

ILLUMINA INC  
Form DEF 14A  
April 23, 2002

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**SCHEDULE 14A INFORMATION**

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

(AMENDMENT NO.\_\_\_\_)

Filed by the Registrant ☒ [X]

Filed by a Party other than the Registrant ☐ [ ]

Check the appropriate box:

☐ [ ] Preliminary Proxy Statement

☒ [X] Definitive

Proxy

Statement ☐ [ ]

Confidential, for

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(as permitted by

Rule 14a-6(e)(2)) ☐ [ ]

Definitive

Additional

Materials ☐ [ ]

Soliciting

Material Pursuant

to sec.

240.14a-11(c) or

sec. 240.14a-12

ILLUMINA, INC.

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(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

☒ [X] Fee not required.

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computed on

table below per

Exchange Act

Rules 14a-6(i)(1)

and 0-11.

(1) Title of each

class of securities

to which

transaction

applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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☐ Fee paid previously with preliminary materials. ☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

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(3) Filing Party:

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(4) Date Filed:

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**ILLUMINA, INC.**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held May 23, 2002**

To the Stockholders of Illumina, Inc.:

NOTICE IS HEREBY GIVEN that the annual meeting of stockholders of Illumina, Inc., a Delaware corporation, will be held on Thursday, May 23, 2002 at 10:00 a.m. Pacific Daylight Savings Time at **9885 Towne Centre Drive, San Diego, California 92121**, for the following purposes, as more fully described in the proxy statement accompanying this notice:

1. To elect two directors to serve for a three-year term ending in the year 2005 or until their respective successors are duly elected and qualified;
2. To ratify the appointment of Ernst & Young LLP as independent auditors of the Company for the fiscal year ending December 29, 2002; and
3. To transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

Only stockholders of record at the close of business on March 29, 2002, are entitled to notice of and to vote at the annual meeting. Our stock transfer books will remain open between the record date and the date of the meeting. A list of stockholders entitled to vote at the annual meeting will be available for inspection at our executive offices.

All stockholders are cordially invited to attend the meeting in person. Whether or not you plan to attend, please sign and return the enclosed proxy as promptly as possible in the envelope enclosed for your convenience or vote electronically via the Internet or by telephone. Should you receive more than one proxy because your shares are registered in different names and addresses, each proxy should be signed and returned to assure that all your shares will be voted. You may revoke your proxy at any time prior to the annual meeting. If you attend the annual meeting and vote by ballot, your proxy will be revoked automatically and only your vote at the annual meeting will be counted.

Sincerely,

JAY T. FLATLEY

*President and Chief Executive Officer*

San Diego, California

April 23, 2002

**YOUR VOTE IS VERY IMPORTANT, REGARDLESS OF THE NUMBER OF SHARES YOU OWN. PLEASE READ THE ATTACHED PROXY STATEMENT CAREFULLY, PROMPTLY SUBMIT YOUR PROXY INSTRUCTION OVER THE INTERNET OR BY TELEPHONE OR COMPLETE, SIGN AND DATE THE ENCLOSED PROXY CARD AS PROMPTLY AS POSSIBLE AND RETURN IT IN THE ENCLOSED ENVELOPE.**

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**ILLUMINA, INC.**

**PROXY STATEMENT  
FOR THE ANNUAL MEETING OF STOCKHOLDERS  
To Be Held on May 23, 2002**

**General**

The enclosed proxy is solicited on behalf of the board of directors of Illumina, Inc., a Delaware corporation, for use at its annual meeting of stockholders to be held on Thursday, May 23, 2002. The annual meeting will be held at 10 a.m. Pacific Daylight Saving Time at **9885 Towne Centre Drive, San Diego, California 92121**. These proxy solicitation materials were mailed on or about April 23, 2002, to all stockholders entitled to vote at the annual meeting.

**Voting**

The specific proposals to be considered and acted upon at the annual meeting are summarized in the accompanying notice and are described in more detail in this proxy statement. On March 29, 2002, the record date for determination of stockholders entitled to notice of and to vote at the annual meeting, 32,327,591 shares of our common stock, par value \$0.01, were issued and outstanding. No shares of our preferred stock are outstanding. Each stockholder is entitled to one vote for each share of common stock held by such stockholder on March 29, 2002. Stockholders may not cumulate votes in the election of directors.

All votes will be tabulated by the inspector of election appointed for the meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non-votes. Abstentions and broker non-votes are counted as present for purposes of determining the presence or absence of a quorum for the transaction of business. Abstentions will be counted toward the tabulations of votes cast on proposals presented to the stockholders and will have the same effect as negative votes, whereas broker non-votes will not be counted for purposes of determining whether a proposal has been approved.

**Voting Electronically Via the Internet or by Telephone**

Stockholders whose shares are registered in their own names may vote either via the Internet or by telephone. Specific instructions to be followed by any registered stockholder interested in voting via the Internet or by telephone are set forth on the enclosed proxy card. The Internet and telephone voting procedures are designed to authenticate the stockholder's identity and to allow stockholders to vote their shares and confirm that their voting instructions have been properly recorded.

If your shares are registered in the name of a bank or brokerage firm, you may be eligible to vote your shares electronically over the Internet or by telephone. A large number of banks and brokerage firms are participating in the ADP Investor Communication Services online program. This program provides eligible stockholders who receive a paper copy of this proxy statement the opportunity to vote via Internet or by telephone. If your bank or brokerage firm is participating in ADP's program, your proxy card will provide instructions. If your proxy card does not reference Internet or telephone information, please complete and return the proxy card in the self-addressed, postage paid envelope provided.

**Proxies**

If the enclosed form of proxy is properly signed, dated and returned, the shares represented will be voted at the annual meeting in accordance with the instructions specified on the proxy.

If the proxy does not specify how the shares are to be voted:

the proxy will be voted FOR the election of the directors nominated by the board of directors (unless the authority to vote for the election of nominee directors is withheld); and

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the proxy will be voted FOR the approval of Proposal 2 described in the notice and proxy statement (unless contrary instructions are given).

You may revoke or change your proxy at any time before the annual meeting by filing with the Secretary of the Company at our principal executive offices at 9885 Towne Centre Drive, San Diego, California 92121, a notice of revocation or another signed proxy with a later date. You may also revoke your proxy by attending the annual meeting and voting in person.

We do not know of other matters to be presented for consideration at the annual meeting. However, if any other matters properly come before the annual meeting, it is the intention of the persons named in the enclosed form of proxy to vote the shares they represent as the board of directors may recommend. Discretionary authority with respect to such other matters is granted by the execution of the enclosed proxy.

## **Solicitation**

We will bear the entire cost of solicitation, including the preparation, assembly, printing and mailing of this proxy statement, the proxy and any additional solicitation materials furnished to our stockholders. Copies of solicitation materials will be furnished to brokerage houses, fiduciaries and custodians holding shares in their names that are beneficially owned by others so that they may forward this solicitation material to such beneficial owners. In addition, we may reimburse such persons for their costs in forwarding the solicitation materials to such beneficial owners. The original solicitation of proxies by mail may be supplemented by a solicitation by telephone, telegram or other means by our directors, officers or employees. No additional compensation will be paid to these individuals for any such services. We have retained EquiServe Shareholder Services and Georgeson Shareholder Communications, Inc. to aid in the solicitation of proxies, including soliciting proxies from brokerage firms, banks, nominees, custodians and fiduciaries. The fees for these services will total approximately \$2,500 plus out-of-pocket costs and expenses.

## **MATTERS TO BE CONSIDERED AT THE ANNUAL MEETING**

### **PROPOSAL ONE: ELECTION OF DIRECTORS**

#### **General**

Our certificate of incorporation provides for a classified board of directors consisting of three classes of directors with staggered three-year terms, with each class consisting, as nearly as possible, of one-third of the total number of directors. The board currently consists of seven persons, with two classes consisting of two directors each and the third class consisting of three directors. The class whose term of office expires at the annual meeting currently consists of two directors. The directors elected to this class will serve for a term of three years, expiring at the 2005 annual meeting of stockholders or until their respective successors have been duly elected and qualified. Both of the nominees listed below, Robert T. Nelsen and John R. Stuelpnagel, D.V.M., are currently serving on the board. The nominees have agreed to serve if elected, and management has no reason to believe that such nominees will be unable to serve. The proposal to elect the two nominees to the board requires the affirmative vote of the holders of a plurality of shares entitled to vote that are present or represented at the annual meeting and entitled to vote on such proposal. In the event the nominees are unable or decline to serve as directors at the time of the annual meeting, the proxies will be voted for any nominees who may be designated by the present board of directors to fill the vacancy. Unless otherwise instructed, the proxy holders will vote the proxies received by them FOR the nominees named below.

#### **Recommendation of the Board of Directors**

**The board of directors recommends that the stockholders vote FOR the election of the nominees listed below.**



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### **Nominees for Term Ending Upon the 2005 Annual Meeting of Stockholders**

*Robert T. Nelsen, 38*, has been a director since June 1998. Since July 1994, Mr. Nelsen has served as a senior principal of venture capital funds associated with ARCH Venture Partners, a venture capital firm, including ARCH Venture Fund III, L.P., a stockholder of the Company. From April 1987 to July 1994, Mr. Nelsen was Senior Manager at ARCH Development Corporation, a company affiliated with the University of Chicago, where he was responsible for new company formation. Mr. Nelsen is a director of Caliper Technologies Corp. and Adolor. Mr. Nelsen holds a B.S. in Biology and Economics from the University of Puget Sound and an M.B.A. from the University of Chicago.

*John R. Stuelpnagel, D.V.M., 44*, one of our founders, is our Vice President of Business Development and has been a director since April 1998. From April 1998 to October 1999, he served as our acting President and Chief Executive Officer and was acting Chief Financial Officer through April 2000. While founding Illumina, Dr. Stuelpnagel was an associate with CW Group, a venture capital firm, from June 1997 to September 1998 and with Catalyst Partners, a venture capital firm, from August 1996 to June 1997. Dr. Stuelpnagel received his B.S. in Biochemistry and his Doctorate in Veterinary Medicine from the University of California, Davis and his M.B.A. from the University of California, Los Angeles.

### **Continuing Directors for Term Ending Upon the 2003 Annual Meeting of Stockholders**

*Jay T. Flatley, 49*, has served as our President, Chief Executive Officer and a director since October 1999. Prior to joining Illumina, Mr. Flatley was co-founder, President, Chief Executive Officer and a director of Molecular Dynamics, a life sciences company, from May 1994 to September 1999. He served in various other positions with that company from 1987 to 1994. From 1985 to 1987, Mr. Flatley was Vice President of Engineering and Vice President of Strategic Planning at Plexus Computers, a UNIX computer company. Mr. Flatley is a director at Bruker AXS, Inc. Mr. Flatley holds a B.A. in Economics from Claremont McKenna College and a B.S. and M.S. in Industrial Engineering from Stanford University.

*George Poste, D.V.M., Ph.D., 57*, has been a director since February 2000. Dr. Poste was Chief Science and Technology Officer at SmithKline Beecham, a biopharmaceutical company, from October 1981 to December 1999. Dr. Poste is Non-Executive Chairman of diaDexus and Structural Genomix and is a director of Orchid BioScience and Maxygen. Dr. Poste is also a Research Professor at the University of Pennsylvania and holds the William Pitt Fellowship at Pembroke College, Cambridge University and a Distinguished Fellow at the Hoover Institution, Stanford University. He is a member of the Defense Science Board of the U.S. Department of Defense. Dr. Poste received his Doctorate in Veterinary Medicine and his Ph.D. in Virology from the University of Bristol.

*William H. Rastetter, Ph.D., 53*, has been a director since November 1998. Since December 1986, Dr. Rastetter has served as Chief Executive Officer of IDEC Pharmaceuticals Corporation, a biopharmaceutical company. Additionally, he has served as President from 1986 through 2002 and Chairman of the board of directors of IDEC Pharmaceuticals since May 1996. From 1982 to 1986, Dr. Rastetter served in various positions at Genentech and previously he was an associate professor at the Massachusetts Institute of Technology. Dr. Rastetter is a director of Argonaut Technologies, Inc. Dr. Rastetter holds a S.B. in Chemistry from the Massachusetts Institute of Technology and received his M.A. and Ph.D. in Chemistry from Harvard University.

### **Continuing Directors for Term Ending Upon the 2004 Annual Meeting of Stockholders**

*R. Scott Greer, 43*, has served as Chairman of the Board of Abgenix, Inc. since May 2000, and as its Chief Executive Officer and director since June 1996. From June 1996 until December 2000, he served as its President. He also serves as a director of CV Therapeutics, Inc. From July 1994 to July 1996, Mr. Greer was Senior Vice President of Corporate Development at Cell Genesys, Inc. From April 1991 to July 1994, Mr. Greer was Vice President of Corporate Development and from April 1991 to September 1993 Mr. Greer was Chief Financial Officer of Cell Genesys. From 1986 to 1991, Mr. Greer held various positions at Genetics Institute, Inc., a biotechnology company, including Director, Corporate Development. Mr. Greer received a

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B.A. in Economics from Whitman College and an M.B.A. from Harvard University and is a certified public accountant.

*David R. Walt, Ph.D., 49*, one of our founders, has been a director and Chairman of our Scientific Advisory Board since June 1998. Dr. Walt has been the Robinson Professor of Chemistry at Tufts University since September 1995. Dr. Walt has published over 100 papers and holds over 20 patents. Dr. Walt holds a B.S. in Chemistry from the University of Michigan and received his Ph.D. in Organic Chemistry and Pharmacology from the State University of New York at Stony Brook.

**Board Committees and Meetings**

The board of directors held five meetings during the fiscal year ended December 30, 2001. The board of directors has an audit committee and a compensation committee. Each director attended or participated in 75% or more of the aggregate of (i) the total number of meetings of the board of directors and (ii) the total number of meetings held by all committees of the board on which such director served during the 2001 fiscal year.

The audit committee currently consists of three directors, Mr. Nelsen, Dr. Poste and Dr. Rastetter, each of whom is independent as defined under Rule 4200 of the National Association of Securities Dealers' listing standards. The audit committee is primarily responsible for approving the services performed by our independent auditors and reviewing their reports regarding our accounting practices and systems of internal accounting controls. The audit committee held three meetings during 2001. The audit committee is governed by a written charter approved by the board of directors.

The compensation committee currently consists of Mr. Nelsen and Dr. Rastetter. The compensation committee is primarily responsible for reviewing and approving our general compensation policies and setting compensation levels for our executive officers. The compensation committee also has the authority to administer our 1998 incentive stock plan, 2000 employee stock purchase plan and our 2000 stock plan. The compensation committee held one meeting and acted by unanimous written consent on one separate occasion during 2001.

**Director Compensation**

We reimburse our non-employee directors for their expenses incurred in connection with attending board and committee meetings but do not compensate them for their services as board or committee members. In addition, several directors have purchased shares of our common stock pursuant to restricted stock purchase agreements, subject to a repurchase right in our favor. David R. Walt, as a member of our Scientific Advisory Board, receives an annual consulting fee of \$50,000.

Under our 2000 stock plan, as amended, directors who are not our officers or employees receive:

one-time option grants of 20,000 shares vesting annually over four years upon joining the board, which are to be automatically granted on the date of the first board meeting attended, at the fair market value of one share of our common stock on the date of grant; and

annual option grants of 10,000 shares vesting annually over four years, which are to be automatically granted on the date of each annual stockholder meeting at the fair market value of one share of our common stock on the date of grant.

On the date of the annual meeting, our existing non-employee board members, Mr. Greer, Mr. Nelsen, Dr. Poste, Dr. Rastetter and Dr. Walt will automatically receive option grants of 10,000 shares of our common stock. The exercise price per share in effect under each such option will be the fair market value per share of common stock on the grant date.

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**PROPOSAL TWO: RATIFICATION OF INDEPENDENT AUDITORS**

The board of directors, upon recommendation of the audit committee, has appointed the firm of Ernst & Young LLP, our independent public auditors during 2001, to serve in the same capacity for the year ending December 29, 2002, and is asking the stockholders to ratify this appointment. The affirmative vote of a majority of the shares represented and voting at the annual meeting is required to ratify the appointment of Ernst & Young LLP.

In the event the stockholders fail to ratify the appointment, the board of directors will reconsider its selection. Even if the selection is ratified, the board of directors in its discretion may direct the appointment of a different independent auditing firm at any time during the year if the board of directors believes that such a change would be in the best interests of Illumina and its stockholders.

A representative of Ernst & Young LLP is expected to be present at the annual meeting. This representative will have the opportunity to make a statement if he or she desires to do so, and will be available to respond to appropriate questions.

**Audit Fees**

The aggregate fees billed by Ernst & Young LLP for professional services rendered for the audit of our annual financial statements for fiscal year 2001 and the quarterly reviews of the financial statements included in our Forms 10-Q were \$54,080.

**Financial Information Systems Design and Implementation Fees**

Ernst & Young LLP did not perform any services described in Paragraph (c)(4)(ii) of Rule 2-01 of Regulation S-X for fiscal year 2001.

**All Other Fees**

The aggregate fees billed by Ernst & Young LLP for professional services other than as stated under the captions Audit Fees and Financial Information Systems Design and Implementation Fees above were \$13,670. The audit committee considers the provision of these services to be compatible with maintaining the independence of Ernst & Young LLP.

**Recommendation of the Board of Directors**

**The board of directors recommends that the stockholders vote FOR the ratification of the selection of Ernst & Young LLP to serve as our independent auditors for the fiscal year ending December 29, 2002.**

**OTHER MATTERS**

We know of no other matters that will be presented for consideration at the annual meeting. If any other matters properly come before the annual meeting, it is the intention of the persons named in the enclosed form of proxy to vote the shares they represent as the board of directors may recommend. Discretionary authority with respect to such other matters is granted by the execution of the enclosed proxy.

**OWNERSHIP OF SECURITIES**

The following table sets forth information known to us with respect to the beneficial ownership of our common stock as of March 31, 2002 for:

each of our directors;

each of the named executive officers listed in the summary compensation table included in this proxy statement;

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each stockholder known by us to own beneficially more than 5% of our common stock; and

all of our directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Shares of common stock subject to stock options and warrants currently exercisable or exercisable within 60 days are deemed to be outstanding for computing the percentage ownership of the person holding these options and the percentage ownership of any group of which the holder is a member, but are not deemed outstanding for computing the percentage of any other person. Except as indicated by footnote, and subject to community property laws where applicable, the persons named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them. Except as otherwise noted below, the address of each person listed on the table is 9885 Towne Centre Drive, San Diego, CA 92121. Some of the shares of common stock held by our directors, officers and consultants are subject to repurchase rights in our favor. For a discussion of these repurchase rights, see footnotes below.

Name and Address	Shares Issuable Pursuant to Options Exercisable Within 60 days of March 31, 2002	Beneficial Ownership	
		Number of Shares (including number shown in first column)	Percentage of Total(1)
<b>DIRECTORS AND EXECUTIVE OFFICERS</b>			
Jay T. Flatley(2)		987,837	3.1
David L. Barker, Ph.D.(3)		248,740	*
Noemi C. Espinosa(4)		222,231	*
Timothy M. Kish(5)		385,231	1.2
John R. Stuelpnagel, D.V.M.(6)		720,963	2.2
R. Scott Greer		4,000	*
Robert T. Nelsen(7)	2,500	3,256,045	10.1
George Poste, D.V.M., Ph.D.(8)	2,500	102,500	*
William H. Rastetter, Ph.D.(9)	2,500	78,012	*
David R. Walt, Ph.D.(10)	2,500	1,424,838	4.4
All directors and named executive officers as a group (15 persons)	133,664	8,627,644	26.6
<b>5% STOCKHOLDERS</b>			
Entities affiliated with CW Group(11) 1041 Third Avenue New York, NY 10021		4,720,401	14.6
ARCH Venture Partners, LLC.(7) 8725 West Higgins Road, Suite 290 Chicago, IL 60631	2,500	3,256,045	10.1
Entities affiliated with Venrock Associates(12) 30 Rockefeller Plaza, Room 5508 New York, NY 10112		2,888,818	8.9
Lombard Odier(13) 11 Rue de la Corraterie 1204 Geneva, Switzerland		1,713,400	5.3

\* Represents beneficial ownership of less than 1% of the outstanding shares of our common stock.

(1) Percentage ownership is based on the 32,327,591 shares of common stock outstanding on March 31, 2002.

(2) Includes 16,500 shares beneficially owned by Mr. Flatley's children. As of March 31, 2002, we have the right to repurchase 504,166 of Mr. Flatley's shares.

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- (3) As of March 31, 2002, we have the right to repurchase 150,000 of Dr. Barker's shares.
- (4) As of March 31, 2002, we have the right to repurchase 132,584 of Ms. Espinosa's shares.
- (5) Includes 5,000 shares owned by Mr. Kish's children. As of March 31, 2002, the Company has the right to repurchase 231,250 of Mr. Kish's shares.
- (6) As of March 31, 2002, we have the right to repurchase 194,794 of Dr. Stuelpnagel's shares.
- (7) Consists of 3,243,870 shares owned by ARCH Venture Fund III, L.P., 9,675 shares owned by Mr. Nelsen and 2,500 shares exercisable within 60 days under options held by Mr. Nelsen. Mr. Nelsen, a director of Illumina, is a managing director of the general partner of ARCH Venture Fund III, L.P. and disclaims beneficial ownership of the shares owned by that fund, except shares attributable to his partnership interests.
- (8) As of March 31, 2002, we have the right to repurchase 47,917 of Dr. Poste's shares.
- (9) As of March 31, 2002, we have the right to repurchase 30,000 of Dr. Rastetter's shares.
- (10) Includes 303,980 shares beneficially owned by Dr. Walt's wife, 60,000 shares owned by OSCI, Inc. and 23,000 shares beneficially owned by Dr. Walt's children. Dr. Walt is a principal in OSCI, Inc. As of March 31, 2002 we have the right to repurchase 66,667 of Dr. Walt's shares. Dr. Walt disclaims beneficial ownership of the shares held by OSCI, Inc.
- (11) Consists of 4,520,401 shares owned by CW Ventures III, L.P., 150,000 shares owned by CW Ventures III - A Co-Investment Fund, L.P. and 50,000 shares by Chase/CW Ventures III, L.P.
- (12) Consists of 1,231,633 shares owned by Venrock Associates and 1,657,185 shares owned by Venrock Associates II, L.P.
- (13) Consists of 1,574,500 shares held for the benefit of the Lombard Odier Immunology Fund which is managed by Lombard Odier Fund Managers S.A. and 138,900 held for the benefit of private or institutional clients of Lombard Odier & Cie.

## **EXECUTIVE COMPENSATION AND OTHER INFORMATION**

### **Summary of Cash and Certain Other Compensation**

The following table provides summary information concerning the compensation earned by our chief executive officer and each of our four other most highly compensated executive officers whose salary and bonus for the 2001 fiscal year was in excess of \$100,000, for services rendered in all capacities, to Illumina. No executive officer who would have otherwise been includable in such table on the basis of salary and bonus earned for the 2001 fiscal year has been excluded by reason of his or her termination of employment or change

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in executive status during that fiscal year. The individuals included in the following table are referred to as named executive officers.

**Summary 2001 Compensation Table**

Name and Principal Positions	Year	Annual Compensation(\$)			Long Term Compensation Awards	
		Salary	Bonus	Other Annual Compensation	Restricted Stock Awards(#)(3)	Securities Underlying Options(#)
Jay T. Flatley	2001	\$299,519	\$82,500	\$	N/A(4)	150,000
President and	2000	269,716	82,500	56,250(1)		
Chief Executive Officer	1999	55,859		11,719(1)		
David L. Barker	2001	200,000	10,000		N/A(5)	75,000
Vice President and	2000	155,385		20,000(1)		
Chief Scientific Officer						
Noemi C. Espinosa	2001	200,000	10,000		N/A(6)	25,000
Vice President of	2000	130,769		20,000(1)		
Intellectual Property						
Timothy M. Kish	2001	225,000	11,250		N/A(7)	75,000
Vice President of Finance and	2000	146,250		50,000(1)		
Chief Financial Officer						
John R. Stuelpnagel	2001	189,712	9,500	7,673(2)	N/A(8)	75,000
Vice President of	2000	174,367				
Business Development	1999	141,500	12,000			

(1) This amount represents an allowance for relocation and housing.

(2) Payment for flexible time off.

(3) Prior to 2001, we had not granted any stock options to our named executive officers. However, prior to our initial public offering, each named officer had purchased restricted shares of our common stock subject to a repurchase right in our favor. All such purchases were made at the then deemed fair market value of the common stock. The repurchase right entitles us to repurchase shares at their original purchase price on termination of such executive officer's services with us, except to the extent such rights have lapsed. Our repurchase rights lapse over time on employment anniversary dates and upon achievement of certain business milestones. Additionally, the lapse of our repurchase right accelerates in connection with an acquisition of Illumina. Please see Employment Contracts, Termination of Employment and Change of Control Arrangements below for additional information regarding the terms of these acceleration provisions. Dividends will be payable on these shares if and to the extent paid on our shares generally.

(4) As of March 31, 2002, Mr. Flatley held 504,166 unvested shares of common stock and the market price of those shares, less consideration paid by Mr. Flatley for such shares, was \$4,724,035 as of such date. Our repurchase rights with respect to Mr. Flatley's shares expire as follows: 387,500 of these shares vest ratably over a five-year period ending in October 2004 and 116,666 of these shares vest ratably over a 12-month period, beginning October 2006, unless vested earlier upon the achievement of certain business milestones involving the company's financial performance and business development activities.

(5) As of March 31, 2002, Dr. Barker held 150,000 unvested shares of common stock and the market price of those shares, less consideration paid by Dr. Barker for such shares, was \$1,359,000 as of such date. All of these shares vest ratably over a five-year period ending in March 2005.

(6) As of March 31, 2002, Ms. Espinosa held 132,584 unvested shares of common stock and the market price of those shares, less consideration paid by Ms. Espinosa for such shares, was \$1,121,661 as of such date. All of these shares vest ratably over a five-year period ending in May 2005.

(7) As of March 31, 2002, Mr. Kish held 231,250 unvested shares of common stock and the market price of those shares, less consideration paid by Mr. Kish for such shares, was \$1,956,375 as of such date. All of these shares vest ratably over a five-year period ending in May

2005.

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- (8) As of March 31, 2002, Dr. Stuelpnagel held 194,794 unvested shares of common stock and the market price of those shares, less consideration paid by Dr. Stuelpnagel for such shares, was \$1,806,220, as of such date. Our repurchase rights with respect to Dr. Stuelpnagel's shares expire as follows: an aggregate of 119,794 of these shares vest ratably over two three-year periods ending in August and October 2003 and 75,000 of these shares vest ratably over a 12-month period, beginning in March 2007, unless vested earlier upon the achievement of certain business development milestones.

**Stock Option Grants**

We grant options to our executive officers under our 2000 stock plan. As of March 31, 2002, options to purchase a total of 3,574,164 shares of our common stock were outstanding under the stock plan and options to purchase 5,866,732 shares of our common stock remained available for future grant.

The following tables show for the 2001 fiscal year, information regarding options granted to, exercised by, and held at year end by, each of the named executive officers. No stock appreciation rights were granted to the named executive officers during the 2001 fiscal year.

The exercise price of each option was equal to the closing sales price of our common stock as reported on the Nasdaq Stock Market on the date of grant. The exercise price may be paid in cash or through a cashless exercise procedure involving a same-day sale of the purchased shares. The options vest ratably over a 12-month period, beginning September 2008, unless vested earlier upon the achievement of certain business milestones. Each of the options has a maximum term of 10 years measured from the applicable grant date, subject to earlier termination if the optionee's service with us ceases. In the event that we are acquired by merger or asset sale, each outstanding option which is not to be assumed by the acquiring entity will become exercisable for all the option shares, and all the outstanding unvested option shares will immediately vest.

The potential realizable value is calculated based on the 10-year term of the option at the time of grant. Stock price appreciation of 5% and 10% is assumed under the SEC rules and does not represent our prediction of our stock price performance. The potential realizable value at 5% and 10% appreciation are calculated by assuming that the stock price on the date of grant appreciates at the indicated annual rate, compounded annually for the entire term of the option and that the option is exercised and sold on the last day of its term for the appreciated stock price. There can be no assurance provided to any named executive officer or other holder of our securities that the actual stock price appreciation over the 10-year term will be at the assumed 5% and 10% levels or at any other defined level. Unless the market price of the common stock appreciates over the option term, no value will be realized from the option grants made to the named executive officers. On December 28, 2001, the last trading day of our 2001 fiscal year, the closing sales price of our common stock, as reported on the Nasdaq National Market, was \$11.51.

Percentages shown under **Percentage of Total Options Granted in 2001** are based on an aggregate of 2,106,100 options granted to employees of Illumina under our stock option plans during 2001.

Name	Individual Grants				Value at Assumed	
	Number of Securities Underlying Options Granted	Percentage of Total Options Granted to Employees in Fiscal Year	Exercise Price (\$/Share)	Expiration Date	Annual Rates of Stock Appreciation for Option Term	
					5%(\$)	10%(\$)
Jay T. Flatley	150,000	7.12%	\$5.99	9/27/11	565,062	1,431,978
David L. Barker, Ph.D.	75,000	3.56%	5.99	9/27/11	282,531	715,989
Noemi C. Espinosa	25,000	1.19%	5.99	9/27/11	94,177	238,663
Timothy M. Kish	75,000	3.56%	5.99	9/27/11	282,531	715,989
John R. Stuelpnagel, D.V.M.	75,000	3.56%	5.99	9/27/11	282,531	715,989



**Table of Contents****Aggregate Option Exercises in 2001 and Option Values at December 30, 2001**

The following table presents the aggregate option exercises during 2001, and the number and value of securities underlying unexercised options that are held by each of the named executive officers.

Amounts shown under the column Value of Unexercised In-the-Money Options at December 30, 2001 are based on the closing price of our common stock of \$11.51 on December 28, 2001, the last trading day of our 2001 fiscal year, as reported on the Nasdaq National Market, less the exercise price paid for such shares, without taking into account any taxes that may be payable in connection with the transaction, multiplied by the number of shares underlying the option.

Name	Number of Securities Underlying Unexercised Options at December 30, 2001		Value of Unexercised In-the-Money Options at December 30, 2001	
	Exercisable	Unexercisable	Exercisable	Unexercisable
Jay T. Flatley		150,000	\$	\$828,000
David L. Barker, Ph.D.		75,000		414,000
Noemi C. Espinosa		25,000		138,000
Timothy M. Kish		75,000		414,000
John R. Stuelpnagel, D.V.M.		75,000		414,000

**Employment Contracts, Termination of Employment and Change in Control Arrangements**

We have not entered into employment agreements with any of our named executive officers.

We have entered into restricted stock purchase agreements with several of our executive officers, including each of our named executive officers, providing that upon the closing of an acquisition of Illumina for cash or publicly traded securities, the lapsing of our repurchase right accelerates as to 50% of each officer's shares of common stock then subject to our repurchase right and, with respect to the remaining 50%, on the first anniversary of the closing date of the acquisition. If the acquirer terminates the officer's employment without cause within one year of the closing date, our repurchase right lapses with respect to all shares.

The compensation committee of the board of directors, as plan administrator of our stock plans, has the authority to provide for accelerated vesting of any outstanding options or waiver of forfeiture restrictions of unvested stock held by our executive officers, for any reason, including upon a change of control.

**Compensation Committee Interlocks and Insider Participation**

Our executive compensation program has been administered by the compensation committee of our board of directors. As of December 30, 2001, the compensation committee consisted of Mr. Nelsen and Dr. Rastetter. Neither of these individuals was an employee or an officer of ours.

None of our current executive officers has ever served as a member of a board of directors or compensation committee of any other entity that has or has had one or more executive officers serving as a member of our board of directors or compensation committee during the last fiscal year.

*The following reports of the compensation committee and the audit committee, reference to the audit committee members and the stock performance graph should not be considered to be part of this proxy statement. Any current or future cross-references to this proxy statement in filings with the SEC under either the Securities Act or the Securities Exchange Act will not include the report or graph reproduced below or the audit committee charter.*

**Board Compensation Committee Report on Executive Compensation**

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The compensation committee's responsibility is to administer and review the base salaries, annual incentive compensation and long-term incentives of our executive officers, including our chief executive

## **Table of Contents**

officer, and to establish the general compensation policies for such individuals. The compensation committee also has the authority to make discretionary option grants to our executive officers under our 2000 stock plan.

*Compensation Philosophy.* Our philosophy is to maintain an executive compensation program that allows us to attract, retain and reward executive officers who contribute to our long-term success and to link that compensation to both individual performance and the value created for our stockholders. We have adopted a challenging strategy with an aggressive set of underlying goals and our success will in large part be determined by the quality of personnel we are able to recruit. A competitive compensation program will be a crucial part of recruiting the people required to help us achieve these goals.

Our compensation program consist of three elements; base salary, incentive bonuses and long-term equity incentives. In general, our goal is to provide a total compensation package that is competitive with the biotechnology and life science instrumentation companies with which we compete for talent.

*Base Salary.* The salaries for executive officers for 2001 were generally determined on an individual basis by the board of directors. Determinations of appropriate base salary levels are made based on level of responsibility, prior experience and breadth of knowledge as well as competitive pay practices in our industry. Initial salary levels are set at the market average when compared to leading companies in our industry, adjusted for size. Subsequent changes to base salary are based on individual performance measured against pre-established objectives and competitive factors at the time.

*Incentive Bonus.* The compensation committee in its discretion may award bonuses to executive officers. The intent of the bonus program is to motivate and reward executives for performance as measured against well defined performance goals. The goals are based on both individual milestones that vary with the individual's position as well as our overall financial performance.

*Long-Term Equity Incentives.* Stock options and stock ownership are a key element in our total compensation program as it links the interests of the executive with the long-term interests of the stockholders and emphasizes the creation of stockholder value. Prior to our initial public offering, executives were provided the opportunity to purchase restricted stock at the date of hire and at other times after that date. Subsequent to our initial public offering, we have granted stock options to executives under the 2000 stock plan at both the time of hire and as subsequent awards. Grants are awarded based on a number of factors, including our achievement of specific milestones, the individual's level of responsibility, the amount and term of stock or options already held by the individual, the individual's contributions to the achievement of our financial and strategic objectives, and industry practices and norms. The size of option grants to executives is determined by the compensation committee. Options are granted at 100% of the fair market value on the date of grant. Option grants to executives generally vest over periods ranging from five to eight years, with opportunities in some cases for earlier vesting based upon the achievement of specified goals.

*CEO Compensation.* The compensation of Jay T. Flatley, our chief executive officer, is established consistent with Illumina's general compensation philosophy. In setting that salary, the compensation committee considered several factors, including the achievement of company goals during 2001, such as the successful launch of our oligo manufacturing and SNP service businesses, as well as the level of leadership and management required to complete development of our technology and commercialize our initial products. Mr. Flatley's salary was increased from \$275,000 in 2000 to \$300,000 in 2001 in recognition of these and other competitive factors. Mr. Flatley also received a \$82,500 bonus in 2001 based on the same incentive plan as the other executive officers.

*Compliance with Internal Revenue Code Section 162(m).* Section 162(m) of the Internal Revenue Code disallows a tax deduction to publicly held companies for compensation paid to specified executive officers, to the extent that compensation exceeds \$1 million per covered officer in any fiscal year. The limitation applies only to compensation that is not considered to be performance-based. Non-performance based compensation paid to our executive officers for the 2001 fiscal year did not exceed the \$1 million limit per officer. The compensation committee does not anticipate that the non-performance based compensation to be paid to our executive officers for fiscal year 2002 will exceed that limit. Our stock option plans have been structured so that any compensation deemed paid in connection with the exercise of option grants made under

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those plan with an exercise price equal to the fair market value of the option shares on the grant date will qualify as performance-based compensation which will not be subject to the \$1 million limitation. The compensation committee's present intention is to grant future compensation that does not exceed the limitations of Section 162(m), although the compensation committee reserves the right to award compensation that does not comply with these limits on a case-by-case basis.

It is the opinion of the compensation committee that the executive compensation policies and plans provide the necessary total remuneration program to properly align our performance and the interests of our stockholders through the use of competitive and equitable executive compensation in a balanced and reasonable manner, for both the short and long-term.

We conclude our report with the acknowledgement that no member of the compensation committee is a current officer or employee of Illumina.

COMPENSATION COMMITTEE

Robert T. Nelsen  
William H. Rastetter, Ph.D.

**Audit Committee Report**

The audit committee oversees our financial reporting process on behalf of our board of directors. Management has primary responsibility for the financial reporting process including the systems of internal controls. Our independent auditors are responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles.

In this context, the audit committee hereby reports as follows:

The audit committee has reviewed and discussed the audited financial statements for the fiscal year ended December 30, 2001 with management.

The audit committee has discussed with the independent accountants the matters required to be discussed by Statement of Accounting Standards 61 (communications with audit committees).

The audit committee has received the written disclosures and the letter from the independent accountants required by Independence Standards Board Standard No. 1 (independence discussions with audit committees) and has discussed with the independent accountants the independent accountants' independence.

Based on the review and discussion referred to above, the audit committee recommended to the board of directors that the audited financial statements be included in our annual report on Form 10-K for the fiscal year ended December 30, 2001, for filing with the SEC.

The undersigned members of the audit committee have submitted this report to the board of directors:

AUDIT COMMITTEE

Robert T. Nelsen  
George Poste, D.V.M., Ph. D.  
William H. Rastetter, Ph.D.

**Table of Contents****Stock Performance Graph**

The graph depicted below shows a comparison of our cumulative total stockholder returns for our common stock, the NASDAQ Stock Market Index, and the NASDAQ Pharmaceutical Index, from the date of our initial public offering on July 27, 2000 through December 31, 2001. The graph assumes that \$100 was invested on July 27, 2000, in our common stock and in each index, and that all dividends were reinvested. No cash dividends have been declared on our common stock. Stockholder returns over the indicated period should not be considered indicative of future stockholder returns.

**COMPARISON OF TOTAL RETURN AMONG**

**ILLUMINA, INC.,  
THE NASDAQ COMPOSITE INDEX AND  
THE NASDAQ PHARMACEUTICAL INDEX**

	July 27, 2000	December 2000	December 2001
Illumina, Inc.	100.00	100.39	73.50
NASDAQ Composite Index	100.00	63.84	50.62
NASDAQ Pharmaceutical Index	100.00	93.20	79.52

**CERTAIN TRANSACTIONS**

We entered into a license agreement with Tufts University in 1998 in connection with the license of patents filed by Dr. David Walt, one of our directors. Dr. Walt is the Robinson Professor of Chemistry at Tufts. Under that agreement, we will pay royalties to Tufts upon the commercial sale of products based on the licensed technology. It is our understanding that Tufts University will pay a portion of the royalties received from us to Dr. Walt. We also provide Tufts University with \$100,000 per year in funding for research relating to the development of our BeadArray technology. In addition, we and Tufts University were co-investigators under a research grant for DNA sequencing sponsored by the Department of Energy. All future transactions between us and our officers, directors, principal stockholders and affiliates will be approved by a majority of the independent and disinterested members of our board of directors, and will be on terms no less favorable to us than could be obtained from unaffiliated third parties.

All of our former preferred stockholders have registration rights with respect to their shares of common stock. Under these registration rights, holders of at least a majority of the then outstanding registrable

## **Table of Contents**

securities may require on two occasions that we register their shares for public resale. We are obligated to register, on two separate occasions, these shares if the holders of a majority of the eligible shares request registration and only if the shares to be registered have an anticipated public offering price of at least \$5,000,000. In addition, holders of registrable securities may require that we register their shares for public resale on Form S-3 or similar short-form registration, if we are eligible to use Form S-3 or similar short-form registration, and the value of the securities to be registered is at least \$1,000,000. If we elect to register any of our shares of common stock for any public offering, the holders of registrable securities are entitled to include shares of common stock in the registration. However we may reduce the number of shares proposed to be registered in view of market conditions. We will pay all expenses in connection with any registration, other than underwriting discounts and commissions.

The bylaws provide that we will indemnify our directors and executive officers and may indemnify other officers, employees and other agents to the fullest extent permitted by the Delaware General Corporation Law. We are also empowered under our bylaws to enter into indemnification contracts with our directors and officers and to purchase insurance on behalf of any person whom we are required or permitted to indemnify. Pursuant to this provision, we have entered into indemnity agreements with each of our directors and officers.

In addition, our certificate of incorporation provides that to the fullest extent permitted by Delaware law, our directors will not be liable for monetary damages for breach of their fiduciary duty of care to Illumina and its stockholders. This provision in the certificate of incorporation does not eliminate the duty of care, and in appropriate circumstances equitable remedies such as an injunction or other forms of nonmonetary relief would remain available under Delaware law. Each director will continue to be subject to liability for breach of the director's duty of loyalty to Illumina, for acts or omissions not in good faith or involving intentional misconduct or knowing violations of law, for acts or omissions that the director believes to be contrary to the best interests of Illumina or its stockholders, for any transaction from which the director derived an improper personal benefit, for acts or omissions involving a reckless disregard for the director's duty to Illumina or its stockholders when the director was aware or should have been aware of a risk of serious injury to Illumina or its stockholders, for acts or omissions that constitute an unexcused pattern of inattention that amounts to an abdication of the director's duty to Illumina or its stockholders, for improper transactions between the director and Illumina and for improper distributions to stockholders and loans to directors and officers. This provision also does not affect a director's responsibilities under any other laws, such as the federal securities laws or state or federal environmental laws.

## **COMPLIANCE WITH SECTION 16(a) OF THE SECURITIES EXCHANGE ACT**

The members of our board of directors, our executive officers and persons who hold more than 10% of our outstanding common stock are subject to the reporting requirements of Section 16(a) of the Securities Exchange Act which require them to file reports with respect to their ownership of our common stock and their transactions in such common stock. Based solely upon our review of copies of Section 16(a) reports, which we received from such persons for their transactions during the 2001 fiscal year, we believe that all reporting requirements under Section 16(a) for such fiscal year were met in a timely manner by these individuals.

## **STOCKHOLDER PROPOSALS FOR OUR 2003 ANNUAL MEETING**

Stockholder proposals that are intended to be presented at our 2003 annual meeting must be received no later than December 24, 2002, in order that they may be included in the proxy statement and form of proxy relating to that meeting, and must meet all other requirements as specified in our bylaws. In addition, the proxy solicited by the board of directors for the 2003 annual meeting will confer discretionary authority to vote on any stockholder proposal presented at that meeting, unless we receive notice of such proposal not later than March 7, 2003.

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**ANNUAL REPORT**

A copy of our annual report for the 2001 fiscal year has been mailed concurrently with this proxy statement to all stockholders entitled to notice of and to vote at the annual meeting. The annual report is not incorporated into this proxy statement and is not considered proxy solicitation material.

**FORM 10-K**

We filed an annual report on Form 10-K with the SEC on March 29, 2002. Stockholders may obtain a copy of this report without charge. Requests should be directed to the Chief Financial Officer of Illumina, at our principal executive offices located at 9885 Towne Centre Drive, San Diego, California 92121, telephone number (858) 202-4500.

THE BOARD OF DIRECTORS OF ILLUMINA, INC.

Dated: April 23, 2002

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DETACH HERE

**PROXY**

**ILLUMINA, INC.**

**9885 TOWNE CENTRE DRIVE  
SAN DIEGO, CA 92121**

**SOLICITED BY THE BOARD OF DIRECTORS  
FOR THE ANNUAL MEETING OF STOCKHOLDERS**

The undersigned hereby appoints Jay T. Flatley, Timothy M. Kish, or either of them, with the power to appoint their substitutes, and hereby authorizes them to represent and to vote, as designated on the reverse side, all shares of common stock of Illumina, Inc. (the Company) held of record by the undersigned on March 29, 2002 at the Annual Meeting of Stockholders to be held on May 23, 2002 and any adjournments thereof.

**THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED AS DIRECTED. IF NO DIRECTION IS GIVEN WITH RESPECT TO A PARTICULAR PROPOSAL, THIS PROXY WILL BE VOTED FOR SUCH PROPOSAL.**

**PLEASE MARK, DATE, SIGN, AND RETURN THIS PROXY CARD PROMPTLY, USING THE ENCLOSED ENVELOPE. NO POSTAGE IS REQUIRED IF MAILED IN THE UNITED STATES.**

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**ILLUMINA, INC.**

**C/O EQUISERVE**

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**PROVIDENCE, RI 02940**

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Please mark  
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1. Election of Directors.

**Nominees:** (01) Robert T. Nelsen, (02) John R. Stuelpnoyel, D.V.M

FOR  
ALL  
NOMINEES    ☐    ☐    WITHHELD  
FROM ALL  
NOMINEES

☐    ☐

For all nominees except as noted above

	FOR	AGAINST	ABSTAIN
2. Ratify the appointment of Ernst & Young LLP as independent auditors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

In their discretion, the proxies are authorized to vote upon any other business that may properly come before the meeting.

MARK HERE FOR ADDRESS CHANGE AND NOTE AT LEFT    ☐    ☐

Please sign exactly as name appears hereon. Joint owners should each sign. Executors, administrators, trustees, guardians or other fiduciaries should give full title as such. If signing for a corporation, please sign in full corporate name by a duly authorized officer.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_      Signature: \_\_\_\_\_ Date: \_\_\_\_\_