for the Premises as to which the extension is effective, determined as of the commencement of the extended term in accordance with this paragraph, and (ii) the monthly minimum rental during each subsequent year of the extended term shall increase annually at a rate equal to the market rental increase rate (as defined below), likewise determined as of the commencement of the extended term in accordance with this paragraph. Upon Landlord’s receipt of a proper notice of Tenant’s exercise of its option to extend the term of this Lease, the parties shall have thirty (30) days in which to agree on the fair market rental and market rental increase rate for the Premises as to which the extension is effective at the commencement of the extended term for the uses permitted hereunder. If the parties agree on such fair market rental and market rental increase rate, they shall execute an amendment to this Lease stating the amount of the minimum monthly rental for the extended term as determined pursuant to the first sentence of this paragraph. If the parties are unable to agree on such fair market rental and/or market rental increase rate within such thirty (30) day period, then within fifteen (15) days after the expiration of such 30-day period each party, at its cost and by giving notice to the other party, shall appoint, a real estate appraiser with at least five (5) years experience appraising similar commercial properties in northern Santa Clara County to appraise and set the initial fair market rental and market rental increase rate for the Premises as to which the extension is effective at the commencement of the extended term in accordance with the provisions of this paragraph. If either party fails to appoint
an appraiser within the allotted time, the single appraiser appointed by the other party shall be the sole appraiser. If an appraiser is appointed by each party and the two appraisers so appointed are unable to agree upon a fair market rental and market rental increase rate within thirty (30) days after the appointment of the second, then the two appraisers shall appoint a third similarly qualified appraiser within ten (10) days after expiration of such 30-day period; if they are unable to agree upon a third appraiser, then either party may, upon not less than five (5) days notice to the other party, apply to the Presiding Judge of the Santa Clara County Superior Court for the appointment of a third qualified appraiser. Each party shall bear its own legal fees in connection with appointment of the third appraiser and shall bear one-half of any other costs of appointment of the third appraiser and of such third appraiser’s fee. The third appraiser, however selected, shall be a person who has not previously acted for either party or its affiliates in any capacity. Within thirty (30) days after the appointment of the third appraiser, a majority of the three appraisers shall set the initial fair market rental and market rental increase rate for the extended term and shall so notify the parties. If a majority are unable to agree within the allotted time, then (x) the three appraised fair market rentals shall be averaged and the resulting figure shall be the initial fair market rental for the extended term, and (y) the three appraised market rental increase rates shall be averaged (or, if it is not possible to take a mathematical average of such market rental increase rates, then the third appraiser shall calculate a market rental increase rate which is the nearest reasonable approximation to a mathematical average of the three appraised market rental increase rates) and the resulting figure shall be the market rental increase rate for the extended term, both of which determinations shall be binding on the parties and shall be enforceable in any further proceedings relating to this Lease. For purposes of this Section 3.1 (c), the “fair market rental” of the Premises as to which the extension is effective shall be determined with reference to the then prevailing market rental rates for life sciences projects and premises in the City of Mountain View with shell and office, laboratory and research and development improvements and site (common area) improvements comparable to those then existing in the Premises as to which the extension is effective and in the Center, taking into consideration that there will be no tenant improvement allowance, free rent or other concessions under this Lease with respect to the extended term, and the “market rental increase rate” shall mean the then prevailing market rate for annual rental increases under triple-net leases of comparable duration for life sciences projects and premises in the City of Mountain View (which annual rental increase rates might, by way of example but not limitation, be expressed as a percentage of the preceding year’s rental rate or as a formula based on the Consumer Price Index or some other objective index or base, consistent with then-current market conditions).

(d) **Square Footage of Premises.** The Buildings and the respective portions of the Premises were fully constructed prior to the date of this Lease, have been measured by Landlord’s architect and, applying the measurement formula customarily used by Landlord to measure square footage of buildings in the Center, the respective portions of the Premises have been determined to contain the rentable square footages identified for such portions of the Premises in Section 1.1(a) and (b) above, which measurements are final and binding on the parties, are hereby accepted by the parties for all purposes under this Lease and are not subject to re-measurement or adjustment.

3.2 **Late Charge.** If Tenant fails to pay when due rental or other amounts due Landlord hereunder, such unpaid amounts shall bear interest for the benefit of Landlord at a rate
equal to the lesser of fifteen percent (15%) per annum or the maximum rate permitted by law, from the date due to the date of actual payment. In addition to such interest, Tenant shall pay to Landlord a late charge in an amount equal to six percent (6%) of any installment of minimum rental and any other amounts due Landlord if not paid in full on or before the fifth (5th) day after such rental or other amount is due. Tenant acknowledges that late payment by Tenant to Landlord of rental or other amounts due hereunder will cause Landlord to incur costs not contemplated by this Lease, including, without limitation, processing and accounting charges and late charges which may be imposed on Landlord by the terms of any loan relating to the Center. Tenant further acknowledges that it is extremely difficult and impractical to fix the exact amount of such costs and that the late charge set forth in this Section 3.2 represents a fair and reasonable estimate thereof. Acceptance of any late charge by Landlord shall not constitute a waiver of Tenant’s default with respect to overdue rental or other amounts, nor shall such acceptance prevent Landlord from exercising any other rights and remedies available to it. Acceptance of rent or other payments by Landlord shall not constitute a waiver of late charges or interest accrued with respect to such rent or other payments or any prior installments thereof, nor of any other defaults by Tenant, whether monetary or non-monetary in nature, remaining uncured at the time of such acceptance of rent or other payments.

4. TAXES

4.1 Personal Property. From and after the first Commencement Date to occur under this Lease (or, in the case of items brought onto the Premises by Tenant prior to an applicable Commencement Date, from and after the date such items are brought onto the Property by Tenant), Tenant shall be responsible for and shall pay prior to delinquency all taxes and assessments levied against or by reason of any and all alterations, additions and items existing on or in the Premises from time to time during the term of this Lease and taxed as personal property rather than as real property, including (but not limited to) all personal property, trade fixtures and other property placed by Tenant on or about the Premises. Upon request by Landlord, Tenant shall furnish Landlord with satisfactory evidence of Tenant’s payment thereof. If at any time during the term of this Lease any of said alterations, additions or personal property, whether or not belonging to Tenant, shall be taxed or assessed as part of the Center, then such tax or assessment shall be paid by Tenant to Landlord within fifteen (15) days after presentation by Landlord of copies of the tax bills in which such taxes and assessments are included (with such itemization or other supporting detail as may be reasonably available for purposes of identifying the items covered by such taxes and assessments) and shall, for the purposes of this Lease, be deemed to be personal property taxes or assessments under this Section 4.1.

4.2 Real Property. To the extent any real property taxes and assessments on any portion of the Premises are assessed by the taxing authority directly to Tenant, Tenant shall be responsible for and shall pay prior to delinquency all such taxes and assessments levied against such portion of the Premises. Upon request by Landlord, Tenant shall furnish Landlord with satisfactory evidence of Tenant’s payment thereof. To the extent portions of the Premises are taxed or assessed to Landlord following the applicable Commencement Date with respect to such portions, such real property taxes and assessments shall constitute Operating Expenses (as that term is defined in Section 5.2 of this Lease) and shall be paid in accordance with the provisions of Article 5 of this Lease.
5. OPERATING EXPENSES

5.1 Payment of Operating Expenses

(a) Tenant shall pay to Landlord, at the time and in the manner hereinafter set forth, as additional rental, Tenant’s Operating Cost Share of the Operating Expenses defined in Section 5.2, subject to adjustment pursuant to Section 5.1(b) when applicable. For purposes of this Section 5.1, “Tenant’s Operating Cost Share” shall be as follows:

(i) in the case of Operating Expenses that are reasonably allocable solely to the 2071 Building, (A) one hundred percent (100%) during any period after both the Existing Premises Commencement Date and the Expansion Premises Commencement Date have occurred; (B) forty-eight and sixty-four hundredths percent (48.64%) during any period after the Existing Premises Commencement Date has occurred but the Expansion Premises Commencement Date has not occurred; and (C) fifty-one and thirty-six hundredths percent (51.36%) during any period after the Expansion Premises Commencement Date has occurred but the existing Premises Commencement Date has not occurred;

(ii) in the case of Operating Expenses that are reasonably allocable solely to the 2025 Building, assuming a timely and effective exercise of Tenant’s expansion option under Section 1.3 above and, if applicable, Tenant’s timely and effective exercise of one or more first refusal rights under Section 1.4 above, (A) one hundred percent (100%) during any period after the 2025 Expansion Premises Commencement Date has occurred and a First Refusal Premises Commencement Date (or Dates) has occurred with respect to the entire First Refusal Premises; (B) fifty-four and forty hundredths percent (54.40%) during any period after the 2025 Expansion Premises Commencement Date has occurred but no First Refusal Premises Commencement Date has occurred; and (C) during any period after the 2025 Expansion Premises Commencement Date has occurred and a First Refusal Premises Commencement Date has occurred with respect to some but not all of the First Refusal Premises, a percentage amount determined by dividing the aggregate rentable square footage of the portions of the 2025 Building as to which a Commencement Date has occurred by the total rentable square footage of the 2025 Building; and

(iii) in the case of Operating Expenses that are determined and allocated on a Center-wide basis, a percentage amount determined by dividing the aggregate rentable square footage of the portions of the Premises as to which a Commencement Date has occurred by the total rentable square footage of the Center. As of the Lease Commencement Date, however, Landlord’s current practice is to determine and allocate substantially all Operating Expenses (including, but not limited to, real and personal property taxes and assessments, insurance, building maintenance, property management, landscape maintenance and irrigation, and parking area maintenance and lighting) on a stand-alone basis, where feasible, to individual buildings or premises within the Center, rather than determining or allocating such Operating Expenses on a Center-wide basis.
(b) Calculations of Tenant’s Operating Cost Share for purposes of Section 5.1(a) above are based upon the following rentable square footage figures: (i) 32,148 rentable square feet for the Existing Premises, 33,948 rentable square feet for the Expansion Premises, and 66,096 rentable square feet for the 2071 Building; (ii) 21,671 rentable square feet for the 2025 Expansion Premises, and 40,004 rentable square feet with respect to the entire 2025 Building; and (iii) 727,842 rentable square feet for all of the buildings presently located in the Center. During any period when a First Refusal Premises Commencement Date (or Dates) has occurred with respect to some but not all of the First Refusal Premises, measurement of the rentable square footage of the applicable portions of the First Refusal Premises shall be determined in good faith by Landlord’s architect on the same basis of measurement as applied in determining the rentable square footage amounts set forth in the preceding sentence. If the actual area of the Premises or of any of the buildings existing from time to time in the Center changes for any reason (including, but not limited to, modification of existing buildings or construction of new buildings in the Center), then Tenant’s Operating Cost Share shall be adjusted proportionately to reflect the new actual areas of the Premises and/or such other buildings, as applicable, as determined in good faith by Landlord’s architect on the same basis of measurement as applied in determining the rentable square footage amounts set forth in the first sentence of this paragraph.

5.2 Definition of Operating Expenses.

(a) Subject to the exclusions and provisions hereinafter contained and the allocation principles set forth in Section 5.1, the term “Operating Expenses” shall mean the total costs and expenses incurred by Landlord for management, operation and maintenance of the Building and the Center, including, without limitation, costs and expenses of (i) insurance (which may include, at Landlord’s option, environmental and seismic insurance as part of or in addition to any casualty or property insurance policy), property management, landscaping, and the operation, repair and maintenance of buildings (including, but not limited to, Building Common Areas) and Center Common Areas; (ii) all utilities and services; (iii) real and personal property taxes and assessments or substitutes therefor levied or assessed against the Center or any part thereof, including (but not limited to) any possessory interest, use, business, license or other taxes or fees, any taxes imposed directly on gross rents or services, any assessments or charges for police or fire protection, housing, transit, open space, street or sidewalk construction or maintenance or other similar services from time to time by any governmental or quasi-governmental entity, and any other new taxes on landlords in addition to taxes now in effect, and also including (but not limited to) all costs and expenses incurred in connection with any appeals or other proceedings challenging the amount of any real or personal property taxes or assessments against the Center or any part thereof; (iv) supplies, equipment, utilities and tools used in management, operation and maintenance of the Center; (v) capital improvements to the Center or the improvements therein, amortized over a reasonable period, (aa) which reduce or will cause future reduction of other items of Operating Expenses for which Tenant is otherwise required to contribute, or (bb) which are required by law, ordinance, regulation or order of any governmental authority (excluding, however, any such expenses incurred by Landlord in complying with Landlord’s obligations under Section 2.3), or (cc) of which Tenant has use or which benefit Tenant; and (vi) any other costs (including, but not limited to, any parking or utilities fees or surcharges not otherwise specifically addressed elsewhere in this Lease) allocable
to or paid by Landlord, as owner of the Center, pursuant to any applicable laws, ordinances, regulations or orders of any governmental or quasi-governmental authority or pursuant to the terms of any declarations of covenants, conditions and restrictions now or hereafter affecting the Center or any other property over which Tenant has non-exclusive usage rights as contemplated in Section 1.1 (d) hereof. Operating Expenses shall not include any costs attributable to the initial construction of buildings or Common Area improvements in the Center, nor any costs attributable to Landlord’s Work under Section 2.3 above, nor any costs attributable to buildings the square footage of which is not taken into account in determining Tenant’s Operating Cost Share under Section 5.1 for the applicable period. The distinction between items of ordinary operating maintenance and repair and items of a capital nature shall be made in accordance with generally accepted accounting principles applied on a consistent basis, as determined in good faith by Landlord’s accountants.

(b) Notwithstanding any other provisions of this Section 5.2, the following shall not be included within Operating Expenses: (i) rent paid to any ground lessor; (ii) the cost of constructing tenant improvements for any tenant of the Building or the Center; (iii) the costs of special services, goods or materials provided to any other tenant of the Building or the Center and not offered or made available to Tenant; (iv) repairs covered by proceeds of insurance or from funds provided by Tenant or any other tenant of the Center, or as to which any other tenant of the Center is obligated to make such repairs or to pay the cost thereof; (v) legal fees, advertising costs or other related expenses incurred by Landlord in connection with the leasing of space to individual tenants of the Center; (vi) repairs, alterations, additions, improvements or replacements needed to rectify or correct any defects in the design, materials or workmanship of the Building, the Center or the Center Common Areas; (vii) damage and repairs necessitated by the gross negligence or willful misconduct of Landlord or of Landlord’s employees, contractors or agents; (viii) executive salaries or salaries of service personnel to the extent that such personnel perform services other than in connection with the management, operation, repair or maintenance of the Building or the Center; (ix) Landlord’s general overhead expenses not related to the Building or the Center; (x) legal fees, accountants’ fees and other expenses incurred in connection with disputes with tenants or other occupants of the Center, or in connection with the enforcement of the terms of any leases with tenants or the defense of Landlord’s title to or interest in the Center or any part thereof; (xi) costs incurred due to a violation by Landlord or any other tenant of the Center of the terms and conditions of any lease; (xii) costs of any service provided to Tenant or to other occupants of the Building or the Center for which Landlord is reimbursed other than through recovery of Operating Expenses; (xiii) personal property taxes due and payable by any other tenant of the Center; (xiv) costs incurred by Landlord pursuant to Article 13 of this Lease in connection with an event of casualty or condemnation; and (xv) any tax or assessment in the nature of a net income tax or an inheritance, gift, estate or death tax.

5.3 Determination of Operating Expenses. On or before the first Commencement Date to occur under this Lease and during the last month of each calendar year of the term of this Lease (“Expense Year”), or as soon thereafter as practical, Landlord shall provide Tenant notice of Landlord’s estimate of the Operating Expenses for the ensuing Expense Year or applicable portion thereof. On or before the first day of each month during the ensuing Expense Year or applicable portion thereof, beginning on the first Commencement Date to occur under this Lease, Tenant shall pay to Landlord Tenant’s Operating Cost Share of the portion of such estimated
Operating Expenses allocable (on a prorata basis) to such month; provided, however, that if such notice is not given in the last month of an Expense Year, Tenant shall continue to pay on the basis of the prior year’s estimate, if any, until the month after such notice is given. If at any time or times it appears to Landlord that the actual Operating Expenses for an Expense Year will vary from Landlord’s previous estimate by more than five percent (5%), Landlord may, by notice to Tenant, revise its estimate for the applicable Expense Year and subsequent payments by Tenant for such Expense Year shall be based upon such revised estimate.

5.4 Final Accounting for Expense Year.

(a) Within ninety (90) days after the close of each Expense Year, or as soon after such 90-day period as practicable, Landlord shall deliver to Tenant a statement of Tenant’s Operating Cost Share of the Operating Expenses for such Expense Year prepared by Landlord from Landlord’s books and records. If on the basis of such statement Tenant owes an amount that is more or less than the estimated payments for such Expense Year previously made by Tenant, Tenant or Landlord, as the case may be, shall pay the deficiency to the other party within thirty (30) days after delivery of the statement. Failure or inability of Landlord to deliver the annual statement within such ninety (90) day period shall not impair or constitute a waiver of Tenant’s obligation to pay Operating Expenses, or cause Landlord to incur any liability for damages. Delivery of such annual statement may be made by first-class mail or by email to a representative designated by Tenant, and need not be made in strict compliance with the notice provisions of this Lease.

(b) At any time within three (3) months after receipt of Landlord’s annual statement of Operating Expenses as contemplated in Section 5.4(a), Tenant shall be entitled, upon reasonable written notice to Landlord and during normal business hours at Landlord’s office or such other places as Landlord shall designate, to inspect and examine those books and records of Landlord relating to the determination of Operating Expenses for the immediately preceding Expense Year covered by such annual statement or, if Tenant so elects by written notice to Landlord, to request an independent audit of such books and records. Any such independent audit of the books and records shall be conducted by a certified public accountant reasonably acceptable to both Landlord and Tenant or, if the parties are unable to agree, by a certified public accountant appointed by the Presiding Judge of the Santa Clara County Superior Court upon the application of either Landlord or Tenant (with notice to the other party). In either event, such certified public accountant shall be one who is not then employed in any capacity by Landlord or Tenant or by any of their respective affiliates. The audit shall be limited to the determination of the amount of Operating Expenses for the subject Expense Year, and shall be based on generally accepted accounting principles, consistently applied. If it is determined, by mutual agreement of Landlord and Tenant or by independent audit, that the amount of Operating Expenses billed to or paid by Tenant for the applicable Expense Year was incorrect, then the appropriate party shall pay to the other party the deficiency or overpayment, as applicable, within thirty (30) days after the final determination of such deficiency or overpayment. All costs and expenses of the audit shall be paid by Tenant unless the audit shows that Landlord overstated Operating Expenses for the subject Expense Year by more than five percent (5%), in which case Landlord shall pay all reasonable costs and expenses of the audit. Tenant shall be deemed to have approved Landlord’s annual statement of Operating Expenses, and shall be barred from raising any claims regarding Operating Expenses for the period covered by such annual statement.
statement, except to the extent Tenant specifically identifies any objections or claims based on such annual statement, in reasonable detail, by written notice to Landlord within four (4) months after Tenant’s receipt of the applicable annual statement. To the extent Tenant provides Landlord with timely written notice of any such objections or claims, Landlord and Tenant shall cooperate reasonably and in good faith to try to resolve the objections or claims raised by Tenant, which cooperation may include the use of an independent audit initiated by Tenant as contemplated above. Each party agrees to maintain the confidentiality of the findings of any audit in accordance with the provisions of this Section 5.4. Notwithstanding any of the foregoing provisions of this Section 5.4(b), in no event shall Tenant be permitted to audit Landlord’s records or to dispute any statement of Operating Expenses unless Tenant has paid and continues to pay when due all rent and other charges under this Lease.

5.5 Proration. If the Commencement Date with respect to any portion of the Premises falls on a day other than the first day of an Expense Year or if this Lease terminates on a day other than the last day of an Expense Year, then the amount of Operating Expenses payable by Tenant with respect to such first or last partial Expense Year shall be prorated on the basis which the number of days during such Expense Year in which this Lease is in effect bears to 365. The termination of this Lease shall not affect the obligations of Landlord and Tenant pursuant to Section 5.4 to be performed after such termination.

6. UTILITIES

6.1 Payment. Commencing with the respective date on which possession of any applicable portion of the Premises is tendered to Tenant by Landlord, and thereafter throughout the term of this Lease, Tenant shall pay, before delinquency, all charges for water, gas, heat, light, electricity, power, sewer, telephone, alarm system, janitorial and other services or utilities supplied to or consumed in or with respect to such portion of the Premises (other than any costs for water, electricity or other services or utilities furnished with respect to the Common Areas, which costs shall be paid by Landlord and shall constitute Operating Expenses under Section 5.2 hereof), including any taxes on such services and utilities. It is the intention of the parties that all such services shall be separately metered to the Premises. To the extent any utilities or services supplied to the Premises are not separately metered, then the amount thereof shall be allocated in a reasonable, good faith and appropriate manner by Landlord between the Premises and the other buildings, premises or areas sharing such utilities or services, and the portion thereof allocable to the Premises may, in Landlord’s discretion, either be included in Operating Expenses allocable to the Premises under Section 5.1 hereof or be billed directly to Tenant and paid or reimbursed by Tenant within ten (10) business days after receipt of Landlord’s statement and request for payment, accompanied by reasonable supporting documentation evidencing the calculation or determination of the amount for which payment or reimbursement is requested. Notwithstanding the foregoing provisions, during any portion of the period prior to the applicable Commencement Date with respect to a portion of the Premises during which Landlord is performing repairs or construction of improvements in such portion of the Premises, (a) if Tenant is not then performing any material construction of improvements in such portion of the Premises, Landlord shall bear all utilities charges for such portion of the Premises; and (b) if Tenant is also performing any material construction of improvements in such portion of the Premises, utilities charges for such portion of the Premises shall be allocated between Landlord and Tenant on the basis of Landlord’s reasonable, good faith estimate of their respective usage of such utilities.
6.2 Interruption. There shall be no abatement of rent or other charges required to be paid hereunder and Landlord shall not be liable in damages or otherwise for interruption or failure of any service or utility furnished to or used with respect to the Premises, the Building or the Center because of accident, making of repairs, alterations or improvements, severe weather, difficulty or inability in obtaining services or supplies, labor difficulties or any other cause. Notwithstanding the foregoing provisions of this Section 6.2, however, in the event of any interruption or failure of any service or utility to the Premises that (a) is caused in whole or in material part by the gross negligence or willful misconduct of Landlord or its agents, employees or contractors and (b) continues for more than three (3) business days and (c) materially impairs Tenant’s ability to use the Premises for the intended purpose hereunder, then following such three (3) business day period, Tenant’s obligations for payment of rent and other charges under this Lease shall be abated in proportion to the degree of impairment of Tenant’s use of the Premises, and such abatement shall continue until Tenant’s use of the Premises is no longer materially impaired thereby. Tenant expressly waives any benefits of any applicable existing or future law (including, but not limited to, the provisions of California Civil Code Section 1932(1)) permitting the termination of a lease due to any such interruption or failure of any service or utility, it being the intention of the parties that their respective rights in such circumstances shall be governed solely by the provisions of this Section 6.2.

7. ALTERATIONS; SIGNS

7.1 Right to Make Alterations. Tenant shall make no alterations, additions or improvements to the Premises or the Building, other than interior non-structural alterations in the Premises costing less than (i) Twenty-Five Thousand Dollars ($25,000) for any single alteration or improvement or set of related and substantially concurrent alterations or improvements, and (ii) Seventy-Five Thousand Dollars ($75,000) in the aggregate during any twelve (12) month period, without the prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed. All such alterations, additions and improvements shall be completed with due diligence in a good and workmanlike manner, in compliance with plans and specifications approved in writing by Landlord and in compliance with all applicable laws, ordinances, rules and regulations, and to the extent Landlord’s consent is not otherwise required hereunder for such alterations, additions or improvements, Tenant shall give prompt written notice thereof to Landlord. All architects, contractors and subcontractors engaged by Tenant for work in or related to the Premises shall be subject to prior written approval by Landlord (which approval shall not be unreasonably withheld, conditioned or delayed), and Tenant shall cause all such contractors and subcontractors to maintain public liability and property damage insurance, and other customary insurance, with such terms and in such amounts as Landlord may reasonably require, naming as additional insureds Landlord and its parent company (HCP, Inc.), partners, shareholders, members, contractors, property managers, project managers, lenders and other parties designated in writing by Landlord from time to time for this purpose, and shall furnish Landlord with certificates of insurance or other evidence that such coverage is in effect. Notwithstanding any other provisions of this Section 7.1, under no circumstances shall Tenant make any structural alterations or improvements, or any changes to the roof or equipment installations on the roof, or any alterations materially affecting any building systems, without Landlord’s prior written consent (which consent shall not be unreasonably withheld, conditioned or delayed). Tenant shall provide Landlord with as-built drawings and with a copy of the signed
building permit(s) for all alterations, additions and improvements constructed or installed by Tenant from time to time in and about the Premises. In connection with any request by Tenant for approval of alterations, additions or improvements pursuant to this Section 7.1, Tenant shall reimburse to Landlord an amount equal to the reasonable fees and costs incurred by Landlord for third-party review of proposed and/or revised plans, specifications, drawings and other design and construction documents for such alterations, additions or improvements, to the extent such review is reasonably deemed by Landlord to be necessary or appropriate (including but not limited to, as applicable, review by architects, engineers, environmental consultants and other third-party professionals and by Landlord’s third-party project manager or property manager, if applicable). Any such direct reimbursement shall be due and payable within twenty (20) days after delivery to Tenant of Landlord’s written request for such reimbursement, accompanied by copies of invoices or other documentation reasonably supporting or evidencing the amounts for which reimbursement is claimed. Notwithstanding any of the foregoing provisions, Tenant’s initial construction of alterations and improvements in any portion of the Premises in connection with Tenant’s initial occupancy of such portion of the Premises shall be governed by the Workletter and shall not be subject to the provisions of this Section 7.1.

7.2 Title to Alterations. All alterations, additions and improvements installed by Tenant in, on or about the Premises, the Building or the Center (including, but not limited to, lab benches, fume hoods, clean rooms, cold rooms and other similar improvements and equipment) shall become part of the Property and shall become the property of Landlord, unless Landlord elects to require Tenant to remove the same upon the termination of this Lease; provided, however, that the foregoing shall not apply to Tenant’s movable furniture, equipment and trade fixtures, except to the extent any such items are specifically described in the parenthetical in the initial portion of this sentence, and shall not apply to any equipment that is leased by Tenant from non-affiliated third parties or owned and installed by Tenant and is in either case designed to be portable or removable in nature (i.e., installable and removable without any material adverse impact on the existing improvements and Building systems in the Building). Tenant shall promptly repair any damage caused by its removal of any such furniture, equipment or trade fixtures. Landlord hereby confirms that the gene-sequencing machines which Tenant plans to install in the Premises are deemed to be removable in nature and therefore removable by Tenant upon expiration or termination of this Lease, and Landlord further agrees to consider in good faith and respond promptly in writing to any written requests by Tenant for confirmation of whether any other specific items of equipment or machinery will be deemed to be removable for purposes of this Section 7.2.

(a) Notwithstanding any other provisions of this Article 7, (i) under no circumstances shall Tenant have any right to remove from the Premises or the Building, at the expiration or termination of this Lease, any lab benches, fume hoods, clean rooms, cold rooms or other similar improvements and equipment installed in the Premises, even if such equipment and improvements were installed by Tenant (other than portable or removable equipment described in the introductory portion of this Section 7.2, if applicable, including but not limited to the gene-sequencing machines which Tenant plans to install in the Premises); and (ii) if Tenant requests Landlord’s written consent to any alterations, additions or improvements under Section 7.1 hereof and, in requesting such consent, asks that Landlord specify whether Landlord will require removal of such alterations, additions or improvements upon termination or expiration of this
Lease, then Landlord shall not be entitled to require such removal unless Landlord specified its intention to do so at the time of granting of Landlord’s consent to the requested alterations, additions or improvements.

(b) Notwithstanding any other provisions of this Article 7, (i) it is the intention of the parties that Landlord shall be entitled to claim all tax attributes associated with alterations, additions, improvements and equipment constructed or installed by Tenant or Landlord with funds (if any) paid or reimbursed by Landlord; and (ii) it is the intention of the parties that Tenant shall be entitled to claim, during the term of this Lease, all tax attributes associated with alterations, additions, improvements and equipment constructed or installed by Tenant with Tenant’s own funds (and without any payment or reimbursement by Landlord), despite the fact that the items described in this clause (ii) are characterized in this Section 7.2 as becoming Landlord’s property upon installation, in recognition of the fact that Tenant will have installed and paid for such items, will have the right of possession of such items during the term of this Lease and will have the obligation to pay (directly or indirectly) property taxes on such items, carry insurance on such items to the extent provided in Article 10 hereof and bear the risk of loss with respect to such items to the extent provided in Article 13 hereof. If and to the extent it becomes necessary, in implementation of the foregoing intentions, to identify (either specifically or on a percentage basis, as may be required under applicable tax laws) which alterations, additions, improvements and equipment constructed by Tenant have been funded through any payment or reimbursement by Landlord and which (if any) have been constructed or installed with Tenant’s own funds, Landlord and Tenant agree to cooperate reasonably and in good faith to make such an identification by mutual agreement.

7.3 Tenant Trade Fixtures. Subject to Section 7.2 and to Section 7.5, Tenant may install, remove and reinstall trade fixtures without Landlord’s prior written consent, except that installation and removal of any trade fixtures which are affixed to the Building or which affect the Building systems, the roof or other exterior or structural portions of the Building shall require Landlord’s written approval, which approval shall not be unreasonably withheld, conditioned or delayed. Subject to the provisions of Section 7.5, the foregoing shall apply to Tenant’s signs, which Tenant shall have the right to place and remove and replace (a) only with Landlord’s prior written consent as to location, size and composition, which consent shall not be unreasonably withheld, conditioned or delayed, and (b) only in compliance with all restrictions and requirements of applicable law and of any covenants, conditions and restrictions or other written agreements now or hereafter applicable to the Center. Tenant shall immediately repair any damage caused by installation and removal of trade fixtures under this Section 7.3.

7.4 No Liens. Tenant shall at all times keep the Building and the Center free from all liens and claims of any contractors, subcontractors, materialmen, suppliers or any other parties employed either directly or indirectly by Tenant in construction work on the Building or the Center. Tenant may contest any claim of lien, but only if, prior to such contest, Tenant either (i) posts security in the amount of the claim, plus estimated costs and interest, or (ii) records a bond of a responsible corporate surety in such amount as may be required to release the lien from the Building and the Center. Tenant shall indemnify, defend and hold Landlord harmless against any and all liability, loss, damage, cost and other expenses, including, without limitation, reasonable attorneys’ fees, arising out of claims of any lien for work performed or materials or supplies furnished at the request of Tenant or persons claiming under Tenant.
7.5 Signs. Without limiting the generality of the provisions of Section 7.3 hereof, Tenant shall have the right to install building, monument and/or building entrance signage for the various portions of the Premises consistent with other tenant signage programs in the Center, at Tenant’s sole expense, subject to Landlord’s prior approval as to location, size, design and composition (which approval shall not be unreasonably withheld or delayed), subject to the established sign criteria for the Center and subject to all restrictions and requirements of applicable law and of any covenants, conditions and restrictions or other written agreements now or hereafter applicable to the Center.

8. MAINTENANCE AND REPAIRS

8.1 Landlord’s Obligation for Maintenance.

(a) Landlord shall repair, maintain and replace or cause to be repaired, maintained and replaced, as reasonably determined by Landlord to be necessary or appropriate, the Center Common Areas and the roof, foundation, exterior walls and other structural portions of the Building. The cost of all work performed by Landlord under this Section 8.1 may, in Landlord’s discretion, either (x) be treated as an Operating Expense hereunder or (y) in the case of work relating solely to the Building or Premises, be charged back by Landlord for direct reimbursement by Tenant and the other occupants of the Building (to the extent applicable) on a prorata basis, in which event such reimbursement shall be paid to Landlord within ten (10) business days after Tenant’s receipt of Landlord’s written statement identifying the requested reimbursement and providing reasonable supporting information for the nature and cost of the work for which reimbursement is requested; provided, however, that the foregoing direct reimbursement procedure, to the extent Landlord elects to use the same, shall remain subject to any exclusions, amortization requirements or other similar limitations that would apply if the cost in question were being treated as an Operating Expense under Article 5 hereof. The cost provisions of the preceding sentence shall not apply to the extent the applicable work by Landlord (i) is required due to the gross negligence of Landlord; (ii) involves the repair or correction of a condition or defect that Landlord is required to correct pursuant to Section 2.3 hereof; (iii) is a capital expense not includible as an Operating Expense under Section 5.2 hereof, or is otherwise expressly excluded from treatment or limited in its treatment as an Operating Expense under any other applicable provision of Section 5.2 hereof; (iv) results from an event of casualty or condemnation covered by Article 13 hereof (in which event the provisions of such Article 13 shall govern the parties’ respective rights and obligations); or (v) is required due to the negligence or willful misconduct of Tenant or its agents, employees or invitees (in which event Tenant shall bear the full cost of such work pursuant to the indemnification provided in Section 10.6 hereof, subject to the release set forth in Section 10.4 hereof).

(b) During any period in which the Premises covered by this Lease include part but not all of a Building, Landlord shall provide the following additional or supplemental maintenance, repairs and services to the applicable Building: (i) Landlord’s repair and maintenance obligations under Section 8.1(a) shall be expanded to include repair and maintenance of the Building Common Areas, the elevators (if any) serving the Building, and the mechanical (including HVAC), electrical, plumbing and sewer (up to the “T” junctions) serving the applicable portion of the Premises and fire/life safety systems in the applicable Building to the extent such systems serve the entire Building and not just a single-tenant premises within the
Building; (ii) to the extent HVAC service to the portion of the Premises located in the Building is provided through a system which also serves other premises or Building Common Areas within the Building, Landlord shall make HVAC service available to the portion of the Premises in the Building from the existing HVAC system during normal business hours, at no extra charge to Tenant (except insofar as Landlord’s costs of providing such service are recoverable under the cost recovery provisions set forth below in this paragraph), and shall also make after-hours HVAC service available to the portion of the Premises within the Building, upon request by Tenant, for an additional charge calculated on the basis of a commercially reasonable rate specified by Landlord from time to time, and (iii) Landlord shall provide night janitorial service each weekday night for the portion of the Premises within the Building and the other tenant spaces in the Building. The cost of all work performed and services provided by Landlord under this paragraph (b) may, in Landlord’s discretion, either (x) be treated as an Operating Expense allocable entirely to the Building in which the applicable portion of the Premises is located or (y) be charged back by Landlord for direct reimbursement on a prorata basis by the tenant(s) to whose premises the applicable work or service relates, in which event such reimbursement shall be paid to Landlord within ten (10) business days after Tenant’s receipt of Landlord’s written statement identifying the requested reimbursement and providing reasonable supporting information for the nature and cost of the work for which reimbursement is requested; provided, however, that the foregoing direct reimbursement procedure, to the extent Landlord elects to use the same, shall remain subject to any exclusions, amortization requirements or other similar limitations that would apply if the cost in question were being treated as an Operating Expense under Article 5 hereof. The cost provisions of the preceding sentence shall not apply to the extent the applicable work by Landlord is required due to any of the factors itemized in clauses (i) through (v) of Section 8.1(a) above.

(c) Tenant knowingly and voluntarily waives the right to make repairs at Landlord’s expense, or to offset the cost thereof against rent, under any law, statute, regulation or ordinance now or hereafter in effect.

8.2 Tenant’s Obligation for Maintenance.

(a) Good Order, Condition and Repair. Except as provided in Section 8.1 hereof, and subject to the provisions of Article 13 hereof (which shall be controlling in the event of any casualty or condemnation covered by such Article 13), Tenant at its sole cost and expense shall keep and maintain in good and sanitary order, condition and repair the Premises and every part thereof, wherever located, including but not limited to the signs, interior, ceiling, the electrical, plumbing and sewer (within the Premises and up to the “T” junction(s) serving the Premises), telephone and communications systems serving the Premises, the HVAC equipment and other mechanical systems and elevators (if any) serving the Premises (for which equipment, systems and elevators Tenant shall enter into a service contract with a person or entity designated or approved by Landlord), any supplemental or auxiliary mechanical systems installed by Tenant to serve the Premises, exposed plumbing and sewage and other utility facilities, all doors, door checks, windows, plate glass, door fronts, fixtures, partitions, lighting, wall surfaces, floor surfaces and coverings and ceiling surfaces and coverings of the Premises, and all other interior repairs, foreseen and unforeseen, with respect to the Premises, as required.
(b) **Landlord’s Remedy.** If Tenant fails to make or perform promptly any repairs or maintenance which are the obligation of Tenant hereunder and such failure continues for more than ten (10) days after written notice from Landlord specifying the required repairs (except in case of emergency, in which event no such prior notice shall be required, and except that in the case of repairs or maintenance which cannot reasonably be performed within such 10-day period, the provisions of this paragraph shall apply only if Tenant fails to commence performance within such 10-day period and thereafter to pursue such performance diligently to completion), Landlord shall have the right, but shall not be required, to enter the Premises and make the repairs or perform the maintenance necessary to restore the Premises to good and sanitary order, condition and repair. Immediately on demand from Landlord, the actual, itemized and documented cost of such repairs shall be due and payable by Tenant to Landlord.

(c) **Condition upon Surrender.** At the expiration or sooner termination of this Lease, Tenant shall surrender the Premises and the improvements located therein, including any additions, alterations and improvements thereto (except for items which Tenant is permitted and elects to remove, or is required to remove, pursuant to the provisions of this Lease), broom clean and in good and sanitary order, condition and repair, ordinary wear and tear and casualty damage (the latter of which shall be governed by the provisions of Article 13 hereof) excepted, first, however, removing all goods and effects of Tenant, all signage installed by Tenant and all fixtures and other items required to be removed or specified to be removed at Landlord’s election pursuant to this Lease (including, but not limited to, any such removal required as a result of an election duly made by Landlord to require such removal as contemplated in Section 7.2), and repairing any damage caused by such removal. Tenant shall not have the right to remove fixtures or equipment if Tenant is in default hereunder (beyond any applicable cure period), unless Landlord specifically waives this provision in writing. Tenant expressly waives any and all interest in any personal property and trade fixtures not removed from the Center by Tenant at the expiration or termination of this Lease, agrees that any such personal property and trade fixtures may, at Landlord’s election, be deemed to have been abandoned by Tenant, and authorizes Landlord (at its election and without prejudice to any other remedies under this Lease or under applicable law) to remove and either retain, store or dispose of such property at Tenant’s cost and expense, and Tenant waives all claims against Landlord for any damages resulting from any such removal, storage, retention or disposal.

9. **USE OF PROPERTY**

9.1 **Permitted Use.** Subject to Sections 9.3, 9.4 and 9.6 hereof, Tenant shall use the Premises solely for an office, laboratory and research and development facility and for ancillary uses reasonably incidental to such primary uses, which ancillary uses may include (but are not necessarily limited to) manufacturing, assembly, storage, warehousing and other lawful purposes reasonably related to or incidental to such specified uses (subject in each case to receipt of all necessary approvals from the City of Mountain View and from all other governmental agencies having jurisdiction over the Premises), and for no other purpose, unless Landlord in its sole discretion otherwise consents in writing.

9.2 **Requirements Relating to Vacancy.** Tenant shall not at any time leave any portion of the Premises unoccupied or vacant (a) where the coverage of the property insurance described in this Lease is jeopardized as a result thereof; (b) without providing a commercially reasonable
level of security and taking other reasonable precautions to minimize potential vandalism; and/or (c) without continuing to perform all of Tenant’s other obligations under this Lease, including (but not limited to) maintenance obligations under Section 8.2 above.

9.3 No Nuisance. Tenant shall not use the Premises for or carry on or permit within the Center or any part thereof any offensive, noisy or dangerous trade, business, manufacture, occupation, odor or fumes, or any nuisance or anything against public policy, nor interfere with the rights or business of Landlord in the Building or the Center, nor commit or allow to be committed any waste in, on or about the Center. Tenant shall not do or permit anything to be done in or about the Center, nor bring nor keep anything therein, which will in any way cause the Center or any portion thereof to be uninsurable with respect to the insurance required by this Lease or with respect to standard fire and extended coverage insurance with vandalism, malicious mischief and riot endorsements.

9.4 Compliance with Laws. Tenant shall not use the Premises, the Building or the Center or permit the Premises, the Building or the Center to be used in whole or in part for any purpose or use that is in violation of any applicable laws, ordinances, regulations or rules of any governmental agency or public authority. Tenant shall keep the Premises equipped with all safety appliances required by law, ordinance or insurance on the Center, or any order or regulation of any public authority, because of Tenant’s particular use of the Premises. Tenant shall procure all licenses and permits required for Tenant’s particular use of the Premises. Tenant shall use the Premises in strict accordance with all applicable ordinances, rules, laws and regulations and shall comply with all requirements of all governmental authorities now in force or which may hereafter be in force pertaining to the particular use of the Premises and the Center by Tenant, including, without limitation, regulations applicable to noise, water, soil and air pollution, and making such nonstructural alterations and additions thereto as may be required from time to time by such laws, ordinances, rules, regulations and requirements of governmental authorities or insurers of the Center (collectively, “Requirements,”) because of Tenant’s construction of improvements in or other particular use of the Premises or the Center. Any structural alterations or additions required from time to time by applicable Requirements because of Tenant’s construction of improvements in the Premises or other particular use of the Center shall, at Landlord’s election, either (i) be made by Tenant, at Tenant’s sole cost and expense, in accordance with the procedures and standards set forth in Section 7.1 for alterations by Tenant, or (ii) be made by Landlord at Tenant’s sole cost and expense, in which event Tenant shall pay to Landlord as additional rent, within ten (10) days after demand by Landlord, an amount equal to all reasonable costs incurred by Landlord in connection with such alterations or additions. The judgment of any court, or the admission by Tenant in any proceeding against Tenant, that Tenant has violated any law, statute, ordinance or governmental rule, regulation or requirement shall be conclusive of such violation as between Landlord and Tenant.

9.5 Liquidation Sales. Tenant shall not conduct or permit to be conducted any auction, bankruptcy sale, liquidation sale, or going out of business sale, in, upon or about the Center, whether said auction or sale be voluntary, involuntary or pursuant to any assignment for the benefit of creditors, or pursuant to any bankruptcy or other insolvency proceeding.
9.6 Environmental Matters.

(a) For purposes of this Section, “hazardous substance” shall mean (i) the substances included within the definitions of the term “hazardous substance” under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. §§ 9001 et seq., and the regulations promulgated thereunder, as amended, (ii) the substances included within the definition of “hazardous substance” under the California Carpenter-Presley-Tanner Hazardous Substance Account Act, California Health & Safety Code §§ 25300 et seq., and regulations promulgated thereunder, as amended, (iii) the substances included within the definition of “hazardous materials” under the Hazardous Materials Release Response Plans and Inventory Act, California Health & Safety Code §§ 25500 et seq., and regulations promulgated thereunder, as amended, (iv) the substances included within the definition of “hazardous substance” under the Underground Storage of Hazardous Substances provisions set forth in California Health & Safety Code §§ 25280 et seq., and (v) petroleum or any fraction thereof; “hazardous waste” shall mean (i) any waste listed as or meeting the identified characteristics of a “hazardous waste” under the Resource Conservation and Recovery Act of 1976, 42 U.S.C. §§ 6901 et seq., and regulations promulgated pursuant thereto, as amended (collectively, “RCRA”), (ii) any waste meeting the identified characteristics of “hazardous waste,” “extremely hazardous waste” or “restricted hazardous waste” under the California Hazardous Waste Control Law, California Health & Safety Code §§ 25100 et seq., and regulations promulgated pursuant thereto, as amended (collectively, the “CHWCL”), and/or (iii) any waste meeting the identified characteristics of “medical waste” under California Health & Safety Code §§ 25015-25027.8, and regulations promulgated thereunder, as amended; “hazardous waste facility” shall mean a hazardous waste facility as defined under the CHWCL; and “pollutant” shall mean all substances defined as a “pollutant,” “pollution,” “waste,” “contamination” or “hazardous substance” under the Porter-Cologne Water Quality Control Act, California Water Code §§ 13000 et seq.

(b) Without limiting the generality of the obligations set forth in Section 9.4 of this Lease:

(i) Tenant shall not cause or permit any hazardous substance or hazardous waste to be brought upon, kept, stored or used in or about the Center without the prior written consent of Landlord, which consent shall not be unreasonably withheld, except that Tenant, in connection with its permitted use of the Premises and the Center as provided in Section 9.1, may keep, store and use materials which constitute hazardous substances which are customary for such permitted use, provided such hazardous substances are kept, stored and used in quantities which are customary for such permitted use and are kept, stored and used in full compliance with subparagraphs (ii) and (iii) immediately below.

(ii) Tenant shall comply with all applicable laws, rules, regulations, orders, permits, licenses and operating plans of any governmental authority with respect to the receipt, use, handling, generation, transportation, storage, treatment and/or disposal of hazardous substances or wastes by Tenant or its agents or employees, and Tenant will provide Landlord with copies of all permits, licenses, registrations and other similar
documents that authorize Tenant to conduct any such activities in connection with its authorized use of the Premises and the Center from
time to time.

(iii) Tenant shall not (A) operate on or about the Center any facility required to be permitted or licensed as a hazardous waste
facility or for which interim status as such is required, nor (B) store any hazardous wastes on or about the Center for ninety (90) days or
more, nor (C) conduct any other activities on or about the Center that could result in the Center or any portion thereof being deemed to be a
“hazardous waste facility” (including, but not limited to, any storage or treatment of hazardous substances or hazardous wastes which
could have such a result), nor (D) store any hazardous wastes on or about the Center in violation of any federal or California laws or in
violation of the terms of any federal or state licenses or permits held by Tenant.

(iv) Tenant shall not install any underground storage tanks on the Property without the prior written consent of Landlord and
prior approval by all applicable governmental authorities. If and to the extent that Tenant obtains all such required consents and approvals
and installs any underground storage tanks on the Property, Tenant shall comply with all applicable laws, rules, regulations, orders and
permits relating to such underground storage tanks (including any installation, monitoring, maintenance, closure and/or removal of such
tanks) as such tanks are defined in California Health & Safety Code § 25281(x), including, without limitation, complying with California
Health & Safety Code §§ 25280-25299.7 and the regulations promulgated thereunder, as amended. Tenant shall furnish to Landlord copies
of all registrations and permits issued to or held by Tenant from time to time for any and all underground storage tanks located on or under
the Property.

(v) If applicable, Tenant shall provide Landlord in writing the following information and/or documentation within fifteen (15)
days after the first Commencement Date to occur under this Lease, and shall update such information at least annually, on or before each
anniversary of such Commencement Date, to reflect any change in or addition to the required information and/or documentation
(provided, however, that in the case of the materials described in subparagraphs (B), (C) and (E) below, Tenant shall not be required to
deliver copies of such materials to Landlord but shall maintain copies of such materials to such extent and for such periods as may be
required by applicable law and shall permit Landlord or its representatives to inspect and copy such materials during normal business hours
at any time and from time to time upon reasonable notice to Tenant):

(A) A list of all hazardous substances, hazardous wastes and/or pollutants that Tenant receives, uses, handles, generates,
transports, stores, treats or disposes of from time to time in connection with its operations in the Center.

(B) All Hazardous Waste Manifests, if any, that Tenant is required to complete from time to time under California Health & Safety
Code § 25160, any regulations promulgated thereunder, any similar successor provisions and/or any amendments to any of
the foregoing, in connection with its operations in the Center.

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(C) Any Hazardous Materials Management Plan required from time to time with respect to Tenant’s operations in the Center, pursuant to California Health & Safety Code §§ 25500 et seq., any regulations promulgated thereunder, any similar successor provisions and/or any amendments to any of the foregoing.

(D) Any Air Toxics Emissions Inventory Plan required from time to time with respect to Tenant’s operations in the Center, pursuant to California Health & Safety Code §§ 44340 et seq., any regulations promulgated thereunder, any similar successor provisions and/or any amendments to any of the foregoing.

(E) Any biennial Hazardous Waste Generator reports or notifications furnished by Tenant to the California Department of Toxic Substances Control or other applicable governmental authorities from time to time pursuant to California Code of Regulations Title 22, § 66262.41, any similar successor provisions and/or any amendments to any of the foregoing, in connection with Tenant’s operations in the Center.

(F) Any Hazardous Waste Generator Reports regarding source reductions, as required from time to time pursuant to California Health & Safety Code §§ 25244.20 et seq., any regulations promulgated thereunder, any similar successor provisions and/or any amendments to any of the foregoing, in connection with Tenant’s operations in the Center.

(G) Any Hazardous Waste Generator Reports or notifications not otherwise described in the preceding subparagraphs and required from time to time pursuant to California Health & Safety Code § 25153.6, California Code of Regulations Title 22, Division 4.5, Chapter 12, §§66262.10 et seq. (“Standards Applicable to Generators of Hazardous Waste”), any other regulations promulgated thereunder, any similar successor provisions and/or any amendments to any of the foregoing, in connection with Tenant’s operations in the Center.

(H) All industrial wastewater discharge permits issued to or held by Tenant from time to time in connection with its operations in the Center, and all air quality management district permits issued to or held by Tenant from time to time in connection with its operations in the Center.

(I) Copies of any other lists or inventories of hazardous substances, hazardous wastes and/or pollutants on or about the Center that Tenant is otherwise required to prepare and file from time to time with any governmental or regulatory authority.

(vi) Tenant shall secure Landlord’s prior written approval for any proposed receipt, storage, possession, use, transfer or disposal of “radioactive materials” or “radiation,” as such materials are defined in Title 26, California Code of Regulations § 17-30100, and/or any other materials possessing the characteristics of the materials so
defined, which approval Landlord may withhold in its sole and absolute discretion; provided, that such approval shall not be required for any radioactive materials (x) for which Tenant has secured prior written approval of the Nuclear Regulatory Commission and delivered to Landlord a copy of such approval (if applicable), or (y) which Tenant is authorized to use pursuant to the terms of any radioactive materials license issued by the State of California. Tenant, in connection with any such authorized receipt, storage, possession, use, transfer or disposal of radioactive materials or radiation, shall:

(A) Comply with all federal, state and local laws, rules, regulations, orders, licenses and permits issued to or applicable to Tenant with respect to its operations in the Center;

(B) Maintain, to such extent and for such periods as may be required by applicable law, and permit Landlord and its representatives to inspect during normal business hours at any time and from time to time upon reasonable notice to Tenant, a list of all radioactive materials or radiation received, stored, possessed, used, transferred or disposed of by Tenant or in connection with Tenant’s operations in the Center from time to time, to the extent not already disclosed through delivery of a copy of a Nuclear Regulatory Commission approval with respect thereto as contemplated above; and

(C) Maintain, to such extent and for such periods as may be required by applicable law, and permit Landlord or its representatives to inspect during normal business hours at any time and from time to time upon reasonable notice to Tenant, all licenses, registration materials, inspection reports, governmental orders and permits in connection with the receipt, storage, possession, use, transfer or disposal of radioactive materials or radiation by Tenant or in connection with Tenant’s operations in the Center from time to time.

(vii) Tenant shall comply with any and all applicable laws, rules, regulations and orders of any governmental authority with respect to the release into the environment of any hazardous wastes, hazardous substances, pollutants, radiation or radioactive materials by Tenant or its agents or employees. Tenant shall give Landlord immediate verbal notice of any unauthorized release of any such hazardous wastes, hazardous substances, pollutants, radiation or radioactive materials into the environment; shall follow such verbal notice with written notice to Landlord of such release within twenty-four (24) hours of the time at which Tenant became aware of such release; and shall provide Landlord with a copy of any written report or disclosure filed by Tenant with any governmental authority with respect to such release, substantially concurrently with Tenant’s filing of such written report or disclosure with the applicable governmental authority.

(viii) Tenant shall indemnify, defend and hold Landlord harmless from and against any and all claims, losses (including, but not limited to, loss of rental income), damages, liabilities, costs, legal fees and expenses of any sort arising out of or relating to (A) any failure by Tenant to comply with any provisions of this Section 9.6(b), or (B) any receipt, use handling, generation, transportation, storage, treatment, release
and/or disposal of any hazardous substance, hazardous waste, pollutant, radioactive material or radiation on or about the Center as a proximate result of Tenant’s use of the Center or as a result of any intentional or negligent acts or omissions of Tenant or of any agent, employee or invitee of Tenant.

(ix) Tenant shall cooperate with Landlord in furnishing Landlord with complete information regarding Tenant’s receipt, handling, use, storage, transportation, generation, treatment and/or disposal of any hazardous substances, hazardous wastes, pollutants, radiation or radioactive materials in or about the Center. Upon request, but subject to Tenant’s reasonable operating and security procedures, Tenant shall grant Landlord reasonable access at reasonable times to the Premises to inspect Tenant’s receipt, handling, use, storage, transportation, generation, treatment and/or disposal of hazardous substances, hazardous wastes, pollutants, radiation and radioactive materials, without Landlord thereby being deemed guilty of any disturbance of Tenant’s use or possession or being liable to Tenant in any manner.

(x) Notwithstanding Landlord’s rights of inspection and review under this Section 9.6(b), Landlord shall have no obligation or duty to so inspect or review, and no third party shall be entitled to rely on Landlord to conduct any sort of inspection or review by reason of the provisions of this Section 9.6(b).

(xi) Prior to the Lease Commencement Date, Landlord has made available to Tenant for Tenant’s review, but without any warranty or representation by Landlord, copies of all environmental studies and reports (if any) in Landlord’s possession or control relating to the environmental condition of the Building and surrounding areas of the Center.

(xii) If Tenant or its employees, agents, contractors, vendors, customers or guests receive, handle, use, store, transport, generate, treat and/or dispose of any hazardous substances or wastes or radiation or radioactive materials on or about the Center at any time during the term of this Lease, then within thirty (30) days after Tenant vacates the Premises upon termination or expiration of this Lease, Tenant at its sole cost and expense shall obtain and deliver to Landlord an environmental study performed by a reputable environmental consultant reasonably satisfactory to Landlord, evaluating the presence or absence of hazardous substances, hazardous wastes, pollutants, radiation and radioactive materials on and about those portions of the Center affected by Tenant’s operations in the Center and attributable or potentially attributable to such operations (the “Exit Study”). Such Exit Study shall initially be a Phase I study, and shall thereafter also include such additional tests and investigations (if any) of the Building and/or Property (if appropriate) as the results of the Phase I study may reasonably suggest to be appropriate or necessary and which are reasonably related to Tenant’s prior use. Such Exit Study and related tests and investigations (if any) shall be conducted no earlier than the date reasonably necessary in order for Tenant to obtain the full Exit Study at or promptly following the termination or expiration of this Lease. Liability for any remedial actions required or recommended on the basis of the Exit Study shall be allocated in accordance with Sections 9.4, 9.6, 10.6 and other applicable provisions of this Lease.
(c) Landlord shall indemnify, defend and hold Tenant harmless from and against any and all claims, losses, damages, liabilities, costs, legal fees and expenses of any sort arising out of or relating to (i) the presence on the Center of any hazardous substances, hazardous wastes, pollutants, radiation or radioactive materials present on the Center on or prior to the Lease Commencement Date (other than as a result of any intentional or negligent acts or omissions of Tenant or of any agent, employee or invitee of Tenant), and/or (ii) any unauthorized release into the environment (including, but not limited to, the Center) of any hazardous substances, hazardous wastes, pollutants, radiation or radioactive materials to the extent such release results from the gross negligence of or willful misconduct or omission by Landlord or its agents or employees.

(d) The provisions of this Section 9.6 shall survive the termination of this Lease.

10. INSURANCE AND INDEMNITY

10.1 Insurance.

(a) Tenant shall procure and maintain in full force and effect at all times during the term of this Lease, from and after the first date on which Landlord tenders possession of any portion of the Premises to Tenant, at Tenant’s cost and expense, commercial general liability insurance to protect against liability to the public, or to any invitee of Tenant or Landlord, arising out of or related to the use of or resulting from any accident occurring in, upon or about the Premises, with limits of liability of not less than (i) Three Million Dollars ($3,000,000.00) per occurrence for bodily injury, personal injury and death, and Five Hundred Thousand Dollars ($500,000.00) per occurrence for property damage, or (ii) a combined single limit of liability of not less than Five Million Dollars ($5,000,000.00) per occurrence for bodily injury (including personal injury and death) and property damage. Such insurance shall name Landlord, HCP Life Science REIT, Inc., HCP, Inc., HCP Estates USA Inc., Grantor’s property manager (presently CB Richard Ellis, Inc.) and any other persons or entities reasonably designated by Landlord in writing from time to time as additional insureds thereunder. The amount of such insurance shall not be construed to limit any liability or obligation of Tenant under this Lease. Tenant shall also procure and maintain in full force and effect at all times during the term of this Lease, at Tenant’s cost and expense, products/completed operations coverage on terms and in amounts (A) customary in Tenant’s industry for companies engaged in the marketing of products on a scale comparable to that in which Tenant is engaged from time to time and (B) mutually satisfactory to Landlord and Tenant in their respective reasonable discretion.

(b) Landlord shall procure and maintain in full force and effect at all times during the term of this Lease, at Landlord’s cost and expense (but reimbursable as an Operating Expense under Section 5.2 hereof), commercial general liability insurance to protect against liability arising out of or related to the use of or resulting from any accident occurring in, upon or about the Center, with a combined single limit of liability of not less than Five Million Dollars ($5,000,000.00) per occurrence for bodily injury (including personal injury and death) and property damage.
(c) Landlord shall procure and maintain in full force and effect at all times during the term of this Lease, at Landlord’s cost and expense (but reimbursable as an Operating Expense under Section 5.2 hereof), policies of property insurance providing protection against “all risk of direct physical loss” (as defined by and detailed in the Insurance Service Office’s Commercial Property Program “Cause of Loss—Special Form [CP1030]” or its equivalent) for the Building shell and existing improvements in the Premises as tendered to Tenant at the time possession of (or early access to) the applicable portions of the Premises are delivered to Tenant, and for the improvements in the Center Common Areas and Building Common Areas (if any), on a full replacement cost basis (with no co-insurance or, if coverage without co-insurance is not reasonably available, then on an “agreed amount” basis or with a commercially reasonable margin clause). Such insurance may include earthquake and/or environmental coverage, as part of the same policy or as separate policy or policies, to the extent Landlord in its sole discretion elects to carry such coverage, and shall have such commercially reasonable deductibles and other terms as Landlord in its discretion determines to be appropriate. Unless otherwise expressly provided in some other applicable provision of this Lease, Landlord shall have no obligation to carry property damage insurance for any alterations, additions or improvements installed by Tenant in the Building or on or about the Center.

(d) Landlord shall procure and maintain in full force and effect at all times during the term of this Lease, from and after the earlier of (i) the Commencement Date for the applicable portion of the Premises or (ii) the date Tenant advises Landlord in writing that Tenant’s construction of any material alterations or improvements being constructed by Tenant in the applicable portion of the Premises is complete (at which point Tenant’s builders’ risk coverage under paragraph (f) below would no longer be applicable), at Landlord’s cost and expense (but reimbursable as an Operating Expense allocable 100% to Tenant or as a direct chargeback to Tenant), policies of property insurance providing protection against “all risk of direct physical loss” (as defined by and detailed in the Insurance Service Office’s Commercial Property Program “Cause of Loss—Special Form [CP1030]” or its equivalent) for all alterations, additions or improvements installed by Tenant in the Premises or Building and identified specifically in a written request from Tenant to Landlord as items for which Tenant would like Landlord to maintain coverage under this paragraph (d) (but excluding Tenant’s Property as defined in paragraph (e) below, which it shall be Tenant’s sole responsibility to insure pursuant to such paragraph), on a full replacement cost basis (with no co-insurance or, if coverage without co-insurance is not reasonably available, then on an “agreed amount” basis or with a commercially reasonable margin clause). Such insurance may include earthquake and/or environmental coverage, as part of the same policy or as a separate policy or policies, to the extent Landlord in its sole discretion elects to carry such coverage, and shall have such commercially reasonable deductibles and other terms as Landlord in its discretion determines to be appropriate. The coverage required to be maintained under this paragraph (d) may, in Landlord’s discretion, be added to or combined with Landlord’s master policy carried under paragraph (c) above. Tenant shall cooperate with Landlord in the preparation of a mutually approved initial list or schedule of any alterations, additions or improvements which Tenant wishes Landlord to insure under this paragraph (d), and Tenant shall thereafter provide to Landlord from time to time, upon request by Landlord annually or at other reasonable intervals, an updated schedule of values for all items to be insured by Landlord pursuant to this paragraph (d) (the intended purposes of such updating being to reflect (x) the addition of any
new items not previously identified by Tenant to Landlord for purposes of Landlord's insurance obligation under this paragraph (d) and (y) any modification or removal of any items that would have the effect of eliminating them from the scope of Landlord's insurance obligation under this paragraph (d), and to identify current replacement cost values for all insured items under this paragraph (d)). Landlord shall have no obligation or liability to Tenant with respect to any underinsurance of alterations, additions or improvements to be insured by Landlord under this paragraph (d) to the extent such underinsurance results from Tenant's failure to keep Landlord informed from time to time, on a current basis, of the identification and the insurable value (on a full replacement cost basis) of the items to be insured by Landlord under this paragraph (d). In addition, Tenant shall provide Landlord with final construction cost figures for any alterations, additions or improvements constructed by Tenant and to be insured by Landlord under this paragraph (d). Landlord, in its discretion, may elect from time to time to obtain appraisals of any or all alterations, additions, furniture, furnishings, fixtures, equipment and improvements which Landlord is required to insure hereunder, but no such ordering or receipt of appraisals by Landlord shall constitute a waiver or release of Tenant's obligations to provide information to Landlord pursuant to this paragraph (d).

(e) Tenant shall procure and maintain in full force and effect at all times during the term of this Lease, from and after the date possession of (or early access to) the applicable portion of the Premises is tendered to Tenant, at Tenant's cost and expense, policies of property insurance providing protection against "all risk of direct physical loss" (as defined by and detailed in the Insurance Service Office's Commercial Property Program "Cause of Loss-Special Form [CP1030]" or its equivalent) for Tenant's movable personal property, office furniture, movable equipment and trade fixtures, and for all other alterations, additions and improvements placed or installed by Tenant from time to time in or about the Premises and not identified by Tenant in writing to Landlord as items which Tenant wishes Landlord to insure under paragraph (d) above (collectively, “Tenant's Property,” which term is not intended to imply any conclusion regarding ultimate ownership of alterations, additions and improvements that are otherwise covered by Article 7 above, but is used solely as a defined term for purposes of the specific contexts in which it is used as such in this Lease), on a full replacement cost basis (with no co-insurance or, if coverage without co-insurance is not reasonably available, then on an "agreed amount" basis or with a commercially reasonable margin clause). Such insurance may have such commercially reasonable deductibles and other terms as Tenant in its discretion determines to be appropriate, and shall name both Tenant and Landlord as insureds as their interests may appear.

(f) During Tenant's construction of any material alterations, additions or improvements in the Premises, Tenant shall also procure and maintain in full force and effect, at its sole cost and expense, a policy of builder's risk insurance on such alterations, additions and improvements being constructed by Tenant, in such amounts and with such commercially reasonable deductibles as Landlord and Tenant may mutually and reasonably determine to be appropriate with respect to such insurance. Without limiting the generality of the foregoing provisions, Tenant's builder's risk insurance with respect to such alterations, additions and improvements shall in all events include earthquake insurance in an amount at least equal to the cumulative amount (if any) of any payments or reimbursements by Landlord from time to time in connection with the construction of such alterations, additions or improvements.
10.2 **Quality of Policies and Certificates.** All policies of insurance required hereunder shall be issued by insurers with a minimum A.M. Best Rating of A-IX and, in the case of policies carried or required to be carried by Tenant, shall be written as primary policies not contributing with and not in excess of any coverage that Landlord may carry. Prior to the earlier of the first Commencement Date to occur under this Lease or the first date on which possession of any portion of the Premises is tendered to Tenant (including any early access period), or in the case of builders risk insurance, prior to commencement of any work in the Premises by Tenant or any of its employees, agents or contractors, Tenant shall deliver to Landlord copies of policies or certificates of insurance showing that all required policies are in effect. The coverage provided by such policies shall include the clause or endorsement referred to in Section 10.4. Evidence of renewal policies shall be provided by Tenant to Landlord prior to the expiration of the applicable existing policy or policies. If Tenant fails to acquire, maintain or renew any insurance required to be maintained by it under this Article 10 or to pay the premium therefor, then Landlord, at its option and in addition to its other remedies, but without obligation so to do, may procure such insurance, and any sums expended by it to procure any such insurance on behalf of or in place of Tenant shall be repaid upon demand, with interest as provided in Section 3.2 hereof. Tenant shall give Landlord at least thirty (30) days prior written notice of any cancellation or nonrenewal of insurance required to be maintained under this Article 10, and shall obtain written undertakings from each insurer under policies required to be maintained by it to endeavor to notify all insureds thereunder at least thirty (30) days prior to cancellation of coverage.

10.3 **Workers’ Compensation; Employees.** Tenant shall maintain in full force and effect during the term of this Lease workers’ compensation insurance in at least the minimum amounts required by law, covering all of Tenant’s employees working at or about the Premises, which policy shall include a waiver of subrogation in favor of Landlord and its parent company (HCP, Inc.), subsidiaries and affiliates. In addition, Tenant shall maintain in full force and effect during the term of this Lease employer’s liability coverage with limits of liability of not less than One Hundred Thousand Dollars ($100,000) per accident, One Hundred Thousand Dollars ($100,000) per employee for disease, and Five Hundred Thousand Dollars ($500,000) policy limit for disease.

10.4 **Waiver of Subrogation.** Notwithstanding anything to the contrary contained in this Lease, to the extent permitted by law and without affecting the coverage provided by insurance required to be maintained hereunder, Landlord and Tenant each waive any right to recover against the other with respect to (i) damage to property, (ii) damage to the Center or any part thereof, or (iii) claims arising by reason of any of the foregoing, but only to the extent that any of the foregoing damages and claims under clauses (i)-(iii) hereof are covered or would have been covered, and only to the extent of such actual or deemed coverage, by property insurance actually carried or required to be carried hereunder by either Landlord or Tenant, regardless of any negligence of the party receiving the benefit of such waiver. This provision is intended to waive fully, and for the benefit of each party, any rights and claims which might give rise to a right of subrogation in any insurance carrier. Each party shall procure a clause or endorsement on any property insurance policy denying to the insurer rights of subrogation against the other party to the extent rights have been waived by the insured prior to the occurrence of injury or loss. Coverage provided by insurance maintained by Landlord or Tenant shall not be limited, reduced or diminished by virtue of the subrogation waiver herein contained.

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10.5 Increase in Premiums. Tenant shall do all acts and pay all expenses necessary to ensure that the Premises are not used for purposes prohibited by any applicable fire insurance, and that Tenant’s use of the Premises, Building and Center complies with all requirements necessary to obtain any such insurance. If Tenant uses or permits the Premises, Building or Center to be used in a manner which increases the existing rate of any insurance carried by Landlord on the Center and such use continues for longer than a reasonable period specified in any written notice from Landlord to Tenant identifying the rate increase and the factors causing the same, then Tenant shall pay the amount of the increase in premium caused thereby, and Landlord’s costs of obtaining other replacement insurance policies, including any increase in premium, within ten (10) days after demand therefor by Landlord.

10.6 Indemnification. Except as otherwise expressly provided for in this Lease, Tenant shall indemnify, defend and hold Landlord and its members, partners, shareholders, officers, directors, agents, employees and contractors harmless from any and all liability for injury to or death of any person, or loss of or damage to the property of any person, and all actions, claims, demands, costs (including, without limitation, reasonable attorneys’ fees), damages or expenses of any kind arising therefrom which may be brought or made against Landlord or which Landlord may pay or incur by reason of the use, occupancy and enjoyment of the Center by Tenant or any invitees, sublessees, licensees, assignees, employees, agents or contractors of Tenant or holding under Tenant from any cause whatsoever other than gross negligence or willful misconduct or omission by Landlord or its agents, employees or contractors. Except as otherwise expressly provided for in this Lease, Landlord and its members, partners, shareholders, officers, directors, agents, employees and contractors shall not be liable for, and Tenant hereby waives all claims against such persons for, damages to goods, wares and merchandise in or upon the Center, or for injuries to Tenant, its agents or third persons in or upon the Center, from any cause whatsoever other than gross negligence or willful misconduct or omission by Landlord or its agents, employees or contractors. Tenant shall give prompt notice to Landlord of any casualty or accident in, on or about the Center.

10.7 Blanket Policy. Any policy required to be maintained hereunder may be maintained under a so-called “blanket policy” insuring other parties and other locations so long as the amount of insurance required to be provided hereunder is not thereby diminished. Without limiting the generality of the requirement set forth at the end of the preceding sentence, property insurance provided under a blanket policy shall provide full replacement cost coverage and liability insurance provided under a blanket policy shall include per location aggregate limits meeting or exceeding the limits required under this Article 10.

11. SUBLEASE AND ASSIGNMENT

11.1 Assignment and Sublease of Building. Except in the case of a Permitted Transfer, Tenant shall not have the right or power to assign its interest in this Lease, or make any sublease of the Premises or any portion thereof, nor shall any interest of Tenant under this Lease be assignable involuntarily or by operation of law, without on each occasion obtaining the prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed. Any purported sublease or assignment of Tenant’s interest in this Lease requiring but not having received Landlord’s consent thereto (to the extent such consent is required hereunder) shall be void. Without limiting the generality of the foregoing provisions, Landlord may
withhold consent to any proposed subletting or assignment solely on the ground, if applicable, that the use by the proposed subtenant or assignee is reasonably likely to be incompatible with Landlord’s use of the balance of the Center. Except in the case of a Permitted Transfer, any dissolution, consolidation, merger or other reorganization of Tenant, or any sale or transfer of substantially all of the stock or assets of Tenant in a single transaction or series of related transactions, shall be deemed to be an assignment hereunder and shall be void without the prior written consent of Landlord as required above. Notwithstanding the foregoing, (i) neither an initial public offering of the common stock of Tenant nor any other sale of Tenant’s capital stock through any public securities exchange or market nor any other issuance of Tenant’s capital stock for bona fide financing purposes shall be deemed to be an assignment, subletting or transfer hereunder; (ii) Tenant shall have the right to assign this Lease or sublet the Premises, or any portion thereof, without Landlord’s consent (but with prior written notice by Tenant to Landlord), to any Affiliate of Tenant, provided that in the case of any such assignment by Tenant to an Affiliate of Tenant, Tenant or Tenant’s parent (if any) shall guarantee the obligations of the assignee pursuant to a written guarantee in form and substance reasonably requested by Landlord; and (iii) Landlord agrees that it will not withhold its consent to any assignment occurring pursuant to a merger or consolidation involving Tenant, or pursuant to the acquisition by any entity of substantially all of the stock or assets of Tenant as a going concern, provided that in the case of any such merger, consolidation or acquisition, the surviving entity or the acquiring entity (as applicable) (A) has a net worth at least equal to that of Tenant immediately prior to consummation of the merger, consolidation or acquisition and (B) is of a character and quality reasonably comparable to that of other tenants in the Center or in other first-class office, research and development buildings of similar age, size and quality in the same geographical area as the Center. For purposes of this Article 11, an “Affiliate” of Tenant shall mean any entity in which Tenant owns at least a fifty percent (50%) equity interest, any entity which owns at least a fifty percent (50%) equity interest in Tenant, and/or any entity which is related to Tenant by a chain of ownership interests involving at least a fifty percent (50%) equity interest at each level in the chain, and a “Permitted Transfer” shall mean any assignment or sublease described in clause (ii) of the preceding sentence or to which Landlord consents pursuant to clause (iii) of the preceding sentence. Landlord shall have no right to terminate this Lease in connection with, and shall have no right to any sums or other economic consideration resulting from, any Permitted Transfer. Except as expressly set forth in this Section 11.1, however, the provisions of Section 11.2 shall remain applicable to any Permitted Transfer and the transferee under such Permitted Transfer shall be and remain subject to all of the terms and provisions of this Lease.

11.2 Rights of Landlord.

(a) Consent by Landlord to one or more assignments of this Lease, or to one or more sublettings of the Premises or any portion thereof, or collection of rent by Landlord from any assignee or sublessee, shall not operate to exhaust Landlord’s rights under this Article 11, nor constitute consent to any subsequent assignment or subletting. No assignment of Tenant’s interest in this Lease and no sublease shall relieve Tenant of its obligations hereunder, notwithstanding any waiver or extension of time granted by Landlord to any assignee or sublessee, or the failure of Landlord to assert its rights against any assignee or sublessee, and regardless of whether Landlord’s consent thereto is given or required to be given hereunder. In the event of a default by any assignee, sublessee or other successor of Tenant in the performance
of any of the terms or obligations of Tenant under this Lease, Landlord may proceed directly against Tenant without the necessity of exhausting remedies against any such assignee, sublessee or other successor. In addition, Tenant immediately and irrevocably assigns to Landlord, as security for Tenant’s obligations under this Lease, all rent from any subletting of all or a part of the Premises as permitted under this Lease, and Landlord, as Tenant’s assignee and as attorney-in-fact for Tenant, or any receiver for Tenant appointed on Landlord’s application, may collect such rent and apply it toward Tenant’s obligations under this Lease; except that, until the occurrence and during the continuance of an event of default by Tenant, Tenant shall have the right to collect such rent and to retain all sublease profits (subject to the provisions of Section 11.2(c), below).

(b) Upon any assignment of Tenant’s interest in this Lease other than a Permitted Transfer, Tenant shall pay to Landlord, within ten (10) days after receipt thereof by Tenant from time to time, one-half ($1/2) of all cash sums and other economic considerations received by Tenant in connection with or as a result of such assignment, after first deducting therefrom (i) any costs incurred by Tenant for leasehold improvements (including, but not limited to, third-party architectural and space planning costs) in the Premises in connection with such assignment, amortized over the remaining term of this Lease, and (ii) any real estate commissions and/or reasonable attorneys’ fees actually incurred by Tenant in connection with such assignment.

(c) Upon any sublease of all or any portion of the Premises other than a Permitted Transfer, Tenant shall pay to Landlord, within ten (10) days after receipt thereof by Tenant from time to time, one-half ($1/2) of all cash sums and other economic considerations received by Tenant in connection with or as a result of such sublease, after first deducting therefrom (i) the minimum rental due hereunder for the corresponding period, prorated (on the basis of the average per-square-foot cost paid by Tenant for the Premises for the applicable period under this Lease) to reflect the size of the subleased portion of the Premises, and any Additional Monthly Rent due hereunder for the corresponding period to the extent such Additional Monthly Rent is attributable to Tenant’s use of funds from the Additional TI Allowance to construct tenant improvements in the subleased portion of the Premises, (ii) any costs incurred by Tenant for leasehold improvements in the subleased portion of the Premises (including, but not limited to, third-party architectural and space planning costs) for the specific benefit of the sublessee in connection with such sublease, amortized over the remaining term of this Lease, and (iii) any real estate commissions and/or reasonable attorneys’ fees actually incurred by Tenant in connection with such sublease, amortized over the term of such sublease.

(d) Within ten (10) business days after Landlord’s receipt of written notice from Tenant of any proposed subletting of substantially all of the Premises for a term longer than twenty-five percent (25%) of the then remaining term of this Lease (other than pursuant to a Permitted Transfer, such Permitted Transfers being exempt from the provisions of this paragraph (d)), in lieu of consenting to or refusing consent to the proposed subletting, Landlord in its sole discretion may elect by written notice to Tenant to recapture the Premises and terminate this Lease early, effective as of the proposed effective date of the proposed subletting.

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12. RIGHT OF ENTRY AND QUIET ENJOYMENT

12.1 Right of Entry. Landlord and its authorized representatives shall have the right, subject to Tenant’s reasonable operating and security procedures, to enter the Premises at any time during the term of this Lease during normal business hours and upon not less than twenty-four (24) hours prior notice, except in the case of emergency (in which event no notice shall be required and entry may be made at any time), for the purpose of inspecting and determining the condition of the Premises and Building or for any other proper purpose including, without limitation, to make repairs, replacements or improvements which Landlord may deem necessary, to show the Premises and Building to prospective purchasers, to show the Premises and Building to prospective tenants (but only during the final year of the term of this Lease), and to post notices of nonresponsibility. Landlord shall not be liable for inconvenience, annoyance, disturbance, loss of business, quiet enjoyment or other damage or loss to Tenant by reason of making any repairs or performing any work upon the Building or the Center or by reason of erecting or maintaining any protective barricades in connection with any such work, and the obligations of Tenant under this Lease shall not thereby be affected in any manner whatsoever, provided, however, Landlord shall use reasonable efforts to minimize the inconvenience to Tenant’s normal business operations caused thereby.

12.2 Quiet Enjoyment. Landlord covenants that Tenant, upon paying the rent and performing its obligations hereunder and subject to all the terms and conditions of this Lease, shall peacefully and quietly have, hold and enjoy the Premises and the Center throughout the term of this Lease, or until this Lease is terminated as provided by this Lease.

13. CASUALTY AND TAKING

13.1 Damage or Destruction. (a) If the Premises or any portion of the Building or Center Common Areas necessary for Tenant’s use and occupancy of the Premises is damaged or destroyed in whole or in any substantial part during the term of this Lease, Landlord shall obtain from Landlord’s architect, as soon as practicable (and in all events within forty-five (45) days) following the damage or destruction, (i) the architect’s reasonable, good faith estimate of the time within which repair and restoration of the Premises, Building and Center Common Areas (if applicable) can reasonably be expected to be completed to the extent necessary to enable Tenant to resume its full business operations in the Premises without material impairment and (ii) the architect’s reasonable, good faith opinion as to whether repair and restoration to that extent will be permitted under applicable governmental laws, regulations and building codes then in effect (collectively, the “Architect’s Estimate”). If the damage or destruction materially impairs Tenant’s ability to conduct its business operations in the Premises, and if either (A) the estimated repair time specified in the Architect’s Estimate exceeds six (6) months (or, in the case of an occurrence during the final year of the term of this Lease, sixty (60) days) or (B) the Architect’s Estimate states that repair and restoration of the affected areas to the extent necessary to enable Tenant to resume its full business operations in the Premises without material impairment will not be permitted under applicable governmental laws, regulations and building codes then in effect, then in either such event either Landlord or Tenant may terminate this Lease as of the date of the occurrence by giving written notice to the other party within thirty (30) days after the date
of the occurrence or fifteen (15) days after delivery of the Architect’s Estimate, whichever is later. In addition, Landlord shall have a similar termination right if the damage or destruction arises from a risk that is not required to be insured against (and is not actually insured against) by Landlord under this Lease and if Landlord’s architect reasonably estimates that the uninsured cost to restore the portions of the Premises and Building for which Landlord is responsible to the condition required above would exceed five percent (5%) of the then applicable replacement cost of the entire Premises. If the circumstances creating a termination right under the preceding two sentences do not exist, or if such circumstances exist but neither party timely exercises any applicable termination right, then this Lease shall remain in full force and effect and (x) Landlord, as to the Center Common Areas and as to the shell of the Building and the alterations, additions and improvements that Landlord is required to insure (or actually insures) under Sections 10.1(c) and (d) above, and (y) Tenant, as to the alterations, additions and improvements (if any) that Tenant is required to insure under Section 10.1(e) above, shall respectively commence and complete, with all due diligence and as promptly as is reasonably practicable under the conditions then existing, the repair and restoration of such respective portions of the Property and Premises to a condition substantially comparable to that which existed immediately prior to the damage or destruction; provided, however, that Tenant in its discretion may elect not to repair, rebuild or replace any or all of the items which would otherwise be Tenant’s responsibility under clause (y) of this sentence to the extent such items were constructed or installed at Tenant’s sole expense and without any payment or reimbursement by Landlord.

(b) If this Lease is terminated pursuant to the foregoing provisions of this Section 13.1 following an occurrence which is a peril actually insured or required to be insured against pursuant to Section 10.1(c), (d) and/or (e), Landlord and Tenant agree (and any Lender shall be asked to agree) that such insurance proceeds shall be allocated between Landlord and Tenant in a manner which fairly and reasonably reflects their respective ownership rights under this Lease, as of the termination or expiration of the term of this Lease, with respect to the improvements, fixtures, equipment and other items to which such insurance proceeds are attributable.

(c) From and after the date of an occurrence resulting in damage to or destruction of the Premises or of Center Common Areas necessary for Tenant’s use and occupancy of the Premises, and continuing until repair and restoration thereof are completed to the extent necessary to enable Tenant to resume operation of its business in the Premises without material impairment, there shall be an equitable abatement of minimum rental and of Tenant’s Operating Cost Share of Operating Expenses based upon the degree to which Tenant’s ability to conduct its business in the Premises is impaired.

(d) Each party expressly waives the provisions of California Civil Code Sections 1932(2), 1933(4) and any other applicable existing or future law permitting the termination of a lease agreement in the event of damage to or destruction of the leased property, it being the intention of the parties that their respective rights in such circumstances shall be governed solely by the provisions of this Article 13.
13.2 Condemnation.

(a) If during the term of this Lease the Premises or any portion of the Building or Center Common Areas that is necessary for Tenant’s use and occupancy of the Premises, or any substantial part of any of them, is taken by eminent domain or by reason of any public improvement or condemnation proceeding, or in any manner by exercise of the right of eminent domain (including any transfer in lieu of or in avoidance of an exercise of the power of eminent domain), or receives irreparable damage by reason of anything lawfully done by or under color of any public authority, then (i) this Lease shall terminate as to the entire Premises at Landlord’s election by written notice given to Tenant within thirty (30) days after the taking has occurred, and (ii) this Lease shall terminate as to the entire Premises at Tenant’s election, by written notice given to Landlord within thirty (30) days after the nature and extent of the taking have been finally determined, if the portion of the Premises, Building or Center taken is of such extent and nature as substantially to handicap, impede or permanently impair Tenant’s use of the Premises. If Tenant elects to terminate this Lease, Tenant shall also notify Landlord of the date of termination, which date shall not be earlier than thirty (30) days nor later than ninety (90) days after Tenant has notified Landlord of Tenant’s election to terminate, except that this Lease shall terminate on the date of taking if such date falls on any date before the date of termination designated by Tenant. If neither party elects to terminate this Lease as hereinabove provided, this Lease shall continue in full force and effect (except that there shall be an equitable abatement of minimum rental and of Tenant’s Operating Cost Share of Operating Expenses based upon the degree to which Tenant’s ability to conduct its business in the Premises is impaired), Landlord shall restore the improvements for which Landlord is responsible under clause (x) of Section 13.1(a) above to a complete architectural whole and a functional condition and as nearly as reasonably possible to the condition existing before the taking, and Tenant shall restore the improvements for which Tenant is responsible under clause (y) of Section 13.1(a) above to a complete architectural whole and a functional condition and as nearly as reasonably possible to the condition existing before the taking; provided, however, that Tenant in its discretion may elect not to repair, restore or replace any or all of the items which would otherwise be Tenant’s responsibility to the extent such items were constructed or installed at Tenant’s sole expense and without any payment or reimbursement by Landlord. In connection with any such restoration, each party shall use reasonable efforts (including, without limitation, any necessary negotiation or intercession with its respective lender, if any) to ensure that any severance damages or other condemnation awards intended to provide compensation for rebuilding or restoration costs are promptly collected and made available to Landlord and Tenant in portions reasonably corresponding to the cost and scope of their respective restoration obligations, subject only to such payment controls as either party or its lender may reasonably require in order to ensure the proper application of such proceeds toward the restoration of the Premises, Building and Center. Each party expressly waives the provisions of California Code of Civil Procedure Section 1265.130 and of any other existing or future law allowing either party to terminate (or to petition the Superior Court to terminate) a lease in the event of a partial condemnation or taking of the leased property, it being the intention of the parties that their respective rights in such circumstances shall be governed solely by the provisions of this Article 13.
13.2 Termination of Lease. If this Lease is terminated pursuant to the foregoing provisions of this Section 13.2, or if this Lease remains in effect but any condemnation awards or other proceeds become available as compensation for the loss or destruction of the Building and/or the Center, then Landlord and Tenant agree (and any Lender shall be asked to agree) that such proceeds shall be allocated between Landlord and Tenant, respectively, in the respective proportions in which Landlord and Tenant would have shared, under Section 13.1(b), the proceeds of any applicable insurance following damage to or destruction of the applicable improvements due to an insured casualty.

13.3 Reservation of Compensation. Landlord reserves, and Tenant waives and assigns to Landlord, all rights to any award or compensation for damage to the Center, the improvements located therein and the leasehold estate created hereby, accruing by reason of any taking in any public improvement, condemnation or eminent domain proceeding or in any other manner by exercise of the right of eminent domain or of anything lawfully done by public authority, except that (a) Tenant shall be entitled to pursue recovery from the applicable public authority for Tenant’s moving expenses, trade fixtures and equipment and any leasehold improvements installed by Tenant in the Premises or Building at its own sole expense, but only to the extent Tenant would have been entitled to remove such items at the expiration of the term of this Lease and then only to the extent of the then remaining unamortized value of such improvements computed on a straight-line basis over the term of this Lease, and (b) any condemnation awards or proceeds described in Section 13.2(b) shall be allocated and disbursed in accordance with the provisions of Section 13.2(b), notwithstanding any contrary provisions of this Section 13.3.

13.4 Restoration of Improvements. In connection with any repair or restoration of improvements by either party following a casualty or taking as hereinabove set forth, the party responsible for such repair or restoration shall, to the extent possible, return such improvements to a condition substantially equal to that which existed immediately prior to the casualty or taking. To the extent such party wishes to make material modifications to such improvements, such modifications shall be subject to the prior written approval of the other party (not to be unreasonably withheld or delayed), except that no such approval shall be required for modifications that are required by applicable governmental authorities as a condition of the repair or restoration, unless such required modifications would impair or impede Tenant’s conduct of its business in the Premises (in which case any such modifications in Landlord’s work shall require Tenant’s consent, not unreasonably withheld or delayed) or would materially and adversely affect the exterior appearance, the structural integrity or the mechanical or other operating systems of the Premises or Building (in which case any such modifications in Tenant’s work shall require Landlord’s consent, not unreasonably withheld or delayed).

14. DEFAULT

14.1 Events of Default. The occurrence of any of the following shall constitute an event of default on the part of Tenant:

(a) Abandonment. Abandonment of the Premises. “Abandonment” is hereby defined to include, but is not limited to, any absence by Tenant from the Premises for fifteen (15) consecutive days or more while Tenant is in default, beyond any applicable cure periods, under any other provision of this Lease; provided, however, that Abandonment shall not
be deemed to exist during any period in which the Premises are vacant, so long as Tenant is not in default (beyond any applicable cure period) with respect to all other provisions of this Lease including (but not limited to) the vacancy-related requirements of Section 9.2 of this Lease. Tenant waives any right Tenant may have to notice under Section 1951.3 of the California Civil Code, the terms of this subsection (a) being deemed such notice to Tenant as required by said Section 1951.3;

(b) Nonpayment. Failure to pay, when due, any amount payable to Landlord hereunder, such failure continuing for a period of five (5) business days after written notice of such failure; provided, however, that any such notice shall be in lieu of, and not in addition to, any notice required under California Code of Civil Procedure Section 1161 et seq., as amended from time to time;

(c) Other Obligations. Failure to perform any obligation, agreement or covenant under this Lease other than those matters specified in subsection (b) hereof (including, but not limited to, any breach by Tenant of any declarations or other documents described in Section 15.4 below), such failure continuing for fifteen (15) days after written notice of such failure; provided, however, that if such failure is curable in nature but cannot reasonably be cured within such 15-day period, then Tenant shall not be in default if, and so long as, Tenant promptly (and in all events within such 15-day period) commences such cure and thereafter diligently pursues such cure to completion; and provided further, however, that any such notice shall be in lieu of, and not in addition to, any notice required under California Code of Civil Procedure Section 1161 et seq., as amended from time to time;

(d) General Assignment. A general assignment by Tenant for the benefit of creditors;

(e) Bankruptcy. The filing of any voluntary petition in bankruptcy by Tenant, or the filing of an involuntary petition by Tenant’s creditors, which involuntary petition remains undischarged for a period of thirty (30) days. In the event that under applicable law the trustee in bankruptcy or Tenant has the right to affirm this Lease and continue to perform the obligations of Tenant hereunder, such trustee or Tenant shall, in such time period as may be permitted by the bankruptcy court having jurisdiction, cure all defaults of Tenant hereunder outstanding as of the date of the affirmance of this Lease and provide to Landlord such adequate assurances as may be necessary to ensure Landlord of the continued performance of Tenant’s obligations under this Lease. Specifically, but without limiting the generality of the foregoing, such adequate assurances must include assurances that the Premises continue to be operated only for the use permitted hereunder. The provisions hereof are to assure that the basic understandings between Landlord and Tenant with respect to Tenant’s use of the Center and the benefits to Landlord therefrom are preserved, consistent with the purpose and intent of applicable bankruptcy laws;

(f) Receivership. The employment of a receiver appointed by court order to take possession of substantially all of Tenant’s assets or the Premises, if such receivership remains undissolved for a period of thirty (30) days;
(g) **Attachment**. The attachment, execution or other judicial seizure of all or substantially all of Tenant’s assets or the Premises, if such attachment or other seizure remains undismissed or undischarged for a period of thirty (30) days after the levy thereof; or

(h) **Insolvency**. The admission by Tenant in writing of its inability to pay its debts as they become due, the filing by Tenant of a petition seeking any reorganization or arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, the filing by Tenant of an answer admitting or failing timely to contest a material allegation of a petition filed against Tenant in any such proceeding or, if within thirty (30) days after the commencement of any proceeding against Tenant seeking any reorganization or arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, such proceeding shall not have been dismissed.

14.2 **Remedies upon Tenant’s Default**.

   (a) Upon the occurrence of any event of default described in Section 14.1 hereof, Landlord, in addition to and without prejudice to any other rights or remedies it may have, shall have the immediate right (subject to compliance with applicable laws) to re-enter the Premises or any part thereof and repossess the same, expelling and removing therefrom all persons and property (which property may be stored in a public warehouse or elsewhere at the cost and risk of and for the account of Tenant). In addition to or in lieu of such re-entry, and without prejudice to any other rights or remedies it may have, Landlord shall have the right either (i) to terminate this Lease and recover from Tenant all damages incurred by Landlord as a result of Tenant’s default, as hereinafter provided, or (ii) to continue this Lease in effect and recover rent and other charges and amounts as they become due.

   (b) Even if Tenant has breached this Lease and abandoned the Premises, this Lease shall continue in effect for so long as Landlord does not terminate Tenant’s right to possession under subsection (a) hereof and Landlord may enforce all of its rights and remedies under this Lease, including the right to recover rent as it becomes due, and Landlord, without terminating this Lease, may exercise all of the rights and remedies of a lessor under California Civil Code Section 1951.4 (lessor may continue lease in effect after lessee’s breach and abandonment and recover rent as it becomes due, if lessee has right to sublet or assign, subject only to reasonable limitations), or any successor Code section. Acts of maintenance, preservation or efforts to relet the Premises or the appointment of a receiver upon application of Landlord to protect Landlord’s interests under this Lease shall not constitute a termination of Tenant’s right to possession.

   (c) If Landlord terminates this Lease pursuant to this Section 14.2, Landlord shall have all of the rights and remedies of a landlord provided by Section 1951.2 of the Civil Code of the State of California, or any successor Code section, which remedies include Landlord’s right to recover from Tenant (i) the worth at the time of award of the unpaid rent and additional rent which had been earned at the time of termination, (ii) the worth at the time of award of the amount by which the unpaid rent and additional rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided, (iii) the worth at the time of award of the amount by
which the unpaid rent and additional rent for the balance of the term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided, and (iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant’s failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including, but not limited to, the cost of recovering possession of the Premises, expenses of reletting, including necessary repair, renovation and alteration of the Premises, reasonable attorneys’ fees, and other reasonable costs. The “worth at the time of award” of the amounts referred to in clauses (i) and (ii) above shall be computed by allowing interest at ten percent (10%) per annum from the date such amounts accrued to Landlord. The “worth at the time of award” of the amounts referred to in clause (iii) above shall be computed by discounting such amount at one percentage point above the discount rate of the Federal Reserve Bank of San Francisco at the time of award.

14.3 Remedies Cumulative. All rights, privileges and elections or remedies of Landlord contained in this Article 14 are cumulative and not alternative to the extent permitted by law and except as otherwise provided herein.

15. SUBORDINATION, ATTORNMENT AND SALE

15.1 Subordination to Mortgage. This Lease, and any sublease entered into by Tenant under the provisions of this Lease, shall be subject and subordinate to any ground lease, mortgage, deed of trust, sale/leaseback transaction or any other hypothecation for security now or hereafter placed upon the Premises, the Building, the Center, or any of them, and the rights of any assignee of Landlord or of any ground lessor, mortgagee, trustee, beneficiary or leaseback lessor under any of the foregoing, and to any and all advances made on the security thereof and to all renewals, modifications, consolidations, replacements and extensions thereof; provided, however, that such subordination in the case of any future ground lease, mortgage, deed of trust, sale/leaseback transaction or any other hypothecation for security placed upon the Premises, the Building, the Center, or any of them shall be conditioned on Tenant’s receipt from the ground lessor, mortgagee, trustee, beneficiary or leaseback lessor of a Non-Disturbance Agreement in a form reasonably acceptable to Tenant (i) confirming that so long as Tenant is not in material default hereunder beyond any applicable cure period (for which purpose the occurrence and continuance of any event of default under Section 14.1 hereof shall be deemed to be “material”), Tenant’s rights hereunder shall not be disturbed by such person or entity and (ii) agreeing that the benefit of such Non-Disturbance Agreement shall be transferable to any transferee under a Permitted Transfer and to any other assignee or subtenant that is acceptable to the ground lessor, mortgagee, trustee, beneficiary or leaseback lessor at the time of transfer. If any mortgagee, trustee, beneficiary, ground lessor, sale/leaseback lessor or assignee elects to have this Lease be an encumbrance upon the Center prior to the lien of its mortgage, deed of trust, ground lease or leaseback lease or other security arrangement and gives notice thereof to Tenant, this Lease shall be deemed prior thereto, whether this Lease is dated prior or subsequent to the date thereof or the date of recording thereof. Tenant, and any sublessee, shall execute such documents as may reasonably be requested by any mortgagee, trustee, beneficiary, ground lessor, sale/leaseback lessor or assignee to evidence the subordination herein set forth, subject to the conditions set forth above, or to make this Lease prior to the lien of any mortgage, deed of trust, ground lease, leaseback lease or other security arrangement, as the case may be. Upon any default by Landlord in the performance of its obligations under any mortgage, deed of trust, ground lease, leaseback
lease or assignment, Tenant (and any sublessee) shall, notwithstanding any subordination hereunder, attorn to the mortgagee, trustee, beneficiary, ground lessor, leaseback lessor or assignee thereunder upon demand and become the tenant of the successor in interest to Landlord, at the option of such successor in interest, and shall execute and deliver any instrument or instruments confirming the attornment herein provided for.

15.2 **Sale of Landlord’s Interest.** Upon sale, transfer or assignment of Landlord’s entire interest in the Building and the Center, Landlord shall be relieved of its obligations hereunder with respect to liabilities accruing from and after the date of such sale, transfer or assignment.

15.3 **Estoppel Certificates.** Tenant or Landlord (the “**responding party**”), as applicable, shall at any time and from time to time, within ten (10) business days after written request by the other party (the “**requesting party**”), execute, acknowledge and deliver to the requesting party a certificate in writing stating: (i) that this Lease is unmodified and in full force and effect, or if there have been any modifications, that this Lease is in full force and effect as modified and stating the date and the nature of each modification; (ii) the date to which rental and all other sums payable hereunder have been paid; (iii) that the requesting party is not in default in the performance of any of its obligations under this Lease, that the certifying party has given no notice of default to the requesting party and that no event has occurred which, but for the expiration of the applicable time period, would constitute an event of default hereunder, or if the responding party alleges that any such default, notice or event has occurred, specifying the same in reasonable detail; and (iv) such other matters as may reasonably be requested by the requesting party or by any institutional lender, mortgagee, trustee, beneficiary, ground lessor, lease/leaseback lessor or prospective purchaser of the Center, or prospective sublessee or assignee of this Lease. Any such certificate provided under this Section 15.3 may be relied upon by any lender, mortgagee, trustee, beneficiary, assignee or successor in interest to the requesting party, by any prospective purchaser, by any purchaser on foreclosure or sale, by any grantee under a deed in lieu of foreclosure of any mortgage or deed of trust on the Property, by any subtenant or assignee, or by any other third party. Failure to execute and return within the required time any estoppel certificate requested hereunder, if such failure continues for five (5) days after a second written request by the requesting party for such estoppel certificate, shall be deemed to be an admission of the truth of the matters set forth in the form of certificate submitted to the responding party for execution.

15.4 **Subordination to CC&R’s.** This Lease, and any permitted sublease entered into by Tenant under the provisions of this Lease, and the interests in real property conveyed hereby and thereby shall be subject and subordinate (a) to any declarations of covenants, conditions and restrictions or other recorded restrictions affecting the Center or any portion thereof from time to time, provided that the terms of such declarations or restrictions are reasonable (or, to the extent they are not reasonable, are mandated by applicable law), do not materially impair Tenant’s ability to conduct the uses permitted hereunder on the Premises and in the Center, and do not discriminate against Tenant relative to other similarly situated tenants occupying the portion(s) of the Center covered by such declarations or restrictions, and (b) to the Declaration of Covenants, Conditions and Restrictions of Shoreline Technology Park, Mountain View, California, dated October 24, 1986 and recorded on October 24, 1986 as Instrument No. 8997310, Book J895, Page 456, Official Records of Santa Clara County, as the same may be amended from time to time (the “**Declaration**”), the provisions of which Declaration are an integral part of this Lease;
Tenant agrees to execute, upon request by Landlord, any documents reasonably required from time to time to evidence the foregoing subordination.

15.5 Mortgagee Protection. If, following a default by Landlord under any mortgage, deed of trust, ground lease, leaseback lease or other security arrangement covering the Building, the Center, or any portion of them, the Building and/or the Center, as applicable, is acquired by the mortgagee, beneficiary, master lessor or other secured party, or by any other successor owner, pursuant to a foreclosure, trustee’s sale, sheriff’s sale, lease termination or other similar procedure (or deed in lieu thereof), then any such person or entity so acquiring the Building and/or the Center shall not be:

(a) liable for any act or omission of a prior landlord or owner of the Center (including, but not limited to, Landlord);
(b) subject to any offsets or defenses that Tenant may have against any prior landlord or owner of the Center (including, but not limited to, Landlord);
(c) bound by any rent or additional rent that Tenant may have paid in advance to any prior landlord or owner of the Center (including, but not limited to, Landlord) for a period in excess of one month, or by any security deposit, cleaning deposit or other prepaid charge that Tenant may have paid in advance to any prior landlord or owner (including, but not limited to, Landlord), except to the extent such deposit or prepaid amount has been expressly turned over to or credited to the successor owner thus acquiring the Center;
(d) liable for any warranties or representations of any nature whatsoever, whether pursuant to this Lease or otherwise, by any prior landlord or owner of the Center (including, but not limited to, Landlord) with respect to the use, construction, zoning, compliance with laws, title, habitability, fitness for purpose or possession, or physical condition (including, without limitation, environmental matters) of the Building or the Center; or
(e) liable to Tenant in any amount beyond the interest of such mortgagee, beneficiary, master lessor or other secured party or successor owner in the Center as it exists from time to time, it being the intent of this provision that Tenant shall look solely to the interest of any such mortgagee, beneficiary, master lessor or other secured party or successor owner in the Center for the payment and discharge of the landlord’s obligations under this Lease and that such mortgagee, beneficiary, master lessor or other secured party or successor owner shall have no separate personal liability for any such obligations.

16. SECURITY

16.1 Deposit. Concurrently with Tenant’s execution of this Lease, Tenant shall deposit with Landlord the sum of One Hundred Ninety-Eight Thousand Two Hundred Eighty-Eight and No/100 Dollars ($198,288.00), which sum (the “Security Deposit”) shall be held by Landlord as security for the faithful performance of all of the terms, covenants and conditions of this Lease to be kept and performed by Tenant during the term hereof. If Tenant defaults (beyond any applicable cure period) with respect to any provision of this Lease, including, without limitation, the provisions relating to the payment of rental and other sums due hereunder, Landlord shall
have the right, but shall not be required, to use, apply or retain all or any part of the Security Deposit for the payment of rental or any other amount which Landlord may spend or become obligated to spend by reason of Tenant’s default or to compensate Landlord for any other loss or damage which Landlord may suffer by reason of Tenant’s default. If any portion of the Security Deposit is so used or applied, Tenant shall, within ten (10) days after written demand therefor, deposit cash with Landlord in an amount sufficient to restore the Security Deposit to its original amount and Tenant’s failure to do so shall be a material breach of this Lease. Landlord shall not be required to keep any deposit under this Section separate from Landlord’s general funds, and Tenant shall not be entitled to interest thereon. Provided that no uncured event of default by Tenant then exists under this Lease, the Security Deposit, or any balance thereof, shall be returned to Tenant or, at Landlord’s option, to the last assignee of Tenant’s interest hereunder (unless different instructions have been presented to Landlord in a writing signed by both Tenant and such assignee), in no event more than thirty (30) days after (i) the term of this Lease has expired or terminated, (ii) Tenant has vacated the Property and surrendered possession of the Premises to Landlord, and (iii) Tenant has fully performed its obligations under or arising out of this Lease, including, without limitation, (A) obtaining any signoffs, releases and other required actions or documents from any applicable governmental authorities and completing any other applicable decommissioning, site closure or other procedures required by any applicable governmental authorities as a result of or in connection with Tenant’s use and occupancy of the Premises (including, but not limited to, as a result of any use or storage of radioactive or other hazardous materials on or about the Premises by Tenant) and delivering written evidence of such compliance to Landlord, and (B) in the case of a termination of this Lease following a default by Tenant, paying future rent damages recoverable under applicable law as a result of such default. Tenant expressly and voluntarily waives any and all provisions of and benefits under California Civil Code Section 1950.7 to the extent such provisions could otherwise be interpreted or applied to require a repayment of any portion of Tenant’s Security Deposit prior to the time specified in the immediately preceding sentence. In the event of termination of Landlord’s interest in this Lease by assignment or otherwise, Landlord shall transfer all deposits then held by Landlord under this Section to Landlord’s successor in interest, whereupon Tenant agrees to release Landlord from all liability for the return of such deposit or the accounting thereof.

17. MISCELLANEOUS

17.1 Notices: Payments to Landlord

(a) All notices, consents, waivers and other communications which this Lease requires or permits either party to give to the other shall be in writing and shall be deemed given when delivered personally (including delivery by private same-day or overnight courier or express delivery service) or by telecopier with mechanical confirmation of transmission, effective upon personal delivery to or refusal of delivery by the recipient (in the case of personal delivery by any of the means described above) or upon telecopier transmission during normal business hours at the recipient’s office (in the case of telecopier transmission, with any transmission outside of normal business hours being effective as of the beginning of the first business day commencing after the time of actual transmission) to the parties at their respective addresses as follows:
or to such other address(es) as may be contained in a notice of address change given by either party to the other pursuant to this Section, effective no earlier than fifteen (15) days after delivery of such notice to the receiving party.

(b) Rental payments and other sums required by this Lease to be paid by Tenant shall be delivered to the applicable address or account specified in the table below (depending upon the manner of payment), or to such address or account as Landlord or its property manager may from time to time specify in writing to Tenant, and shall be deemed to be paid only upon actual receipt.
17.2 **Successors and Assigns.** The obligations of this Lease shall run with the land, and this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the original Landlord named herein and each successive Landlord under this Lease shall be liable only for obligations accruing during the period of its ownership of the Center, and any liability for obligations accruing after termination of such ownership shall terminate as of the date of such termination of ownership and shall pass to the successor lessor.

17.3 **No Waiver.** The failure of either party to seek redress for violation, or to insist upon the strict performance, of any covenant or condition of this Lease shall not be deemed a waiver of such violation, or prevent a subsequent act which would originally have constituted a violation from having all the force and effect of an original violation.

17.4 **Severability.** If any provision of this Lease or the application thereof is held to be invalid or unenforceable, the remainder of this Lease or the application of such provision to persons or circumstances other than those as to which it is invalid or unenforceable shall not be affected thereby, and each of the provisions of this Lease shall be valid and enforceable, unless enforcement of this Lease as so invalidated would be unreasonable or grossly inequitable under all the circumstances or would materially frustrate the purposes of this Lease.

17.5 **Litigation Between Parties.** In the event of any litigation or other dispute resolution proceedings between the parties hereto arising out of or in connection with this Lease, the prevailing party shall be reimbursed for all reasonable costs, including, but not limited to, reasonable accountants’ fees and attorneys’ fees, incurred in connection with such proceedings (including, but not limited to, any appellate proceedings relating thereto) or in connection with the enforcement of any judgment or award rendered in such proceedings. “**Prevailing party**” within the meaning of this Section shall include, without limitation, a party who dismisses an action for recovery hereunder in exchange for payment of the sums allegedly due, performance of covenants allegedly breached or consideration substantially equal to the relief sought in the action.

17.6 **Surrender.** A voluntary or other surrender of this Lease by Tenant, or a mutual termination thereof between Landlord and Tenant, shall not result in a merger but shall, at the

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option of Landlord, operate either as an assignment to Landlord of any and all existing subleases and subtenancies, or a termination of all or any existing subleases and subtenancies. This provision shall be contained in any and all assignments or subleases made pursuant to this Lease.

17.7 Interpretation. The provisions of this Lease shall be construed as a whole, according to their common meaning, and not strictly for or against Landlord or Tenant. The captions preceding the text of each Section and subsection hereof are included only for convenience of reference and shall be disregarded in the construction or interpretation of this Lease.

17.8 Entire Agreement. This written Lease, together with the exhibits hereto, contains all the representations and the entire understanding between the parties hereto with respect to the subject matter hereof. Any prior correspondence, memoranda or agreements are replaced in total by this Lease and the exhibits hereto. This Lease may be modified only by an agreement in writing signed by each of the parties.

17.9 Governing Law. This Lease and all exhibits hereto shall be construed and interpreted in accordance with and be governed by all the provisions of the laws of the State of California.

17.10 No Partnership. The relationship between Landlord and Tenant is solely that of a lessor and lessee. Nothing contained in this Lease shall be construed as creating any type or manner of partnership, joint venture or joint enterprise with or between Landlord and Tenant.

17.11 Financial Information. From time to time Tenant shall promptly provide directly to prospective lenders and purchasers of the Center designated by Landlord such financial information pertaining to the financial status of Tenant as Landlord may reasonably request; provided Tenant shall be permitted to provide such financial information in a manner which Tenant deems reasonably necessary to protect the confidentiality of such information. In addition, from time to time, Tenant shall provide Landlord with such financial information pertaining to the financial status of Tenant as Landlord may reasonably request. Landlord agrees that all financial information supplied to Landlord by Tenant shall be treated as confidential material, and shall not be disseminated to any party or entity (including any entity affiliated with Landlord) without Tenant’s prior written consent, except that Landlord shall be entitled to provide such information, subject to reasonable precautions to protect the confidential nature thereof, (i) to Landlord’s partners and professional advisors, solely to use in connection with Landlord’s execution and enforcement of this Lease, and (ii) to prospective lenders and/or purchasers of the Center, solely for use in connection with their bona fide consideration of a proposed financing or purchase of the Center, provided that such prospective lenders and/or purchasers are not then engaged in businesses directly competitive with the business then being conducted by Tenant. For purposes of this Section, without limiting the generality of the obligations provided herein, it shall be deemed reasonable for Landlord to request copies of Tenant’s most recent audited annual financial statements, or, if audited statements have not been prepared, unaudited financial statements for Tenant’s most recent fiscal year, accompanied by a certificate of Tenant’s chief financial officer that such financial statements fairly present Tenant’s financial condition as of the date(s) indicated. Notwithstanding any other provisions of this Section 17.11, during any period in which Tenant has outstanding a class of publicly traded...
securities and is filing with the Securities and Exchange Commission, on a regular basis, Forms 10Q and 10K and any other periodic filings required under the Securities Exchange Act of 1934, as amended, it shall constitute sufficient compliance under this Section 17.11 for Tenant to furnish Landlord with copies of such periodic filings substantially concurrently with the filing thereof with the Securities and Exchange Commission.

Landlord and Tenant recognize the need of Tenant to maintain the confidentiality of information regarding its financial status and the need of Landlord to be informed of, and to provide to prospective lenders and purchasers of the Center financial information pertaining to, Tenant’s financial status. Landlord and Tenant agree to cooperate with each other in achieving these needs within the context of the obligations set forth in this Section.

17.12 Costs. If Tenant asks Landlord to execute any document granting Landlord’s consent or approval or a waiver or modification of Landlord’s rights, or requests any other form of consent, approval or other action by Landlord, in connection with any assignment of this Lease, any subletting of the Premises or of any portion thereof, any financing transaction or any other action or transaction that Tenant proposes to take or in which Tenant proposes to participate, then as a condition to obtaining such consent, approval, waiver or other document or action from Landlord, Tenant shall reimburse Landlord promptly for any and all reasonable costs and expenses incurred by Landlord in connection therewith, including, without limitation, Landlord’s reasonable attorneys’ fees.

17.13 Time. Time is of the essence of this Lease, and of every term and condition hereof.

17.14 Rules and Regulations. Tenant shall observe, comply with and obey, and shall cause its employees, agents and, to the best of Tenant’s ability, invitees to observe, comply with and obey such reasonable rules and regulations for the safety, care, cleanliness, order and use of the Building and the Center as Landlord may promulgate and deliver to Tenant from time to time.

17.15 Brokers. Landlord agrees to pay a brokerage commission in connection with the consummation of this Lease to Tenant’s broker, CRESA Partners, in accordance with a separate written agreement. Each party represents and warrants that no other broker participated in the consummation of this Lease and agrees to indemnify, defend and hold the other party harmless against any liability, cost or expense, including, without limitation, reasonable attorneys’ fees, arising out of any claims for brokerage commissions or other similar compensation in connection with any conversations, prior negotiations or other dealings by the indemnifying party with any other broker.

17.16 Memorandum of Lease. At any time during the term of this Lease, either party, at its sole expense, shall be entitled to record a memorandum of this Lease and, if either party so requests, both parties agree to cooperate in the preparation, execution, acknowledgment and recordation of such document in reasonable form. If such a memorandum of lease is recorded, then upon expiration or termination of this Lease, Tenant agrees promptly to execute, acknowledge and deliver to Landlord, upon written request by Landlord, a Termination of Memorandum of Lease in such form as Landlord may reasonably request, for the purpose of
17.17 **Organizational Authority.** Each party to this Lease represents and warrants that the person signing this Lease on behalf of such respective party is fully authorized to do so and, by so doing, to bind such party.

17.18 **Execution and Delivery.** Submission of this Lease for examination or signature by Tenant does not constitute an agreement or reservation of or option for lease of the Premises. This instrument shall not be effective or binding upon either party, as a lease or otherwise, until executed and delivered by both Landlord and Tenant. This Lease may be executed in one or more counterparts and by separate parties on separate counterparts, but each such counterpart shall constitute an original and all such counterparts together shall constitute one and the same instrument.

17.19 **Survival.** Without limiting survival provisions which would otherwise be implied or construed under applicable law, the provisions of Sections 2.5, 5.4, 7.2, 7.3, 7.4, 8.2, 9.6, 10.6, 17.5 and 17.16 hereof shall survive the termination of this Lease with respect to matters occurring prior to the expiration of this Lease.

17.20 **Publicity.**

(a) Landlord and its affiliates shall have the right to include Tenant’s name and to disclose pertinent business terms of this Lease on any rent rolls, tenant lists or other similar documents or reports that Landlord or its affiliates may submit from time to time to any lender or prospective lender, purchaser or prospective purchaser, or governmental or quasi-governmental authority (including, but not limited to, any filings by Landlord or any affiliate with the Securities and Exchange Commission ("SEC") or any other securities regulatory body) in connection with Landlord’s ownership and operation of the Center. Landlord and its affiliates shall also have the right to include Tenant’s name and logo, in a commercially reasonable manner, in any press releases, annual reports, presentations or other materials prepared or circulated by Landlord or its affiliates from time to time for marketing or public relations purposes in connection with Landlord’s ownership and operation of the Center.

(b) Tenant shall not issue any press release or make any other media, promotional, advertising or other public disclosure regarding Landlord, any affiliate of Landlord, the Center, this Lease or any material terms of this Lease without Landlord’s express prior written approval, except as required under applicable law or by any governmental authority. Without limiting the generality of the foregoing, Tenant agrees to give Landlord no less than three (3) business days to review and provide comments on any proposed press release, publicity or other disclosure or filing relating to this Lease or any material terms thereof, regardless of whether Tenant contends that the applicable disclosure is required under applicable law or by any governmental authority. If Landlord objects to any proposed disclosure in whole or in part and Tenant believes that the proposed disclosure is required by law or by governmental authority, then Tenant shall either (i) modify or limit the proposed disclosure in such a manner as to address Landlord’s stated concerns or (ii) provide a written opinion from Tenant’s counsel stating that the proposed disclosure is indeed required by applicable law or governmental
authority and describing with reasonable particularity the applicable requirements of such law or governmental authority. In connection with Tenant’s compliance (if applicable) with any disclosure requirements of the SEC, other securities regulatory bodies or other governmental authorities, Tenant agrees, upon written request by Landlord, to seek confidential treatment of information relating to Landlord, its affiliates, the Center, this Lease and the material terms thereof to the maximum extent permitted by the rules of the applicable governmental authority. Notwithstanding the foregoing, each party agrees that it will obtain its own legal advice with regard to its compliance with all applicable securities laws and regulations, and will not rely on any statements made by or on behalf of the other party relating to any such securities laws or regulations.

17.21 Parking. Landlord agrees that the Center Common Areas, taken as a whole, shall include parking in amounts sufficient to satisfy the minimum parking requirements of the City of Mountain View applicable to the Center from time to time, and that there shall be no additional cost or charge to Tenant for the nonexclusive, non-reserved use of such parking by Tenant and its employees and invitees. Landlord represents to Tenant that the existing parking in the Center consists of approximately 3.0 spaces per 1,000 square feet.

IN WITNESS WHEREOF, the parties hereto have executed this Lease as of the Lease Commencement Date first set forth above.

<table>
<thead>
<tr>
<th>“Landlord”</th>
<th>“Tenant”</th>
</tr>
</thead>
<tbody>
<tr>
<td>BRITANNIA HACIENDA VIII, LLC, a Delaware limited liability company</td>
<td>COMPLETE GENOMICS, INC., a Delaware corporation</td>
</tr>
<tr>
<td>By: HCP Estates USA Inc., Its Operations Manager and Member</td>
<td>By: /s/ Robert J. Curson</td>
</tr>
<tr>
<td>By: /s/ Jonathan M. Bergscheider Jonathan M. Bergscheider Senior Vice President</td>
<td>Name: RJ Curson</td>
</tr>
<tr>
<td></td>
<td>Title: CFO</td>
</tr>
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<table>
<thead>
<tr>
<th>EXHIBIT</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A-1</td>
<td>Site Plan (The Center)</td>
</tr>
<tr>
<td>A-2</td>
<td>2071 Building</td>
</tr>
<tr>
<td>A-3</td>
<td>2025 Building</td>
</tr>
<tr>
<td>B</td>
<td>Workletter</td>
</tr>
<tr>
<td>C</td>
<td>Form of Acknowledgment of Commencement Date</td>
</tr>
</tbody>
</table>

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EXHIBIT A-2 TO LEASE (Page 1 of 2)
EXHIBIT B

WORKLETTER

This Workletter ("Workletter") constitutes part of the Lease dated as of October 31, 2008 (the "Lease") between BRITANNIA HACIENDA VIII, LLC, a Delaware limited liability company ("Landlord") and COMPLETE GENOMICS, INC., a Delaware corporation ("Tenant"). The terms of this Workletter are incorporated in the Lease for all purposes.

NOTE: The provisions of this Workletter are intended to apply only to the construction by Tenant of Tenant Improvements as defined in this Workletter. The work that Landlord is required to perform under Section 2.3 of the Lease (such work being defined in the Lease as "Landlord’s Work") shall be governed solely by such Section 2.3 and any other applicable provisions of the main Lease, and not by this Workletter.

Since Tenant’s access to and occupancy of various portions of the Premises may occur in separate stages over a period of more than a year as provided in the Lease, the parties understand and acknowledge that the design and construction of the Tenant Improvements for such portions of the Premises may occur as a series of discrete events or processes, in which event the parties intend that except where the context or the express language of this Workletter requires otherwise, the procedures, time periods and other provisions of this Workletter may be applied separately to such design and construction of Tenant Improvements for each separate portion of the Premises.

1. Defined Terms. As used in this Workletter, the following capitalized terms have the following meanings:

(a) Approved TI Plans: As defined in Paragraph 2(a) hereof, plans and specifications prepared by the TI Architect for the Tenant Improvements and approved by the parties in accordance with Paragraph 2 of this Workletter, subject to further modification from time to time.

(b) Cost of Improvement: See definition in Paragraph 2(c) hereof.

(c) Final TI Working Drawings: See definition in Paragraph 2(a) hereof.

(d) Project Manager: Project Management Advisors, Inc., or any other project manager designated by Landlord in its sole discretion from time to time to act in a project management or other similar capacity on behalf of Landlord, as contemplated in Paragraph 2(f) below, in connection with the design and construction of the Tenant Improvements.

(e) Tenant Improvements: The improvements to or within the Premises (excluding the existing improvements as turned over by Landlord on or prior to the respective Commencement Dates for various portions of the Premises and excluding Landlord’s Work) shown on the Approved TI Plans from time to time and to be constructed by Tenant pursuant to the Lease and this Workletter.
(f) **Tenant’s Work**: The Tenant Improvements to be constructed by Tenant pursuant to this Workletter, and such other improvements (if any) as Tenant deems necessary or appropriate for Tenant’s initial use and occupancy of the Premises. The provisions of this Workletter, as well as the provisions of Article 7 of the Lease (other than Section 7.1), shall govern the performance of such work by Tenant.

(g) **TI Architect**: The architect for Tenant’s Work, which architect shall be selected by Tenant and approved by Landlord, such approval not to be unreasonably withheld, conditioned or delayed. Upon such approval, the TI Architect shall be engaged by Tenant or, at Tenant’s election, by the TI General Contractor to design the Tenant Improvements.

(h) **TI General Contractor**: The general contractor for Tenant’s Work, which general contractor shall be selected by Tenant and approved by Landlord, such approval not to be unreasonably withheld, conditioned or delayed. Upon such approval, the TI General Contractor shall be engaged by Tenant to construct the Tenant Improvements.

(i) Capitalized terms not otherwise defined in this Workletter shall have the definitions set forth in the Lease.

2. Plans, Cost of Improvements and Construction, Landlord and Tenant shall comply with the procedures set forth in this Paragraph 2 in preparing, delivering and approving matters relating to the Tenant Improvements.

(a) **Approved Plans and Working Drawings for Tenant Improvements**: Tenant shall promptly and diligently cause to be prepared and delivered to Landlord for approval (which approval shall not be unreasonably withheld, conditioned or delayed by Landlord) proposed schematic plans and outline specifications for the Tenant Improvements. Following mutual approval of such proposed schematic plans and outline specifications by Landlord and by Tenant (as so approved, the “**Approved Schematic Plans**”), Tenant shall then cause to be prepared, promptly and diligently (assuming timely delivery by Landlord of any information and decisions required to be furnished or made by Landlord in order to permit preparation of final working drawings, all of which information and decisions Landlord will deliver promptly and with reasonable diligence), and delivered to Landlord for approval (which approval shall not be unreasonably withheld, conditioned or delayed by Landlord) final detailed working drawings and specifications for the Tenant Improvements, including (without limitation) any applicable life safety, mechanical, electrical and plumbing working drawings and final architectural drawings (collectively, “**Final TI Working Drawings**”), which Final TI Working Drawings shall substantially conform to the Approved Schematic Plans. Upon receipt from Tenant of proposed schematic plans and outline specifications, proposed Final TI Working Drawings, any other plans and specifications, or any revisions or resubmittals of any of the foregoing, as applicable, Landlord shall promptly and diligently (and in all events within 10 days after receipt in the case of an initial submittal of schematic plans and outline specifications or proposed Final TI Working Drawings, and within 7 days after receipt in the case of any other plans and specifications or any revisions or resubmittals of any of the foregoing) either approve such proposed schematic plans and outline specifications or proposed Final TI Working Drawings, as applicable, or set forth in writing with particularity any changes necessary to bring the aspects of such proposed schematic plans and outline specifications or proposed Final TI Working
Drawings into a form which will be reasonably acceptable to Landlord. Notwithstanding any other provisions of this paragraph, Landlord reserves the right to condition its approval of any proposed schematic plans and outline specifications and/or any proposed Final TI Working Drawings upon reasonable specific modifications to reasonably facilitate future uses of the Building. Upon approval of the Final TI Working Drawings by Landlord and Tenant, the Final TI Working Drawings shall constitute the “Approved TI Plans,” superseding (to the extent of any inconsistencies) any inconsistent features of the previously existing Approved Schematic Plans.

(b) Approved Plans and Working Drawings for Any Other Tenant’s Work. To the extent Tenant wishes to perform, in the course of the initial build-out of the Premises, any alterations, additions or improvements which are not part of the Tenant Improvements, Tenant shall proceed in the same manner set forth in Paragraph 2(a) above to cause plans, specifications and working drawings for such alterations, additions and improvements to be prepared and delivered to Landlord for approval (which approval shall not be unreasonably withheld, conditioned or delayed by Landlord).

(c) Cost of Improvements. “Cost of Improvement” shall mean, with respect to any item or component for which a cost must be determined in order to allocate such cost, or an increase in such cost, to Tenant pursuant to this Workletter, the sum of the following (unless otherwise agreed in writing by Landlord and Tenant with respect to any specific item or component or any category of items or components): (i) all sums paid to contractors or subcontractors for labor and materials furnished in connection with construction of such item or component; (ii) all costs, expenses, payments, fees and charges (other than penalties) paid to or at the direction of any city, county or other governmental or quasi-governmental authority or agency which are required to be paid in order to obtain all necessary governmental permits, licenses, inspections and approvals relating to construction of such item or component; (iii) engineering and architectural fees for services rendered in connection with the design and construction of such item or component (including, but not limited to, the TI Architect for such item or component and an electrical engineer, mechanical engineer and civil engineer, if applicable); (iv) sales and use taxes; (v) testing and inspection costs; (vi) the cost of power, water and other utility facilities and the cost of collection and removal of debris required in connection with construction of such item or component; (vii) costs for builder’s risk insurance; and (viii) all other “hard” and “soft” costs incurred in the construction of such item or component in accordance with the Approved TI Plans (if applicable) and this Workletter; provided that the Cost of Improvements shall not include any internal or third-party costs incurred by Landlord.

(d) Construction of Tenant Improvements. Promptly following approval of the Approved TI Plans, Tenant shall apply for and use reasonable efforts to obtain the necessary permits and approvals to allow construction of the Tenant Improvements. Upon receipt of such permits and approvals, Tenant shall, at Tenant’s expense (subject to the application of the Tenant Improvement Allowance, and subject to any other applicable provisions of the Lease or of this Workletter expressly making any specific item of expense or cost the responsibility of Landlord), diligently construct and complete the Tenant Improvements substantially in accordance with the Approved TI Plans. Such construction shall be performed in a good and workmanlike manner and shall conform to all applicable governmental codes, laws and regulations in force at the time such work is completed. Without limiting the generality of the foregoing, Tenant shall be
responsible for compliance of Tenant’s Work with the requirements of the Americans with Disabilities Act and all similar or related requirements pertaining to access by persons with disabilities.

(e) Changes. If Tenant at any time desires to make any changes, alterations or additions to the Approved TI Plans or to the approved plans for any other Tenant’s Work as described in Paragraph 2(b) above, such changes, alterations or additions shall be presented to Landlord and shall be subject to approval by Landlord in the same manner as the original plans submitted to and approved by Landlord pursuant to Paragraph 2(a) or 2(b), as applicable.

(f) Project Management. Unless and until revoked by Landlord by written notice delivered to Tenant, Landlord hereby designates Project Manager to advise and represent Landlord in connection with the design and construction of the Tenant Improvements ( provided, that such general designation does not authorize Project Manager to exercise any approval rights, supervisory rights or other rights or powers of Landlord under this Workletter, and any such authorization or delegation of authority in the future with respect to specific rights or powers shall be effective only if and to the extent conveyed by written notice from Landlord to Tenant specifying in reasonable detail the specific rights and/or powers so delegated to Project Manager), and hereby requests that Tenant work with Project Manager with respect to any and all logistical or other coordination matters arising in the course of design and construction of the Tenant Improvements and any other Tenant’s Work, in which regard Project Manager’s role on behalf of Landlord may include (but need not be limited to) facilitating and assisting in coordination between teams performing Landlord’s Work (to the extent any such work overlaps with the construction of Tenant’s Work) and teams constructing the Tenant Improvements, reviewing and making recommendations to Landlord regarding disbursement of the Tenant Improvement Allowance, and monitoring Landlord’s and Tenant’s performance of their respective obligations under this Workletter and under the Lease in connection with the design and construction of the Tenant Improvements. Tenant acknowledges the foregoing designation and request, and agrees to cooperate reasonably with Project Manager as Landlord’s representative pursuant to such designation and request. Landlord shall be fully liable and responsible for the payment and performance of all of Landlord’s obligations under the Lease and under this Workletter, notwithstanding such designation of Project Manager as Landlord’s representative; however, Landlord’s designation of Project Manager as Landlord’s representative for the purposes contemplated in this paragraph shall not cause either Landlord or Project Manager to incur or be subject to any obligations or responsibilities for construction and delivery of the Tenant Improvements, provided that (in the case of Landlord) Landlord shall remain subject to those obligations and responsibilities that are expressly documented or assigned to Landlord elsewhere in the Lease or in this Workletter.

(g) Project Manager Fee; Other Third-Party Fees and Costs. Any fees or charges of Project Manager for services rendered to or on behalf of Landlord under this Workletter shall be at Landlord’s sole expense, and shall not be charged to Tenant or against the Tenant Improvement Allowance. Tenant shall, however, reimburse to Landlord, either by a charge against the Tenant Improvement Allowance (to the extent funds are available thereunder) or as a direct reimbursement to Landlord, an amount equal to the reasonable fees and costs incurred by Landlord for third-party review of proposed and/or revised plans, specifications, drawings and other design and construction documents for Tenant’s Work, to the extent such review is
reasonably deemed by Landlord to be necessary or appropriate (including but not limited to, as applicable, review by architects, engineers, environmental consultants and other third-party professionals, but excluding any such review by Project Manager in light of Landlord’s responsibility for fees and charges of Project Manager as provided above). Any such direct reimbursement shall be due and payable within twenty (20) days after delivery to Tenant of Landlord’s written request for such reimbursement, accompanied by copies of invoices or other documentation reasonably supporting or evidencing the amounts for which reimbursement is claimed.

3. Payment of Costs. Subject to any restrictions, conditions or limitations expressly set forth in this Workletter or in the Lease or as otherwise expressly provided by mutual written agreement of Landlord and Tenant, the cost of construction of the Tenant Improvements shall be paid or reimbursed by Landlord up to a maximum amount equal to the Tenant Improvement Allowance (as defined below), which amount is being made available by Landlord to be applied towards the Cost of Improvements for the construction of the Tenant Improvements by Tenant in the Premises, less any reduction in or charge against such amount pursuant to any applicable provisions of the Lease or of this Workletter. Tenant shall be responsible, at its sole cost and expense, for payment of the entire Cost of Improvements of the Tenant Improvements in excess of the Tenant Improvement Allowance, including (but not limited to) any costs or cost increases incurred as a result of delays (unless caused by Landlord), governmental requirements or unanticipated conditions (unless caused by Landlord), and for payment of any and all costs and expenses relating to any alterations, additions, improvements, furniture, furnishings, equipment, fixtures and personal property items which are not eligible for application of Tenant Improvement Allowance funds under the restrictions expressly set forth below in this paragraph, but Tenant shall be entitled to use or apply the entire Tenant Improvement Allowance toward the Cost of Improvements of the Tenant Improvements (subject to any applicable restrictions, conditions, limitations, reductions or charges set forth in the Lease or in this Workletter) prior to being required to expend any of Tenant’s own funds for the Tenant Improvements. Subject to the provisions of clause (iii) below and to any other applicable provisions of this Workletter, the funding of the Tenant Improvement Allowance shall be made on a monthly basis or at other convenient intervals mutually approved by Landlord and Tenant and in all other respects shall be based on such commercially reasonable disbursement conditions and procedures as Landlord, Project Manager and Landlord’s lender (if any) may reasonably prescribe (which conditions may include, without limitation, delivery of invoices and/or other evidence reasonably satisfactory to Landlord or Project Manager that Tenant has expended or incurred expenses for the design and construction of Tenant Improvements for which the Tenant Improvement Allowance is eligible to be expended or applied, and delivery of conditional or unconditional lien releases from all parties performing the applicable work). Notwithstanding the foregoing provisions, (i) under no circumstances shall the Tenant Improvement Allowance or any portion thereof be used or useable by Tenant for any moving or relocation expenses of Tenant, or for any Cost of Improvement (or any other cost or expense) associated with any moveable furniture or trade fixtures (except as specifically authorized in the Lease, if applicable, or as specifically approved in writing by Landlord, in which event Landlord shall have the right, but not the obligation, to retain such moveable furniture or trade fixtures upon expiration of the Lease), personal property or any other item or element which, under the applicable provisions of the Lease, will not become Landlord’s property and remain with the Building upon expiration or termination of the Lease (including, without limitation, Tenant’s gene-sequencing machines as described in

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Section 7.2 of the Lease); (ii) except as otherwise expressly provided in this Workletter or expressly approved by Landlord in writing, any portion of the Tenant Improvement Allowance which has not been claimed or drawn by Tenant within six (6) months after the later to occur of the Existing Premises Commencement Date or the Expansion Premises Commencement Date shall expire and shall no longer be available to Tenant thereafter; provided, however, that if Tenant timely and effectively exercises its expansion right under Section 1.3 of the Lease with respect to the 2025 Expansion Premises, then the expiration date for the 2025 Base TI Allowance and for any unused portion of the Additional TI Allowance shall be six (6) months after the 2025 Expansion Premises Commencement Date; and (iii) notwithstanding any other provisions of this Workletter or of the Lease, Landlord shall not be required to make any disbursement of funds from the Tenant Improvement Allowance unless and until Tenant has waived in writing the early termination right set forth in Section 2.1(c) of the Lease or such early termination right has expired by its terms by reason of Landlord’s delivery of possession of the Expansion Premises to Tenant, whichever occurs first, but upon such waiver or expiration, Landlord shall reimburse Tenant from the Tenant Improvement Allowance for any and all eligible expenditures previously incurred by Tenant with respect to the Premises and shall provide such reimbursement promptly upon Tenant’s compliance with the customary disbursement conditions contemplated above with respect to such previously incurred expenditures. The “Tenant Improvement Allowance” shall consist of the following specific amounts, as applicable, and such term shall refer collectively to all of such amounts to the extent that they become applicable and available under the terms of the Lease and of this Workletter:

(a) A “**2071 Base TI Allowance**” shall be made available for Tenant Improvements in the 2071 Building in the amount of Five Million Nine Hundred Forty-Eight Thousand Six Hundred Forty and No/100 Dollars ($5,948,640.00), calculated at the rate of $90.00 per rentable square foot on the area of the 2071 Building as set forth in the Lease. Tenant shall have the right to make a reasonable allocation of the 2071 Base TI Allowance between the Existing Premises and the Expansion Premises, all within the overall 2071 Building. The 2071 Base TI Allowance is provided as part of the basic consideration to Tenant under the Lease and will not result in any rental adjustment or additional rent beyond the rental amounts expressly provided in Section 3.1(a) and (c) (if applicable) of the Lease.

(b) An “**Additional TI Allowance**” shall be made available for Tenant Improvements in the 2071 Building in the amount of Two Million Six Hundred Forty-Three Thousand Eight Hundred Forty and No/100 Dollars ($2,643,840.00), calculated at the rate of $40.00 per rentable square foot on the area of the 2071 Building as set forth in the Lease. Such Additional TI Allowance shall be subdivided into two equal tranches, a “**First Tranche of the Additional TI Allowance**” in the amount of $1,321,920.00 and, if such First Tranche of the Additional TI Allowance is drawn down in full, a “**Second Tranche of the Additional TI Allowance**” in the further amount of $1,321,920.00. Tenant shall have the right to make a reasonable allocation of the Additional TI Allowance between the Existing Premises and the Expansion Premises, all within the overall 2071 Building, and shall also have the right to apply any unused portion of the Additional TI Allowance to the construction of Tenant Improvements in the 2025 Building (if applicable) as provided in paragraph (c) below. The Additional TI Allowance is not provided as part of the basic consideration to Tenant under the Lease, and any draw-down by Tenant of funds under the Additional TI Allowance will result in an obligation to pay Additional Monthly Rent in accordance with the provisions of Section 3.1(b) of the Lease.
(c) If Tenant makes a timely and effective exercise of its expansion option with respect to the 2025 Expansion Premises pursuant to Section 1.3 of the Lease, a “2025 Base TI Allowance” shall be made available for Tenant Improvements in the 2025 Expansion Premises in the amount of Five Hundred Forty-One Thousand Seven Hundred Seventy-Five and No/100 Dollars ($541,775.00), calculated at the rate of $25.00 per rentable square foot on the area of the 2025 Expansion Premises as set forth in the Lease. Assuming a timely and effective exercise of Tenant’s option under Section 1.3 of the Lease, the 2025 Base TI Allowance is provided as part of the basic consideration to Tenant under the Lease and will not result in any rental adjustment or additional rent beyond the rental amounts expressly provided in Section 3.1(a) and (c) (if applicable) of the Lease. In addition, to the extent there is any unused remaining balance of the Additional TI Allowance at the time Tenant is designing and constructing Tenant Improvements in the 2025 Expansion Premises, Tenant shall have the right to draw down funds from the Additional TI Allowance for application toward the Cost of Improvements for such Tenant Improvements in the 2025 Expansion Premises, with any such draw-down of Additional TI Allowance funds having the Additional Monthly Rent consequence described in the final sentence of paragraph (b) above.

(d) If Tenant makes a timely and effective exercise of its first refusal right under Section 1.4 of the Lease with respect to any portion of the First Refusal Premises, the amount of any tenant improvement allowance applicable to such First Refusal Premises and the terms and conditions governing use of such tenant improvement allowance (if any) shall be established pursuant to the First Refusal Notice and the lease amendment or other implementing agreement contemplated in Section 1.4(b) of the Lease.

4. Tenant’s Work. Tenant shall construct and install the Tenant Improvements in the Premises substantially in accordance with the Approved TI Plans, and shall construct and install any other Tenant’s Work substantially in accordance with the plans and specifications approved by Landlord for such other work. Tenant’s Work shall be performed in accordance with, and shall in all respects be subject to, the terms and conditions of the Lease, and shall also be subject to the following conditions:

(a) Contractor Requirements. The contractor engaged by Tenant for Tenant’s Work, and any subcontractors, shall be duly licensed in California, and the contractor shall be subject to Landlord’s prior written approval (in accordance with, and to the extent provided in, Paragraph 1(h) above). Tenant shall engage only union contractors for the construction of Tenant’s Work and for the installation of Tenant’s fixtures and equipment in the Building, and shall require all such contractors engaged by Tenant, and all of their subcontractors, to use only union labor on or in connection with such work, except to the extent Landlord determines, in its reasonable discretion, that the use of non-union labor would not create a material risk of labor disputes, picketing or work interruptions at the Center, in which event Landlord shall, to that extent, waive such union labor requirement at Tenant’s request.

(b) Costs and Expenses of Tenant’s Work. Subject to Landlord’s payment or reimbursement obligations under this Workletter and the Lease, Tenant shall promptly pay all costs and expenses arising out of the performance of Tenant’s Work (including the costs of permits) and shall furnish Landlord with evidence of payment on request. Tenant shall provide Landlord with at least five (5) business days prior written notice before commencing any
(c) **Tenant’s Indemnification.** Tenant shall indemnify, defend (with counsel reasonably satisfactory to Landlord) and hold Landlord harmless from all suits, claims, actions, losses, costs and expenses (including, but not limited to, claims for workers’ compensation, attorneys’ fees and costs) based on personal injury or property damage or contract claims (including, but not limited to, claims for breach of warranty) arising from the performance of Tenant’s Work, except to the extent any such claims or other matters arise from gross negligence or willful misconduct by Landlord or its agents, employees or contractors or from Landlord’s failure to disburse funds from the Tenant Improvement Allowance in a timely manner, consistent with the requirements and procedures established for such disbursement under this Workletter. Subject to Section 10.4 of the Lease, Tenant shall repair or replace (or, at Landlord’s election, reimburse Landlord for the cost of repairing or replacing) any portion of Landlord’s Work and/or any of Landlord’s real or personal property or equipment that is damaged, lost or destroyed in the course of or in connection with the performance of Tenant’s Work, except to the extent (i) any such damage, loss or destruction is caused by gross negligence or willful misconduct of Landlord or its agents, employees or contractors, or (ii) any demolition, alteration or removal of existing improvements is explicitly contemplated in the Approved TI Plans as approved by Landlord.

(d) **Insurance.** Tenant’s contractors shall obtain and provide to Landlord certificates evidencing workers’ compensation, public liability and property damage insurance in amounts and forms and with companies satisfying the requirements of the Lease and of this Workletter, and Tenant shall provide to Landlord certificates evidencing Tenant’s compliance with the insurance requirements of Article 10 of the Lease (except to the extent any such requirements by their terms are clearly relevant only after Tenant’s commencement of business operations on the Premises) and of this Workletter, including, without limitation, the requirements of the Lease with respect to designation or coverage of additional insureds and the requirements of Section 10.1(f) of the Lease with respect to carriage of builder’s risk insurance on any Tenant Improvements being constructed by Tenant as part of Tenant’s Work. In addition, to the extent Landlord or Project Manager advises Tenant of any specific insurance requirements with respect to Tenant’s Work that are commercially reasonable and customary during a “course of construction” period (such as, but not limited to, designation of specified “additional insureds” who would not ordinarily be required to be named in that capacity during the Lease term under Article 10 of the Lease), Tenant shall comply and/or cause its contractors to comply, as applicable, with such additional requirements.

(e) **Rules and Regulations; Construction Signage.** Tenant and Tenant’s contractors shall comply with any other rules, regulations and requirements that Landlord or Project Manager or Landlord’s property manager or the TI General Contractor may reasonably impose with respect to the performance of Tenant’s Work. Tenant’s agreement with Tenant’s contractors shall require each contractor to provide daily cleanup of the construction area to the extent that such cleanup is necessitated by the performance of Tenant’s Work. Any temporary
construction signage (including, but not limited to, directional signage and/or identifying signage) which Tenant or any of its contractors or subcontractors may wish to place anywhere in or about the Property shall be subject to all of the provisions of Section 7.5 of the Lease, including (but not limited to) prior written approval of the location, size, design and composition of such signage by Landlord, or by either Project Manager or Landlord’s property manager on behalf of Landlord, which approval shall not be unreasonably withheld, conditioned or delayed.

(f) **Risk of Loss.** All materials, work, installations and decorations of any nature brought onto or installed in any portion of the Premises, by or at the direction of Tenant or in connection with the performance of Tenant’s Work, prior to the applicable Commencement Date with respect to such portion of the Premises, shall be at Tenant’s risk, and neither Landlord nor any party acting on Landlord’s behalf shall be responsible for any damage, loss or destruction thereof from any cause whatsoever.

(g) **Condition of Tenant’s Work.** All work performed by Tenant shall be performed in a good and workmanlike manner, shall be free from defects in design, materials and workmanship, and shall be completed in compliance with the plans approved by Landlord for such Tenant’s Work in all material respects and in compliance with all applicable governmental laws, ordinances, codes and regulations in force at the time such work is completed. Without limiting the generality of the foregoing, Tenant shall be responsible for compliance of all Tenant Improvements with the requirements of the Americans with Disabilities Act and all similar or related requirements pertaining to access by persons with disabilities.

(h) **As-Built Drawings; Permits.** At the conclusion of construction of Tenant Improvements in each respective portion of the Premises, Tenant shall cause the TI Architect and TI General Contractor (i) to update the approved plans for all Tenant’s Work in such portion of the Premises as necessary to reflect all changes made to such approved plans during the course of construction, (ii) to certify to the best of their knowledge that the “record set” of as-built drawings are true and correct, which certification shall survive the expiration or termination of this Lease, and (iii) to deliver to Landlord, within sixty (60) day after issuance of a certificate of occupancy for the applicable portion of the Premises or for the applicable Tenant’s Work, (A) two (2) sets of copies of such record set of drawings and (B) a copy of the final, signed version of each building permit for the applicable Tenant’s Work.

5. **No Agency.** Nothing contained in this Workletter shall make or constitute Tenant as the agent of Landlord.

6. **Survival.** Without limiting any survival provisions which would otherwise be implied or construed under applicable law, the provisions of Paragraph 4(c) of this Workletter shall survive the termination of the Lease with respect to matters occurring prior to expiration of the Lease.

7. **Miscellaneous.** All references in this Workletter to a number of days shall be construed to refer to calendar days, unless otherwise specified herein. In all instances where Landlord’s or Tenant’s approval is required, if no written notice of disapproval is given within the applicable time period, at the end of that period Landlord or Tenant, as applicable, shall be deemed to have given approval (unless the provision requiring Landlord’s or Tenant’s approval expressly states that non-response is deemed to be a disapproval or withdrawal of the pending action or request,
IN WITNESS WHEREOF, the parties have executed this Workletter as of the date first set forth above.

“Landlord”

BRITANNIA HACIENDA VIII, LLC, a Delaware limited liability company

By: HCP Estates USA Inc., a Delaware corporation, Its Operations Manager and Member

By: /s/ Jonathan M. Bergschneider
Jonathan M. Bergschneider
Senior Vice President

“Tenant”

COMPLETE GENOMICS, INC., a Delaware corporation

By: /s/ Robert J. Curson
Name: RJ. Curson
Title: CFO

Jonathan M. Bergschneider
Senior Vice President
EXHIBIT C

ACKNOWLEDGMENT OF COMMENCEMENT DATE

This Acknowledgment is executed as of __________, 20__, by BRITANNA HACIENDA VIII, LLC, a Delaware limited liability company ("Landlord"), and COMPLETE GENOMICS, INC., a Delaware corporation ("Tenant"), pursuant to Section 2.4 of the Lease dated October, 2008 between Landlord and Tenant (the "Lease") covering premises located at 2071 Stierlin Court (and, if applicable, 2025 Stierlin Court), Mountain View, CA 94043 (the "Premises"). This Acknowledgment is executed specifically with reference to the portion of the Premises defined in the Lease as the [Existing] [Expansion] [2025 Expansion] [First Refusal] Premises.

Landlord and Tenant hereby acknowledge and agree as follows:

1. The [Existing] [Expansion] [2025 Expansion] [First Refusal] Commencement Date under the Lease is __________, 20__.

2. The termination date under the Lease is August 31, 2016, subject to any applicable provisions of the Lease for extension or early termination thereof.

3. The square footage of the Premises as of the date of this Acknowledgment, including the portion of the Premises specifically covered by this Acknowledgment and all other portions (if any) of the Premises for which a Commencement Date has already occurred, is _______ square feet.

4. Tenant accepts the [Existing] [Expansion] [2025 Expansion] [First Refusal] Premises, subject only to Landlord’s warranties, representations and obligations expressly set forth in the Lease with respect to such Premises.

This Acknowledgment is executed as of the date first set forth above.

“Landlord”

BRITANNA HACIENDA VIII, LLC, a Delaware limited liability company

By: HCP Estates USA Inc., a Delaware corporation, Its Operations Manager and Member

By: Jonathan M. Bergschneider
Senior Vice President

“Tenant”

COMPLETE GENOMICS, INC., a Delaware corporation

By:

Name:
Title:

EXHIBIT C TO LEASE
COMPLETE GENOMICS, INC.

2006 EQUITY INCENTIVE PLAN

1. Purposes of the Plan. The purposes of the Complete Genomics, Inc. 2006 Equity Incentive 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. Options granted under the Plan may be Incentive Stock Options or Non-Qualified Stock Options, as determined by the Administrator at the time of grant. Stock Purchase Rights may also be granted under the Plan.

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

(a) “Acquisition” means (1) a dissolution, liquidation or sale of all or substantially all of the assets of the Company; (2) a merger or consolidation in which the Company is not the surviving corporation; or (3) a reverse merger in which the Company is the surviving corporation but the shares of the Company’s common stock outstanding immediately preceding the merger are converted by virtue of the merger into other property, whether in the form of securities, cash or otherwise.

(b) “Administrator” means the Board or the Committee responsible for conducting the general administration of the Plan, as applicable, in accordance with Section 4 hereof.

(c) “Applicable Laws” means the requirements relating to the administration of stock option plans 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 foreign country or jurisdiction where Options or Stock Purchase Rights are granted under the Plan.

(d) “Board” means the Board of Directors of the Company.

(e) “Code” means the Internal Revenue Code of 1986, as amended, or any successor statute or statutes thereto. Reference to any particular Code section shall include any successor section.

(f) “Committee” means a committee appointed by the Board in accordance with Section 4 hereof.

(g) “Common Stock” means the common stock, par value $0.001 per share, of the Company.

(h) “Company” means Complete Genomics, Inc., a Delaware corporation.

(i) “Consultant” means any consultant or adviser if: (i) the consultant or adviser renders bona fide services to the Company or any Parent or Subsidiary of the Company; (ii) the services rendered by the consultant or adviser are not in connection with the offer or sale of securities in a capital-raising transaction and do not directly or indirectly promote or maintain
a market for the Company’s securities; and (iii) the consultant or adviser is a natural person who has contracted directly with the Company or any Parent or Subsidiary of the Company to render such services.

(j) “Director” means a member of the Board.

(k) “Employee” means any person, including an Officer or Director, who is an employee (as defined in accordance with Section 3401(c) of the Code) of the Company or any Parent or Subsidiary of the Company. A Service Provider shall 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, any Subsidiary, or any successor. For purposes of Incentive Stock Options, no such leave may exceed ninety (90) days, unless reemployment upon expiration of such leave is guaranteed by statute or contract. Neither service as a Director nor payment of a director’s fee by the Company shall be sufficient, by itself, to constitute “employment” by the Company.

(l) “Exchange Act” means the Securities Exchange Act of 1934, as amended, or any successor statute or statutes thereto. Reference to any particular Exchange Act section shall include any successor section.

(m) “Fair Market Value” means, as of any date, the value of a share 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 Nasdaq National Market or The Nasdaq SmallCap Market of The Nasdaq Stock Market, its Fair Market Value shall be the closing sales price for a share of such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system for the last market trading day prior to 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, its Fair Market Value shall be the mean between the high bid and low asked prices for a share of the Common Stock on the last market trading day prior to the day of determination; or

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

(n) “Holder” means a person who has been granted or awarded an Option or Stock Purchase Right or who holds Shares acquired pursuant to the exercise of an Option or Stock Purchase Right.

(o) “Incentive Stock Option” means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and which is designated as an Incentive Stock Option by the Administrator.
Independent Director means a Director who is not an Employee of the Company.

Non-Qualified Stock Option means an Option (or portion thereof) that is not designated as an Incentive Stock Option by the Administrator, or which is designated as an Incentive Stock Option by the Administrator but fails to qualify as an incentive stock option within the meaning of Section 422 of the Code.

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.

Option means a stock option granted pursuant to the Plan.

Option Agreement means a written agreement between the Company and a Holder evidencing the terms and conditions of an individual Option grant. The Option Agreement is subject to the terms and conditions of the Plan.

Parent means any corporation, whether now or hereafter existing (other than the Company), in an unbroken chain of corporations ending with the Company if each of the corporations other than the last corporation in the unbroken chain owns stock possessing more than fifty percent of the total combined voting power of all classes of stock in one of the other corporations in such chain.

Plan means this Complete Genomics, Inc. 2006 Equity Incentive Plan, as may be amended from time to time.

Public Trading Date means the first date upon which Common Stock of the Company is listed (or approved for listing) upon notice of issuance on any securities exchange or designated (or approved for designation) upon notice of issuance as a national market security on an interdealer quotation system.

Restricted Stock means Shares acquired pursuant to the exercise of an unvested Option in accordance with Section 10(h) hereof or pursuant to a Stock Purchase Right granted under Section 12 hereof.

Rule 16b-3 means that certain Rule 16b-3 under the Exchange Act, as such Rule may be amended from time to time.

Section 16(b) means Section 16(b) of the Exchange Act, as such Section may be amended from time to time.

Securities Act means the Securities Act of 1933, as amended, or any successor statute or statutes thereto. Reference to any particular Securities Act section shall include any successor section.

Service Provider means an Employee, Director or Consultant.
3. Stock Subject to the Plan. Subject to the provisions of Section 13 hereof, the shares of stock subject to Options or Stock Purchase Rights shall be Common Stock. Subject to the provisions of Section 13 hereof, the maximum aggregate number of Shares which may be issued upon exercise of such Options or Stock Purchase Rights is three million five hundred thirty-nine thousand and one hundred sixteen (3,539,116) Shares. Shares issued upon exercise of Options or Stock Purchase Rights may be authorized but unissued, or reacquired Common Stock. If an Option or Stock Purchase Right expires or becomes unexercisable without having been exercised in full, the unpurchased Shares which were subject thereto shall become available for future grant or sale under the Plan (unless the Plan has terminated). Shares which are delivered by the Holder or withheld by the Company upon the exercise of an Option or Stock Purchase Right under the Plan, in payment of the exercise price thereof or tax withholding thereon, may again be optioned, granted or awarded hereunder, subject to the limitations of this Section 3. If Shares of Restricted Stock are repurchased by the Company at their original purchase price, such Shares shall become available for future grant under the Plan (unless the Plan has terminated). Notwithstanding the provisions of this Section 3, no Shares may again be optioned, granted or awarded if such action would cause an Incentive Stock Option to fail to qualify as an Incentive Stock Option under Code Section 422.

4. Administration of the Plan.

(a) Administrator. Unless and until the Board delegates administration to a Committee as set forth below, the Plan shall be administered by the Board. The Board may delegate administration of the Plan to a Committee or Committees of one or more members of the Board, and the term “Committee” shall apply to any person or persons to whom such authority has been delegated. If administration is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board, including the power to delegate to a subcommittee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board shall thereafter be to the Committee or subcommittee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. Notwithstanding the foregoing, however, from and after the Public Trading Date, a Committee of the Board shall administer the Plan and the Committee shall consist solely of two or more Independent Directors each of whom is an “outside director,” within the meaning of Section 162(m) of the Code, a “non-employee director” within the meaning of Rule 16b-3, and qualifies as “independent” within the meaning of any applicable stock exchange listing requirements. Members of the
Committee shall also satisfy any other legal requirements applicable to membership on the Committee, including requirements under the Sarbanes-Oxley Act of 2002 and other Applicable Laws. Within the scope of such authority, the Board or the Committee may (i) delegate to a committee of one or more members of the Board who are not Independent Directors the authority to grant awards under the Plan to eligible persons who are either (1) not then “covered employees,” within the meaning of Section 162(m) of the Code and are not expected to be “covered employees” at the time of recognition of income resulting from such award or (2) not persons with respect to whom the Company wishes to comply with Section 162(m) of the Code and/or (ii) delegate to a committee of one or more members of the Board who are not “non-employee directors,” within the meaning of Rule 16b-3, the authority to grant awards under the Plan to eligible persons who are not then subject to Section 16 of the Exchange Act. The Board may abolish the Committee at any time and vest in the Board the administration of the Plan. Appointment of Committee members shall be effective upon acceptance of appointment. Committee members may resign at any time by delivering written notice to the Board. Vacancies in the Committee may only be filled by the Board.

(b) Powers of the Administrator. Subject to the provisions of the Plan and the specific duties delegated by the Board to such Committee, and subject to the approval of any relevant authorities, the Administrator shall have the authority in its sole discretion:

(i) to determine the Fair Market Value;

(ii) to select the Service Providers to whom Options and Stock Purchase Rights may from time to time be granted hereunder;

(iii) to determine the number of Shares to be covered by each such award granted hereunder;

(iv) to approve forms of agreement for use under the Plan;

(v) to determine the terms and conditions of any Option or Stock Purchase Right granted hereunder (such terms and conditions include, but are not limited to, the exercise price, the time or times when Options or Stock Purchase Rights may vest or be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Option or Stock Purchase Right or the Common Stock relating thereto, based in each case on such factors as the Administrator, in its sole discretion, shall determine);

(vi) to determine whether to offer to buyout a previously granted Option as provided in Section 10(i) hereof and to determine the terms and conditions of such offer and buyout (including whether payment is to be made in cash or Shares);

(vii) 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 complying with applicable law or customary business practice, or qualifying for preferred tax treatment, in each case under applicable laws of jurisdictions outside of the United States;
(viii) to allow Holders to satisfy withholding tax obligations by electing to have the Company withhold from the Shares to be issued upon exercise of an Option or Stock Purchase Right that number of Shares having a Fair Market Value equal to the minimum amount required to be withheld based on the statutory withholding rates for federal and state tax purposes that apply to supplemental taxable income. The Fair Market Value of the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined. All elections by Holders to have Shares withheld for this purpose shall be made in such form and under such conditions as the Administrator may deem necessary or advisable;

(ix) to amend the Plan or any Option or Stock Purchase Right granted under the Plan as provided in Section 15 hereof; and

(x) to construe and interpret the terms of the Plan and awards granted pursuant to the Plan and to exercise such powers and perform such acts as the Administrator deems necessary or desirable to promote the best interests of the Company which are not in conflict with the provisions of the Plan.

(c) Effect of Administrator’s Decision. All decisions, determinations and interpretations of the Administrator shall be final and binding on all Holders.

5. Eligibility. Non-Qualified Stock Options and Stock Purchase Rights may be granted to Service Providers. Incentive Stock Options may be granted only to Employees. If otherwise eligible, a Service Provider who has been granted an Option or Stock Purchase Right may be granted additional Options or Stock Purchase Rights.


(a) Each Option shall be designated by the Administrator in the Option Agreement as either an Incentive Stock Option or a Non-Qualified Stock Option. However, notwithstanding such designations, to the extent that the aggregate Fair Market Value of Shares subject to a Holder’s Incentive Stock Options and other incentive stock options granted by the Company, any Parent or Subsidiary, which become exercisable for the first time during any calendar year (under all plans of the Company or any Parent or Subsidiary) exceeds $100,000, such excess Options or other options shall be treated as Non-Qualified Stock Options.

For purposes of this Section 6(a), Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of the Shares shall be determined as of the time of grant.

(b) Neither the Plan, any Option nor any Stock Purchase Right shall confer upon a Holder any right with respect to continuing the Holder’s employment or consulting relationship with the Company, nor shall they interfere in any way with the Holder’s right or the Company’s right to terminate such employment or consulting relationship at any time, with or without cause.

(c) No Service Provider shall be granted, in any calendar year, Options or Stock Purchase Rights to purchase more than one million (1,000,000) Shares; provided, however, that the foregoing limitation shall not apply prior to the Public Trading Date and, following the
Public Trading Date, the foregoing limitation shall not apply until the earliest of: (i) the first material modification of the Plan (including any increase in the number of shares reserved for issuance under the Plan in accordance with Section 3 hereof); (ii) the issuance of all of the shares of Common Stock reserved for issuance under the Plan; (iii) the expiration of the Plan; (iv) the first meeting of stockholders at which Directors of the Company are to be elected that occurs after the close of the third calendar year following the calendar year in which occurred the first registration of an equity security of the Company under Section 12 of the Exchange Act; or (v) such other date required by Section 162(m) of the Code and the rules and regulations promulgated thereunder. The foregoing limitation shall be adjusted proportionately in connection with any change in the Company’s capitalization as described in Section 13 hereof. For purposes of this Section 6(c), if an Option is canceled in the same calendar year it was granted (other than in connection with a transaction described in Section 13 hereof), the canceled Option will be counted against the limit set forth in this Section 6(c). For this purpose, if the exercise price of an Option is reduced, the transaction shall be treated as a cancellation of the Option and the grant of a new Option.

7. Term of Plan. The Plan shall become effective upon its initial adoption by the Board and shall continue in effect until it is terminated under Section 15 hereof. No Options or Stock Purchase Rights may be issued under the Plan after the tenth (10th) anniversary of the earlier of (i) the date upon which the Plan is adopted by the Board or (ii) the date the Plan is approved by the stockholders.

8. Term of Option. The term of each Option shall be stated in the Option Agreement; provided, however, that the term shall be no more than ten (10) years from the date of grant thereof. In the case of an Incentive Stock Option granted to a Holder who, at the time the Option is granted, owns (or is treated as owning under Code Section 424) stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Option shall be five (5) years from the date of grant or such shorter term as may be provided in the Option Agreement.


(a) Except as provided in Section 13 hereof, the per share exercise price for the Shares to be issued upon exercise of an Option shall be such price as is determined by the Administrator, but shall be subject to the following:

(i) In the case of an Incentive Stock Option

(A) granted to an Employee who, at the time of grant of such Option, owns (or is treated as owning under Code Section 424) stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price shall be no less than one hundred ten percent (110%) of the Fair Market Value per Share on the date of grant.

(B) granted to any other Employee, the per Share exercise price shall be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant.
(ii) In the case of a Non-Qualified Stock Option

(A) granted to a Service Provider who, at the time of grant of such Option, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the exercise price shall be no less than one hundred ten percent (110%) of the Fair Market Value per Share on the date of the grant.

(B) granted to any other Service Provider, the per Share exercise price shall be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant; provided, however, that the per Share exercise price for any Option that is intended to be exempt from Section 409A of the Code shall not be less than one hundred percent (100%) of the Fair Market Value of a Share on the date of grant.

(iii) Notwithstanding the foregoing, Options may be granted with a per Share exercise price other than as required above pursuant to a merger or other corporate transaction.

(b) The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall be determined by the Administrator (and, in the case of an Incentive Stock Option, shall be determined at the time of grant). Such consideration may consist of (1) cash, (2) check, (3) with the consent of the Administrator, other Shares which (x) in the case of Shares acquired from the Company, have been owned by the Holder for more than six (6) months on the date of surrender, and (y) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which such Option shall be exercised, (4) with the consent of the Administrator, surrendered Shares then issuable upon exercise of the Option having a Fair Market Value on the date of exercise equal to the aggregate exercise price of the Option or exercised portion thereof, (5) with the consent of the Administrator, property of any kind which constitutes good and valuable consideration, (6) with the consent of the Administrator, and to the extent the exercise occurs following a Public Trading Date, delivery of a notice that the Holder has placed a market sell order with a broker with respect to Shares then issuable upon exercise of the Options and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the Option exercise price; provided, that payment of such proceeds is then made to the Company upon settlement of such sale, or (7) with the consent of the Administrator, any combination of the foregoing methods of payment.


(a) Vesting; Fractional Exercises. Except as provided in Section 13 hereof, Options granted hereunder shall be vested and exercisable according to the terms hereof at such times and under such conditions as determined by the Administrator and set forth in the Option Agreement; provided, however, that, except with regard to Options granted to Officers, Directors or Consultants, in no event shall an Option granted hereunder become vested and exercisable at a rate of less than twenty percent (20%) per year over five (5) years from the date the Option is granted, subject to reasonable conditions, such as continuing to be a Service Provider. An Option may not be exercised for a fraction of a Share.
(b) **Deliveries upon Exercise.** All or a portion of an exercisable Option shall be deemed exercised upon delivery of all of the following to the Secretary of the Company or his or her office:

(i) A written or electronic notice complying with the applicable rules established by the Administrator stating that the Option, or a portion thereof, is exercised. The notice shall be signed by the Holder or other person then entitled to exercise the Option or such portion of the Option;

(ii) Such representations and documents as the Administrator, in its sole discretion, deems necessary or advisable to effect compliance with Applicable Laws. The Administrator may, in its sole discretion, also take whatever additional actions it deems appropriate to effect such compliance, including, without limitation, placing legends on share certificates and issuing stop transfer notices to agents and registrars;

(iii) Upon the exercise of all or a portion of an unvested Option pursuant to Section 10(h) hereof, a Restricted Stock purchase agreement in a form determined by the Administrator and signed by the Holder or other person then entitled to exercise the Option or such portion of the Option; and

(iv) In the event that the Option shall be exercised pursuant to Section 10(f) hereof by any person or persons other than the Holder, appropriate proof of the right of such person or persons to exercise the Option.

(c) **Conditions to Delivery of Share Certificates.** The Company shall not be required to issue or deliver any certificate or certificates for Shares purchased upon the exercise of any Option or portion thereof prior to fulfillment of all of the following conditions:

(i) The admission of such Shares to listing on all stock exchanges on which such class of stock is then listed;

(ii) The completion of any registration or other qualification of such Shares under any state or federal law, or under the rulings or regulations of the Securities and Exchange Commission or any other governmental regulatory body which the Administrator shall, in its sole discretion, deem necessary or advisable;

(iii) The obtaining of any approval or other clearance from any state or federal governmental agency which the Administrator shall, in its sole discretion, determine to be necessary or advisable;

(iv) The lapse of such reasonable period of time following the exercise of the Option as the Administrator may establish from time to time for reasons of administrative convenience; and

(v) The receipt by the Company of full payment for such Shares, including payment of any applicable withholding tax, which in the sole discretion of the Administrator may be in the form of consideration used by the Holder to pay for such Shares under Section 9(b) hereof.
(d) Termination of Relationship as a Service Provider. If a Holder ceases to be a Service Provider other than by reason of the Holder’s disability or death, such Holder may exercise his or her Option within such period of time as is specified in the Option Agreement to the extent that the Option is vested on the date of termination; provided, however, that prior to the Public Trading Date, such period of time shall not be less than thirty (30) days (but in no event later than the expiration of the term of the Option as set forth in the Option Agreement). In the absence of a specified time in the Option Agreement, the Option shall remain exercisable for three (3) months following the Holder’s termination. If, on the date of termination, the Holder is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option immediately cease to be issuable under the Option and shall again become available for issuance under the Plan. If, after termination, the Holder does not exercise his or her Option within the time period specified herein, the Option shall terminate, and the Shares covered by such Option shall again become available for issuance under the Plan.

(e) Disability of Holder. If a Holder ceases to be a Service Provider as a result of the Holder’s disability, the Holder may exercise his or her Option within such period of time as is specified in the Option Agreement to the extent the Option is vested on the date of termination; provided, however, that prior to the Public Trading Date, such period of time shall not be less than six (6) months (but in no event later than the expiration of the term of such Option as set forth in the Option Agreement). In the absence of a specified time in the Option Agreement, the Option shall remain exercisable for twelve (12) months following the Holder’s termination. If such disability is not a permanent and total disability within the meaning of Section 22(e)(3) of the Code, in the case of an Incentive Stock Option such Incentive Stock Option shall automatically cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Non-Qualified Stock Option from and after the day which is three (3) months and one (1) day following such termination. If, on the date of termination, the Holder is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option shall immediately cease to be issuable under the Option and shall again become available for issuance under the Plan. If, after termination, the Holder does not exercise his or her Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall again become available for issuance under the Plan.

(f) Death of Holder. If a Holder dies while a Service Provider, the Option may be exercised within such period of time as is specified in the Option Agreement; provided, however, that prior to the Public Trading Date, such period of time shall not be less than six (6) months (but in no event later than the expiration of the term of such Option as set forth in the Notice of Grant), by the Holder’s estate or by a person who acquires the right to exercise the Option by bequest or inheritance, but only to the extent that the Option is vested on the date of death. In the absence of a specified time in the Option Agreement, the Option shall remain exercisable for twelve (12) months following the Holder’s termination. If, at the time of death, the Holder is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option shall immediately cease to be issuable under the Option and shall again become available for issuance under the Plan. The Option may be exercised by the executor or administrator of the Holder’s estate or, if none, by the person(s) entitled to exercise the Option under the Holder’s will or the laws of descent or distribution. If the Option is not so exercised within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall again become available for issuance under the Plan.
(g) **Regulatory Extension.** A Holder’s Option Agreement may provide that if the exercise of the Option following the termination of the Holder’s status as a Service Provider (other than upon the Holder’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 shall terminate on the earlier of (i) the expiration of the term of the Option set forth in Section 8 hereof or (ii) the expiration of a period of three (3) months after the termination of the Holder’s status as a Service Provider during which the exercise of the Option would not be in violation of such registration requirements.

(h) **Early Exercisability.** The Administrator may provide in the terms of a Holder’s Option Agreement that the Holder may, at any time before the Holder’s status as a Service Provider terminates, exercise the Option in whole or in part prior to the full vesting of the Option; provided, however, that subject to Section 20 hereof, Shares acquired upon exercise of an Option which has not fully vested may be subject to any forfeiture, transfer or other restrictions as the Administrator may determine in its sole discretion.

(i) **Buyout Provisions.** The Administrator may at any time offer to buyout for a payment in cash or Shares, an Option previously granted, based on such terms and conditions as the Administrator shall establish and communicate to the Holder at the time that such offer is made.

11. **Non-Transferability of Options and Stock Purchase Rights.** Options and Stock Purchase Rights may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Holder, only by the Holder.

12. **Stock Purchase Rights.**

   (a) **Rights to Purchase.** Stock Purchase Rights may be issued either alone, in addition to, or in tandem with Options granted under the Plan and/or cash awards made outside of the Plan. After the Administrator determines that it will offer Stock Purchase Rights under the Plan, it shall advise the offeree in writing of the terms, conditions and restrictions related to the offer, including the number of Shares that such person shall be entitled to purchase, the price to be paid, and the time within which such person must accept such offer; provided, however, that to the extent required to comply with applicable securities laws, the purchase price of such Shares shall not be less than the purchase price requirements set forth in Section 260.140.42 of Title 10 of the California Code of Regulations. The offer shall be accepted by execution of a Restricted Stock purchase agreement in the form determined by the Administrator.

   (b) **Repurchase Right.** Unless the Administrator determines otherwise, the Restricted Stock purchase agreement shall grant the Company the right to repurchase Shares acquired upon exercise of a Stock Purchase Right upon the termination of the purchaser’s status as a Service Provider for any reason. Subject to Section 20 hereof, the purchase price for Shares repurchased by the Company pursuant to such repurchase right and the rate at which such repurchase right shall lapse shall be determined by the Administrator in its sole discretion, and shall be set forth in the Restricted Stock purchase agreement.
(c) Other Provisions. The Restricted Stock purchase agreement shall contain such other terms, provisions and conditions not inconsistent with the Plan as may be determined by the Administrator in its sole discretion.

(d) Rights as a Shareholder. Once the Stock Purchase Right is exercised, the purchaser shall have rights equivalent to those of a shareholder and shall be a shareholder when his or her purchase is entered upon the records of the duly authorized transfer agent of the Company. No adjustment shall be made for a dividend or other right for which the record date is prior to the date the Stock Purchase Right is exercised, except as provided in Section 13 hereof.

13. Adjustments upon Changes in Capitalization, Merger or Asset Sale.

(a) In the event that the Administrator determines that any dividend or other distribution (whether in the form of cash, Common Stock, other securities, or other property), recapitalization, reclassification, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, liquidation, dissolution, or sale, transfer, exchange or other disposition of all or substantially all of the assets of the Company, or exchange of Common Stock or other securities of the Company, issuance of warrants or other rights to purchase Common Stock or other securities of the Company, or other similar corporate transaction or event, in the Administrator’s sole discretion, affects the Common Stock such that an adjustment is determined by the Administrator to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended by the Company to be made available under the Plan or with respect to any Option, Stock Purchase Right or Restricted Stock, then the Administrator shall, in such manner as it may deem equitable, adjust any or all of:

(i) the number and kind of shares of Common Stock (or other securities or property) with respect to which Options or Stock Purchase Rights may be granted or awarded (including, but not limited to, adjustments of the limitations in Section 3 hereof on the maximum number and kind of shares which may be issued and adjustments of the maximum number of Shares that may be purchased by any Holder in any calendar year pursuant to Section 6(c) hereof);

(ii) the number and kind of shares of Common Stock (or other securities or property) subject to outstanding Options, Stock Purchase Rights or Restricted Stock; and

(iii) the grant or exercise price with respect to any Option or Stock Purchase Right.

(b) In the event of any transaction or event described in Section 13(a) hereof, the Administrator, in its sole discretion, and on such terms and conditions as it deems appropriate, either by the terms of the Option, Stock Purchase Right or Restricted Stock or by action taken prior to the occurrence of such transaction or event and either automatically or upon the Holder’s request, is hereby authorized to take any one or more of the following actions whenever the Administrator determines that such action is appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended by the Company to be made
available under the Plan or with respect to any Option, Stock Purchase Right or Restricted Stock granted or issued under the Plan or to facilitate such transaction or event:

(i) To provide for either the purchase of any such Option, Stock Purchase Right or Restricted Stock for an amount of cash equal to the amount that could have been obtained upon the exercise of such Option or Stock Purchase Right or realization of the Holder’s rights had such Option, Stock Purchase Right or Restricted Stock been currently exercisable or payable or fully vested or the replacement of such Option, Stock Purchase Right or Restricted Stock with other rights or property selected by the Administrator in its sole discretion;

(ii) To provide that such Option or Stock Purchase Right shall be exercisable as to all shares covered thereby, notwithstanding anything to the contrary in the Plan or the provisions of such Option or Stock Purchase Right;

(iii) To provide that such Option, Stock Purchase Right or Restricted Stock be assumed by the successor or survivor corporation, or a parent or subsidiary thereof, or shall be substituted for by similar options, rights or awards covering the stock of the successor or survivor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices;

(iv) To make adjustments in the number and type of shares of Common Stock (or other securities or property) subject to outstanding Options and Stock Purchase Rights, and/or in the terms and conditions of (including the grant or exercise price), and the criteria included in, outstanding Options, Stock Purchase Rights or Restricted Stock or Options, Stock Purchase Rights or Restricted Stock which may be granted in the future; and/or

(v) To provide that immediately upon the consummation of such event, such Option or Stock Purchase Right shall not be exercisable and shall terminate; provided, that for a specified period of time prior to such event, such Option or Stock Purchase Right shall be exercisable as to all Shares covered thereby, and the restrictions imposed under an Option Agreement or Restricted Stock purchase agreement upon some or all Shares may be terminated and, in the case of Restricted Stock, some or all shares of such Restricted Stock may cease to be subject to repurchase, notwithstanding anything to the contrary in the Plan or the provisions of such Option, Stock Purchase Right or Restricted Stock purchase agreement.

(c) If the Company undergoes an Acquisition, then any surviving corporation or entity or acquiring corporation or entity, or affiliate of such corporation or entity, may assume any Options, Stock Purchase Rights or Restricted Stock outstanding under the Plan or may substitute similar stock awards (including an award to acquire the same consideration paid to the stockholders in the transaction described in this Section 13(c)) for those outstanding under the Plan. In the event any surviving corporation or entity or acquiring corporation or entity in an Acquisition, or affiliate of such corporation or entity, does not assume such Options, Stock Purchase Rights or Restricted Stock or does not substitute similar stock awards for those outstanding under the Plan, then with respect to (i) Options, Stock Purchase Rights or Restricted Stock held by participants in the Plan whose status as a Service Provider has not terminated prior to such event, the vesting of such Options, Stock Purchase Rights or Restricted Stock (and, if
applicable, the time during which such awards may be exercised) shall be accelerated and made fully exercisable and all restrictions thereon shall lapse at least ten (10) days prior to the closing of the Acquisition (and the Options or Stock Purchase Rights terminated if not exercised prior to the closing of such Acquisition), and (ii) any other Options or Stock Purchase Rights outstanding under the Plan, such Options or Stock Purchase rights shall be terminated if not exercised prior to the closing of the Acquisition.

(d) Subject to Section 3 hereof, the Administrator may, in its sole discretion, include such further provisions and limitations in any Option, Stock Purchase Right, Restricted Stock agreement or certificate, as it may deem equitable and in the best interests of the Company.

(e) The existence of the Plan, any Option Agreement or Restricted Stock purchase agreement and the Options or Stock Purchase Rights granted hereunder shall not affect or restrict in any way the right or power of the Company or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company’s capital structure or its business, any merger or consolidation of the Company, any issue of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred or prior preference stocks whose rights are superior to or affect the Common Stock or the rights thereof or which are convertible into or exchangeable for Common Stock, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

14. Time of Granting Options and Stock Purchase Rights. The date of grant of an Option or Stock Purchase Right shall, for all purposes, be the date on which the Administrator makes the determination granting such Option or Stock Purchase Right, or such other date as is determined by the Administrator. Notice of the determination shall be given to each Service Provider to whom an Option or Stock Purchase Right is so granted within a reasonable time after the date of such grant.

15. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Board may at any time wholly or partially amend, alter, suspend or terminate the Plan. However, without approval of the Company’s stockholders given within twelve (12) months before or after the action by the Board, no action of the Board may, except as provided in Section 13 hereof, increase the limits imposed in Section 3 hereof on the maximum number of Shares which may be issued under the Plan or extend the term of the Plan under Section 7 hereof.

(b) Stockholder Approval. The Board shall 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 shall impair the rights of any Holder, unless mutually agreed otherwise between the Holder and the Administrator, which agreement must be in writing and signed by the Holder and the Company. Termination of the Plan shall not affect the Administrator’s ability to exercise the powers granted to it hereunder with respect to Options,
Stock Purchase Rights or Restricted Stock granted or awarded under the Plan prior to the date of such termination.

16. **Stockholder Approval.** The Plan shall be submitted for the approval of the Company’s stockholders within twelve (12) months after the date of the Board’s initial adoption of the Plan. Options, Stock Purchase Rights or Restricted Stock may be granted or awarded prior to such stockholder approval; *provided*, that such Options, Stock Purchase Rights and Restricted Stock shall not be exercisable, shall not vest and the restrictions thereon shall not lapse prior to the time when the Plan is approved by the stockholders; *and provided*, further, that if such approval has not been obtained at the end of twelve-month period contemplated by this Section 16, all Options, Stock Purchase Rights and Restricted Stock previously granted or awarded under the Plan shall thereupon be canceled and become null and void.

17. **Inability to Obtain Authority.** The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company’s counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

18. **Reservation of Shares.** The Company, during the term of this Plan, shall at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

19. **Information to Holders and Purchasers.** Prior to the Public Trading Date and to the extent required by Section 260.140.46 of Title 10 of the California Code of Regulations, the Company shall provide to each Holder, not less frequently than annually during the period such Holder has one or more Options or Stock Purchase Rights outstanding, and, in the case of a Holder of Shares, during the period the Holder owns such Shares, copies of annual financial statements. Notwithstanding the preceding sentence, the Company shall not be required to provide such statements to key employees whose duties in connection with the Company assure their access to equivalent information.

20. **Repurchase Provisions.** The Administrator in its sole discretion may provide that the Company may repurchase Shares acquired upon exercise of an Option or Stock Purchase Right upon the occurrence of certain specified events, including, without limitation, a Holder’s termination as a Service Provider, divorce, bankruptcy or insolvency; *provided*, however, that any such repurchase right shall be set forth in the applicable Option Agreement or Restricted Stock purchase agreement or in another agreement referred to in such agreement; *and provided*, further, that to the extent required by Section 260.140.41 and Section 260.140.42 of Title 10 of the California Code of Regulations, any such repurchase right set forth in an Option or Stock Purchase Right granted prior to the Public Trading Date to a person who is not an Officer, Director or Consultant shall be upon the following terms: (i) if the repurchase option gives the Company the right to repurchase the Shares upon termination as a Service Provider at not less than the Fair Market Value of the Shares to be purchased on the date of termination of status as a Service Provider, then (A) the right to repurchase shall be exercised for cash or cancellation of purchase money indebtedness for the shares within ninety (90) days of termination of status as a Service Provider (or in the case of Shares issued upon exercise of Options or Stock Purchase...
Rights after such date of termination, within ninety (90) days after the date of the exercise) or such longer period as may be agreed to by the Administrator and the Holder and (B) the right shall terminate effective as of the Public Trading Date; and (ii) if the repurchase option gives the Company the right to repurchase the Shares upon termination as a Service Provider at the original purchase price for such Shares, then (A) the right to repurchase at the original purchase price shall lapse at the rate of at least twenty percent (20%) of the Shares per year over five (5) years from the date the Option or Stock Purchase Right is granted (without respect to the date the Option or Stock Purchase Right was exercised or became exercisable) and (B) the right to repurchase shall be exercisable for cash or cancellation of purchase money indebtedness for the Shares within ninety (90) days of termination of status as a Service Provider (or, in the case of Shares issued upon exercise of Options or Stock Purchase Rights, after such date of termination, within ninety (90) days after the date of the exercise) or such longer period as may be agreed to by the Company and the Holder.

21. Investment Intent. The Company may require a Holder, as a condition of exercising or acquiring stock under any Option or Stock Purchase Right, (i) to give written assurances satisfactory to the Company as to the Holder’s knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters and that he or she is capable of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Option or Stock Purchase Right; and (ii) to give written assurances satisfactory to the Company stating that the Holder is acquiring the Common Stock subject to the Option or Stock Purchase Right for the Holder’s own account and not with any present intention of selling or otherwise distributing the Common Stock. The foregoing requirements, and any assurances given pursuant to such requirements, shall be inoperative if (A) the issuance of the shares upon the exercise or acquisition of Common Stock under the applicable Option or Stock Purchase Right has been registered under a then currently effective registration statement under the Securities Act or (B) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under then applicable securities laws. The Company may, upon advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the Common Stock.

22. Section 409A. To the extent that the Administrator determines that any Option, Stock Purchase Right or Restricted Stock granted under the Plan is subject to Section 409A of the Code, the agreement evidencing such Option, Stock Purchase Right or Restricted Stock shall incorporate the terms and conditions required by Section 409A of the Code. To the extent applicable, the Plan and any such agreements shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder. Notwithstanding any provision of the Plan to the contrary, in the event that the Administrator determines that any Option, Stock Purchase Right or Restricted Stock may be subject to Section 409A of the Code and related Department of Treasury guidance, the Administrator may adopt such amendments to the Plan and the applicable agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Administrator determines are necessary or appropriate to (a) exempt the Option, Stock Purchase Right or Restricted Stock from Section 409A of the
23. **Lock-Up Period.** Each Holder shall, as a condition of any grant of an Option or Stock Purchase Right hereunder, agree that if so requested by the Company or any representative of the underwriters (the “Managing Underwriter”) in connection with any registration of the offering of any securities of the Company under the Securities Act, he or she shall not sell or otherwise transfer any Shares or other securities of the Company during the 180-day period (or such longer period as may be requested in writing by the Managing Underwriter and agreed to in writing by the Company) (the “Market Standoff Period”) following the effective date of a registration statement of the Company filed under the Securities Act; provided, however, that such restriction shall apply only to the first registration statement of the Company to become effective under the Securities Act that includes securities to be sold on behalf of the Company to the public in an underwritten public offering under the Securities Act. The Company may impose stop-transfer instructions with respect to securities subject to the foregoing restrictions until the end of such Market Standoff Period.

24. **Governing Law.** The validity and enforceability of this Plan shall be governed by and construed in accordance with the laws of the State of California without regard to otherwise governing principles of conflicts of law.
Pursuant to the authority reserved to the Board of Directors (the “Board”) of Complete Genomics, Inc., a corporation organized under the laws of State of Delaware (the “Company”), under Section 15 of the Company’s 2006 Equity Incentive Plan (the “Plan”), as amended, the Board hereby amends the Plan as follows.

1. The second sentence of Section 3 of the Plan is hereby amended to read in its entirety as follows:

“Subject to the provisions of Section 13 hereof, the maximum aggregate number of Shares which may be issued upon exercise of such Options or Stock Purchase Rights is Fifty-Eight Million Two Thousand Four Hundred Thirty-Nine (58,002,439) Shares.”

2. Section 10(b) of the Plan is hereby amended to read in its entirety as follows:

“(b) Deliveries upon Exercise. All or a portion of an exercisable Option shall be deemed exercised upon delivery of all of the following to the Secretary of the Company or his or her office:

(i) A written or electronic notice complying with the applicable rules established by the Administrator stating that the Option, or a portion thereof, is exercised. The notice shall be signed by the Holder or other person then entitled to exercise the Option or such portion of the Option;

(ii) Such representations and documents as the Administrator, in its sole discretion, deems necessary or advisable to effect compliance with Applicable Laws. The Administrator may, in its sole discretion, also take whatever additional actions it deems appropriate to effect such compliance, including, without limitation, placing legends on share certificates and issuing stop transfer notices to agents and registrars;

(iii) In the case of Options granted after August 12, 2009, an executed counterpart signature page to that certain Third Amended and Restated Voting Agreement, dated as of August 12, 2009, by and among the Company and certain stockholders of the Company, as may be amended or amended and restated from time to time, or any successor agreement thereto (the “Voting Agreement”), signed by the Holder or other person then entitled to exercise the Option or such portion of the Option. By executing a counterpart signature page to the Voting Agreement, the Holder or other person then entitled to exercise the Option or such portion of the Option agrees to become a party to, and be bound by the terms of, the Voting Agreement;

(iv) Upon the exercise of all or a portion of an unvested Option pursuant to Section 10(h) hereof, a Restricted Stock purchase agreement in a form determined by
the Administrator and signed by the Holder or other person then entitled to exercise the Option or such portion of the Option; and

(v) In the event that the Option shall be exercised pursuant to Section 10(f) hereof by any person or persons other than the Holder, appropriate proof of the right of such person or persons to exercise the Option.”

* * * * * * * * * *

I hereby certify that the foregoing Amendment to the Plan was duly adopted by the Company’s Board of Directors effective as of August 10, 2009.

I hereby further certify that the foregoing Amendment to the Plan was duly adopted by the Company’s Stockholders effective as of August 11, 2009.

[ Remainder of page intentionally left blank ]
IN WITNESS WHEREOF, this Amendment is executed as of the date first set forth above.

/s/ Alan C. Mendelson
Alan C. Mendelson, Secretary
Complete Genomics, Inc., a Delaware corporation (the “Company”), pursuant to its 2006 Equity Incentive Plan (the “Plan”), hereby grants to Optionee listed below (“Optionee”), an option to purchase the number of shares of the Company’s Common Stock set forth below, subject to the terms and conditions of the Plan and this Stock Option Agreement (this “Option Agreement”). Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Option Agreement.

### NOTICE OF STOCK OPTION GRANT

<table>
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<tr>
<th>Field</th>
<th>Value</th>
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</thead>
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<tr>
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<tr>
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</tr>
<tr>
<td>Date of Grant</td>
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<tr>
<td>Vesting Commencement Date</td>
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</tr>
<tr>
<td>Type of Option</td>
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</tr>
<tr>
<td>Exercise Schedule</td>
<td>□ Same as Vesting Schedule □ Early Exercise Permitted</td>
</tr>
<tr>
<td>Vesting Schedule</td>
<td>[This Option is exercisable immediately, in whole or in part, at such times as are established by the Administrator, conditioned upon Optionee entering into a Restricted Stock Purchase Agreement with respect to any unvested Shares. The Shares subject to this Option shall vest and/or be released from the Company’s Repurchase Option, as set forth in the Restricted Stock Purchase Agreement attached hereto as Exhibit C-1, according to the following schedule:]</td>
</tr>
</tbody>
</table>

Twenty-five percent (25%) of the Shares subject to the Option (rounded down to the next whole number of Shares) shall vest one year after the Vesting Commencement Date, and 1/48 of the Shares subject to the Option (rounded down to the next whole number of Shares) shall vest on the first day of each full month thereafter, so that all of the Shares shall be vested on the first day of the forty-eighth (48 th) month after the Vesting.
1. Grant of Option

The Company hereby grants to Optionee an Option to purchase the number of shares of Common Stock (the “Shares”) set forth in the Notice of Grant, at the exercise price per share set forth in the Notice of Grant (the “Exercise Price”). Notwithstanding anything to the contrary anywhere else in this Option Agreement, this grant of an Option is subject to the terms and provisions of the Plan, which is incorporated herein by reference.

If designated in the Notice of Grant as an Incentive Stock Option, this Option is intended to qualify as an Incentive Stock Option as defined in Section 422 of the Code; provided, however, that to the extent that the aggregate Fair Market Value of the Common Stock with respect to which Incentive Stock Options (within the meaning of Code Section 422, but without regard to Code Section 422(d)), including the Option, are exercisable for the first time by Optionee during any calendar year (under the Plan and all other incentive stock option plans of the Company or any Subsidiary) exceeds $100,000, such options shall be treated as not qualifying under Code Section 422, but rather shall be treated as Non-Qualified Stock Options to the extent required by Code Section 422. The rule set forth in the preceding sentence shall be applied by taking options into account in the order in which they were granted. For purposes of these rules, the Fair Market Value of the Common Stock shall be determined as of the time the option with respect to such stock is granted.

2. Exercise of Option

This Option is exercisable as follows:

(a) Right to Exercise.

(i) This Option shall be exercisable cumulatively according to the vesting schedule set out in the Notice of Grant. [Alternatively, at the election of Optionee, this Option may be exercised in whole or in part at such times as are established by the Administrator as to Shares which have not yet vested.] For purposes of this Option Agreement, Shares subject to this Option shall vest based on Optionee’s continued status as a Service Provider. [Vested Shares shall not be subject to the Company’s Repurchase Option (as set forth in the Restricted Stock Purchase Agreement).]

(ii) [As a condition to exercising this Option for unvested Shares, Optionee shall execute the Restricted Stock Purchase Agreement.]

(iii) This Option may not be exercised for a fraction of a Share.
(iv) In the event of Optionee’s death, disability or other termination of Optionee’s status as a Service Provider, the exercisability of the Option shall be governed by Sections 7, 8 and 9 hereof.

(v) In no event may this Option be exercised after the Expiration Date of the term of this Option as set forth in the Notice of Grant.

(b) Method of Exercise. This Option shall be exercisable by written notice to the Company (in the form attached as Exhibit A) (the “Exercise Notice”) and delivery of an executed counterpart signature page to that certain Third Amended and Restated Voting Agreement, dated as of August 12, 2009, by and among the Company and certain stockholders of the Company, as may be amended or amended and restated from time to time, or any successor agreement thereto (the “Voting Agreement”), signed by the Optionee or other person then entitled to exercise the Option or such portion of the Option. By executing a counterpart signature page to the Voting Agreement, the Optionee or other person then entitled to exercise the Option or such portion of the Option agrees to become a party to, and be bound by the terms of, the Voting Agreement. The Exercise Notice shall state the number of Shares for which the Option is being exercised, and such other representations and agreements with respect to such Shares of Common Stock as may be required by the Company pursuant to the provisions of the Plan. The Exercise Notice and Voting Agreement shall be signed by Optionee and, [together with an executed copy of the Restricted Stock Purchase Agreement, if applicable.] shall be delivered in person or by certified mail to the Secretary of the Company. The Exercise Notice [and Restricted Stock Purchase Agreement] shall be accompanied by payment of the Exercise Price, including payment of any applicable withholding tax. This Option shall be deemed to be exercised upon receipt by the Company of such written Exercise Notice [and Restricted Stock Purchase Agreement, if applicable.] accompanied by the Exercise Price and payment of any applicable withholding tax, and such counterpart signature page to the Voting Agreement.

No Shares shall be issued pursuant to the exercise of an Option unless such issuance and such exercise comply with all relevant provisions of law and the requirements of any stock exchange upon which the Shares may then be listed. Assuming such compliance, for income tax purposes the Shares shall be considered transferred to Optionee on the date on which the Option is exercised with respect to such Shares.

3. Optionee’s Representations. If the Shares purchasable pursuant to the exercise of this Option have not been registered under the Securities Act of 1933, as amended (the “Securities Act”), at the time this Option is exercised, Optionee shall, if required by the Company, concurrently with the exercise of all or any portion of this Option, deliver to the Company his or her Investment Representation Statement in the form attached hereto as Exhibit B.

4. Lock-Up Period. Optionee hereby agrees that if so requested by the Company or any representative of the underwriters (the “Managing Underwriter”) in connection with any registration of the offering of any securities of the Company under the Securities Act, Optionee shall not sell or otherwise transfer any Shares or other securities of the Company during the 180-day period (or such longer period as may be requested in writing by the Managing Underwriter and agreed to in writing by the Company) (the “Market Standoff Period”) following the effective date of a registration statement of the Company filed under the Securities Act;
provided, however, that such restriction shall apply only to the first registration statement of the Company to become effective under the Securities Act that includes securities to be sold on behalf of the Company to the public in an underwritten public offering under the Securities Act. The Company may impose stop-transfer instructions with respect to securities subject to the foregoing restrictions until the end of such Market Standoff Period and these restrictions shall be binding on any transferee of such Shares.

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

   (a) cash;

   (b) check;

   (c) with the consent of the Administrator, surrender of other Shares of Common Stock of the Company which (A) in the case of Shares acquired from the Company, have been owned by Optionee for more than six (6) months on the date of surrender, and (B) have a Fair Market Value on the date of surrender equal to the Exercise Price of the Shares as to which the Option is being exercised;

   (d) with the consent of the Administrator, surrendered Shares issuable upon the exercise of the Option having a Fair Market Value on the date of exercise equal to the aggregate Exercise Price of the Option or exercised portion thereof;

   (e) with the consent of the Administrator, property of any kind which constitutes good and valuable consideration;

   (f) following a Public Trading Date, with the consent of the Administrator, delivery of a notice that Optionee has placed a market sell order with respect to Shares then issuable upon exercise of the Option and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the aggregate Exercise Price; provided, that payment of such proceeds is then made to the Company upon settlement of such sale; or

   (g) with the consent of the Administrator, any combination of the foregoing methods of payment.

6. Restrictions on Exercise. This Option may not be exercised until the Plan has been approved by the stockholders of the Company. If the issuance of Shares upon such exercise or if the method of payment for such Shares would constitute a violation of any applicable federal or state securities or other law or regulation, then the Option may also not be exercised. The Company may require Optionee to make any representation and warranty to the Company as may be required by any applicable law or regulation before allowing the Option to be exercised.

7. Termination of Relationship. If Optionee ceases to be a Service Provider (other than by reason of Optionee’s death or the total and permanent disability of Optionee within the meaning of Code Section 22(e)(3)), Optionee may exercise this Option during the Termination Period set out in the Notice of Grant, to the extent the Option was vested on the date on which Optionee
ceases to be a Service Provider. To the extent that the Option is not vested on the date on which Optionee ceases to be a Service Provider, or if Optionee does not exercise this Option within the time specified herein, the Option shall terminate.

8. Disability of Optionee. If Optionee ceases to be a Service Provider as a result of his or her total and permanent disability within the meaning of Code Section 22(e)(3), Optionee may exercise the Option to the extent the Option was vested on the date on which Optionee ceases to be a Service Provider, but only within twelve (12) months from such date (and in no event later than the expiration date of the term of this Option as set forth in the Notice of Grant). To the extent that the Option is not vested on the date on which Optionee ceases to be a Service Provider, or if Optionee does not exercise such Option within the time specified herein, the Option shall terminate.

9. Death of Optionee. If Optionee ceases to be a Service Provider as a result of the death of Optionee, the vested portion of the Option may be exercised at any time within twelve (12) months following the date of death (and in no event later than the expiration date of the term of this Option as set forth in the Notice of Grant) by Optionee’s estate or by a person who acquires the right to exercise the Option by bequest or inheritance. To the extent that the Option is not vested on the date of death, or if the Option is not exercised within the time specified herein, the Option shall terminate.

10. Non-Transferability of Option. This Option may not be transferred in any manner except by will or by the laws of descent or distribution. It may be exercised during the lifetime of Optionee only by Optionee. The terms of this Option shall be binding upon the executors, administrators, heirs, successors and assigns of Optionee.

11. Term of Option. This Option may be exercised only within the term set out in the Notice of Grant.

12. Restrictions on Shares. Optionee hereby agrees that Shares purchased upon the exercise of the Option shall be subject to such terms and conditions as the Administrator shall determine in its sole discretion, including, without limitation, restrictions on the transferability of Shares, [the right of the Company to repurchase Shares,] and a right of first refusal in favor of the Company with respect to permitted transfers of Shares. Such terms and conditions may, in the Administrator’s sole discretion, be contained in the Exercise Notice with respect to the Option or in such other agreement as the Administrator shall determine and which Optionee hereby agrees to enter into at the request of the Company.

(Signature Page Follows)
This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which shall constitute one document.

**COMPLETE GENOMICS, INC.**

By: _____________________________  
Name: ___________________________  
Title: ____________________________

OPTIONEE ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THE OPTION HEREOF IS EARNED ONLY BY CONTINUING CONSULTANCY OR EMPLOYMENT AT THE WILL OF THE COMPANY (NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS OPTION OR ACQUIRING SHARES HEREUNDER). OPTIONEE FURTHER ACKNOWLEDGES AND AGREES THAT NOTHING IN THIS AGREEMENT, NOR IN THE COMPANY’S 2006 EQUITY INCENTIVE PLAN WHICH IS INCORPORATED HEREIN BY REFERENCE, SHALL CONFER UPON OPTIONEE ANY RIGHT WITH RESPECT TO CONTINUATION OF EMPLOYMENT OR CONSULTANCY BY THE COMPANY, NOR SHALL IT INTERFERE IN ANY WAY WITH OPTIONEE’S RIGHT OR THE COMPANY’S RIGHT TO TERMINATE OPTIONEE’S EMPLOYMENT OR CONSULTANCY AT ANY TIME, WITH OR WITHOUT CAUSE AND WITH OR WITHOUT PRIOR NOTICE.

Optionee acknowledges receipt of a copy of the Plan and represents that he or she is familiar with the terms and provisions thereof. Optionee hereby accepts this Option subject to all of the terms and provisions hereof. Optionee has reviewed the Plan and this Option in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Option and fully understands all provisions of the Option. Optionee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan or this Option. Optionee further agrees to notify the Company upon any change in the residence address indicated below.

Dated: ____________

**OPTIONEE**

Residence Address:  
«Address»

6
Complete Genomics, Inc.
Attention: Stock Administration

1. Exercise of Option. Effective as of today, __________, the undersigned (“Optionee”) hereby elects to exercise Optionee’s option to purchase _________ shares of the Common Stock (the “Shares”) of Complete Genomics, Inc., a Delaware corporation (the “Company”), under and pursuant to the Complete Genomics, Inc. 2006 Equity Incentive Plan (the “Plan”) and the Stock Option Agreement dated «Date_of_Stock_Option_Agreement», (the “Option Agreement”). Capitalized terms used herein without definition shall have the meanings given in the Option Agreement.

Date of Grant: «Date_of_Grant»
Number of Shares as to which Option is Exercised: ____________________________
Exercise Price per Share: $«Exercise_Price_per_share»
Total Exercise Price: $ _____
Certificate to be issued in name of: ____________________________
Cash Payment delivered herewith: ☐ $ _____
Other form of consideration delivered herewith: Form of Consideration: ☐ $ _____
Type of Option: ☐ Incentive Stock Option ☐ Non-Qualified Stock Option

2. Representations of Optionee. Optionee acknowledges that Optionee has received, read and understood the Plan and the Option Agreement. Optionee agrees to abide by and be bound by their terms and conditions.

3. Rights as Stockholder. Until the stock certificate evidencing Shares purchased pursuant to the exercise of the Option is issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to Shares subject to the Option, notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such stock certificate promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 13 of the Plan.
4. Optionee’s Rights to Transfer Shares.

   (a) **Company’s Right of First Refusal.** Before any Shares held by Optionee or any permitted transferee (each, a “Holder”) may be sold, pledged, assigned, hypothecated, transferred, or otherwise disposed of (each, a “Transfer”), the Company or its assignee(s) shall have a right of first refusal to purchase the Shares proposed to be Transferred on the terms and conditions set forth in this Section 4 (the “Right of First Refusal”).

   (i) **Notice of Proposed Transfer.** In the event any Holder desires to Transfer any Shares, the Holder shall deliver to the Company a written notice (the “Notice”) stating: (w) the Holder’s bona fide intention to sell or otherwise Transfer such Shares; (x) the name of each proposed purchaser or other transferee (“Proposed Transferee”); (y) the number of Shares to be Transferred to each Proposed Transferee; and (z) the bona fide cash price or other consideration for which the Holder proposes to Transfer the Shares (the “Offered Price”), and the Holder shall offer the Shares at the Offered Price to the Company or its assignee(s).

   (ii) **Exercise of Right of First Refusal.** Within thirty (30) days after receipt of the Notice, the Company and/or its assignee(s) may elect in writing to purchase all, but not less than all, of the Shares proposed to be Transferred to any one or more of the Proposed Transferees. The purchase price shall be determined in accordance with Section 4(iii) hereof.

   (iii) **Purchase Price.** The purchase price (“Purchase Price”) for the Shares repurchased under this Section 4 shall be the Offered Price. If the Offered Price includes consideration other than cash, the cash equivalent value of the non-cash consideration shall be determined by the Board of the Company in good faith.

   (iv) **Payment.** Payment of the Purchase Price shall be made, at the option of the Company or its assignee(s), in cash (by check), by cancellation of all or a portion of any outstanding indebtedness of the Holder to the Company (or, in the case of repurchase by an assignee, to the assignee), or by any combination thereof within thirty (30) days after receipt of the Notice or in the manner and at the times mutually agreed to by the Company and the Holder.

   (v) **Holder’s Right to Transfer.** If all of the Shares proposed in the Notice to be Transferred are not purchased by the Company and/or its assignee(s) as provided in this Section 4, then the Holder may sell or otherwise Transfer such Shares to that Proposed Transferee at the Offered Price or at a higher price; provided, that such sale or other Transfer is consummated within one hundred twenty (120) days after the date of the Notice; and provided, further, that any such sale or other Transfer is effected in accordance with any applicable securities laws and the Proposed Transferee agrees in writing that the provisions of this Section 4 [and the Restricted Stock Purchase Agreement, if applicable,] shall continue to apply to the
Shares in the hands of such Proposed Transferee. If the Shares described in the Notice are not Transferred to the Proposed Transferee within such 120-day period, a new Notice shall be given to the Company, and the Company and/or its assignees shall again be offered the Right of First Refusal as provided herein before any Shares held by the Holder may be sold or otherwise Transferred.

(b) Exception for Certain Family Transfers. Anything to the contrary contained in this Section 4 notwithstanding, the Transfer of any or all of the Shares during Optionee’s lifetime or upon Optionee’s death by will or intestacy to Optionee’s Immediate Family or a trust for the benefit of Optionee’s Immediate Family shall be exempt from the Right of First Refusal. As used herein, “Immediate Family” shall mean spouse, lineal descendant or antecedent, father, mother, brother or sister or stepchild (whether or not adopted). In such case, the transferee or other recipient shall receive and hold the Shares so Transferred subject to the provisions of this Section 4 (including the Right of First Refusal) [and the Restricted Stock Purchase Agreement, if applicable.] and there shall be no further Transfer of such Shares except in accordance with the terms of this Section 4.

(c) Termination of Right of First Refusal. The Right of First Refusal shall terminate as to all Shares upon a sale of Common Stock of the Company to the general public pursuant to a registration statement filed with and declared effective by the Securities and Exchange Commission under the Securities Act of 1933, as amended (a “Public Offering”).

5. Transfer Restrictions. Any transfer or sale of the Shares is subject to restrictions on transfer imposed by any applicable state and federal securities laws. Any Transfer or attempted Transfer of any of the Shares not in accordance with the terms of this Agreement, including the Right of First Refusal provided in this Agreement, shall be void and the Company may enforce the terms of this Agreement by stop transfer instructions or similar actions by the Company and its agents or designees.

6. Tax Consultation. Optionee understands that Optionee may suffer adverse tax consequences as a result of Optionee’s purchase or disposition of the Shares. Optionee represents that Optionee has consulted with any tax consultants Optionee deems advisable in connection with the purchase or disposition of the Shares and that Optionee is not relying on the Company for any tax advice.

7. Restrictive Legends and Stop-Transfer Orders.

(a) Legends. Optionee understands and agrees that the Company shall cause the applicable legends set forth below or legends substantially equivalent thereto, to be placed upon any certificate(s) evidencing ownership of the Shares together with any other legends that may be required by state or federal securities laws:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE “ACT”) AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED
UNDER THE ACT OR, IN THE OPINION OF COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER OF THESE SECURITIES, SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS IN COMPLIANCE THEREWITH.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AND RIGHT OF FIRST REFUSAL OPTIONS HELD BY THE ISSUER OR ITS ASSIGNEE(S) AS SET FORTH IN THE EXERCISE NOTICE BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THESE SHARES, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE ISSUER. SUCH TRANSFER RESTRICTIONS AND RIGHT OF FIRST REFUSAL ARE BINDING ON TRANSFEREES OF THESE SHARES.

THE SHARES EVIDENCED HEREBY ARE SUBJECT TO A VOTING AGREEMENT, AS AMENDED FROM TIME TO TIME, (A COPY OF WHICH MAY BE OBTAINED FROM THE ISSUER) AND BY ACCEPTING ANY INTEREST IN SUCH SHARES THE PERSON HOLDING SUCH INTEREST SHALL BE DEEMED TO AGREE TO AND SHALL BECOME BOUND BY ALL THE PROVISIONS OF SAID VOTING AGREEMENT.

(b) Stop-Transfer Notices. Optionee agrees that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate “stop transfer” instructions to its transfer agent, if any, and that, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

(c) Refusal to Transfer. The Company shall not be required (i) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or (ii) to treat as owner of such Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares shall have been so transferred.

8. Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Agreement shall be binding upon Optionee and his or her heirs, executors, administrators, successors and assigns.

9. Interpretation. Any dispute regarding the interpretation of this Agreement shall be submitted by Optionee or by the Company forthwith to the Company’s Board of Directors or committee thereof that is responsible for the administration of the Plan (the “Administrator”).
which shall review such dispute at its next regular meeting. The resolution of such a dispute by the Administrator shall be final and binding on
the Company and on Optionee.

10. **Governing Law; Severability.** This Agreement shall be governed by and construed in accordance with the laws of the State of California
excluding that body of law pertaining to conflicts of law. Should any provision of this Agreement be determined by a court of law to be illegal or
unenforceable, the other provisions shall nevertheless remain effective and shall remain enforceable.

11. **Notices.** Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery
or upon deposit in the United States mail by certified mail, with postage and fees prepaid, addressed to the other party at its address as shown
below beneath its signature, or to such other address as such party may designate in writing from time to time to the other party.

12. **Further Instruments.** Optionee agrees to execute such further instruments and to take such further action as may be reasonably necessary to
carry out the purposes and intent of this Agreement including, without limitation, the Investment Representation Statement, in the form attached
to the Option Agreement as Exhibit B.

13. **Delivery of Payment.** Optionee herewith delivers to the Company the full Exercise Price for the Shares, as well as any applicable
withholding tax.

14. **Entire Agreement.** The Plan and Option Agreement are incorporated herein by reference. This Agreement, the Plan, the Option Agreement,
the Voting Agreement (as defined in the Option Agreement), the Investment Representation Statement [and the Restricted Stock Purchase
Agreement, if applicable,) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of
the Company and Optionee with respect to the subject matter hereof.

Accepted by: 

held by: 

COMPLETE GENOMICS, INC. 

OPTIONEE 

By: 

Optionee 

Its: 

Address: 

«Address»
EXHIBIT B
INVESTMENT REPRESENTATION STATEMENT

OPTIONEE : «Optionee»
COMPANY : Complete Genomics, Inc.
SECURITY : Common Stock
AMOUNT : 
DATE : 

In connection with the purchase of the above-listed shares of Common Stock (the “Securities”) of Complete Genomics, Inc., a Delaware corporation (the “Company”), the undersigned (the “Optionee”) represents to the Company the following:

(a) Optionee is aware of the Company’s business affairs and financial condition and has acquired sufficient information about the Company to reach an informed and knowledgeable decision to acquire the Securities. Optionee is acquiring these Securities for investment for Optionee’s own account only and not with a view to, or for resale in connection with, any “distribution” thereof within the meaning of the Securities Act of 1933, as amended (the “Securities Act”).

(b) Optionee acknowledges and understands that the Securities constitute “restricted securities” under the Securities Act and have not been registered under the Securities Act in reliance upon a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of Optionee’s investment intent as expressed herein. Optionee understands that, in the view of the Securities and Exchange Commission, the statutory basis for such exemption may be unavailable if Optionee’s representation was predicated solely upon a present intention to hold these Securities for the minimum capital gains period specified under tax statutes, for a deferred sale, for or until an increase or decrease in the market price of the Securities, or for a period of one year or any other fixed period in the future. Optionee further understands that the Securities must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. Optionee further acknowledges and understands that the Company is under no obligation to register the Securities. Optionee understands that the certificate evidencing the Securities will be imprinted with a legend which prohibits the transfer of the Securities unless they are registered or such registration is not required in the opinion of counsel satisfactory to the Company and any other legend required under applicable state securities laws.

(c) Optionee is familiar with the provisions of Rule 701 and Rule 144, each promulgated under the Securities Act, which, in substance, permit limited public resale of “restricted
securities” acquired, directly or indirectly from the issuer thereof, in a non-public offering subject to the satisfaction of certain conditions. Rule 701 provides that if the issuer qualifies under Rule 701 at the time of the grant of the Option to Optionee, the exercise will be exempt from registration under the Securities Act. In the event the Company becomes subject to the reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), ninety (90) days thereafter (or such longer period as any market stand-off agreement may require) the Securities exempt under Rule 701 may be resold, subject to the satisfaction of certain of the conditions specified by Rule 144, including: (1) the resale being made through a broker in an unsolicited “broker’s transaction” or in transactions directly with a market maker (as this term is defined under the Exchange Act); and, in the case of an affiliate, (2) the availability of certain public information about the Company, (3) the amount of Securities being sold during any three (3) month period not exceeding the limitations specified in Rule 144(e), and (4) the timely filing of a Form 144, if applicable.

In the event that the Company does not qualify under Rule 701 at the time of grant of the Option, then the Securities may be resold in certain limited circumstances subject to the provisions of Rule 144, which requires the resale to occur not less than one year after the later of the date the Securities were sold by the Company or the date the Securities were sold by an affiliate of the Company, within the meaning of Rule 144; and, in the case of acquisition of the Securities by an affiliate, or by a non-affiliate who subsequently holds the Securities less than two (2) years, the satisfaction of the conditions set forth in sections (1), (2), (3) and (4) of the paragraph immediately above.

(d) Optionee further understands that in the event all of the applicable requirements of Rule 701 or 144 are not satisfied, registration under the Securities Act, compliance with Regulation A, or some other registration exemption will be required; and that, notwithstanding the fact that Rules 144 and 701 are not exclusive, the Staff of the Securities and Exchange Commission has expressed its opinion that persons proposing to sell private placement securities other than in a registered offering and otherwise than pursuant to Rules 144 or 701 will have a substantial burden of proof in establishing that an exemption from registration is available for such offers or sales, and that such persons and their respective brokers who participate in such transactions do so at their own risk. Optionee understands that no assurances can be given that any such other registration exemption will be available in such event.

Signature of Optionee:

___________________________________________

Optionee

Date: _____.___
THIS RESTRICTED STOCK PURCHASE AGREEMENT (this “Agreement”) is made between «Optionee» (the “Purchaser”) and Complete Genomics, Inc. (the “Company”), as of _______: ______.

RECITALS

(1) Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Agreement. Pursuant to the exercise of the Option granted to Purchaser under the Company’s 2006 Equity Incentive Plan and pursuant to the Stock Option Agreement (the “Option Agreement”) dated «Date_of_Stock_Option_Agreement», by and between the Company and Purchaser with respect to such grant, which Option Agreement is hereby incorporated by reference, Purchaser has elected to purchase ______ of those shares which have not become vested under the vesting schedule set forth in the Option Agreement (“Unvested Shares”). The Unvested Shares and the shares subject to the Option Agreement which have become vested are sometimes collectively referred to herein as the “Shares”.

(2) As required by the Option Agreement, as a condition to Purchaser’s election to exercise the option, Purchaser must execute this Agreement, which sets forth the rights and obligations of the parties with respect to Shares acquired upon exercise of the Option.

1. Repurchase Option .

(a) If Purchaser ceases to be a Service Provider for any reason, including for cause, death, and disability, the Company shall have the right and option to purchase from Purchaser, or Purchaser’s personal representative, as the case may be, all of Purchaser’s Unvested Shares as of the date on which Purchaser ceases to be a Service Provider at the exercise price paid by Purchaser for such Shares in connection with the exercise of the Option (the “Repurchase Option”).

(b) The Company may exercise its Repurchase Option by delivering, personally or by registered mail, to Purchaser (or his or her transferee or legal representative, as the case may be), within ninety (90) days of the date on which Purchaser ceases to be a Service Provider, a notice in writing indicating the Company’s intention to exercise the Repurchase Option and setting forth a date for closing not later than thirty (30) days from the mailing of such notice. The closing shall take place at the Company’s office. At the closing, the holder of the certificates for the Unvested Shares
being transferred shall deliver the stock certificate or certificates evidencing the Unvested Shares, and the Company shall deliver the purchase price therefor.

(c) At its option, the Company may elect to make payment for the Unvested Shares to a bank selected by the Company. The Company shall avail itself of this option by a notice in writing to Purchaser stating the name and address of the bank, date of closing, and waiving the closing at the Company’s office.

(d) If the Company does not elect to exercise the Repurchase Option conferred above by giving the requisite notice within ninety (90) days following the date on which Purchaser ceases to be a Service Provider, the Repurchase Option shall terminate.

(e) One hundred percent (100%) of the Unvested Shares shall initially be subject to the Repurchase Option. The Unvested Shares shall be released from the Repurchase Option in accordance with the Vesting Schedule set forth in the Notice of Grant until all Shares are released from the Repurchase Option. Fractional Shares shall be rounded to the nearest whole share.

2. Transferability of the Shares; Escrow.

(a) Purchaser hereby authorizes and directs the secretary of the Company, or such other person designated by the Company from time to time, to transfer the Unvested Shares as to which the Repurchase Option has been exercised from Purchaser to the Company.

(b) To insure the availability for delivery of Purchaser’s Unvested Shares upon repurchase by the Company pursuant to the Repurchase Option under Section 1, Purchaser hereby appoints the assistant secretary, or any other person designated by the Company from time to time as escrow agent, as its attorney-in-fact to sell, assign and transfer unto the Company, such Unvested Shares, if any, repurchased by the Company pursuant to the Repurchase Option and shall, upon execution of this Agreement, deliver and deposit with the assistant secretary of the Company, or such other person designated by the Company from time to time, the share certificate(s) representing the Unvested Shares, together with the stock assignment duly endorsed in blank, attached hereto as Exhibit C-2. The Unvested Shares and stock assignment shall be held by the assistant secretary in escrow, pursuant to the Joint Escrow Instructions of the Company and Purchaser attached as Exhibit C-3 hereto, until the Company exercises its Repurchase Option as provided in Section 1, until such Unvested Shares are vested, or until such time as this Agreement no longer is in effect. As a further condition to the Company’s obligations under this Agreement, the spouse of Purchaser, if any, shall execute and deliver to the Company the Consent of Spouse attached hereto as Exhibit C-4. Upon vesting of the Unvested Shares, the escrow agent shall promptly deliver to Purchaser the certificate or certificates representing such Shares in the escrow agent’s possession belonging to Purchaser, and the escrow agent shall be discharged of all further obligations hereunder; provided, however, that the escrow agent shall nevertheless retain such certificate or certificates as escrow agent if so required pursuant to other restrictions imposed pursuant to this Agreement.
(c) The Company, or its designee, shall not be liable for any act it may do or omit to do with respect to holding the Shares in escrow and while acting in good faith and in the exercise of its judgment.

(d) Transfer or sale of the Shares is subject to restrictions on transfer imposed by any applicable state and federal securities laws. Any transferee shall hold such Shares subject to all the provisions hereof and the Exercise Notice executed by Purchaser with respect to any Unvested Shares purchased by Purchaser and shall acknowledge the same by signing a copy of this Agreement. Any transfer or attempted transfer of any of the Shares not in accordance with the terms of this Agreement shall be void and the Company may enforce the terms of this Agreement by stop transfer instructions or similar actions by the Company and its agents or designees.

3. Ownership, Voting Rights, Duties. This Agreement shall not affect in any way the ownership, voting rights or other rights or duties of Purchaser, except as specifically provided herein.

4. Adjustment for Stock Split. All references to the number of Shares and the purchase price of the Shares in this Agreement shall be appropriately adjusted to reflect any stock split, stock dividend or other change in the Shares which may be made by the Company after the date of this Agreement.

5. Notices. Notices required hereunder shall be given in person or by registered mail to the address of Purchaser shown on the records of the Company, and to the Company at its principal executive office.

6. Survival of Terms. This Agreement shall apply to and bind Purchaser and the Company and their respective permitted assignees and transferees, heirs, legatees, executors, administrators and legal successors.

7. Section 83(b) Elections.

(a) Election for Unvested Shares Purchased Pursuant to a Non-Qualified Stock Option. Purchaser hereby acknowledges that he or she has been informed that, with respect to the exercise of a Non-Qualified Stock Option for Unvested Shares, that unless an election is filed by Purchaser with the Internal Revenue Service and, if necessary, the proper state taxing authorities, within thirty (30) days of the purchase of the Shares, electing pursuant to Section 83(b) of the Code (and similar state tax provisions if applicable) to be taxed currently on any difference between the purchase price of the Shares and their Fair Market Value on the date of purchase, there will be a recognition of taxable income to Optionee, measured by the excess, if any, of the fair market value of the Shares, at the time the Company’s Repurchase Option lapses over the purchase price for the Shares. Optionee represents that Optionee has consulted any tax consultant(s) Optionee deems advisable in connection with the purchase of the Shares or the filing of the Election under Section 83(b) and similar tax provisions.
(b) Election for Unvested Shares Purchased Pursuant to an Incentive Stock Option. Purchaser hereby acknowledges that he or she has been informed that, with respect to the exercise of an Incentive Stock Option for Unvested Shares, that unless an election is filed by Purchaser with the Internal Revenue Service and, if necessary, the proper state taxing authorities, within thirty (30) days of the purchase of the Shares, electing pursuant to Section 83(b) of the Code (and similar state tax provisions if applicable) to be taxed currently on any difference between the purchase price of the Shares and their Fair Market Value on the date of purchase, there will be a recognition of income to the Purchaser, for alternative minimum tax purposes, measured by the excess, if any, of the fair market value of the Shares at the time the Company’s Repurchase Option lapses over the purchase price for the Shares. Purchaser represents that Purchaser has consulted any tax consultant(s) Purchaser deems advisable in connection with the purchase of the Shares or the filing of the Election under Section 83(b) and similar tax provisions.

Purchaser acknowledges that it is Purchaser’s sole responsibility and not the Company’s to file timely the Election under Section 83(b), even if Purchaser requests the Company or its representative to make this filing on Purchaser’s behalf.

8. Representations. Purchaser has reviewed with his or her own tax advisors the federal, state, local and foreign tax consequences of this investment and the transactions contemplated by this Agreement. Purchaser is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. Purchaser understands that Purchaser (and not the Company) shall be responsible for his or her own tax liability that may arise as a result of this investment or the transactions contemplated by this Agreement.

9. Governing Law; Severability. This Agreement shall be governed by and construed in accordance with the laws of the State of California excluding that body of law pertaining to conflicts of law. Should any provision of this Agreement be determined by a court of law to be illegal or unenforceable, the other provisions shall nevertheless remain effective and shall remain enforceable.
Purchaser represents that he or she has read this Agreement and is familiar with its terms and provisions. Purchaser hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Board upon any questions arising under this Agreement.

IN WITNESS WHEREOF, this Agreement is deemed made as of the date first set forth above.

COMPLETE GENOMICS, INC.

By: 
Title: 

PURCHASER

By: 
Name: 
Address: «Address»
ASSIGNMENT SEPARATE FROM CERTIFICATE

FOR VALUE RECEIVED I, «Optionee», hereby sell, assign and transfer unto ________ (_________) shares of the Common Stock of Complete Genomics, Inc. registered in my name on the books of said corporation represented by Certificate No. ________ herewith and do hereby irrevocably constitute and appoint ______________ to transfer the said stock on the books of the within named corporation with full power of substitution in the premises.

This Assignment Separate from Certificate may be used only in accordance with the Restricted Stock Purchase Agreement between Complete Genomics, Inc. and the undersigned dated ________, ________.

Dated: ________, ________

Signature: ____________________________

INSTRUCTIONS: Please do not fill in any blanks other than the signature line. The purpose of this assignment is to enable the Company to exercise the Repurchase Option, as set forth in the Restricted Stock Purchase Agreement, without requiring additional signatures on the part of Purchaser.
As Escrow Agent for both Complete Genomics, Inc. (the “Company”) and the undersigned purchaser of stock of the Company (the “Purchaser”), you are hereby authorized and directed to hold the documents delivered to you pursuant to the terms of that certain Restricted Stock Purchase Agreement (“Agreement”) between the Company and the undersigned, in accordance with the following instructions:

1. In the event the Company and/or any assignee of the Company (referred to collectively for convenience herein as the “Company”) exercises the Company’s Repurchase Option set forth in the Agreement, the Company shall give to Purchaser and you a written notice specifying the number of shares of stock to be purchased, the purchase price, and the time for a closing hereunder at the principal office of the Company. Purchaser and the Company hereby irrevocably authorize and direct you to close the transaction contemplated by such notice in accordance with the terms of said notice.

2. At the closing, you are directed (a) to date the stock assignments necessary for the transfer in question, (b) to fill in the number of shares being transferred, and (c) to deliver the same, together with the certificate evidencing the shares of stock to be transferred, to the Company or its assignee, against the simultaneous delivery to you of the purchase price (by cash, a check, or a combination thereof) for the number of shares of stock being purchased pursuant to the exercise of the Company’s Repurchase Option.

3. Purchaser irrevocably authorizes the Company to deposit with you any certificates evidencing shares of stock to be held by you hereunder and any additions and substitutions to said shares as defined in the Agreement. Purchaser does hereby irrevocably constitute and appoint you as Purchaser’s attorney-in-fact and agent for the term of this escrow to execute, with respect to such securities, all documents necessary or appropriate to make such securities negotiable and to complete any transaction herein contemplated, including but not limited to the filing with any applicable state blue sky authority of any required applications for consent to, or notice of transfer of, the securities. Subject to the provisions of this paragraph 3, Purchaser shall exercise all rights and privileges of a stockholder of the Company while the stock is held by you.

4. Upon written request of Purchaser, but no more than once per calendar year, unless the Company’s Repurchase Option has been exercised, you will deliver to Purchaser a certificate or
certificates representing the number of shares of stock as are not then subject to the Company’s Repurchase Option. Within one hundred twenty (120) days after Purchaser ceases to be a Service Provider, you will deliver to Purchaser a certificate or certificates representing the aggregate number of shares held or issued pursuant to the Agreement and not purchased by the Company or its assignees pursuant to exercise of the Company’s Repurchase Option.

5. If at the time of termination of this escrow you should have in your possession any documents, securities, or other property belonging to Purchaser, you shall deliver all of the same to Purchaser and shall be discharged of all further obligations hereunder.

6. Your duties hereunder may be altered, amended, modified or revoked only by a writing signed by all of the parties hereto.

7. You shall be obligated only for the performance of such duties as are specifically set forth herein and may rely and shall be protected in relying or refraining from acting on any instrument reasonably believed by you to be genuine and to have been signed or presented by the proper party or parties. You shall not be personally liable for any act you may do or omit to do hereunder as Escrow Agent or as attorney-in-fact for Purchaser while acting in good faith, and any act done or omitted by you pursuant to the advice of your own attorneys shall be conclusive evidence of such good faith.

8. You are hereby expressly authorized to disregard any and all warnings given by any of the parties hereto or by any other person or corporation, excepting only orders or process of courts of law and are hereby expressly authorized to comply with and obey orders, judgments or decrees of any court. In case you obey or comply with any such order, judgment or decree, you shall not be liable to any of the parties hereto or to any other person, firm or corporation by reason of such compliance, notwithstanding any such order, judgment or decree being subsequently reversed, modified, annulled, set aside, vacated or found to have been entered without jurisdiction.

9. You shall not be liable in any respect on account of the identity, authorities or rights of the parties executing or delivering or purporting to execute or deliver the Agreement or any documents or papers deposited or called for hereunder.

10. You shall not be liable for the expiration of any rights under any applicable state, federal or local statute of limitations or similar statute or regulation with respect to these Joint Escrow Instructions or any documents deposited with you.

11. You shall be entitled to employ such legal counsel and other experts as you may deem necessary properly to advise you in connection with your obligations hereunder, may rely upon the advice of such counsel, and may pay such counsel reasonable compensation therefor.
12. Your responsibilities as Escrow Agent hereunder shall terminate if you shall cease to be an officer or agent of the Company or if you shall resign by written notice to each party. In the event of any such termination, the Company shall appoint a successor Escrow Agent.

13. If you reasonably require other or further instruments in connection with these Joint Escrow Instructions or obligations in respect hereto, the necessary parties hereto shall join in furnishing such instruments.

14. It is understood and agreed that should any dispute arise with respect to the delivery and/or ownership or right of possession of the securities held by you hereunder, you are authorized and directed to retain in your possession without liability to anyone all or any part of said securities until such disputes shall have been settled either by mutual written agreement of the parties concerned or by a final order, decree or judgment of a court of competent jurisdiction after the time for appeal has expired and no appeal has been perfected, but you shall be under no duty whatsoever to institute or defend any such proceedings.

15. Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery or upon deposit in the United States Post Office, by registered or certified mail with postage and fees prepaid, addressed to each of the other parties thereto entitled at such addresses as a party may designate by written notice to each of the other parties hereto.

16. By signing these Joint Escrow Instructions, you become a party hereto only for the purpose of said Joint Escrow Instructions; you do not become a party to the Agreement.

17. This instrument shall be binding upon and inure to the benefit of the parties hereto, and their respective successors and permitted assigns.

18. These Joint Escrow Instructions shall be governed by, and construed and enforced in accordance with, the laws of the State of California, excluding that body of law pertaining to conflicts of law.

(Signature Page Follows)
IN WITNESS WHEREOF, these Joint Escrow Instructions shall be effective as of the date first set forth above.

COMPLETE GENOMICS, INC.

By: ________________________________

Name: ________________________________

Title: ________________________________

PURCHASER:

By: ________________________________

Name: ________________________________

Address: ________________________________

«Address»

ESCROW AGENT:

By: ________________________________

Name: ________________________________

Title: ________________________________
CONSENT OF SPOUSE

I, __________________________, spouse of «Optionee», have read and approve the Restricted Stock Purchase Agreement dated __________, ______, between my spouse and [ ____________], Inc. In consideration of granting of the right to my spouse to purchase shares of [ ____________], Inc., set forth in the Restricted Stock Purchase Agreement, I hereby appoint my spouse as my attorney-in-fact in respect to the exercise of any rights under the Agreement and agree to be bound by the provisions of the Restricted Stock Purchase Agreement insofar as I may have any rights in said Restricted Stock Purchase Agreement or any shares issued pursuant thereto under the community property laws or similar laws relating to marital property in effect in the state of our residence as of the date of the signing of the foregoing Restricted Stock Purchase Agreement.

Dated: __________, ______

________________________________________
Signature of Spouse
March 26, 2010

Bruce Martin 
[Home Address]

Dear Bruce:

I am pleased to offer you the position of Senior Vice President, Product Development for Complete Genomics, Inc. ("CGI"). In this position you will report to the President.

Your annual salary will be paid at a rate of $20,833.33 per month. You will also be eligible to receive an annual incentive bonus of $70,000.00 at plan (effective April 1, 2010, paid quarterly), based on achievement of key revenue milestones and other key metrics in accordance with Complete Genomics, Inc. 2010 Management Bonus Plan. In addition, I will recommend to the Board of Directors that you be granted an option to purchase 42,922 of CGI common stock, subject to the terms and conditions of the Complete Genomics, Inc. 2006 Equity Incentive Plan and Stock Option Agreement. This option is subject to vesting on the following schedule: the shares subject to the option will become vested, and the option will become exercisable with respect to 25% of the shares following twelve months of continuous employment, and with respect to an additional 2.0833% of the shares for each subsequent month of employment thereafter. I will further recommend to the Board of Directors that your shares be subject to accelerated vesting in the event of change of control of CGI and your constructive termination (“double-trigger acceleration”) as described in Appendix A. This stock option offer is based on approximately 16 million common and preferred shares (including authorized options) outstanding; it is anticipated that substantial additional shares will be issued to future employees and investors, resulting in dilution for all shareholders and option holders. The number of options granted may be adjusted for stock splits.

Our benefits, payroll and other human resource management services are provided through TriNet Employer Group, Inc. In addition to ten paid holidays per year, you will be eligible for 20 paid days off per year, which accrue at the rate of 1.67 days per month of employment, up to a maximum of 30 days. CGI will give you an Employee Handbook and other information concerning standard policies and benefits. Regardless of which health care plan offered to you by CGI you choose, or how many people you choose to have covered under that plan, CGI will pay $450 per month of your health care premiums. If the CGI health care plan you chose costs CGI less than $450 per month, the difference will be added to your monthly salary. CGI and/or TriNet may modify, revoke, suspend or terminate any of the terms communicated to you in whole or in part, at any time, with or without notice.
Your employment with CGI is at will and therefore may be terminated by you or the company at any time and for any reason, with or without cause and with or without notice. This at-will employment relationship will remain in effect throughout your employment with the company and any of its subsidiaries or affiliated entities, and may only be modified by an express written contract for a specified term signed by you and the President of the company. It may not be modified by any oral or implied agreement.

In accordance with CGF’s standard policy, this offer is contingent upon your completing and executing a Proprietary Information and Inventions Agreement, completing the standard new employee enrollment documentation, and providing proof of your right to work in the United States on your first day of work.

This offer is valid through March 29, 2010. You may indicate your acceptance of this offer by signing the acknowledgment below, indicating your intended start date of March 29, 2010, and returning it to me by March 29, 2010.

Bruce, we are all looking forward to your joining the CGI team and contributing to this exciting venture.

Sincerely,

/s/ Clifford A. Reid
Clifford A. Reid
President & CEO

/s/ Bruce Martin
Accepted by Bruce Martin

3/29/10
3/29/10
3/29/10

Date Accepted
Intended Start Date

2071 Stierlin Court, Mountain View, CA 94043
650.943.2800
650.964.2108
www.completegenomics.com
Appendix A

Vesting Acceleration:

One hundred percent (100%) of the Shares subject to the Option shall vest and become exercisable if the Optionee is terminated without Cause or is Constructively Terminated within 12 months of a Change of Control; provided that the Optionee provides the Company, or its successor, with and fails to revoke a signed general release of all claims.

“Cause” shall mean: (i) theft, dishonesty or falsification of any employment or Company records; (ii) malicious or reckless disclosure of the Company’s confidential or proprietary information; (iii) commission of any immoral or illegal act or any gross or willful misconduct, where the Company reasonably determines that such act or misconduct has (A) seriously undermined the ability of the Company’s management to entrust the Optionee with important matters or otherwise work effectively with the Optionee, (B) contributed to the Company’s loss of significant revenues or business opportunities, or (C) significantly and detrimentally effected the business or reputation of the Company or any of its subsidiaries; and/or (iv) the Optionee’s failure or refusal by the Optionee to work diligently to perform tasks or to work toward the achievement of goals reasonably requested by the Board of Directors of the Company (the “Board”), provided such breach, failure or refusal continues after the receipt of reasonable notice in writing of such failure or refusal and an opportunity to correct the problem. “Cause” shall not mean a physical or mental disability.

“Constructive Termination” shall mean the Optionee’s resignation within sixty (60) days of one or more of the following events which remains uncured thirty (30) days after the Optionee’s delivery of written notice thereof: (i) the delegation to the Optionee of duties or the reduction of the Optionee’s duties, either of which substantially reduces the nature, responsibility, or character of the Optionee’s position immediately prior to such delegation or reduction; (ii) a material reduction by the Company in the Optionee’s base salary in effect immediately prior to such reduction, except to the extent the base salaries of all other executives of the Company are similarly reduced; (iii) a material reduction by the Company in the kind or level of employee benefits or fringe benefits to which the Optionee was entitled prior
to such reduction; or the taking of any action by the Company that would adversely affect the Optionee’s participation in any plan, program or policy generally applicable to employees of equivalent seniority, except to the extent the kind or level of employee benefits or fringe benefits of all other executives of the Company are similarly reduced; and (iv) the Company’s requiring the Optionee to relocate the Optionee’s office to a place more than forty (40) miles from the Company’s present headquarters location (except that required travel on the Company’s business to an extent substantially consistent with the Optionee’s present business travel obligations shall not be considered a relocation).

“Change in Control” means the occurrence of any of the following events: (i) the consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization, if persons who were not stockholders of the Company immediately prior to such merger, consolidation or other reorganization own immediately after such merger, consolidation or other reorganization 50% or more of the voting power of the outstanding securities of each of (1) the continuing or surviving entity or (2) any direct or indirect parent corporation of such continuing or surviving entity; or (ii) the sale, transfer or other disposition of all or substantially all of the Company’s assets. A transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Company’s incorporation or 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.
March 11, 2010

Mark Sutherland
[Home Address]

Dear Mark:

I am pleased to offer you the position of Senior Vice President, Business Development for Complete Genomics, Inc. ("CGI"). In this position you will report to the President.

Your annual salary will be paid at a rate of $20,833.33 per month. You will also be eligible to receive an annual incentive bonus of $70,000.00 at plan (pro-rated based on your start date, paid quarterly), based on achievement of key revenue milestones and other key metrics in accordance with Complete Genomics, Inc. 2010 Management Bonus Plan. In addition, I will recommend to the Board of Directors that you be granted an option to purchase 128,000 shares of CGI common stock, subject to the terms and conditions of the Complete Genomics, Inc. 2006 Equity Incentive Plan and Stock Option Agreement. This option is subject to vesting on the following schedule: the shares subject to the option will become vested, and the option will become exercisable with respect to 25% of the shares following twelve months of continuous employment, and with respect to an additional 2.0833% of the shares for each subsequent month of employment thereafter. This stock option offer is based on approximately 16 million common and preferred shares (including authorized options) outstanding; it is anticipated that substantial additional shares will be issued to future employees and investors, resulting in dilution for all shareholders and option holders. The number of options granted may be adjusted for stock splits.

Our benefits, payroll and other human resource management services are provided through TriNet Employer Group, Inc. In addition to ten paid holidays per year, you will be eligible for 20 paid days off per year, which accrue at the rate of 1.67 days per month of employment, up to a maximum of 30 days. CGI will give you an Employee Handbook and other information concerning standard policies and benefits. Regardless of which health care plan offered to you by CGI you choose, or how many people you choose to have covered under that plan, CGI will pay $450 per month of your health care premiums. If the CGI health care plan you chose costs CGI less than $450 per month, the difference will be added to your monthly salary. CGI and/or TriNet may modify, revoke, suspend or terminate any of the terms communicated to you in whole or in part, at any time, with or without notice.

Your employment with CGI is at will and therefore may be terminated by you or the company at any time and for any reason, with or without cause and with or without notice. This at-will employment relationship will remain in effect throughout your employment with

Complete Genomics
2071 Stierlin Court • Mountain View, CA 94043 • Tel: (650) 943-2800 • Fax: (650) 964-2108
the company and any of its subsidiaries or affiliated entities, and may only be modified by an express written contract for a specified term signed by you and the President of the company. It may not be modified by any oral or implied agreement.

In accordance with CGI’s standard policy, this offer is contingent upon your completing and executing a Proprietary Information and Inventions Agreement, completing the standard new employee enrollment documentation, and providing proof of your right to work in the United States on your first day of work.

This offer is valid through March 12, 2010. You may indicate your acceptance of this offer by signing the acknowledgment below, indicating your intended start date will be no later than March 22, 2010, and returning it to me by March 12, 2010.

Mark, we are all looking forward to your joining the CGI team and contributing to this exciting venture.

Sincerely,

/s/ Clifford A. Reid
Clifford A. Reid
President & CEO

/s/ Mark Sutherland  12 MAR 2010  22 MAR 2010
Accepted by Mark Sutherland  Date Accepted  Intended Start Date

2071 Stierlin Court • Mountain View, CA 94043 • Tel: (650) 943-2800 • Fax: (650) 964-2108
May 7, 2010

Dear Ajay Bansal:

I am pleased to offer you the position of Chief Financial Officer for Complete Genomics, Inc. (“CGI”). In this position you will report to the President.

Your annual salary will be paid at a rate of $20,833.33 per month. In addition, you will receive a $20,000.00 signing bonus. You will also be eligible to receive an annual incentive bonus of $70,000.00 at plan (pro-rated based on your start date, paid quarterly), based on achievement of key revenue milestones and other key metrics in accordance with Complete Genomics, Inc. 2010 Management Bonus Plan. In addition, I will recommend to the Board of Directors that you be granted an option to purchase 128,000 shares of CGI common stock, subject to the terms and conditions of the Complete Genomics, Inc. 2006 Equity Incentive Plan and Stock Option Agreement. This option is subject to vesting on the following schedule: the shares subject to the option will become vested, and the option will become exercisable with respect to 25% of the shares following twelve months of continuous employment, and with respect to an additional 2.0833% of the shares for each subsequent month of employment thereafter. I will further recommend to the Board of Directors that your shares be subject to accelerated vesting in the event of change of control of CGI and your constructive termination (“double-trigger acceleration”) as described in Appendix A. Currently, there is a total of 17 million common and preferred shares including authorized options outstanding; it is anticipated that substantial additional shares will be issued to future employees and investors, resulting in dilution for all shareholders and option holders. The number of options granted may be adjusted for stock splits.

Our benefits, payroll and other human resource management services are provided through TriNet Employer Group, Inc. In addition to ten paid holidays per year, you will be eligible for 20 paid days off per year, which accrue at the rate of 1.67 days per month of employment, up to a maximum of 30 days. CGI will give you an Employee Handbook and other information concerning standard policies and benefits. Regardless of which health care plan offered to you by CGI you choose, or how many people you choose to have covered under that plan, CGI will pay $450 per month of your health care premiums. If the CGI health care plan you chose costs CGI less than $450 per month, the difference will be added to your monthly salary. CGI and/or TriNet may modify, revoke, suspend or terminate any of the terms communicated to you in whole or in part, at any time, with or without notice.

Your employment with CGI is at will and therefore may be terminated by you or the company at any time and for any reason, with or without cause and with or without notice. This at-will employment relationship will remain in effect throughout your employment with the company and any of its subsidiaries or affiliated entities, and may only be modified by an express written
contract for a specified term signed by you and the President of the company. It may not be modified by any oral or implied agreement.

In accordance with CGF’s standard policy, this offer is contingent upon your completing and executing a Proprietary Information and Inventions Agreement, completing the standard new employee enrollment documentation, and providing proof of your right to work in the United States on your first day of work.

This offer is valid through May 10, 2010. You may indicate your acceptance of this offer by signing the acknowledgment below, indicating your intended start date will be no later than May 10, 2010, and returning it to me by May 10, 2010.

Ajay, we are all looking forward to your joining the CGI team and contributing to this exciting venture.

Sincerely,

/s/ Clifford A. Reid  
Clifford A. Reid  
President & CEO

/s/ Ajay Bansal  
Accepted by Ajay Bansal  
5/7/2010  
5/10/2010  
Date Accepted  
Intended Start Date

2071 Stierlin Court, Mountain View CA 94043 USA | Tel +1 (650) 943-2800  
completegenomics.com
Appendix A

Vesting Acceleration:

One hundred percent (100%) of the Shares subject to the Option shall vest and become exercisable if the Optionee is terminated without Cause or is Constructively Terminated within 12 months of a Change of Control; provided that the Optionee provides the Company, or its successor, with and fails to revoke a signed general release of all claims.

“Cause” shall mean: (i) theft, dishonesty or falsification of any employment or Company records; (ii) malicious or reckless disclosure of the Company’s confidential or proprietary information; (iii) commission of any immoral or illegal act or any gross or willful misconduct, where the Company reasonably determines that such act or misconduct has (A) seriously undermined the ability of the Company’s management to entrust the Optionee with important matters or otherwise work effectively with the Optionee, (B) contributed to the Company’s loss of significant revenues or business opportunities, or (C) significantly and detrimentally effected the business or reputation of the Company or any of its subsidiaries; and/or (iv) the Optionee’s failure or refusal by the Optionee to work diligently to perform tasks or to work toward the achievement of goals reasonably requested by the Board of Directors of the Company (the “Board”), provided such breach, failure or refusal continues after the receipt of reasonable notice in writing of such failure or refusal and an opportunity to correct the problem. “Cause” shall not mean a physical or mental disability.

“Constructive Termination” shall mean the Optionee’s resignation within sixty (60) days of one or more of the following events which remains uncured thirty (30) days after the Optionee’s delivery of written notice thereof: (i) the delegation to the Optionee of duties or the reduction of the Optionee’s duties, either of which substantially reduces the nature, responsibility, or character of the Optionee’s position immediately prior to such delegation or reduction; (ii) a material reduction by the Company in the Optionee’s base salary in effect immediately prior to such reduction, except to the extent the base salaries of all other executives of the Company are similarly reduced; (iii) a material reduction by the Company in the kind or level of employee benefits or fringe benefits to which the Optionee was entitled prior to such reduction; or the taking of any action by the Company that would adversely affect the Optionee’s participation in any plan, program or policy generally applicable to employees of equivalent seniority, except to the extent the kind or level of employee benefits or fringe benefits of all other executives of the Company are similarly reduced; and (iv) the Company’s requiring the Optionee to
relocate the Optionee’s office to a place more than forty (40) miles from the Company’s present headquarters location (except that required travel on the Company’s business to an extent substantially consistent with the Optionee’s present business travel obligations shall not be considered a relocation).

“Change in Control” means the occurrence of any of the following events: (i) the consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization, if persons who were not stockholders of the Company immediately prior to such merger, consolidation or other reorganization own immediately after such merger, consolidation or other reorganization 50% or more of the voting power of the outstanding securities of each of (1) the continuing or surviving entity or (2) any direct or indirect parent corporation of such continuing or surviving entity; or (ii) the sale, transfer or other disposition of all or substantially all of the Company’s assets. A transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Company’s incorporation or 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.
March 28, 2006

Mr. Clifford A. Reid

[HOME ADDRESS]

Re: Severance Agreement

Dear Mr. Reid:

Complete Genomics, Inc. (the “Company”) is pleased to have you as an employee. This letter (the “Agreement”) sets forth the terms of your severance in the event of your termination of employment under certain specified circumstances.

1. Severance Benefits.

   (a) Termination By The Company Without Cause. If your employment by the Company is terminated by the Company without Cause (as defined below) at any time, and if you provide the Company with and fail to revoke a signed general release of all claims, a form of which is set forth in Exhibit A attached hereto, the Company shall provide you with the following: (i) continuation of your base salary for a period of six (6) months immediately following such termination date, at the rate in effect immediately prior to such termination of employment, less applicable withholdings, payable in installments pursuant to the Company’s normal and customary payroll procedures, provided however, that the commencement of such installments may be delayed by six (6) months following such termination in order to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended, or any applicable regulations or guidance promulgated by the Secretary of the Treasury in connection therewith, (ii) the cost of the COBRA premiums for the Company’s medical plan in which you and/or your dependents were participating immediately prior to such termination for a period of six (6) months immediately following such termination date and (iii) accelerated vesting of a portion of the outstanding options to purchase common stock of the Company or the restricted stock which is held by you at the time of such termination, equal in amount to the number of option shares which would have vested or the number of restricted stock to which the Repurchase Right would lapsed, had you remained continuously employed by the Company for six (6) months following such termination. You understand and agree that you shall not be entitled to any other severance pay, severance benefits, accelerated vesting of any options or restricted stock or any other compensation or benefits other than as set forth in this paragraph in the event of such a termination, other than as required under applicable law.

   (b) Termination By The Company With Cause or By You For Any Reason. If your employment by the Company is terminated by the Company with Cause or if you resign your employment for any reason, you shall not be entitled to any severance pay, severance benefits, accelerated vesting of any options or restricted stock or any compensation or benefits from the Company whatsoever, other than as required under applicable law.
Termination by the Company (or Successor) Without Cause or Constructive Termination Following A Change in Control.

If, within twelve (12) months following a Change in Control, your employment is terminated by the Company, or its successor, other than for Cause or due to a Constructive Termination, and if you provide the Company, or its successor, with and fail to revoke a signed general release of all claims, a form of which is set forth in Exhibit A attached hereto, the Company, or its successor, shall provide you with the following:

(i) All the benefits described in Section 1(a) above, and

(ii) All your stock options, restricted stock and/or other equity awards which are outstanding at the time of such termination shall automatically vest and become fully exercisable. The remaining terms of such stock options, restricted stock and/or other equity awards shall continue to be governed by the terms of the individual award agreements which are pertinent thereto.

Definitions.

(i) **Cause.** For purposes of this Agreement, the term “Cause” means: (i) theft, dishonesty or falsification of any employment or Company records; (ii) malicious or reckless disclosure of the Company’s confidential or proprietary information; (iii) commission of any immoral or illegal act or any gross or willful misconduct, where the Company reasonably determines that such act or misconduct has (A) seriously undermined the ability of the Company’s management to entrust you with important matters or otherwise work effectively with you, (B) contributed to the Company’s loss of significant revenues or business opportunities, or (C) significantly and detrimentally effected the business or reputation of the Company or any of its subsidiaries; and/or (iv) your failure or refusal by you to work diligently to perform tasks or to work toward the achievement of goals reasonably requested by the Board of Directors of the Company (the “Board”), provided such breach, failure or refusal continues after the receipt of reasonable notice in writing of such failure or refusal and an opportunity to correct the problem. “Cause” shall not mean a physical or mental disability.

(ii) **Change in Control.** For purposes of this Agreement, the term “Change in Control” means the occurrence of any of the following events:

(AA) The consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization, if persons who were not stockholders of the Company immediately prior to such merger, consolidation or other reorganization own immediately after such merger, consolidation or other reorganization 50% or more of the voting power of the outstanding securities of each of (1) the continuing or surviving entity or (2) any direct or indirect parent corporation of such continuing or surviving entity; or

(BB) The sale, transfer or other disposition of all or substantially all of the Company’s assets.

(iii) **Constructive Termination.** For purposes of this Agreement, the term “Constructive Termination” means your resignation within sixty (60) days of one or more of the following events which remains uncured thirty (30) days after your delivery of written notice thereof:
(AA) the delegation to you of duties or the reduction of your duties, either of which substantially reduces the nature, responsibility, or character of your position immediately prior to such delegation or reduction;

(BB) a material reduction by the Company in your base salary in effect immediately prior to such reduction, except to the extent the base salaries of all other executives of the Company are similarly reduced;

(CC) a material reduction by the Company in the kind or level of employee benefits or fringe benefits to which you were entitled prior to such reduction; or the taking of any action by the Company that would adversely affect your participation in any plan, program or policy generally applicable to employees of equivalent seniority, except to the extent the kind or level of employee benefits or fringe benefits of all other executives of the Company are similarly reduced; and

/DD/ the Company’s requiring you to relocate your office to a place more than forty (40) miles from the Company’s present headquarters location (except that required travel on the Company’s business to an extent substantially consistent with your present business travel obligations shall not be considered a relocation).

A transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Company’s incorporation or 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.

2. ENTIRE AGREEMENT. This Agreement, including Exhibit A., constitutes the complete, final and exclusive embodiment of the entire agreement between you and the Company with respect to the terms and conditions of your severance as specified herein. If you enter into this Agreement you are doing so voluntarily, and without reliance upon any promise, warranty or representation, written or oral, other than those expressly contained herein. This Agreement supersedes any other such promises, warranties, representations or agreements. This Agreement may not be amended or modified except by a written instrument signed by you and an authorized representative of the Board.

3. GOVERNING LAW; SELLARITY. This Agreement will be governed by and construed in accordance with the laws of the State of California. Should any provision of this Agreement be determined to be illegal or unenforceable, the other provisions shall nevertheless remain effective and shall remain enforceable.

4. DISPUTE RESOLUTION; REMEDIES. To ensure the timely and economical resolution of disputes that arise in connection with your employment with the Company, you and the Company agree that any and all disputes, claims, or causes of action arising from or relating to the enforcement, breach, performance or interpretation of this Agreement, your employment, or the termination of your employment, shall be resolved to the fullest extent permitted by law by final, binding and confidential arbitration, by a single arbitrator, in San Francisco, California,
conducted by Judicial Arbitration and Mediation Services, Inc. (“JAMS”) under the applicable JAMS rules. By agreeing to this arbitration procedure, both you and the Company waive the right to resolve any such dispute through a trial by jury or judge or administrative proceeding. Except as may be prohibited by applicable law, or may render this dispute resolution clause unenforceable, if any legal action is brought to enforce this Agreement, the prevailing party will be entitled to receive its attorneys’ fees, court costs, and other collection expenses, in addition to any other relief it may receive. The arbitrator shall: (a) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law including attorneys fees and litigation costs; and (b) issue a written arbitration decision, to include the arbitrator’s essential findings and conclusions and a statement of the award. The arbitrator shall be authorized to award any or all remedies that you or the Company would be entitled to seek in a court of law. The Company shall pay all JAMS arbitration fees in excess of the amount of court fees that would be required if the dispute were decided in a court of law. Nothing in this Agreement is intended to prevent either you or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Notwithstanding the foregoing, you and the Company each have the right to resolve any issue or dispute over intellectual property rights by Court action instead of arbitration.

[Remainder of Page Intentionally Left Blank]
If you choose to accept this Agreement under the terms described above, please sign below and return this letter to me.

We look forward to your favorable reply, and to a productive and enjoyable work relationship.

Very truly yours,

Complete Genomics, Inc.

/s/ Robert J. Curson
By: Robert John Curson
   Treasurer, Chief Financial Officer
   and Assistant Secretary

Accepted and Agreed to by:

/s/ Clifford A. Reid
Clifford A. Reid    Date
In exchange for payment to me of amounts pursuant to that certain letter agreement between me and the Company dated March 28, 2006 (the “Severance Agreement”), I hereby furnish Complete Genomics, Inc. (the “Company”) with the following release and waiver (“Release”):

I hereby release, and forever discharge the Company, its officers, directors, agents, employees, stockholders, successors, assigns, parents, subsidiaries and affiliates, of and from any and all claims, liabilities, demands, causes of action, costs, expenses, attorneys’ fees, damages, indemnities and obligations of every kind and nature, in law, equity, or otherwise, known and unknown, suspected and unsuspected, disclosed and undisclosed, arising at any time prior to and including the execution date of this Release with respect to any claims relating to my employment and the termination of my employment, including but not limited to, claims pursuant to any federal, state or local law relating to employment, including, but not limited to, discrimination claims, claims under any California statute or ordinance and the federal Age Discrimination in Employment Act of 1967, as amended (“ADEA”); or claims for wrongful termination, breach of the covenant of good faith, contract claims, including claims arising out of or related to the Severance Agreement, tort claims, and wage or benefit claims, including but not limited to, claims for salary, bonuses, commissions, stock, stock options, vacation pay, fringe benefits, severance pay or any form of compensation.

I also acknowledge that I have read and understand Section 1542 of the California Civil Code which reads as follows: “A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.” I hereby expressly waive and relinquish all rights and benefits under that section or any comparable law with respect to any unknown or unsuspected claims I may have against the Company.

I acknowledge that, among other rights, I am waiving and releasing any rights I may have under ADEA, that this waiver and release is knowing and voluntary, and that the consideration given for this waiver and release is in addition to anything of value to which I was already entitled as an employee of the Company. I further acknowledge that I have been advised, as required by the ADEA, that: (a) the waiver and release granted herein does not relate to claims which may arise after this agreement is executed; (b) I should consult with an attorney prior to executing this agreement (although I may choose voluntarily not to do so); (c) I have twenty-one (21) days from the date I receive this agreement, in which to consider this agreement (although I may choose voluntarily to execute this agreement earlier); (d) I have seven (7) days following the execution of this agreement to revoke my consent to the agreement; and (e) this agreement shall not be effective until the seven (7) day revocation period has expired.

Date: ________________________________

Clifford A. Reid
AMENDMENT TO SEVERANCE AGREEMENT

This AMENDMENT TO SEVERANCE AGREEMENT (this “Amendment”), is made and entered into effective as of December 31, 2008 (the “Effective Date”), by and between Complete Genomics, Inc., a Delaware corporation (the “Company”), and Clifford A. Reid (the “Employee”).

WHEREAS, the Company and the Employee desire to amend that certain severance agreement between the Company and Employee dated as of December 31, 2008 (the “Agreement”), in order to ensure that the benefits to be provided by the Agreement comply with, or are exempt from, the provisions of Section 409A (“Section 409A”) of the United States Internal Revenue Code (the “Code”).

NOW, THEREFORE, in consideration of the premises and the mutual covenants and conditions herein, the Company and the Employee hereby agree as follows, effective as of the Effective Date.

1. Amendment. The Agreement is hereby amended to the extent necessary to provide the following:

1.1 Release; Payments upon Termination of Employment. To the extent the Agreement requires that a release of claims be provided to the Company following a termination of employment in order to receive a benefit under the Agreement, such release shall be delivered to the Company, and shall become non-revocable, no later than the sixtieth (60th) day following such termination of employment. Except as otherwise provided in this Amendment, any compensation provided under the Agreement that is payable upon termination of Employee’s employment, shall be paid, or, in the case of installments, shall commence payment, within sixty (60) days of such termination of employment.

1.2 Separation from Service. Notwithstanding anything in the Agreement or this Amendment to the contrary, no compensation or benefits payable under the Agreement that constitute “nonqualified deferred compensation” within the meaning of Section 409A (“Deferred Compensation”) shall be payable upon the Employee’s termination of employment unless the Employee’s termination of employment constitutes a “separation from service” with the Company within the meaning of Section 409A (a “Separation from Service”).

1.3 Specified Employee. If the Company determines that the Employee is a “specified employee” for purposes of Section 409A(a)(2)(B)(i) of the Code at the time of the Employee’s Separation from Service, any Deferred Compensation to which the Employee is entitled under the Agreement in connection with such Separation from Service shall be delayed to the extent required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code. To the extent that the payment of any compensation is delayed in accordance with this Section 1.3, such compensation shall be paid to the Employee in a lump sum on the first business day following the earlier to occur of (i) the expiration of the six-month period measured from the date of the Employee’s Separation from Service, or (ii) the date of the Employee’s death, and any compensation or benefits that are payable under the Agreement following such delay shall be paid as otherwise provided in the Agreement.

1.4 Healthcare Continuation. To the extent that the Agreement requires the Company to partially or wholly subsidize any continuation healthcare coverage under a “group health plan” of the Company for the benefit of the Employee and/or the Employee’s dependents following Employee’s termination of employment, in no event shall such Company obligation extend beyond the expiration of the period of time during which the Employee and/or the Employee’s dependents, as applicable, are entitled to continuation coverage under the Company’s group health plan under COBRA. To the extent that any reimbursements provided to the Employee are deemed to constitute Deferred
Compensation, such amounts shall be paid or reimbursed to the Employee promptly, but in no event later than December 31 of the year following the year in which the expense is incurred, the amount of any such payments eligible for reimbursement in one year shall not affect the payments or expenses that are eligible for payment or reimbursement in any other taxable year, and the Employee’s right to such payments or reimbursement shall not be subject to liquidation or exchange for any other benefit.

1.5 Installments. The Employee’s right to receive any installment payments under the Agreement, including without limitation any continuation salary payments that are payable on Company payroll dates, shall be treated as a right to receive a series of separate payments and, accordingly, each such installment payment shall at all times be considered a separate and distinct payment as permitted under Treasury Regulation Section 1.409A-2(b)(2)(iii).

2. Counterparts. This Amendment may be executed in one or more facsimile, electronic or original counterparts, each of which shall be deemed an original and both of which together shall constitute one and the same instrument.

3. Ratification. All terms and provisions of the Agreement not amended hereby, either expressly or by necessary implication, shall remain in full force and effect. From and after the date of this Amendment, all references to the term “Agreement” in this Amendment or the original Agreement shall include the terms contained in this Amendment.

IN WITNESS WHEREOF, this Amendment has been duly executed by or on behalf of the parties hereto effective as of the date first above written.

EMPLOYEE

/s/ Clifford A. Reid

COMPLETE GENOMICS, INC.

By: /s/ Robert John Curson

Its: CFO

2
March 28, 2006

Mr. Robert John Curson
[HOME ADDRESS]

Re: Severance Agreement

Dear Mr. Curson:

Complete Genomics, Inc. (the “Company”) is pleased to have you as an employee. This letter (the “Agreement”) sets forth the terms of your severance in the event of your termination of employment under certain specified circumstances.

1. Severance Benefits.

   (a) Termination By The Company Without Cause. If your employment by the Company is terminated by the Company without Cause (as defined below) at any time, and if you provide the Company with and fail to revoke a signed general release of all claims, a form of which is set forth in Exhibit A attached hereto, the Company shall provide you with the following: (i) continuation of your base salary for a period of six (6) months immediately following such termination date, at the rate in effect immediately prior to such termination of employment, less applicable withholdings, payable in installments pursuant to the Company’s normal and customary payroll procedures, provided however, that the commencement of such installments may be delayed by six (6) months following such termination in order to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended, or any applicable regulations or guidance promulgated by the Secretary of the Treasury in connection therewith, (ii) the cost of the COBRA premiums for the Company’s medical plan in which you and/or your dependents were participating immediately prior to such termination for a period of six (6) months immediately following such termination date and (iii) accelerated vesting of a portion of the outstanding options to purchase common stock of the Company or the restricted stock which is held by you at the time of such termination, equal in amount to the number of option shares which would have vested or the number of restricted stock to which the Repurchase Right would lapsed, had you remained continuously employed by the Company for six (6) months following such termination. You understand and agree that you shall not be entitled to any other severance pay, severance benefits, accelerated vesting of any options or restricted stock or any other compensation or benefits other than as set forth in this paragraph in the event of such a termination, other than as required under applicable law.

   (b) Termination By The Company With Cause or By You For Any Reason. If your employment by the Company is terminated by the Company with Cause or if you resign your employment for any reason, you shall not be entitled to any severance pay, severance benefits, accelerated vesting of any options or restricted stock or any compensation or benefits from the Company whatsoever, other than as required under applicable law.
(c) Termination by the Company (or Successor) Without Cause or Constructive Termination Following A Change in Control.

If, within twelve (12) months following a Change in Control, your employment is terminated by the Company, or its successor, other than for Cause or due to a Constructive Termination, and if you provide the Company, or its successor, with and fail to revoke a signed general release of all claims, a form of which is set forth in Exhibit A attached hereto, the Company, or its successor, shall provide you with the following:

(i) All the benefits described in Section 1(a) above, and

(ii) All your stock options, restricted stock and/or other equity awards which are outstanding at the time of such termination shall automatically vest and become fully exercisable. The remaining terms of such stock options, restricted stock and/or other equity awards shall continue to be governed by the terms of the individual award agreements which are pertinent thereto.

(d) Definitions.

(i) Cause. For purposes of this Agreement, the term “Cause” means: (i) theft, dishonesty or falsification of any employment or Company records; (ii) malicious or reckless disclosure of the Company’s confidential or proprietary information; (iii) commission of any immoral or illegal act or any gross or willful misconduct, where the Company reasonably determines that such act or misconduct has (A) seriously undermined the ability of the Company’s management to entrust you with important matters or otherwise work effectively with you, (B) contributed to the Company’s loss of significant revenues or business opportunities, or (C) significantly and detrimentally effected the business or reputation of the Company or any of its subsidiaries; and/or (iv) your failure or refusal by you to work diligently to perform tasks or to work toward the achievement of goals reasonably requested by the Board of Directors of the Company (the “Board”), provided such breach, failure or refusal continues after the receipt of reasonable notice in writing of such failure or refusal and an opportunity to correct the problem. “Cause” shall not mean a physical or mental disability.

(ii) Change in Control. For purposes of this Agreement, the term “Change in Control” means the occurrence of any of the following events:

(AA) The consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization, if persons who were not stockholders of the Company immediately prior to such merger, consolidation or other reorganization own immediately after such merger, consolidation or other reorganization 50% or more of the voting power of the outstanding securities of each of (1) the continuing or surviving entity or (2) any direct or indirect parent corporation of such continuing or surviving entity; or

(BB) The sale, transfer or other disposition of all or substantially all of the Company’s assets.

(iii) Constructive Termination. For purposes of this Agreement, the term “Constructive Termination” means your resignation within sixty (60) days of one or more of the following events which remains uncured thirty (30) days after your delivery of written notice thereof:
(AA) the delegation to you of duties or the reduction of your duties, either of which substantially reduces the nature, responsibility, or character of your position immediately prior to such delegation or reduction;

(BB) a material reduction by the Company in your base salary in effect immediately prior to such reduction, except to the extent the base salaries of all other executives of the Company are similarly reduced;

(CC) a material reduction by the Company in the kind or level of employee benefits or fringe benefits to which you were entitled prior to such reduction; or the taking of any action by the Company that would adversely affect your participation in any plan, program or policy generally applicable to employees of equivalent seniority, except to the extent the kind or level of employee benefits or fringe benefits of all other executives of the Company are similarly reduced; and

(DD) the Company’s requiring you to relocate your office to a place more than forty (40) miles from the Company’s present headquarters location (except that required travel on the Company’s business to an extent substantially consistent with your present business travel obligations shall not be considered a relocation).

A transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Company’s incorporation or 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.

2. **E N T I R E A G R E E M E N T .** This Agreement, including Exhibit A, constitutes the complete, final and exclusive embodiment of the entire agreement between you and the Company with respect to the terms and conditions of your severance as specified herein. If you enter into this Agreement you are doing so voluntarily, and without reliance upon any promise, warranty or representation, written or oral, other than those expressly contained herein. This Agreement supersedes any other such promises, warranties, representations or agreements. This Agreement may not be amended or modified except by a written instrument signed by you and an authorized representative of the Board.

3. **G O V E R N I N G L A W ; S E V E R A B I L I T Y .** This Agreement will be governed by and construed in accordance with the laws of the State of California. Should any provision of this Agreement be determined to be illegal or unenforceable, the other provisions shall nevertheless remain effective and shall remain enforceable.

4. **D I S P U T E R E S O L U T I O N ; R E M E D I E S .** To ensure the timely and economical resolution of disputes that arise in connection with your employment with the Company, you and the Company agree that any and all disputes, claims, or causes of action arising from or relating to the enforcement, breach, performance or interpretation of this Agreement, your employment, or the termination of your employment, shall be resolved to the fullest extent permitted by law by final, binding and confidential arbitration, by a single arbitrator, in San Francisco, California,
conducted by Judicial Arbitration and Mediation Services, Inc. (“JAMS”) under the applicable JAMS rules. By agreeing to this arbitration procedure, both you and the Company waive the right to resolve any such dispute through a trial by jury or judge or administrative proceeding. Except as may be prohibited by applicable law, or may render this dispute resolution clause unenforceable, if any legal action is brought to enforce this Agreement, the prevailing party will be entitled to receive its attorneys’ fees, court costs, and other collection expenses, in addition to any other relief it may receive. The arbitrator shall: (a) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law including attorneys fees and litigation costs; and (b) issue a written arbitration decision, to include the arbitrator’s essential findings and conclusions and a statement of the award. The arbitrator shall be authorized to award any or all remedies that you or the Company would be entitled to seek in a court of law. The Company shall pay all JAMS arbitration fees in excess of the amount of court fees that would be required if the dispute were decided in a court of law. Nothing in this Agreement is intended to prevent either you or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Notwithstanding the foregoing, you and the Company each have the right to resolve any issue or dispute over intellectual property rights by Court action instead of arbitration.

[Remainder of Page Intentionally Left Blank]
If you choose to accept this Agreement under the terms described above, please sign below and return this letter to me.

We look forward to your favorable reply, and to a productive and enjoyable work relationship.

Very truly yours,

Complete Genomics, Inc.

/s/ Clifford A. Reid
By: Clifford A. Reid
President & Chief Executive Officer

Accepted and Agreed to by:

/s/ Robert J. Curson 03/23/06
Robert John Curson Date

Severance Agreement Signature Page
Exhibit A
RELEASE AND WAIVER OF CLAIMS

In exchange for payment to me of amounts pursuant to that certain letter agreement between me and the Company dated March 28, 2006 (the “Severance Agreement”), I hereby furnish Complete Genomics, Inc. (the “Company”) with the following release and waiver (“Release”):

I hereby release, and forever discharge the Company, its officers, directors, agents, employees, stockholders, successors, assigns, parents, subsidiaries and affiliates, of and from any and all claims, liabilities, demands, causes of action, costs, expenses, attorneys’ fees, damages, indemnities and obligations of every kind and nature, in law, equity, or otherwise, known and unknown, suspected and unsuspected, disclosed and undisclosed, arising at any time prior to and including the execution date of this Release with respect to any claims relating to my employment and the termination of my employment, including but not limited to, claims pursuant to any federal, state or local law relating to employment, including, but not limited to, discrimination claims, claims under any California statute or ordinance and the federal Age Discrimination in Employment Act of 1967, as amended (“ADEA”), or claims for wrongful termination, breach of the covenant of good faith, contract claims, including claims arising out of or related to the Severance Agreement, tort claims, and wage or benefit claims, including but not limited to, claims for salary, bonuses, commissions, stock, stock options, vacation pay, fringe benefits, severance pay or any form of compensation.

I also acknowledge that I have read and understand Section 1542 of the California Civil Code which reads as follows: “A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.” I hereby expressly waive and relinquish all rights and benefits under that section or any comparable law with respect to any unknown or unsuspected claims I may have against the Company.

I acknowledge that, among other rights, I am waiving and releasing any rights I may have under ADEA, that this waiver and release is knowing and voluntary, and that the consideration given for this waiver and release is in addition to anything of value to which I was already entitled as an employee of the Company. I further acknowledge that I have been advised, as required by the ADEA, that: (a) the waiver and release granted herein does not relate to claims which may arise after this agreement is executed; (b) I should consult with an attorney prior to executing this agreement (although I may choose voluntarily not to do so); (c) I have twenty-one (21) days from the date I receive this agreement, in which to consider this agreement (although I may choose voluntarily to execute this agreement earlier); (d) I have seven (7) days following the execution of this agreement to revoke my consent to the agreement; and (e) this agreement shall not be effective until the seven (7) day revocation period has expired.

Date: ____________________________

Robert John Curson
AMENDMENT TO SEVERANCE AGREEMENT

This AMENDMENT TO SEVERANCE AGREEMENT (this “Amendment”), is made and entered into effective as of December 31, 2008 (the “Effective Date”), by and between Complete Genomics, Inc., a Delaware corporation (the “Company”), and Robert John Curson (the “Employee”).

WHEREAS, the Company and the Employee desire to amend that certain severance agreement between the Company and Employee dated as of December 31, 2008 (the “Agreement”), in order to ensure that the benefits to be provided by the Agreement comply with, or are exempt from, the provisions of Section 409A (“Section 409A”) of the United States Internal Revenue Code (the “Code”).

NOW, THEREFORE, in consideration of the premises and the mutual covenants and conditions herein, the Company and the Employee hereby agree as follows, effective as of the Effective Date.

1. Amendment. The Agreement is hereby amended to the extent necessary to provide the following:

1.1 Release; Payments upon Termination of Employment. To the extent the Agreement requires that a release of claims be provided to the Company following a termination of employment in order to receive a benefit under the Agreement, such release shall be delivered to the Company, and shall become non-revocable, no later than the sixtieth (60th) day following such termination of employment. Except as otherwise provided in this Amendment, any compensation provided under the Agreement that is payable upon a termination of Employee’s employment, shall be paid, or, in the case of installments, shall commence payment, within sixty (60) days of such termination of employment.

1.2 Separation from Service. Notwithstanding anything in the Agreement or this Amendment to the contrary, no compensation or benefits payable under the Agreement that constitute “nonqualified deferred compensation” within the meaning of Section 409A (“Deferred Compensation”) shall be payable upon the Employee’s termination of employment unless the Employee’s termination of employment constitutes a “separation from service” with the Company within the meaning of Section 409A (a “Separation from Service”).

1.3 Specified Employee. If the Company determines that the Employee is a “specified employee” for purposes of Section 409A(a)(2)(B)(i) of the Code at the time of the Employee’s Separation from Service, any Deferred Compensation to which the Employee is entitled under the Agreement in connection with such Separation from Service shall be delayed to the extent required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code. To the extent that the payment of any compensation is delayed in accordance with this Section 1.3, such compensation shall be paid to the Employee in a lump sum on the first business day following the earlier to occur of (i) the expiration of the six-month period measured from the date of the Employee’s Separation from Service, or (ii) the date of the Employee’s death, and any compensation or benefits that are payable under the Agreement following such delay shall be paid as otherwise provided in the Agreement.

1.4 Healthcare Continuation. To the extent that the Agreement requires the Company to partially or wholly subsidize any continuation healthcare coverage under a “group health plan” of the Company for the benefit of the Employee and/or the Employee’s dependents following Employee’s termination of employment, in no event shall such Company obligation extend beyond the expiration of the period of time during which the Employee and/or the Employee’s dependents, as applicable, are entitled to continuation coverage under the Company’s group health plan under COBRA. To the extent that any reimbursements provided to the Employee are deemed to constitute Deferred
Compensation, such amounts shall be paid or reimbursed to the Employee promptly, but in no event later than December 31 of the year following the year in which the expense is incurred, the amount of any such payments eligible for reimbursement in one year shall not affect the payments or expenses that are eligible for payment or reimbursement in any other taxable year, and the Employee’s right to such payments or reimbursement shall not be subject to liquidation or exchange for any other benefit.

1.5 **Installments.** The Employee’s right to receive any installment payments under the Agreement, including without limitation any continuation salary payments that are payable on Company payroll dates, shall be treated as a right to receive a series of separate payments and, accordingly, each such installment payment shall at all times be considered a separate and distinct payment as permitted under Treasury Regulation Section 1.409A-2(b)(2)(iii).

2. **Counterparts.** This Amendment may be executed in one or more facsimile, electronic or original counterparts, each of which shall be deemed an original and both of which together shall constitute one and the same instrument.

3. **Ratification.** All terms and provisions of the Agreement not amended hereby, either expressly or by necessary implication, shall remain in full force and effect. From and after the date of this Amendment, all references to the term “Agreement” in this Amendment or the original Agreement shall include the terms contained in this Amendment.

IN WITNESS WHEREOF, this Amendment has been duly executed by or on behalf of the parties hereto effective as of the date first above written.

**EMPLOYEE**

/s/ Robert John Curson

**COMPLETE GENOMICS, INC.**

By: /s/ Clifford A. Reid

Its: CEO
March 28, 2006

Mr. Radoje Drmanac
[HOME ADDRESS]

Re: Severance Agreement

Dear Mr. Drmanac:

Complete Genomics, Inc. (the “Company”) is pleased to have you as an employee. This letter (the “Agreement”) sets forth the terms of your severance in the event of your termination of employment under certain specified circumstances.

1. Severance Benefits.

(a) Termination By The Company Without Cause. If your employment by the Company is terminated by the Company without Cause (as defined below) at any time, and if you provide the Company with and fail to revoke a signed general release of all claims, a form of which is set forth in Exhibit A attached hereto, the Company shall provide you with the following: (i) continuation of your base salary for a period of six (6) months immediately following such termination date, at the rate in effect immediately prior to such termination of employment, less applicable withholdings, payable in installments pursuant to the Company’s normal and customary payroll procedures, provided however, that the commencement of such installments may be delayed by six (6) months following such termination in order to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended, or any applicable regulations or guidance promulgated by the Secretary of the Treasury in connection therewith, (ii) the cost of the COBRA premiums for the Company’s medical plan in which you and/or your dependents were participating immediately prior to such termination for a period of six (6) months immediately following such termination date and (iii) accelerated vesting of a portion of the outstanding options to purchase common stock of the Company or the restricted stock which is held by you at the time of such termination, equal in amount to the number of option shares which would have vested or the number of restricted stock to which the Repurchase Right would lapsed, had you remained continuously employed by the Company for six (6) months following such termination. You understand and agree that you shall not be entitled to any other severance pay, severance benefits, accelerated vesting of any options or restricted stock or any other compensation or benefits other than as set forth in this paragraph in the event of such a termination, other than as required under applicable law.

(b) Termination By The Company With Cause or By You For Any Reason. If your employment by the Company is terminated by the Company with Cause or if you resign your employment for any reason, you shall not be entitled to any severance pay, severance benefits, accelerated vesting of any options or restricted stock or any compensation or benefits from the Company whatsoever, other than as required under applicable law.
(c) **Termination by the Company (or Successor) Without Cause or Constructive Termination Following A Change in Control.**

If, within twelve (12) months following a Change in Control, your employment is terminated by the Company, or its successor, other than for Cause or due to a Constructive Termination, and if you provide the Company, or its successor, with and fail to revoke a signed general release of all claims, a form of which is set forth in Exhibit A attached hereto, the Company, or its successor, shall provide you with the following:

(i) All the benefits described in Section 1(a) above, and

(ii) All your stock options, restricted stock and/or other equity awards which are outstanding at the time of such termination shall automatically vest and become fully exercisable. The remaining terms of such stock options, restricted stock and/or other equity awards shall continue to be governed by the terms of the individual award agreements which are pertinent thereto.

(d) **Definitions.**

(i) **Cause.** For purposes of this Agreement, the term “Cause” means: (i) theft, dishonesty or falsification of any employment or Company records; (ii) malicious or reckless disclosure of the Company’s confidential or proprietary information; (iii) commission of any immoral or illegal act or any gross or willful misconduct, where the Company reasonably determines that such act or misconduct has (A) seriously undermined the ability of the Company’s management to entrust you with important matters or otherwise work effectively with you, (B) contributed to the Company’s loss of significant revenues or business opportunities, or (C) significantly and detrimentally effected the business or reputation of the Company or any of its subsidiaries; and/or (iv) your failure or refusal by you to work diligently to perform tasks or to work toward the achievement of goals reasonably requested by the Board of Directors of the Company (the “Board”), provided such breach, failure or refusal continues after the receipt of reasonable notice in writing of such failure or refusal and an opportunity to correct the problem. “Cause” shall not mean a physical or mental disability.

(ii) **Change in Control.** For purposes of this Agreement, the term “Change in Control” means the occurrence of any of the following events:

(AA) The consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization, if persons who were not stockholders of the Company immediately prior to such merger, consolidation or other reorganization own immediately after such merger, consolidation or other reorganization 50% or more of the voting power of the outstanding securities of each of (1) the continuing or surviving entity or (2) any direct or indirect parent corporation of such continuing or surviving entity; or

(BB) The sale, transfer or other disposition of all or substantially all of the Company’s assets.

(iii) **Constructive Termination.** For purposes of this Agreement, the term “Constructive Termination” means your resignation within sixty (60) days of one or more of the following events which remains uncured thirty (30) days after your delivery of written notice thereof:
(AA) the delegation to you of duties or the reduction of your duties, either of which substantially reduces the nature, responsibility, or character of your position immediately prior to such delegation or reduction;

(BB) a material reduction by the Company in your base salary in effect immediately prior to such reduction, except to the extent the base salaries of all other executives of the Company are similarly reduced;

(CC) a material reduction by the Company in the kind or level of employee benefits or fringe benefits to which you were entitled prior to such reduction; or the taking of any action by the Company that would adversely affect your participation in any plan, program or policy generally applicable to employees of equivalent seniority, except to the extent the kind or level of employee benefits or fringe benefits of all other executives of the Company are similarly reduced; and

-DD) the Company’s requiring you to relocate your office to a place more than forty (40) miles from the Company’s present headquarters location (except that required travel on the Company’s business to an extent substantially consistent with your present business travel obligations shall not be considered a relocation).

A transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Company’s incorporation or 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.

2. **Entire Agreement.** This Agreement, including Exhibit A, constitutes the complete, final and exclusive embodiment of the entire agreement between you and the Company with respect to the terms and conditions of your severance as specified herein. If you enter into this Agreement you are doing so voluntarily, and without reliance upon any promise, warranty or representation, written or oral, other than those expressly contained herein. This Agreement supersedes any other such promises, warranties, representations or agreements. This Agreement may not be amended or modified except by a written instrument signed by you and an authorized representative of the Board.

3. **Governing Law; Severability.** This Agreement will be governed by and construed in accordance with the laws of the State of California. Should any provision of this Agreement be determined to be illegal or unenforceable, the other provisions shall nevertheless remain effective and shall remain enforceable.

4. **Dispute Resolution; Remedies.** To ensure the timely and economical resolution of disputes that arise in connection with your employment with the Company, you and the Company agree that any and all disputes, claims, or causes of action arising from or relating to the enforcement, breach, performance or interpretation of this Agreement, your employment, or the termination of your employment, shall be resolved to the fullest extent permitted by law by final, binding and confidential arbitration, by a single arbitrator, in San Francisco, California,
conducted by Judicial Arbitration and Mediation Services, Inc. (“JAMS”) under the applicable JAMS rules. By agreeing to this arbitration procedure, both you and the Company waive the right to resolve any such dispute through a trial by jury or judge or administrative proceeding. Except as may be prohibited by applicable law, or may render this dispute resolution clause unenforceable, if any legal action is brought to enforce this Agreement, the prevailing party will be entitled to receive its attorneys’ fees, court costs, and other collection expenses, in addition to any other relief it may receive. The arbitrator shall: (a) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law including attorneys fees and litigation costs; and (b) issue a written arbitration decision, to include the arbitrator’s essential findings and conclusions and a statement of the award. The arbitrator shall be authorized to award any or all remedies that you or the Company would be entitled to seek in a court of law. The Company shall pay all JAMS arbitration fees in excess of the amount of court fees that would be required if the dispute were decided in a court of law. Nothing in this Agreement is intended to prevent either you or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Notwithstanding the foregoing, you and the Company each have the right to resolve any issue or dispute over intellectual property rights by Court action instead of arbitration.

If you choose to accept this Agreement under the terms described above, please sign below and return this letter to me.

[Remainder of Page Intentionally Left Blank]
We look forward to your favorable reply, and to a productive and enjoyable work relationship.

Very truly yours,

Complete Genomics, Inc.

/s/ Clifford A. Reid

By: Clifford A. Reid
President and Chief Executive Officer

Accepted and Agreed to by:

/s/ Radoje Drmanac
Radoje Drmanac Date
Exhibit A

RELEASE AND WAIVER OF CLAIMS

In exchange for payment to me of amounts pursuant to that certain letter agreement between me and the Company dated March 28, 2006 (the “Severance Agreement”), I hereby furnish Complete Genomics, Inc. (the “Company”) with the following release and waiver (“Release”):

I hereby release, and forever discharge the Company, its officers, directors, agents, employees, stockholders, successors, assigns, parents, subsidiaries and affiliates, of and from any and all claims, liabilities, demands, causes of action, costs, expenses, attorneys’ fees, damages, indemnities and obligations of every kind and nature, in law, equity, or otherwise, known and unknown, suspected and unsuspected, disclosed and undisclosed, arising at any time prior to and including the execution date of this Release with respect to any claims relating to my employment and the termination of my employment, including but not limited to, claims pursuant to any federal, state or local law relating to employment, including, but not limited to, discrimination claims, claims under any California statute or ordinance and the federal Age Discrimination in Employment Act of 1967, as amended (“ADEA”), or claims for wrongful termination, breach of the covenant of good faith, contract claims, including claims arising out of or related to the Severance Agreement, tort claims, and wage or benefit claims, including but not limited to, claims for salary, bonuses, commissions, stock, stock options, vacation pay, fringe benefits, severance pay or any form of compensation.

I also acknowledge that I have read and understand Section 1542 of the California Civil Code which reads as follows: “A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.” I hereby expressly waive and relinquish all rights and benefits under that section or any comparable law with respect to any unknown or unsuspected claims I may have against the Company.

I acknowledge that, among other rights, I am waiving and releasing any rights I may have under ADEA, that this waiver and release is knowing and voluntary, and that the consideration given for this waiver and release is in addition to anything of value to which I was already entitled as an employee of the Company. I further acknowledge that I have been advised, as required by the ADEA, that: (a) the waiver and release granted herein does not relate to claims which may arise after this agreement is executed; (b) I should consult with an attorney prior to executing this agreement (although I may choose voluntarily not to do so); (c) I have twenty-one (21) days from the date I receive this agreement, in which to consider this agreement (although I may choose voluntarily to execute this agreement earlier); (d) I have seven (7) days following the execution of this agreement to revoke my consent to the agreement; and (e) this agreement shall not be effective until the seven (7) day revocation period has expired.

Date: ____________________________

Radoje Drmanac
This AMENDMENT TO SEVERANCE AGREEMENT (this “Amendment”), is made and entered into effective as of December 31, 2008 (the “Effective Date”), by and between Complete Genomics, Inc., a Delaware corporation (the “Company”), and Radoje Drmanac (the “Employee”).

WHEREAS, the Company and the Employee desire to amend that certain severance agreement between the Company and Employee dated as of December 31, 2008 (the “Agreement”), in order to ensure that the benefits to be provided by the Agreement comply with, or are exempt from, the provisions of Section 409A (“Section 409A”) of the United States Internal Revenue Code (the “Code”).

NOW, THEREFORE, in consideration of the premises and the mutual covenants and conditions herein, the Company and the Employee hereby agree as follows, effective as of the Effective Date.

1. Amendment. The Agreement is hereby amended to the extent necessary to provide the following:

1.1 Release; Payments upon Termination of Employment. To the extent the Agreement requires that a release of claims be provided to the Company following a termination of employment in order to receive a benefit under the Agreement, such release shall be delivered to the Company, and shall become non-revocable, no later than the sixtieth (60th) day following such termination of employment. Except as otherwise provided in this Amendment, any compensation provided under the Agreement that is payable upon a termination of Employee’s employment, shall be paid, or, in the case of installments, shall commence payment, within sixty (60) days of such termination of employment.

1.2 Separation from Service. Notwithstanding anything in the Agreement or this Amendment to the contrary, no compensation or benefits payable under the Agreement that constitute “nonqualified deferred compensation” within the meaning of Section 409A (“Deferred Compensation”) shall be payable upon the Employee’s termination of employment unless the Employee’s termination of employment constitutes a “separation from service” with the Company within the meaning of Section 409A (a “Separation from Service”).

1.3 Specified Employee. If the Company determines that the Employee is a “specified employee” for purposes of Section 409A(a)(2)(B)(i) of the Code at the time of the Employee’s Separation from Service, any Deferred Compensation to which the Employee is entitled under the Agreement in connection with such Separation from Service shall be delayed to the extent required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code. To the extent that the payment of any compensation is delayed in accordance with this Section 1.3, such compensation shall be paid to the Employee in a lump sum on the first business day following the earliest to occur of (i) the expiration of the six-month period measured from the date of the Employee’s Separation from Service, or (ii) the date of the Employee’s death, and any compensation or benefits that are payable under the Agreement following such delay shall be paid as otherwise provided in the Agreement.

1.4 Healthcare Continuation. To the extent that the Agreement requires the Company to partially or wholly subsidize any continuation healthcare coverage under a “group health plan” of the Company for the benefit of the Employee and/or the Employee’s dependents following Employee’s termination of employment, in no event shall such Company obligation extend beyond the expiration of the period of time during which the Employee and/or the Employee’s dependents, as applicable, are entitled to continuation coverage under the Company’s group health plan under COBRA. To the extent that any reimbursements provided to the Employee are deemed to constitute Deferred
Compensation, such amounts shall be paid or reimbursed to the Employee promptly, but in no event later than December 31 of the year following the year in which the expense is incurred, the amount of any such payments eligible for reimbursement in one year shall not affect the payments or expenses that are eligible for payment or reimbursement in any other taxable year, and the Employee’s right to such payments or reimbursement shall not be subject to liquidation or exchange for any other benefit.

1.5 **Installments.** The Employee’s right to receive any installment payments under the Agreement, including without limitation any continuation salary payments that are payable on Company payroll dates, shall be treated as a right to receive a series of separate payments and, accordingly, each such installment payment shall at all times be considered a separate and distinct payment as permitted under Treasury Regulation Section 1.409A-2(b)(2)(iii).

2. **Counterparts.** This Amendment may be executed in one or more facsimile, electronic or original counterparts, each of which shall be deemed an original and both of which together shall constitute one and the same instrument.

3. **Ratification.** All terms and provisions of the Agreement not amended hereby, either expressly or by necessary implication, shall remain in full force and effect. From and after the date of this Amendment, all references to the term “Agreement” in this Amendment or the original Agreement shall include the terms contained in this Amendment.

IN WITNESS WHEREOF, this Amendment has been duly executed by or on behalf of the parties hereto effective as of the date first above written.

EMPLOYEE

/s/ Radoje Drmanac

COMPLETE GENOMICS, INC.

By: /s/ Robert John Curson

Its: CFO

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CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in this Registration Statement on Form S-1 of our report dated July 30, 2010 relating to the financial statements of Complete Genomics, Inc., which appears in such Registration Statement. We also consent to the reference to us under the heading “Experts” in such Registration Statement.

/s/ PricewaterhouseCoopers LLP

San Jose, California
July 30, 2010