

NRG ENERGY, INC.  
Form 424B7  
August 08, 2006

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**PROSPECTUS SUPPLEMENT  
(To Prospectus dated December 21, 2005)**

**Filed Pursuant to Rule 424(b)(7)  
Registration No. 333-130549  
A filing fee of \$53,500, calculated in accordance  
with Rule 457(r), has been transmitted to the  
SEC in connection with the securities offered by  
means of this prospectus supplement.**

\$500,000,000

**NRG Energy, Inc.**

Common Stock

Affiliates of Credit Suisse Securities (USA) LLC, the underwriter in this offering, to whom we refer as the CS transaction counterparties, are collectively selling shares of our common stock, par value \$0.01 per share, with an aggregate public offering price of up to \$500,000,000 under this prospectus supplement through Credit Suisse Securities (USA) LLC, or CSS, in connection with their hedging of certain option-based transactions, which we refer to as the CS transactions, between the CS transaction counterparties and our wholly-owned subsidiaries NRG Common Stock Finance I LLC, which we refer to as NRG CSF I, and NRG Common Stock Finance II LLC, which we refer to as NRG CSF II. We collectively refer to NRG CSF I and NRG CSF II as the CSF subsidiaries. The CS transaction counterparties are offering the shares through Credit Suisse Securities (USA) LLC from time to time for sale in transactions, including block sales, on the New York Stock Exchange, in the over-the-counter market, in negotiated transactions or otherwise. These shares will be sold at market prices prevailing at the time of sale on the New York Stock Exchange or at negotiated prices. The CS transaction counterparties will borrow the shares to be sold under this prospectus supplement from one or more third-party share lenders. We will not receive any proceeds from the sale of shares of our common stock by the CS transaction counterparties.

The CSF subsidiaries intend to use up to \$500,000,000 to purchase shares of our common stock in the open market or in privately negotiated transactions from time to time during the offering of common stock under this prospectus supplement, including on and prior to the dates on which shares are sold in this offering. To fund such purchases, the CSF subsidiaries will receive proceeds from the transactions from the CS transaction counterparties, as well as an equity contribution from NRG. In addition, over the same period that the shares offered by this prospectus supplement are sold, CSS or its affiliates expect to purchase additional shares of our common stock in the open market in connection with the hedging activities of the CS transaction counterparties. These purchases by the CSF subsidiaries and by CSS and its affiliates could have the effect of materially increasing the market price of our common stock above the price that would otherwise prevail. For more information, see The CS Transactions.

Our common stock is listed on the New York Stock Exchange under the symbol NRG. The last reported closing price of shares of our common stock on the New York Stock Exchange on August 4, 2006 was \$47.00.

**See Risk Factors beginning on page S-4 and in the documents incorporated by reference herein, including our Annual Report on Form 10-K, to read about risks that you should consider before buying shares of our common stock.**

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

**Credit Suisse**

August 8, 2006

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**ABOUT THIS PROSPECTUS SUPPLEMENT**

This document consists of two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part is the accompanying prospectus, which describes more general information, some of which may not apply to this offering. You should read both this prospectus supplement and the accompanying prospectus, together with additional information described below under the headings Where You Can Find More Information and Incorporation of Documents by Reference.

If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

Any statement made in this prospectus supplement or in a document incorporated or deemed to be incorporated by reference in this prospectus supplement will be deemed to be modified or superseded for purposes of this prospectus supplement to the extent that a statement contained in this prospectus supplement or in any other subsequently filed document that is also incorporated or deemed to be incorporated by reference in this prospectus supplement modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement. See Incorporation of Documents By Reference.

**WHERE YOU CAN FIND MORE INFORMATION**

NRG files annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission, or the SEC. You can inspect and copy these reports, proxy statements and other information at the Public Reference Room of the SEC, 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 Room. NRG's SEC filings will also be available to you on the SEC's website at <http://www.sec.gov> and through the New York Stock Exchange, 20 Broad Street, New York, NY 10005, on which NRG's common stock is listed.

This prospectus supplement and the accompanying prospectus, which forms a part of the registration statement, do not contain all the information that is included in the registration statement. You will find additional information about us in the registration statement. Any statements made in this prospectus supplement or the accompanying prospectus concerning the provisions of legal documents are not necessarily complete and you should read the documents that are filed as exhibits to the registration statement or otherwise filed with the SEC for a more complete understanding of the document or matter.

**INCORPORATION OF DOCUMENTS BY REFERENCE**

The SEC allows the incorporation by reference of the information filed by NRG with the SEC into this prospectus supplement, which means that important information can be disclosed to you by referring you to those documents and those documents will be considered part of this prospectus supplement. Information that NRG files later with the SEC will automatically update and supersede the previously filed information. The documents listed below and any future filings NRG makes with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, after the date of this prospectus supplement but before the end of the offerings that may be made under this prospectus supplement, are incorporated by reference herein:

NRG's annual report on Form 10-K for the year ended December 31, 2005 (filed on March 7, 2006) as amended by the Form 10-K/A filed on March 27, 2006.

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NRG's quarterly reports on Form 10-Q for the quarter ended March 31, 2006 (filed on May 9, 2006) and June 30, 2006 (filed on August 4, 2006).

NRG's Definitive Proxy Statement on Schedule 14A filed on March 24, 2006.

NRG's current reports on Form 8-K filed on January 4, 2006, Form 8-K filed on January 5, 2006, Form 8-K/A filed on January 5, 2006, Form 8-K filed on January 13, 2006, Form 8-K filed on

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January 23, 2006, Form 8-K/A filed on January 23, 2006, Form 8-K/A filed on January 26, 2006, Form 8-K filed on January 27, 2006, Form 8-K filed on February 6, 2006, Form 8-K filed on February 8, 2006, Form 8-K filed on March 10, 2006, Form 8-K filed on March 16, 2006, Form 8-K filed on April 6, 2006, Form 8-K filed on May 3, 2006, Form 8-K filed on May 4, 2006, Form 8-K filed on May 31, 2006 and Form 8-K filed on August 1, 2006 (only with respect to the information deemed filed under Item 8.01).

The description of NRG's common stock contained in the Registration Statement on Form 8-A dated December 10, 2003 and amended on March 22, 2004 filed with the SEC to register such securities under the Exchange Act, including any amendment or report filed for the purpose of updating such description.

If you make a request for such information in writing or by telephone, NRG will provide you, without charge, a copy of any or all of the information incorporated by reference in this prospectus supplement. Any such request should be directed to:

NRG Energy, Inc.  
211 Carnegie Center  
Princeton, New Jersey 08540  
(609) 524-4500  
Attention: General Counsel

You should rely only on the information contained in this prospectus supplement, the attached prospectus, the documents incorporated by reference and any written communication from us specifying the final terms of the offering. NRG has not, and the selling stockholders have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. NRG is not, and the CS transaction counterparties are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement is accurate as of the date on the front cover of this prospectus supplement only. NRG's business, financial condition, results of operations and prospects may have changed since that date.

**CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS**

This prospectus supplement, and the documents incorporated herein by reference, may contain forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. The words believes, projects, anticipates, plans, expects, intends, estimates and similar expressions are intended to identify forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance and achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statement. These factors, risks and uncertainties include, but are not limited to, the factors described in the Risk Factors contained and incorporated by reference in this prospectus supplement or the accompanying prospectus, including:

General economic conditions, changes in the wholesale power markets and fluctuations in the cost of fuel or other raw materials;

Hazards customary to the power production industry and power generation operations such as fuel and electricity price volatility, unusual weather conditions, catastrophic weather-related or other damage to facilities, unscheduled generation outages, maintenance or repairs, unanticipated changes to fossil fuel supply costs or availability due to higher demand, shortages, transportation problems or other developments, environmental incidents, or electric transmission or gas pipeline system constraints and the possibility that we

may not have adequate insurance to cover losses as a result of such hazards;



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The effectiveness of NRG's risk management policies and procedures, and the ability of NRG's counterparties to satisfy their financial commitments;

Counterparties' collateral demands and other factors affecting NRG's liquidity position and financial condition;

Our ability to operate our businesses efficiently, manage capital expenditures and costs tightly (including general and administrative expenses), and generate earnings and cash flow from our asset-based businesses in relation to our debt and other obligations;

Our potential inability to enter into contracts to sell power and procure fuel on terms and prices acceptable to us;

The liquidity and competitiveness of wholesale markets for energy commodities;

Changes in government regulation, including changes of market rules, market structures and design, rates, tariffs, environmental laws and regulations and regulatory compliance requirements;

Price mitigation strategies and other market structures employed by independent system operators, or ISOs, or regional transmission organizations, that result in a failure to adequately compensate our generation units for all of their costs;

Our ability to borrow additional funds and access capital markets, as well as our substantial indebtedness and the possibility that we may incur additional indebtedness going forward;

Operating and financial restrictions placed on us contained in the indentures governing our 7.25% and 7.375% unsecured senior notes due 2014 and 2016, respectively, which we refer to as our senior notes, in our senior secured credit facility, and in debt and other agreements of certain of our subsidiaries and project affiliates generally; and

Our ability to achieve our objectives regarding our redevelopment programs.

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**PROSPECTUS SUMMARY**

*This summary does not contain all of the information that you should consider before investing in our common stock. You should read the entire prospectus supplement and the accompanying prospectus carefully, including the matters discussed under the captions Risk Factors and the detailed information and financial statements included or incorporated by reference in this prospectus supplement and the accompanying prospectus. When used in this prospectus supplement, the terms NRG, we, our and us, except as otherwise indicated or as the context otherwise indicates, refer to NRG Energy, Inc. and its consolidated subsidiaries.*

**Company Overview**

NRG Energy is a wholesale power generation company, primarily engaged in the ownership and operation of power generation facilities, the transacting in and trading of fuel and transportation services and the marketing and trading of energy, capacity and related products in the United States and internationally. We have a diverse portfolio of electric generation facilities in terms of geography, fuel type and dispatch levels. Our principal domestic generation assets consist of a diversified mix of natural gas-, coal-, oil-fired and nuclear facilities, representing approximately 45%, 34%, 16% and 5% of our total domestic generation capacity, respectively. In addition, 10% of our domestic generating facilities have dual or multiple fuel capacity, which allows plants to dispatch with the lowest cost fuel option.

**Our Strategy**

Our strategy is to optimize the value of our generation assets while using that asset base as a platform for enhanced financial performance which can be sustained and expanded upon in years to come. We plan to maintain and enhance our position as a leading wholesale power generation company in the United States in a cost effective and risk-mitigating manner in order to serve the bulk power requirements of our customer base and other entities that offer load, or otherwise consume wholesale electricity products and services in bulk. Our strategy includes the following elements:

*Increase value from our existing assets.* We have a highly diversified portfolio of power generation assets in terms of region, fuel type and dispatch levels. We will continue to focus on extracting value from our portfolio by improving plant performance, reducing costs and harnessing our advantages of scale in the procurement of fuels, and in so doing to improve our return on invested capital, or ROIC: a strategy that we have branded FORNRG, or Focus on ROIC at NRG.

*Pursue intrinsic growth opportunities at existing sites in our core regions.* We are favorably positioned to pursue growth opportunities through expansion of our existing generating capacity. We intend to invest in our existing assets through plant improvements, repowering and brownfield development to meet anticipated regional requirements for new capacity. We expect that these efforts will provide more efficient energy, lower our delivered cost, expand our electricity production capability and improve our ability to dispatch economically across all sections of the merit order, including baseload, intermediate and peaking generation.

*Maintain financial strength and flexibility.* We remain focused on increasing cash flow and maintaining appropriate levels of liquidity, debt and equity in order to ensure continued access to capital for investment, enhancing risk-adjusted returns, and providing flexibility in executing our business strategy. We will continue our focus on maintaining operational and financial controls designed to ensure that our financial position remains strong.

*Reduce the volatility of our cash flows through asset-based commodity hedging activities.* We will continue to execute asset-based risk management, hedging, marketing and trading strategies within well-defined risk and liquidity guidelines in order to manage the value of our physical and contractual assets. Our marketing and hedging philosophy is centered on generating stable returns from our base load portfolio of power generation assets while preserving the ability to capitalize on strong spot market conditions and to capture the extrinsic value of our intermediate, peaking and portions of our base load

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fleet. We believe that we can successfully execute this strategy by taking advantage of our expertise in marketing power and ancillary services, our knowledge of markets, our balanced financial structure and our diverse portfolio of power generation assets.

*Participate in continued industry consolidation.* We will continue to pursue selective acquisitions, joint ventures and divestitures to enhance our asset mix and competitive position in our core regions in order to meet the fuel and dispatch requirements in these regions. We intend to concentrate on opportunities that we believe will present attractive risk-adjusted returns. We will also opportunistically pursue other strategic transactions, including mergers, acquisitions or divestitures during the consolidation of the power generation industry in the United States.

We were incorporated as a Delaware corporation on May 29, 1992. Our common stock is listed on the New York Stock Exchange under the symbol NRG. Our headquarters and principal executive offices are located at 211 Carnegie Center, Princeton, New Jersey 08540. Our telephone number is (609) 524-4500. Our website is located at [www.nrgenergy.com](http://www.nrgenergy.com). The information on, or linked to, our website is not a part of this prospectus supplement.

You can get more information regarding our business by reading our Annual Report on Form 10-K for the fiscal year ended December 31, 2005, and the other reports we file with the SEC. See [Where You Can Find More Information](#) and [Incorporation of Documents by Reference](#).

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**THE OFFERING**

Common Stock the CS Transaction Counterparties are Offering	Shares of our common stock with an aggregate public offering price of up to \$500,000,000 that the CS transaction counterparties are offering through CSS from time to time for sale in transactions, including block sales, on the New York Stock Exchange, in the over the counter market, in negotiated transactions or otherwise. The CS transaction counterparties will borrow the shares to be sold under this prospectus supplement from one or more third-party share lenders.
Use of Proceeds	We will not receive any proceeds from the sale of shares of our common stock by the CS transaction counterparties pursuant to this prospectus. The CSF subsidiaries will receive proceeds from the sale of the notes and preferred interests to the CS transaction counterparties in connection with the CS transactions, together with the proceeds of an equity contribution from NRG, each as described in The CS Transactions. The aggregate proceeds of the CS transactions and the equity contribution is expected to be approximately \$500,000,000. The CSF subsidiaries will use those proceeds to purchase shares of our common stock in the open market or in privately negotiated transactions from time to time. Please see Use of Proceeds and The CS Transactions.
Share Purchases by NRG CSF I and NRG CSF II	The CSF subsidiaries intend to use up to \$500,000,000 to purchase shares of our common stock in the open market or in privately negotiated transactions from time to time during the offering of common stock under this prospectus supplement, including on and prior to the dates on which shares are sold in this offering. To fund such purchases, the CSF subsidiaries will receive proceeds from the sale of the notes and preferred interests to the CS transaction counterparties in connection with the CS transactions, as well as an equity contribution from NRG. In addition, over the same period that the shares offered by those prospectus supplement are sold, CSS or its affiliates expect to purchase additional shares of our common stock in the open market in connection with the hedging activities of the CS transaction counterparties. These purchases by the CSF subsidiaries and by CSS and its affiliates could have the effect of materially increasing the market price of our common stock above the price that would otherwise prevail.
New York Stock Exchange Symbol	NRG
Risk Factors	Before investing in our common stock, you should carefully read and consider the information set forth in Risk Factors beginning on page S-4 of this prospectus supplement and in the documents incorporated by reference herein, including our Annual Report on Form 10-K.



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**RISK FACTORS**

*Investing in our common stock involves a high degree of risk. In addition to the risk factors set forth below, please see the risk factors described in our Annual Report on Form 10-K for our most recent fiscal year, which are incorporated by reference into this prospectus. Such risks are not the only risks that we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business operations. The risks described could affect our business, financial condition or results of operations. In such a case, you may lose all or part of your original investment. You should carefully consider the risks described in our Form 10-K, the risks described below as well as other information and data set forth in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein before making an investment decision with respect to the common stock.*

**Risks Related to this Offering**

*The price of our common stock may fluctuate significantly, which may make it difficult for you to resell the common stock when you want or at prices you find attractive.*

The price of our common stock on the New York Stock Exchange constantly changes. We expect that the market price of our common stock will continue to fluctuate. Holders of our common stock will be subject to the risk of volatility and depressed prices.

Our common stock price can fluctuate as a result of a variety of factors, many of which are beyond our control. These factors include:

new laws or regulations or new interpretations of existing laws or regulations applicable to our business;

changes in accounting standards, policies, guidance, interpretations or principles;

our ability to raise additional capital;

sales of common stock by us or members of our management team;

quarterly variations in our operating results;

operating results that vary from the expectations of management, securities analysts and investors;

changes in expectations as to our future financial performance, including financial estimates by securities analysts and investors;

developments generally affecting our industry;

market activities taken by the CS transaction counterparties and their affiliates after the conclusion of this offering;

announcements by us or our competitors of significant contracts, acquisitions, joint marketing relationships, joint ventures or capital commitments;

announcements by third parties of significant claims or proceedings against us;

changes in our dividend policy;

future sales of our equity or equity-linked securities; and

general domestic and international economic conditions.

In addition, the stock market in general has experienced extreme volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations may adversely affect the market price of our common stock.

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***Our ability to pay dividends may be limited.***

The terms of our senior secured credit facility and the indentures governing our senior notes restrict our ability to pay dividends to the holders of our common stock. In addition, under the terms of our outstanding preferred stock, we are restricted from paying any cash dividend on our common stock if we are not current in our dividend payments with respect to such preferred stock. In the future, we may agree to further restrictions on our ability to pay dividends. In addition, to maintain our credit ratings, we may be limited in our ability to pay dividends so that we can maintain an appropriate level of debt. Our future dividend policy depends on earnings, financial condition, liquidity, capital requirements and other factors. There is no guarantee that we will pay dividends on shares of our common stock.

***Our corporate documents and Delaware law contain provisions that could discourage, delay or prevent a change in control of our company even if some stockholders might consider such a development favorable, which may adversely affect the price of our common stock.***

Provisions in our amended and restated certificate of incorporation and amended and restated by-laws may discourage, delay or prevent a merger or acquisition involving us that our stockholders may consider favorable. For example, our amended and restated certificate of incorporation authorizes our board of directors to issue shares of preferred stock to which special rights are attached, including voting and dividend rights. With these rights, preferred stockholders could make it more difficult for a third party to acquire us. In addition, our amended and restated certificate of incorporation provides for a staggered board of directors, whereby directors serve for three-year terms, with approximately one third of the directors coming up for reelection each year. Having a staggered board of directors would make it more difficult for a third party to obtain control of our board of directors through a proxy contest, which may be a necessary step in an acquisition of us that is not favored by our board of directors.

We are also subject to the anti-takeover provisions of Section 203 of the Delaware General Corporation Law. Under these provisions, if anyone becomes an interested stockholder, we may not enter into a business combination with that person for three years without special approval, which could discourage a third party from making a takeover offer and could delay or prevent a change of control. For purposes of Section 203, interested stockholder means, generally, someone owning 15% or more of our outstanding voting stock or an affiliate of ours that owned 15% or more of our outstanding voting stock during the past three years, subject to certain exceptions as described in Section 203.

Under our senior secured credit facility, a change of control is an event of default. Upon the occurrence of a change in control, the holders of our senior notes will have the right, subject to certain conditions, to require us to repurchase their notes at a price equal to 101% of their principal amount plus accrued and unpaid interest and liquidated damages, if any, to the date of repurchase.

***Shares eligible for future issuance or sale may cause our common stock price to decline, which may negatively impact your investment.***

Issuances or sales of substantial numbers of additional shares of our common stock, including in connection with future acquisitions, if any, or the perception that such issuances or sales could occur, may cause prevailing market prices for shares of our common stock to decline and may adversely affect our ability to raise additional capital in the financial markets at a time and price favorable to us. As of the date of this prospectus supplement, our amended and restated certificate of incorporation provides that we have authority to issue up to 500,000,000 shares of our common stock. As of August 2, 2006, 137,015,810 shares of our common stock were issued and outstanding and no shares of our common stock were issued and held in treasury. Also as of such date, there were 39,307,003 shares of our common stock reserved for issuance with respect to convertible preferred stock and under stock incentive plans or pursuant to individual option grants or stock awards. Future sales or a perception that such sales may occur could reduce the market price for our common stock.



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***The market price of our common stock may be higher than that which would otherwise prevail as a result of the purchases of our common stock by the CSF subsidiaries and by CSS and its affiliates.***

The CSF subsidiaries intend to use up to \$500,000,000 to purchase shares of our common stock in the open market or in privately negotiated transactions from time to time during the offering of common stock under this prospectus supplement, including on and prior to the dates on which shares are sold in this offering. To fund such purchases, the CSF subsidiaries will receive proceeds from the sale of the notes and preferred interests to the CS transaction counterparties in connection with the CS transactions, as well as an equity contribution from NRG. In addition, over the same period that the shares offered by those prospectus supplement are sold, CSS or its affiliates expect to purchase additional shares of our common stock in the open market in connection with the hedging activities of the CS transaction counterparties. These purchases by the CSF subsidiaries and by CSS and its affiliates could have the effect of materially increasing the market price of our common stock above the price that would otherwise prevail.

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We will not receive any proceeds from the sale of shares of our common stock by the CS transaction counterparties pursuant to this prospectus supplement. Sales of our common stock through this prospectus supplement by the CS transaction counterparties are being made pursuant to a hedging program instituted in connection with their investment in the CSF subsidiaries pursuant to the CS transactions.

The CSF subsidiaries will receive proceeds from the sale of notes and preferred interests to the CS transaction counterparties in connection with the CS transactions, together with the proceeds of an equity contribution from NRG, each as described in The CS Transactions. The aggregate proceeds of the CS transactions and the equity contribution is expected to be approximately \$500,000,000. The CSF subsidiaries will use those proceeds to purchase shares of our common stock in the open market or in privately negotiated transactions from time to time. We expect that the CSF subsidiaries will be consolidated in our financial statements. We also expect the proceeds to be received by the CSF subsidiaries from the CS transactions will be reflected as debt on our consolidated balance sheet. Our shares of common stock to be purchased by the CSF subsidiaries are expected to be reflected as treasury stock, at cost, reducing shareholders equity on our consolidated balance sheet and reducing the number of outstanding shares of our common stock. In addition, there will be a reduction to our weighted average number of shares outstanding as disclosed in our statement of operations. These purchases by the CSF subsidiaries could have the effect of materially increasing the market price of our common stock above the price that would otherwise prevail.

**PRICE RANGE OF COMMON STOCK AND DIVIDEND POLICY**

Since March 25, 2004, NRG's common stock has been listed for trading on the New York Stock Exchange under the symbol NRG. The following table sets forth the quarterly high and low share price information for the periods indicated:

	<b>High</b>	<b>Low</b>
<b>Year ended December 31, 2004</b>		
Second Quarter	\$ 24.80	\$ 19.17
Third Quarter	\$ 28.43	\$ 24.10
Fourth Quarter	\$ 36.18	\$ 26.00
<b>Year ended December 31, 2005</b>		
First Quarter	\$ 39.10	\$ 32.79
Second Quarter	\$ 37.61	\$ 30.30
Third Quarter	\$ 44.45	\$ 36.40
Fourth Quarter	\$ 49.44	\$ 37.60
<b>Year ended December 31, 2006</b>		
First Quarter	\$ 49.46	\$ 45.50
Second Quarter	\$ 52.61	\$ 42.44
Third Quarter (through August 4, 2006)	\$ 50.19	\$ 46.35

On August 4, 2006, the closing sale price of NRG's common stock was \$48.85 and, as of August 2, 2006, there were 137,015,810 shares of common stock issued and outstanding.

NRG has not declared or paid dividends on its common stock, although we may do so in the future. The terms of our senior secured credit facility and the indentures for our senior notes restrict our ability to pay dividends to the holders of our common stock. In addition, under the terms of our outstanding preferred stock, we are restricted from paying any cash dividend on our common stock if we are not current in our dividend payments with respect to such preferred stock.

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**THE CS TRANSACTIONS**

During a period beginning on the date of this prospectus supplement, the CSF subsidiaries will use up to \$500,000,000 to purchase shares of our common stock in the open market or in privately negotiated transactions from time to time. That period of time, which we refer to as the reference period, is expected to be complete when the CSF subsidiaries have paid an aggregate of \$500,000,000 in connection with such purchases. The CSF subsidiaries will make such purchases using the proceeds of the CS transactions, as well as an equity contribution from NRG, which is expected to be approximately \$166,000,000. The CS transaction counterparties will make payments to the CSF subsidiaries pursuant to the CS transactions over the reference period as the CSF subsidiaries make purchases of our common stock. These purchases by the CSF subsidiaries, together with purchases by CSS and its affiliates, could have the effect of materially increasing the market price of our common stock above the price that would otherwise prevail.

We expect that the CSF subsidiaries will be consolidated in our financial statements. As such, we expect the proceeds from the CS transactions, which are expected to total approximately \$334,000,000, will be reflected as debt on our consolidated balance sheet. Our shares of common stock held by the CSF subsidiaries are expected to be reflected as treasury stock on our consolidated balance sheet at cost and will reduce the number of outstanding shares. In addition, there will be a reduction to our weighted average number of shares outstanding as disclosed in our statement of operations.

The CS transactions entered into by NRG CSF I will have a term of approximately two years and the CS transactions entered into by NRG CSF II will have a term of approximately three years. At maturity of the CS transactions, the CSF subsidiaries will be obligated to pay the CS transaction counterparties a stated amount in cash. In addition, at maturity the CS transaction counterparties will have the right to exchange the preferred interests and notes they purchased in the CS transactions for an additional payment equal to the excess, if any, of the market value of our common stock owned by each CSF subsidiary over a threshold amount. A portion of the CS transactions entered into by each CSF subsidiary will be secured by all of the assets of that CSF subsidiary, consisting primarily in both cases of the shares of our common stock purchased by that CSF subsidiary during the reference period. The CS transactions are non-recourse to NRG. We will not guarantee or provide any form of credit support to the CSF subsidiaries, and we will not enter into any agreement, contract, arrangement or understanding with the CSF subsidiaries with respect thereto.

Upon an event of default or certain specified termination events, the fair value of the CS transactions (including the exchange right) will become due and payable by the CSF subsidiaries to the CS transaction counterparties. In addition, the CSF subsidiaries will have the right to unwind the CS transactions at their fair value at any time.

Although the obligations of the CSF subsidiaries to the CS transaction counterparties are non-recourse to NRG, it is anticipated that NRG will purchase the common stock held by the CSF subsidiaries at maturity for a price sufficient both to pay all amounts owing to the CS transaction counterparties at maturity and to enable the CSF subsidiaries to return all equity contributions received from NRG.

As a result of the exchange right described above, the CS transactions are option-based transactions. The CS transaction counterparties will sell shares of our common stock covered by this prospectus supplement in connection with hedging the equity price risk arising from the CS transactions. The documents relating to the CS transactions will contain customary anti-dilution adjustments and adjustments for payments of dividends on our common stock or certain increased costs to the CS transaction counterparties.

If the CSF subsidiaries do not complete the purchase of \$500,000,000 of our common stock during the reference period, or if the CS transaction counterparties do not introduce the full number of shares underlying the CS transactions into the public markets pursuant to this prospectus supplement, the size of the CS transactions (including the payment amounts and the number of underlying shares for the CS transactions) will be reduced proportionally. The CSF subsidiaries are not obligated to complete any additional purchases of our common stock. As a result, we cannot assure you that any additional shares will be purchased by the CSF subsidiaries in the future.

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**MATERIAL UNITED STATES TAX CONSIDERATIONS TO NON-U.S. HOLDERS**

The following is a general discussion of the material U.S. federal income and estate tax considerations applicable to non-U.S. holders with respect to their ownership and disposition of shares of our common stock. This discussion is for general information only and is not tax advice. Accordingly, all prospective non-U.S. holders of our common stock should consult their own tax advisors with respect to the U.S. federal, state, local and non-U.S. tax consequences of the acquisition, ownership and disposition of our common stock. A non-U.S. holder means a beneficial owner of our common stock who is not for U.S. federal income tax purposes:

an individual citizen or resident of the United States,

a corporation, partnership, or any other organization taxable for U.S. federal income tax purposes as a corporation or partnership created or organized in the United States or under the laws of the United States, any state thereof, or the District of Columbia,

an estate the income of which is included in gross income for U.S. federal income tax purposes regardless of its source, or

a trust if (1) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) a valid election is in place to treat the trust as a U.S. person.

This discussion is based on current provisions of the United States Internal Revenue Code of 1986, as amended, existing and proposed United States Treasury Regulations promulgated thereunder, current administrative rulings and judicial decisions, all of which are in effect as of the date of this prospectus and all of which are subject to change, potentially with retroactive effect, or to differing interpretation. Any change, which may or may not be retroactive, could alter the tax consequences to non-U.S. holders described in this prospectus. We assume in this discussion that a non-U.S. holder holds shares of our common stock as a capital asset (generally property held for investment).

This discussion does not address all aspects of U.S. federal income and estate taxation that may be relevant to a particular non-U.S. holder in light of that non-U.S. holder's individual circumstances nor does it address any aspects of U.S. state, local or non-U.S. taxes. This discussion also does not consider any specific facts or circumstances that may apply to a non-U.S. holder and does not address the special tax rules applicable to particular non-U.S. holders, including but not limited to:

banks, insurance companies, or other financial institutions;

tax-exempt organizations;

controlled foreign corporations or passive foreign investment companies;

brokers or dealers in securities or currencies;

pass-through entities (e.g. partnerships) or persons who hold our common stock through pass-through entities;

regulated investment companies;



pension plans;

owners of more than 5% of our common stock;

persons that hold our common stock as part of a straddle, hedge, conversion transaction, synthetic security or other integrated investment; and

certain U.S. expatriates.

In addition, if a partnership holds our common stock, the tax treatment of a partner generally will depend on the status of the partner and upon the activities of the partnership. Accordingly, partnerships that are prospective investors in our common stock, and partners in such partnerships, should consult their tax advisors.

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There can be no assurance that the Internal Revenue Service, or the IRS, will not challenge one of the tax consequences described herein, and we have not obtained, nor do we intend to obtain, an opinion of counsel with respect to the U.S. federal income or estate tax consequences to a non-U.S. holder of the purchase, ownership, or disposition of our common stock. We urge prospective investors to consult with their own tax advisors regarding the U.S. federal, state, local and non-U.S. income and other tax considerations of acquiring, holding and disposing of shares of our common stock.

The following does not attempt to characterize or discuss the tax issues and/or ramifications, if any, resulting from the CSF subsidiaries transactions outlined herein, including any disposition of shares of NRG common stock by the CSF subsidiaries.

### **Distributions on Our Common Stock**

NRG has not declared or paid distributions on its common stock, although, subject to certain restrictions, we may do so in the future. In the event we do pay distributions on our common stock, these distributions generally 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. If a distribution exceeds our current and accumulated earnings and profits, the excess will be treated as a tax-free return of the non-U.S. holder's investment, up to such holder's tax basis in the common stock. Any remaining excess will be treated as capital gain, subject to the tax treatment described below in Gain on Sale or Other Disposition of Our Common Stock.

Dividends paid to a non-U.S. holder generally will be subject to withholding of U.S. federal income tax at a 30% rate or such lower rate as may be provided by an applicable income tax treaty. If we determine, at a time reasonably close to the date of payment of a distribution on our common stock, that the distribution will not qualify as a dividend because we do not anticipate having current or accumulated earnings and profits, we intend not to withhold any U.S. federal income tax on the distribution as permitted by United States Treasury Regulations. If we or another withholding agent withholds tax on such a distribution, a non-U.S. holder may be entitled to a refund of the tax withheld which the non-U.S. holder may claim by filing a United States tax return with the IRS.

Dividends that are treated as effectively connected with a trade or business conducted by a non-U.S. holder within the United States (and, if an applicable income tax treaty so provides, are also attributable to a permanent establishment of such non-U.S. holder), known as United States trade or business income, are generally exempt from the 30% withholding tax if the non-U.S. holder satisfies applicable certification and other requirements. However, such United States trade or business income, net of specified deductions and credits, is taxed at the same graduated U.S. federal income tax rates applicable to United States persons and may be subject to state and local tax. Any United States trade or business income received by a non-U.S. holder that is a corporation may also, under certain circumstances, be subject to an additional branch profits tax at a 30% rate or such lower rate as specified by an applicable income tax treaty.

A non-U.S. holder of our common stock who claims the benefit of an applicable income tax treaty generally will be required to satisfy applicable certification and other requirements. Non-U.S. holders are urged to consult their tax advisors regarding their entitlement to benefits under a relevant income tax treaty and any potential impacts to state and local income taxes.

A non-U.S. holder that is eligible for a reduced rate of United States withholding tax or other exclusion from withholding under an income tax treaty may obtain a refund or credit of any excess amounts withheld by timely filing an appropriate claim with the IRS.

### **Gain on Sale or Other Disposition of Our Common Stock**

In general, a non-U.S. holder will not be subject to any U.S. federal income tax or withholding tax on any gain realized upon such holder's sale or other disposition of shares of our common stock unless:

the gain is United States trade or business income, in which case such holder (i) will be subject to tax on the net gain derived from the sale or disposition under the graduated United States federal

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income tax rates applicable to United States persons and (ii) if a corporation, may be subject to the branch profits tax, both as described above in Distributions on Our Common Stock;

the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of the disposition and meets certain other requirements in which case the holder will be subject to a flat 30% tax on the amount by which the gain derived from the sale, and certain other United States source capital gains realized during such year exceed certain United States source capital losses realized during such year; or

certain rules (described below) relating to United States real property holding corporation status apply to such sale or other disposition.

Gain recognized on a sale or other disposition of our common stock may be subject to U.S. federal income tax (and, in certain circumstances, to withholding tax) if (1) our common stock has ceased to be traded on an established securities market prior to the beginning of the calendar year in which the sale or disposition occurs and (2) we are, or have been, a United States real property holding corporation during the shorter of the five-year period ending on the date of such sale or other disposition or the period that the non-U.S. holder held our common stock. Generally, a corporation is a United States real property holding corporation if the fair market value of its United States real property interests equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests plus its other assets used or held for use in a trade or business. Although there can be no assurance, we do not believe that we are, or have been, a United States real property holding corporation, or that we are likely to become one in the future.

## **United States Federal Estate Tax**

Shares of our common stock that are owned or treated as owned by an individual non-U.S. holder at the time of death will be included in the individual's gross estate for U.S. federal estate tax purposes, unless an applicable estate tax or other treaty provides otherwise, and therefore may be subject to U.S. federal estate tax.

## **Backup Withholding, Information Reporting and Other Reporting Requirements**

We must report to the IRS and to each non-U.S. holder the gross amount of the dividends on our common stock paid to such holder and the tax withheld, if any, with respect to such dividends. Dividends paid to non-U.S. holders subject to the United States withholding tax, as described above in Distributions on Our Common Stock, generally will be exempt from United States backup withholding.

Information reporting and backup withholding (currently at a rate of 28%) will generally apply to the proceeds of a disposition of our common stock by a non-U.S. holder effected by or through the United States office of a broker unless the holder certifies its status as a non-U.S. holder and satisfies certain other qualifications, or otherwise establishes an exemption. Generally, information reporting and backup withholding will not apply to a payment of disposition proceeds where the transaction is effected outside the United States through a non-U.S. office of a non-U.S. broker. However, for information reporting purposes, certain brokers with substantial United States ownership or operations generally will be treated in a manner similar to United States brokers. Non-U.S. holders should consult their own tax advisors regarding the application of the information reporting and backup withholding rules to them.

Copies of information returns may be made available under the provisions of a specific treaty or agreement to the tax authorities of the country in which the non-U.S. holder resides or is incorporated.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a non-U.S. holder can be refunded or credited against the non-U.S. holder's U.S. federal income tax

liability, if any, provided that an appropriate claim is timely filed with the IRS.

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**PLAN OF DISTRIBUTION of such alternative forum.**

The Board of Directors believes that our stockholders will benefit from having intra-corporate disputes litigated in the Delaware Court of Chancery. Although some plaintiffs might prefer to litigate such matters in a forum outside of Delaware because they perceive another court as more convenient or more favorable to their claims (among other reasons), the Board of Directors believes that the substantial benefits to us and our stockholders as a whole from designating the Delaware Court of Chancery as the exclusive forum for intra-corporate disputes outweigh these concerns. The Delaware Court of Chancery is widely regarded as the preeminent court for the determination of disputes

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involving a corporation's internal affairs in terms of precedent, experience and focus. The Court's considerable expertise has led to the development of a substantial and influential body of case law interpreting Delaware's corporate law. This provides us and our stockholders with more predictability regarding the outcome of intra-corporate disputes. In addition, the Delaware Court of Chancery has developed streamlined procedures and processes that help provide relatively quick decisions for litigating parties. This accelerated schedule can limit the time, cost, and uncertainty of litigation for all parties.

The selection of the Delaware Court of Chancery as the exclusive forum for intra-corporate disputes would reduce the risks that we could be forced to waste resources defending against duplicative suits and that the outcome of cases in multiple jurisdictions could be inconsistent, even though each forum purports to follow Delaware law. We experienced firsthand the inefficiencies involved in duplicative litigation across multiple jurisdictions during the tender offer by Roche for our outstanding common stock in 2012. Following the announcement of the tender offer, lawsuits were filed in three jurisdictions, in addition to in the Delaware Court of Chancery, all relating to similar facts and claims. Had these lawsuits not been dismissed shortly after Roche terminated its tender offer, the simultaneous defense of these actions would have not only been expensive, but also would have required a significant amount of management time and attention. Accordingly, the Board of Directors recommends that our stockholders approve the proposed exclusive forum bylaw set forth above.

**Vote Required for Approval**

Stockholder approval is not required for Board of Directors to amend our bylaws; however, the Board of Directors believes that stockholder support of the proposed bylaw is important. Approval of the bylaw amendment set forth above requires the affirmative FOR vote of a majority of shares present in person or represented by proxy and entitled to vote on the proposal.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE FOREGOING RESOLUTION TO APPROVE AN AMENDMENT TO OUR BYLAWS ESTABLISHING DELAWARE AS THE EXCLUSIVE FORUM FOR ADJUDICATION OF CERTAIN DISPUTES**

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The following table sets forth the names, ages, committee assignments, and positions of our Directors as of April 30, 2014. Our Directors' respective backgrounds and a discussion of the specific experience, qualifications, attributes, or skills of our Directors that led the Board of Directors to conclude that each such person should serve as Director are described following the table.

Name	Age	Position with the Company	Committee			
			Audit	Compensation	Governance	Advisory
William H. Rastetter, Ph.D.	65	Chairman				
Jay T. Flatley	61	CEO				
Francis A. deSouza	43	President				
A. Blaine Bowman	67	Director				
Daniel M. Bradbury	52	Director				
Karin Eastham, CPA	64	Director				
Robert S. Epstein, M.D.	58	Director				
Gerald Möller, Ph.D.	70	Director				
David R. Walt, Ph.D.	61	Director				
Roy A. Whitfield	60	Director				
<b>Number of Meetings in 2013</b>			8	6	6	4
Chair	Member	Audit Committee Financial Expert (for purposes of Section 407 of Sarbanes-Oxley Act)				

**William H. Rastetter, Ph.D.** Dr. Rastetter has been a Director since November 1998 and Chairman of the Board since January 2005. Dr. Rastetter is a co-founder of Receptos, Inc., a NASDAQ-listed drug discovery and development company, and has been serving as Chairman of the Board since 2009. Dr. Rastetter served as a partner of Venrock Associates, a venture capital company, from 2006 until 2013. From 2007 to 2009, Dr. Rastetter was Chief Executive Officer and the Executive Chairman of Apoptos, Inc., a privately-held oncology research and development company, which was acquired by Receptos in 2009. At the end of 2005, Dr. Rastetter retired as the Executive Chairman of Biogen Idec Inc., a biopharmaceutical company. He had served in this position since the merger of Biogen, Inc. and IDEC Pharmaceuticals Corporation in 2003. He served as Chief Executive Officer of IDEC Pharmaceuticals, a biotechnology company, from 1986 to 2003 and as Chairman of its Board of Directors from 1996 to 2003. Additionally, he served as President of IDEC Pharmaceuticals from 1986 to 2002, and as Chief Financial Officer from 1988 to 1993. From 1982 to 1986, Dr. Rastetter served in various positions at Genentech, Inc.,



a biotechnology company, and previously he was an associate professor at the

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Massachusetts Institute of Technology. In addition to the public company directorships noted below, Dr. Rastetter serves as a member of the board of directors of Cerulean Pharma Inc., a privately-held company focused on dynamically targeted nanoparticles for cancer therapy. Dr. Rastetter holds an S.B. in Chemistry from the Massachusetts Institute of Technology and received his M.A. and Ph.D. in Chemistry from Harvard University.

**Other Public Company Board Service:** Fate Therapeutics, Inc. (Chairman since 2011); Neurocrine Biosciences, Inc. (2010 to present; Chairman since 2011); Receptos, Inc. (2009 to present); Regulus Therapeutics, Inc. (2013 to present)

*In selecting Dr. Rastetter as a past nominee for election to the Board of Directors, the Board considered, among other things, Dr. Rastetter's scientific and technical expertise combined with his business experience in leading rapidly growing companies in the life science industry. Our continued growth is dependent on scientific and technical advances, and the Board of Directors believes that Dr. Rastetter offers both strategic and technical insight into the risks and opportunities associated with our business. In addition, Dr. Rastetter's board and executive leadership experience at other life sciences companies provides valuable strategic and governance insight to the Board of Directors as a whole.*

**A. Blaine Bowman****Director since: 2007****Independent**

Mr. Bowman has been a Director since January 2007. Mr. Bowman was formerly the Chairman, President, and Chief Executive Officer of Dionex Corporation, a NASDAQ-listed manufacturer of analytical instruments. Mr. Bowman retired as President and Chief Executive Officer of Dionex in 2002 and as Chairman of the Board in 2005, and he remained a director of Dionex until its sale to Thermo Fisher Scientific Inc. in 2011. He joined Dionex in 1977 and was named President and Chief Executive Officer in 1980. Before joining Dionex, Mr. Bowman was a management consultant with McKinsey & Company, a management consulting firm, and a product engineer with Motorola Semiconductor Products Division, a communication equipment company. In addition to the public company directorships noted below, Mr. Bowman serves as Chairman of ProteinSimple, a privately-held life sciences company focused on protein research through the use of nanoproteomics. Mr. Bowman also served as a past director of Solexa, Inc. from 2006 until its sale to Illumina in 2007. Mr. Bowman received his B.S. in Physics from Brigham Young University and an M.B.A. from Stanford University.

**Other Public Company Board Service:** Altera Corporation (2012 to present)

*In selecting Mr. Bowman as a past nominee for election to the Board of Directors, the Board considered, among other things, Mr. Bowman's understanding of highly technical manufacturing processes associated with scientific instruments, his business leadership experience, and his deep understanding of operational financial issues. We design and manufacture our products, many of which are sophisticated scientific*

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*instruments used by scientists and researchers. The Board of Directors believes that Mr. Bowman contributes to the Board's understanding of the needs of our customers and the risks associated with our manufacturing processes. In addition, Mr. Bowman's experience as a management consultant and chief executive officer of a scientific equipment manufacturer contributes to the Board's strategic understanding and review of our business opportunities. Mr. Bowman also served as a director of Solexa, Inc. at the time we acquired Solexa, and through this position he gained an understanding of the DNA sequencing market and associated product development issues.*

**Daniel M. Bradbury****Director since: 2004****Independent**

Mr. Bradbury has been a Director since January 2004. Mr. Bradbury is Managing Member of BioBrit, LLC, a life sciences consulting and investment firm. Mr. Bradbury served as Chief Executive Officer of Amylin Pharmaceuticals, Inc., a NASDAQ-listed biopharmaceutical company, from 2007 until its acquisition by Bristol-Myers Squibb Company in 2012. From 2006 until 2012, he was a member of Amylin's board of directors and served on its Finance and Risk Management Committee. Mr. Bradbury also served as Amylin's President (2006-2007), Chief Operating Officer (2003-2006), and Executive Vice President (2000-2003). He joined Amylin in 1994 and also held officer-level positions in Corporate Development and Marketing. From 1984 to 1994, Mr. Bradbury held a number of sales and marketing positions at SmithKline Beecham Pharmaceuticals, a global pharmaceutical manufacturer. In addition to the public company directorships noted below, Mr. Bradbury serves as a director of: Castle Biosciences Inc., a privately-held molecular diagnostics company; MicroDermis Corporation, a privately-held life sciences company; DiaVacs, a privately-held biotechnology company; and Profil Institute for Clinical Research, Inc., a privately-held clinical research company. Mr. Bradbury also serves on the BioMed Ventures Advisory Committee, the Investor Growth Capital Advisory Committee, the Keck Graduate Institute's Board of Trustees, the UCSD Rady School of Management's Advisory Council, the University of Miami's Innovation Corporate Advisory Council, and the University of Miami's Diabetes Research Institute Corporate Advisory Council. He received a Bachelor of Pharmacy from Nottingham University and a Diploma in Management Studies from Harrow and Ealing Colleges of Higher Education.

**Other Public Company Board Service:** BioMed Realty Trust, Inc. (2013 to present); Biocon Ltd. (2013 to present, Bombay Stock Exchange-listed); Corcept Therapeutics Incorporated (2012 to present); Geron Corporation (2012 to present)

**Past Public Company Board Service (since 2008):** Amylin  
Pharmaceuticals, Inc. (2006 to 2012)

*In selecting Mr. Bradbury as a nominee for election to the Board of Directors, the Board considered, among other things, Mr. Bradbury's management and governance experience in the biopharmaceutical industry gained primarily through his involvement in leading the rapid*

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*growth and development of Amylin. The Board of Directors believes that Mr. Bradbury contributes to the Board's understanding of the risks and opportunities faced by a rapidly growing global business. In addition, Mr. Bradbury's experience successfully commercializing pharmaceutical products contributes to the Board's understanding of the risks and opportunities associated with new product development in an industry regulated by the U.S. Food and Drug Administration.*

**Francis A. deSouza****Director since: 2014****Management: President**

Mr. deSouza has served as President since December 2013 and as a Director since January 2014. Prior to joining Illumina, Mr. deSouza was President, Products and Services, of Symantec Corporation, a NASDAQ-listed software technology company, from 2011 to 2013, and Mr. deSouza served as Symantec's Senior Vice President, Enterprise Security Group, from 2009 to 2011. Prior to joining Symantec, from 2001 to 2006, he was Founder and Chief Executive Officer of IMlogic, Inc., an enterprise instant messaging software company that was acquired by Symantec in 2006, and Mr. deSouza served as Product Unit Manager, Real-time Collaboration Group, at Microsoft Corporation from 1998 to 2001. Prior to joining Microsoft, from 1997 to 1998, Mr. deSouza was co-founder and Chief Executive Officer of Flash Communications, an enterprise instant messaging company that was acquired by Microsoft in 1998. Mr. deSouza is Chairman of the board of directors of MedHelp International, a privately-held online health community. Mr. deSouza received a bachelor's degree in electrical engineering and computer science with a minor in economics and a master's degree from Massachusetts Institute of Technology.

**Other Public Company Board Service: None**

*In selecting Mr. deSouza as a nominee for election to the Board of Directors, the Board considered, among other things, Mr. deSouza's extensive experience with entrepreneurial companies experiencing rapid growth and maturation. The Board of Directors believes that Mr. deSouza's experience directly managing a growing portfolio of products and services contributes to the Board's understanding of the risks and opportunities faced by a rapidly growing global business, such as Illumina, as it develops and introduces an increasing number of products and services.*

**Karin Eastham, CPA**

**Director since: 2004**

**Independent**

Ms. Eastham has been a Director since July 2004. Ms. Eastham serves on the boards of directors for several life science companies. From 2004 to 2008, she served as Executive Vice President and Chief Operating Officer, and as a member of the Board of Trustees, of Burnham Institute for Medical Research, a non-profit corporation engaged in basic biomedical research. From 1999 to 2004, Ms. Eastham served as Senior Vice President, Finance, Chief Financial Officer and Secretary of Diversa Corporation, a biotechnology company. She previously held similar positions with CombiChem, Inc., a computational chemistry company, and Cytel Corporation, a biopharmaceutical company. Ms. Eastham also held several positions, including Vice President, Finance, at Boehringer Mannheim

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Corporation, a biopharmaceutical company, from 1976 to 1988. In addition to the public company directorships noted below, Ms. Eastham serves as a member of the supervisory board of MorphoSys AG, a Frankfurt Stock Exchange-listed biotechnology company. Ms. Eastham received a B.S. and an M.B.A. from Indiana University and is a Certified Public Accountant.

**Other Public Company Board Service:** Geron Corporation (2009 to present); Veracyte, Inc. (2012 to present)

**Past Public Company Board Service (since 2008):** Amylin Pharmaceuticals, Inc. (2005 to 2012); Genoptix, Inc. (2008 to 2011); SGX Pharmaceuticals, Inc. (2005 to 2008); Tercica, Inc. (2003 to 2008); Trius Therapeutics, Inc. (2009 to 2013)

*In selecting Ms. Eastham as a past nominee for election to the Board of Directors, the Board considered, among other things, Ms. Eastham's understanding of biomedical research institutions combined with her business leadership and finance experience. A significant portion of our customers includes biomedical research institutions, and the Board of Directors believes that Ms. Eastham provides the Board with greater insight into the needs of such institutions. Ms. Eastham also contributes to the Board's understanding of governance and strategy for life sciences companies through her experience as a director in our industry. Additionally, Ms. Eastham's extensive senior management experience in the biopharmaceutical industry, particularly in key corporate finance and accounting positions, also provide the appropriate skills to serve on our Board of Directors.*

**Robert S. Epstein, M.D.**

**Director since: 2012**

**Independent**

Dr. Epstein has been a Director since November 2012. Dr. Epstein is an epidemiologist who worked in public health and academia before joining the private sector. From 2010 to 2012, Dr. Epstein was Chief R&D Officer and President of Medco-UBC, a 2,400 person global research organization focused on conducting personalized medicine, health economics, drug safety, outcomes, and comparative effectiveness research on behalf of the biopharmaceutical, medical device, and diagnostics industries. Prior to this role, Dr. Epstein was Medco's Chief Medical Officer for 13 years, where he led formulary development, clinical guideline development, drug information services, personalized medicine program development, and client analytics and reporting. Dr. Epstein is also the former President of the



International Society of Pharmacoeconomics and Outcomes Research (ISPOR), and has served on the board of directors of the Drug Information Association (DIA) and the International Society of Quality of Life. In addition to the public company directorships noted below, Dr. Epstein serves as a director of Proteus Digital Health, a privately-held healthcare technology company. Dr. Epstein has published more than 75 peer-reviewed medical articles and book chapters and serves as a reviewer for several influential medical journals, including the New England Journal of Medicine and JAMA (The Journal of the American Medical Association). Dr. Epstein received his medical degree and B.S. in Biomedical Science from the University of Michigan and an M.S. in preventative medicine from the University of Maryland.

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**Other Public Company Board Service:** AVEO Pharmaceuticals, Inc.  
(2012 to present)

*In selecting Dr. Epstein as a nominee for election to the Board of Directors, the Board considered, among other things, Dr. Epstein's in-depth experience and practical knowledge of how molecular diagnostic tests are reimbursed and the issues raised by payors and other evidentiary authorities. As our technology and products are increasingly utilized in molecular diagnostics and clinical settings, Dr. Epstein's experience will contribute to the Board's understanding of these markets and the risks and opportunities associated with operating in markets regulated by the U.S. Food and Drug Administration.*

**Jay T. Flatley**

**Director since: 1999**

**Management: Chief Executive Officer**

Mr. Flatley has served as our Chief Executive Officer and as a Director since October 1999. Mr. Flatley also served as our President from October 1999 through December 2013. Prior to joining Illumina, Mr. Flatley was co-founder, President, Chief Executive Officer, and a director of Molecular Dynamics, Inc., a NASDAQ-listed life sciences company focused on genetic discovery and analysis, from 1994 until its sale to Amersham Pharmacia Biotech Inc. in 1998. He served in various other positions of increasing responsibility with Molecular Dynamics 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 holds a B.A. in Economics from Claremont McKenna College and a B.S. and M.S. in Industrial Engineering from Stanford University.

**Other Public Company Board Service:** Coherent, Inc. (2011 to present)

*In selecting Mr. Flatley as a past nominee for election to the Board of Directors, the Board considered, among other things, Mr. Flatley's experience in leading and managing our growth and development. The Board of Directors believes that Mr. Flatley, through his long experience with the Company and his prior executive and board experience with Molecular Dynamics, Inc., contributes to the Board's understanding of the needs of our customers, the markets in which we compete, and the risks and opportunities associated with our product development and technological*

*advances.*

**Gerald Möller, Ph.D.**

**Director since: 2010**

**Independent**

Dr. Möller has been a Director since July 2010. Dr. Möller is currently an advisor at HBM Bio Ventures AG, a Swiss investment firm focusing on biotechnology, emerging pharmaceutical, medical technology, and related industries. Previously, Dr. Möller spent 23 years at Boehringer Mannheim in Germany, Japan, and the United States, where he held a number of leadership positions, including president of Decentralized Diagnostics, president of Advanced Diagnostics and Biochemicals, and chief executive officer of Boehringer Mannheim Therapeutics. In 1995 he became chief executive officer of the worldwide Boehringer Mannheim Group. Following Boehringer's acquisition by Roche in 1998, Dr. Möller became head of Global Development and Strategic

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Marketing, Pharmaceuticals, and a member of the Executive Committee at Hoffmann LaRoche where he served until the end of 1998. In addition to Illumina, Dr. Möller sits on several life sciences and diagnostics boards, including MorphoSys AG, a Frankfurt Stock Exchange-listed biotechnology company; Invendo-Medical GmbH, a privately-held medical technology company; Adrenomed AG, a privately-held biopharmaceutical company; Definiens AG, a privately-held provider of image analysis for digital pathology; and Gentical SA, a privately-held vaccines company. Dr. Möller served as a past director of Vivacta Limited, a privately-held medical diagnostics company, until its sale to Novartis AG in 2012; and Bionostics, Inc., a privately-held biotechnology company, until its sale to Techne Corp. in 2013. Dr. Möller also is vice-chairman of the Foundation for Innovative New Diagnostics (FIND), a product development and implementation partnership financed in part by the Bill & Melinda Gates Foundation. He holds a Ph.D. in physical chemistry from the University of Kiel in Germany.

**Other Public Company Board Service: None**

*In selecting Dr. Möller as a past nominee for election to the Board of Directors, the Board considered, among other things, Dr. Möller's product development and diagnostics expertise gained from more than 30 years of leadership and strategic experience at global pharmaceutical and life science companies. The Board of Directors believes that Dr. Möller's diagnostics experience, in particular, contributes to the Board's understanding of the growing diagnostics market and the opportunity and risks associated with such market.*

**David R. Walt, Ph.D.**

Dr. Walt, Ph.D., is one of our founders and 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 1995 and has been a Howard Hughes Medical Institute Professor since 2006.

**Director since: 1998**

Dr. Walt is a Member of the National Academy of Engineering, a Fellow of the American Institute of Medical and Biological Engineers, and a Fellow of the American Association for the Advancement of Science. Dr. Walt has published over 250 papers and is named as an inventor or co-inventor of over 60 patents, many of which are directed to our micro-array products. He also serves as a board member for Quanterix, Inc., a privately-held company focused on single molecule analysis for clinical diagnostics, and AuraSense Therapeutics, a privately-held company focused on developing therapeutic agents based on spherical nucleic acids. Dr. Walt holds a B.S. in Chemistry

**Independent**

from the University of Michigan and received his Ph.D. in Chemical Biology from SUNY at Stony Brook.

**Other Public Company Board Service:** None

*In selecting Dr. Walt as a past nominee for election to the Board of Directors, the Board considered, among other things, Dr. Walt's scientific and technical expertise combined with his understanding of the markets that we serve. Our continued growth is dependent on scientific and technical advances, and the Board believes that Dr. Walt*

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*offers both strategic and technical insight into the risks and opportunities associated with our business. In addition, Dr. Walt's academic and research experience provides the Board of Directors with valuable insight into the needs of our customers, many of which are scientific research institutions, and the opportunities associated with serving the research market.*

**Roy A. Whitfield****Director since: 2007****Independent**

Mr. Whitfield has been a Director since January 2007. Mr. Whitfield is the former Chairman of the Board and Chief Executive Officer of Incyte Corporation (formerly Incyte Genomics), a NASDAQ-listed drug discovery and development company he co-founded in 1991. From 1993 to 2001, Mr. Whitfield served as its Chief Executive Officer and, from November 2001 until his retirement in June 2003, as its Chairman. Mr. Whitfield remains on the board of Incyte Corporation. From 1984 to 1989, Mr. Whitfield held senior operating and business development positions with Technicon Instruments Corporation, a medical instrumentation company, and its predecessor company, Cooper Biomedical, Inc., a biotechnology and medical diagnostics company. Earlier, Mr. Whitfield spent seven years with the Boston Consulting Group's international consulting practice. In addition to the public company directorships noted below, Mr. Whitfield also serves as a director of Station X Inc., a privately-held developer of software products for analyzing large-scale human genome information. Mr. Whitfield also served as a past director of Solexa, Inc. from 2006 until its sale to Illumina in 2007. Mr. Whitfield received a B.S. in Mathematics from Oxford University and an M.B.A. from Stanford University.

**Other Public Company Board Service:** Incyte Corporation (1991 to present); Nektar Therapeutics (2000 to present)

*In selecting Mr. Whitfield as a nominee for election to the Board of Directors, the Board considered, among other things, Mr. Whitfield's management and governance experience in the biotechnology and genomics industries gained primarily through his involvement in leading the growth and development of Incyte Corporation. The Board of Directors believes that Mr. Whitfield contributes to the Board's understanding of the risks and opportunities faced by a rapidly growing global business. In addition, Mr. Whitfield's experience as a management consultant contributes to the Board's strategic understanding and review of our business opportunities.*



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### **Board of Directors**

Our business is managed under the direction of the Board of Directors. Our certificate of incorporation and bylaws provide for a classified Board of Directors consisting of three classes of Directors with staggered three-year terms. The Board has determined that a majority of the members of the Board, specifically Mr. Bradbury, Mr. Bowman, Ms. Eastham, Dr. Epstein, Dr. Möller, Dr. Rastetter, Dr. Walt, and Mr. Whitfield, are independent Directors under the rules of The NASDAQ Global Select Market.

The Board of Directors intends to hold executive sessions of the non-management Directors following each regularly scheduled in-person meeting of the Board of Directors. Executive sessions do not include any employee Directors of the Company. At its meetings during the fiscal year ended December 29, 2013 ( fiscal 2013 ), the Board of Directors regularly met in executive sessions of non-employee Directors.

The Board of Directors has adopted Corporate Governance Guidelines outlining its duties. These guidelines can be viewed on our website at [www.illumina.com](http://www.illumina.com) by clicking on Company, then Investor Relations, and then on Corporate Governance. The Board of Directors meets regularly to review significant developments affecting the Company and to act on matters requiring Board of Directors approval. The Board of Directors held 10 formal meetings during fiscal 2013 and acted two times by written consent. Board members are requested to make attendance at Board and Board committee meetings a priority, to come to meetings prepared, having read any materials provided to the Board of Directors prior to the meeting, and to participate actively in the meetings.

### **Attendance at Meetings**

During fiscal 2013, each Director attended, in person or by telephone, at least 75% of the total number of meetings of both the Board of Directors and Board committees on which such Director served during the period. Board members are invited to attend our annual meetings of stockholders, but they are not required to do so. We reimburse the travel expenses of any Director who travels to attend the annual meetings. Six members of the Board of Directors attended our 2013 annual meeting of stockholders.

### **Corporate Governance**

The Board of Directors and our management believe that good corporate governance is an important component in enhancing investor confidence in the Company and increasing stockholder value. The imperative to continue to develop and implement best practices throughout our corporate governance structure is fundamental to our strategy to enhance performance by creating an environment that increases operational efficiency and ensures long-term productivity and growth. Sound corporate governance practices also ensure alignment with stockholder interests by promoting fairness, transparency, and accountability in business activities among employees, management, and the Board of Directors.



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We maintain a corporate governance page on our website that includes key information about our corporate governance initiatives, including our Corporate Governance Guidelines, Code of Ethics, and charters for each of the committees of the Board of Directors, including the Audit Committee, the Compensation Committee, the Nominating/Corporate Governance Committee, and the Diagnostics Advisory Committee. The corporate governance page can be found on our website at [www.illumina.com](http://www.illumina.com) by clicking on Company, then Investor Relations, and then on Corporate Governance.

## **Board Leadership Structure**

We separate the positions of Chief Executive Officer and Chairman of the Board in recognition of the differences between the two roles. Our Chief Executive Officer is responsible for setting the strategic direction for the Company and its day-to-day leadership and performance, while the Chairman of the Board provides guidance to the Chief Executive Officer, reviews the schedules and agendas for Board meetings, and presides over meetings of the full Board. The Board of Directors believes that this leadership structure is best for the Company at the current time, as it appropriately balances the need for the Chief Executive Officer to run the Company on a day-to-day basis with significant involvement and authority vested in an outside independent board member. In addition, the Board of Directors believes that there are advantages to having an independent Chairman for matters such as communications and relations between the Board, the Chief Executive Officer, and other members of senior management; in assisting the Board in reaching consensus on particular strategies and policies; and in facilitating robust Director, Board, and Chief Executive Officer evaluation processes. Under our Corporate Governance Guidelines, our independent Chairman is responsible for:

reviewing the schedules and agendas for Board meetings as determined and prepared by the Chief Executive Officer;

participating as an observer on any Board committee on which he or she is not a member, if appropriate;

discussing the results of the Chief Executive Officer's performance evaluation with the Chair of the Compensation Committee; and

leading the Board in discussing and conveying to the Chief Executive Officer the results of the Chief Executive Officer's performance evaluation.

In performing the duties described above, our independent Chairman is expected to consult with the Chairs of the appropriate Board committees and solicit their participation in order to avoid diluting the authority and responsibilities of such Committee Chairs.

## **Board's Role in Risk Oversight**

***Risk Oversight Generally***

The Board of Directors is responsible for overseeing our risk management. To assist its oversight function, the Board has delegated many risk oversight functions to the Audit Committee. Under its charter, the Audit Committee is responsible for providing advice to the Board with respect to our risk evaluation and mitigation processes, including, in particular, the processes utilized by management for identifying, evaluating, and mitigating strategic, financial, operational, regulatory, and external

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risks inherent in our business. The Audit Committee also oversees our internal audit function. In addition to the Audit Committee's work in overseeing risk management, our full Board regularly engages in discussions of the most significant risks that we face and how these risks are being managed, and the Board receives reports on risk management from our senior officers and outside consultants engaged to provide an enterprise-level review of the risks facing the Company.

Our senior executives provide the Board of Directors and its committees with regular updates about our strategies and objectives and the risks inherent within them at Board and committee meetings and in regular reports. Board and committee meetings also provide a venue for Directors to discuss issues of concern with management. The Board of Directors and committees call special meetings when necessary to address specific issues or matters that should be addressed before the next regularly scheduled meeting. In addition, our Directors have access to our management at all levels to discuss any matters of interest, including those related to risk. Those members of management most knowledgeable about the applicable issues attend Board meetings to provide additional insight into items being discussed, including exposures and mitigation strategies with respect to various risks. In addition, the Company's General Counsel and the Company's Chief Financial Officer report directly to our Chief Executive Officer, providing him with visibility to our risk profile. The Board of Directors believes that the work undertaken by the Audit Committee, together with the work of the full Board and the Chief Executive Officer, enables the Board to effectively oversee our risk management function.

***Compensation Programs***

The Compensation Committee, together with senior management, reviews compensation programs and benefits plans affecting employees generally (in addition to those applicable to our executive officers), and we have concluded that our compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on the Company. We also believe that our incentive compensation arrangements provide incentives that do not encourage risk-taking beyond our ability to effectively identify and manage significant risks; are compatible with effective internal controls and our risk management practices; and are supported by the oversight and administration of the Compensation Committee with regard to executive compensation programs.

**Committees of the Board of Directors**

The Board of Directors has four standing committees to facilitate and assist the Board in the execution of its responsibilities. These committees are currently the Audit Committee, the Compensation Committee, the Nominating/Corporate Governance Committee, and the Diagnostics Advisory Committee. In accordance with The NASDAQ Global Select Market listing standards, all of the committees are composed solely of non-employee, independent Directors. Charters for each committee are available on our website at [www.illumina.com](http://www.illumina.com) by first clicking on Company, then Investor Relations, and then on Corporate Governance. The charter of each committee is also available in print to any stockholder who requests it.

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***Audit Committee***

The Audit Committee represents and assists the Board by providing oversight of the Company's accounting and financial reporting processes and audits of its financial statements on behalf of the Board of Directors and provides advice with respect to the Company's risk evaluation and mitigation processes. The Audit Committee's duties and responsibilities under its charter include monitoring and advising the Board on:

the integrity of the Company's financial statements and disclosures;

the independent auditor's qualifications and independence;

the performance of the Company's internal audit function and independent registered public accounting firm;

the adequacy and effectiveness of the Company's internal controls;

the Company's compliance with legal and regulatory requirements; and

the processes utilized by management for identifying, evaluating, and mitigating strategic, financial, operational, regulatory, and external risks inherent in the Company's business.

The Board of Directors has unanimously determined that all Audit Committee members are financially literate under current NASDAQ listing standards, and at least one member has financial sophistication under NASDAQ listing standards. In addition, the Board of Directors has unanimously determined that all Audit Committee members qualify as an audit committee financial expert under SEC rules and regulations. Designation as an audit committee financial expert is an SEC disclosure requirement and does not impose any additional duties, obligations, or liability on any person so designated.

***Compensation Committee***

The primary function of the Compensation Committee is to discharge the Board's duties and responsibilities relating to compensation of our non-employee Directors and executive officers, and oversee the design and management of our equity and other compensation plans. The Compensation Committee's duties and responsibilities under its charter with respect to the compensation of our Directors and executive officers include:

to report annually to our stockholders on executive compensation matters;

to administer our equity and other compensation plans; and

to take or cause to be taken such other actions and address such other matters as the Board of Directors may from time to time authorize the committee to undertake.

The Compensation Committee's primary goal under its charter is to align closely the interests of our executive officers with those of our stockholders by its efforts to:

offer compensation opportunities that attract and retain executives whose abilities are critical to the long term success of the Company;

motivate executives to perform to their highest level and reward outstanding achievement;

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maintain appropriate levels of risk and reward, assessed on a relative basis at all levels within the Company in proportion to individual contribution and performance and tied to achievement of financial, organizational and management performance goals, and

encourage executives to manage from the perspective of owners with an equity stake in the Company.

The Chief Executive Officer may not participate in or be present during any deliberations or determinations of the Compensation Committee regarding his compensation or individual compensation objectives.

Mr. Flatley, our Chief Executive Officer, has been delegated limited authority to grant stock options and restricted stock units to any employee who has a title of or below the rank of Vice President, who is not designated as a Section 16 Officer, and who does not report directly to him. Mr. Flatley may exercise this authority without any further action required by the Compensation Committee; however, the Compensation Committee approves grant ranges based on employee job levels to guide Mr. Flatley in the exercise of his authority and sets a maximum number of shares that may be granted under this authority. The purpose of this delegation of authority is to enhance the flexibility of equity administration and to facilitate the timely grant of equity awards to non-management employees, particularly new employees, within the specified limits approved by the Compensation Committee. At least annually, Mr. Flatley reports to the Compensation Committee on his exercise of this delegated authority during the preceding 12 months.

***Nominating/Corporate Governance Committee***

The Nominating/Corporate Governance Committee is responsible for overseeing matters of corporate governance, including the evaluation of the performance and practices of the Board of Directors. In particular, the Nominating/Corporate Governance Committee's duties and responsibilities under its charter include:

identifying individuals qualified to serve as members of the Board of the Company;

selecting nominees for election as Directors of the Company;

evaluating the Board's performance, develop and recommend to the Board corporate governance guidelines; and

providing oversight with respect to corporate governance and ethical conduct.

***Diagnostics Advisory Committee***

The purpose of the Diagnostics Advisory Committee is to periodically review and advise the Board on the strategic direction and objectives of the Company's diagnostics business, including providing understanding, clarification, and validation of the fundamental strategy of the diagnostics business (and its positioning and impact on the Company's overall corporate strategy) in order to enable the Board to make informed business decisions. The Diagnostics Advisory Committee is also responsible for identifying and discussing with the Board significant emerging trends and issues related, or of relevance, to the strategic goals and objectives of the Company's diagnostics business.



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### **Compensation Committee Interlocks and Insider Participation**

Our executive compensation program has been administered by the Compensation Committee of our Board of Directors. None of the members of the Compensation Committee has been an officer or employee 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 fiscal 2013.

### **Code of Ethics**

We have adopted a code of ethics that applies to all of our Directors, officers, and employees, including our principal executive officer and principal financial officer. This code of ethics is reviewed by the Nominating/Corporate Governance Committee of our Board of Directors on an annual basis and modified as deemed necessary. Our code of ethics is available for download from our website, [www.illumina.com](http://www.illumina.com), by first clicking on Company, then Investor Relations, and then on Corporate Governance. A copy of the Code of Ethics may also be obtained free of charge, from us upon a request directed to Illumina, Inc., 5200 Illumina Way, San Diego, California 92122, Attention: Investor Relations. We will disclose within four business days any substantive changes in or waivers of the Code of Ethics granted to our principal executive officer, principal financial officer, principal accounting officer, or controller, or persons performing similar functions, by posting such information on our website as set forth above rather than by filing a Form 8-K with the SEC.

### **Criteria for Board Membership**

The Board of Directors has delegated to the Nominating/Corporate Governance Committee the responsibility for reviewing and recommending to the Board nominees for Director. In accordance with our Corporate Governance Guidelines, the Nominating/Corporate Governance Committee, in evaluating Board candidates, considers factors such as depth and breadth of experience, wisdom, integrity, ability to make independent analytical inquiries, understanding of our business environment, and willingness to devote adequate time to Board duties, all in the context of an assessment of the needs of the Board at the time. The Nominating/Corporate Governance Committee seeks to ensure that at least a majority of Directors are independent under the rules of The NASDAQ Global Select Market, that members of our Audit Committee meet the financial literacy and sophistication requirements under the rules of The NASDAQ Global Select Market, and at least one of them qualifies as an audit committee financial expert under the rules of the SEC.

The Nominating/Corporate Governance Committee's objective is to maintain a board of individuals of the highest personal character, integrity, and ethical standards, and that reflects a range of professional backgrounds and skills relevant to our business. For each of the nominees to the Board, the biographies shown above highlight the experiences and qualifications that were viewed as being among the most important by the Nominating/Corporate Governance Committee in concluding that



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the nominee should serve as a Director of the Company. The Nominating/Corporate Governance Committee considers diversity as one of many, but not dispositive, factors in identifying nominees for Director, including personal characteristics such as race and gender, as well as diversity in the experience and skills that contribute to the Board's performance of its responsibilities in the oversight of a complex and highly-competitive global business. The Nominating/Corporate Governance Committee does not assign specific weights to particular criteria and no particular criterion is necessarily applicable to all prospective nominees.

### **Process for Identifying and Evaluating Nominees**

The Nominating/Corporate Governance Committee believes we are well-served by our current Directors. In the ordinary course, absent special circumstances or a material change in the criteria for Board membership, the Nominating/Corporate Governance Committee will re-nominate incumbent Directors who continue to be qualified for Board service and are willing to continue as Directors. If an incumbent Director is not standing for re-election, or if a vacancy on the Board occurs between annual stockholder meetings, the Nominating/Corporate Governance Committee will seek out potential candidates for Board appointment who meet the criteria for selection as a nominee and have the specific qualities or skills being sought. In addition, from time to time the Board may seek to expand its ranks to bring in new Board members with special skills and/or experience relevant and useful to us at our particular stage of development. Director candidates will be selected based on input from members of our Board of Directors, our senior management, and, if the Nominating/Corporate Governance Committee deems appropriate, a third-party search firm. The Nominating/Corporate Governance Committee will evaluate each candidate's qualifications and check relevant references; in addition, such candidates will be interviewed by at least one member of the Nominating/Corporate Governance Committee. Candidates meriting serious consideration will meet with all members of the Board of Directors. Based on this input, the Nominating/Corporate Governance Committee will evaluate which of the prospective candidates is qualified to serve as a Director and whether the committee should recommend to the Board that this candidate be appointed to fill a current vacancy on the Board or presented for the approval of the stockholders, as appropriate.

### **Stockholder Nominees**

The Nominating/Corporate Governance Committee will consider written proposals from stockholders for nominees for Director under the same criteria described above but, based on those criteria, may not necessarily recommend those nominees to the Board of Directors. Any such nominations should be submitted to the Nominating/Corporate Governance Committee, via the attention of our Secretary, and should include the following information:

all information relating to such nominee that is required to be disclosed pursuant to the Securities Exchange Act of 1934 (including such person's written consent to a background check, to being named in the proxy statement as a nominee, and to serving as a Director, if elected);

the names and addresses of the stockholder(s) making the nomination and the number of shares of our common stock that are owned beneficially and of record by such stockholder(s); and

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appropriate biographical information and a statement as to the qualification of the nominee, including the specific experience, qualifications, attributes, or skills of the nominee, demonstrating the relevance and usefulness to our company of such experience, qualifications, attributes, and/or skills at our particular stage of development.

Nominations should be submitted in the timeframe described in our bylaws and under the caption "Stockholder Proposals for our 2015 Annual Meeting" below.

From time to time, we have retained and may in the future retain the services of an independent third-party search firm to assist the Nominating/Corporate Governance Committee in identifying and evaluating potential candidates.

All interested parties who wish to communicate with the Board of Directors or any of the non-management Directors may do so by sending a letter to the Corporate Secretary, Illumina, Inc., 5200 Illumina Way, San Diego, California 92122, and should specify the intended recipient or recipients. All such communications will be forwarded to the appropriate Director or Directors for review, except for spam, junk mail, mass mailings, product complaints or inquiries, job inquiries, surveys, business solicitations or advertisements, or patently offensive or otherwise inappropriate material.

In addition, you may send, in an envelope marked "Confidential," a written communication to the Chair of the Audit Committee, via the attention of our Corporate Secretary, at Illumina, Inc., 5200 Illumina Way, San Diego, California 92122. All such envelopes will be delivered unopened to the Chair of our Audit Committee.

The Board of Directors, acting on the recommendation of the Compensation Committee, has adopted stock ownership guidelines that are applicable to each of our non-employee Directors, each of our executive officers who is subject to the restrictions of Section 16 of the Securities Exchange Act of 1934, and each of our officers having a title of "Senior Vice President" or above. Under the ownership guidelines each individual subject to the guidelines is expected to own and hold shares of our common stock having an aggregate value at least equal to:

with respect to non-employee Directors, three times (3x) the annual cash retainer paid to non-employee Directors for serving as a Director, without regard to committee or chairperson assignments; and

with respect to executive officers, one times (1x) such executive officer's base salary.

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Under the ownership guidelines, each individual subject to the guidelines is required to achieve compliance with the applicable ownership levels set forth above within three years from the date such individual Director or officer first became subject to the guidelines, which is typically from the later of when such individual joined the Company or March 8, 2010 (the effective date of the ownership guidelines).

Unvested shares of restricted stock, unvested restricted stock units ( RSUs ), unvested performance stock units ( PSUs ), and unvested stock options do not count towards satisfaction of the ownership guidelines. Because we do not count such unvested awards, even if such awards are time-vesting-only, we believe that our ownership policy is more robust than ownership policies adopted by other companies that may have higher ownership thresholds but count unvested awards if the passage of time is the only vesting requirement.

During such time as a covered officer or Director is not in compliance with his or her applicable ownership guidelines, such officer or Director:

is required to retain an amount equal to 100% of the net shares of common stock received as a result of the vesting of restricted stock or RSUs ( net shares are those shares that remain after shares are sold or netted to pay withholding taxes); and

may not establish a qualified trading plan (i.e., a Rule 10b5-1 trading program) or modify an existing qualified trading plan to increase the number of shares of our common stock to be sold under such plan (under our Insider Trading Policy our Directors, executive officers and each of our officers having a title of Senior Vice President or above may only sell shares of our common stock pursuant to a qualified trading plan).

Our Directors play a critical role in guiding our strategic direction and overseeing the management of the Company. Ongoing developments in corporate governance and financial reporting have resulted in an increased demand for such highly qualified and productive public company directors. The many responsibilities and risks and the substantial time commitment of being a director of a public company require that we provide adequate incentives for our Directors continued performance by paying compensation commensurate with our Directors workload. Our non-employee Directors are compensated based upon their respective levels of Board participation and responsibilities, including service on Board committees. Directors who are our employees, such as Messrs. Flatley and deSouza, receive no separate compensation for their services as Directors.

Our Director compensation is overseen by the Compensation Committee of our Board of Directors, which makes recommendations to the Board of Directors on the appropriate amount and structure of our programs in light of then-current competitive practice. The Compensation Committee typically receives advice and recommendations from an independent compensation consultant with respect to its determination on Director compensation matters.

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We use a combination of cash and stock-based compensation to attract and retain qualified candidates to serve on the Board of Directors.

**Cash Compensation*****Annual Retainer***

During fiscal 2013, each of our non-employee Directors was eligible to receive an annual cash retainer of \$50,000, and the Chairman of the Board was eligible to receive an additional \$50,000 (increased from \$20,000 effective immediately following the 2013 annual meeting of stockholders on May 29, 2013). The Board of Directors approved this increase, in part, because the Board determined that effective immediately following the 2013 annual meeting of stockholders the Chairman would be limited to serving on no more than one Board committee of the Chairman's choosing and as a non-voting, ex officio member of all other Board committees. The Board of Directors has determined not to make any changes to the amount of the annual retainers for the fiscal year ending on December 28, 2014.

***Committee Fees***

In addition, during fiscal 2013 each of our non-employee Directors serving on one or more Board committees was eligible to receive the applicable fees set forth below.

	Fiscal 2013 Board Committee Fees (\$)			
	Audit Committee	Compensation Committee	Nominating/Corporate Governance Committee	Diagnostics Advisory Committee
Chairperson	25,000	25,000	12,500	12,500
Member	15,000	15,000	7,000	7,000

The Board of Directors has determined not to make any changes to the foregoing applicable fees for the fiscal year ending on December 28, 2014.

***Stock in Lieu of Cash Compensation***

Non-employee Directors may elect to receive shares of our common stock in lieu of all, but not less than all, cash retainers and Board committee fees (discussed above) otherwise payable by the Company to such Director in a given calendar year. Shares issued to an eligible Director electing to receive cash compensation in the form of shares will not be subject to vesting or forfeiture restrictions and will be issued on a quarterly basis. The number of shares issued to an eligible Director electing to receive shares in lieu of cash will equal the amount of cash compensation otherwise payable by the Company to such Director for the immediately preceding calendar quarter, divided by the weighted average closing price of our common stock during the immediately preceding calendar quarter (calculated by reference to each trading day during such quarter). No fractional shares will be issued, and in lieu of fractional shares, the Company will pay to such electing Director an amount of cash equal to any such fractional share multiplied by the weighted average closing price of our common stock during the immediately preceding calendar quarter (calculated by reference to each trading day during such quarter).



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**Table of Contents****Equity Compensation*****Annual Awards***

In connection with our 2013 annual meeting of stockholders, each of our non-employee Directors received a stock option grant of 7,600 shares and an award of 2,500 RSUs, in each case granted under our Amended and Restated 2005 Stock and Incentive Plan. Each stock option grant has an exercise price equal to the fair market value of our common stock on the grant date, May 29, 2013, which was the date of our 2013 annual meeting of stockholders. Both the stock options and the RSUs vest on the earlier of (i) the one year anniversary of the grant date of the option or award and (ii) the date immediately preceding the date of the annual meeting of our stockholders for the year following the year of grant of the option or award.

In January 2014, the Board of Directors, acting on the recommendation of the Compensation Committee, determined to adopt a value-based approach to awarding annual equity grants pursuant to which the number of shares to be granted will be determined by reference to a target value divided by the closing price of our common stock on the date of grant. For the fiscal year ending on December 28, 2014, each of our non-employee Directors will be eligible to receive a RSU award having an award value of \$400,000 (as determined based on the fair market value of the Company's common stock on the date of grant), which award is to be made automatically on the date of the 2014 annual meeting of stockholders. Such annual RSU awards will vest on the earlier of the first anniversary of the grant date or the day prior to the annual meeting of stockholders immediately following the annual meeting at which the award is granted, in both cases subject to continued service as a board member through the vesting date.

***Awards Upon First Joining the Board of Directors***

In January 2014, the Board of Directors, acting on the recommendation of the Compensation Committee, determined that for the fiscal year ending on December 29, 2013, upon first joining the Board of Directors, each non-employee Director is eligible to receive a one-time RSU award having an award value of \$1,070,000 (as determined based on the fair market value of the Company's common stock on the date of grant), which will become effective on the date on which such person becomes a non-employee Director, whether through election by our stockholders or appointment by our Board of Directors to fill a vacancy. An employee Director who ceases to be an employee but remains a Director will not receive this initial RSU award. Such initial RSU award will vest over a four-year period, with 25% of the RSU vesting on each of the first four anniversaries of the grant.

**Additional Benefits**

Directors who receive RSUs are given the opportunity, at the time they execute award agreements providing for the RSU grant, to elect to receive, at the time the RSU vests, a portion of the award in cash rather than in shares in order to enable the Director to satisfy his or her obligation to pay the federal income tax that becomes due at the time of such vesting.

In addition to the cash and equity compensation described above, we reimburse our non-employee Directors for their expenses incurred in connection with attending Board and committee meetings. We do not provide Directors with additional compensation for attending Board or committee meetings.

**Table of Contents****Non-Employee Director Compensation**

The following table summarizes the total compensation paid by the Company to the non-employee Directors for the fiscal 2013.

<b>Name(1)</b>	<b>Fees Earned or Paid in Cash (\$)(2)</b>	<b>Stock Awards (\$)(3)(4)</b>	<b>Option Awards (\$)(3)(5)</b>	<b>Non-Equity Incentive Plan Compensation (\$)</b>	<b>Change in Pension Value and Nonqualified Deferred Compensation Earnings</b>	<b>All Other Compensation (\$)</b>	<b>Total (\$)</b>
William H. Rastetter	128,654	177,725	224,305				530,684
A. Blaine Bowman	83,769	177,725	224,305				485,799
Daniel M. Bradbury	78,538	177,725	224,305				480,568
Karin Eastham	80,131	177,725	224,305				482,161
Robert S. Epstein	61,092	177,725	224,305				463,122
Gerald Möller	62,500	177,725	224,305				464,530
David R. Walt	57,000	177,725	224,305				459,030
Roy A. Whitfield	77,923	177,725	224,305				479,953

- (1) Mr. Flatley, our Chief Executive Officer, and Mr. deSouza, our President, are not included in this table as both are employees and receive no additional compensation for service as a Director. The compensation received by Messrs. Flatley and deSouza as employees is shown in the Summary Compensation Table on page 54.
- (2) Includes the following number of shares received in lieu of cash payments: (a) 1,099 shares to Dr. Rastetter, (b) 1,137 shares for Mr. Bradbury, and (c) 901 shares for Dr. Möller.
- (3) This reflects the grant date fair value of awards granted during fiscal 2013. Assumptions used in the calculation of these amounts are included in note 8 to our audited consolidated financial statements included in our Annual Report on Form 10-K filed with the SEC on February 18, 2014.
- (4) Each of the Directors received an award of 2,500 RSUs on May 29, 2013 (the date of our 2013 annual meeting of stockholders), with a per share value of \$71.09 (the closing price of our common stock on NASDAQ on May 29, 2013).
- (5) Each of the then serving Directors received a stock option award for 7,600 shares on May 29, 2013 (the date of our 2013 annual meeting of stockholders), with a per share exercise price of \$71.09 (the closing price of our common stock on NASDAQ on May 29, 2013).

The following table shows the total number of unvested RSUs and total stock options held by each of our non-employee Directors as of December 29, 2013:

<b>Name</b>	<b>Unvested RSUs Outstanding</b>	<b>Vested Stock Options Outstanding</b>	<b>Unvested Stock Options Outstanding</b>
William H. Rastetter	2,500	117,100	7,600

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A. Blaine Bowman	2,500	119,556	7,600
Daniel M. Bradbury	2,500	63,100	7,600
Karin Eastham	2,500	71,100	7,600
Robert S. Epstein	5,500	7,583	28,017
Gerald Möller	3,500	45,516	11,684
David R. Walt	2,500	137,100	7,600
Roy A. Whitfield	2,500	88,300	7,600

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The following table sets forth the number of shares of our common stock beneficially owned by each of our Directors and Director nominees and each executive officer named in the Summary Compensation Table (the named executive officers), and by all of our Directors, Director nominees, and executive officers as a group.

The information set forth below is as of February 28, 2014, and is based upon information supplied or confirmed by the named individuals. The address of each person named in the table below is c/o Illumina, Inc., 5200 Illumina Way, San Diego, California 92122.

<b>Name</b>	<b>Common Stock Beneficially Owned (Excluding Stock Options)(1)</b>	<b>Stock Options Exercisable Within 60 Days of February 28, 2014(2)</b>	<b>Total Common Stock Beneficially Owned(1)(2)</b>	<b>Percent of Common Stock(3)</b>
Jay T. Flatley(4)	324,204	1,508,125	1,832,329	1.4%
Marc A. Stapley	2,934	14,220	17,154	*
Francis A. deSouza	-	-	-	*
Charles E. Dadswell	1,926	-	1,926	*
Christian O. Henry	18,621	135,416	154,037	*
William H. Rastetter	88,644	117,100	205,744	*
A. Blaine Bowman	9,548	119,556	129,104	*
Daniel M. Bradbury	7,424	63,100	70,524	*
Karin Eastham	5,784	61,100	66,884	*
Robert S. Epstein	1,000	9,916	10,916	*
Gerald Möller	11,120	47,850	58,970	*
David R. Walt(5)	956,948	137,100	1,094,048	*
Roy A. Whitfield	6,696	86,300	92,996	*
All Directors, Director nominees, and executive officers as a group (17 persons, including those Directors and executive officers named above)	1,467,834	2,626,729	4,094,563	3.2%

\* Represents beneficial ownership of less than one percent (1%) of the issued and outstanding shares of common stock.

- (1) Includes shares of stock beneficially owned as of February 28, 2014. Also includes restricted stock units, or RSUs, vesting within 60 days of February 28, 2014. An RSU represents a conditional right to receive one share of our common stock at a specified future date.
- (2) Includes stock options that are exercisable as of February 28, 2014, and stock options that vest, or become exercisable, within 60 days of February 28, 2014.
- (3) Percentage ownership is based on 128,757,233 shares of common shares of common stock outstanding on February 28, 2014.
- (4) Includes 6,000 shares owned by Mr. Flatley's minor children.

(5) Includes 82,960 shares owned by Dr. Walt's spouse.

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As of February 28, 2014, the following are the only persons known to us to be the beneficial owner of more than five percent of our common stock:

<b>Name and Address of Beneficial Owner</b>	<b>Common Stock Beneficially Owned</b>	<b>Percent of Common Stock(1)</b>
FMR LLC(2)  245 Summer Street  Boston, MA 02210	16,050,772	12.5%
Baillie Gifford & Co.(3)  Calton Square, 1 Greenside Row  Edinburgh EH1 3AN  Scotland UK	15,281,229	11.9%
Capital Research Global Investors(4)  333 South Hope Street, 55th floor  Los Angeles, CA 90071	11,928,587	9.3%
Morgan Stanley(5)  1585 Broadway  New York, NY 10036	9,568,586	7.4%
Prudential Financial, Inc.(6)  751 Broad Street  Newark, NJ 07102	8,507,400	6.6%
Jennison Associates LLC(7)  466 Lexington Avenue  New York, NY 10017	8,499,055	6.6%
BlackRock Inc.(8)  40 East 52 <sup>nd</sup> Street  New York, NY 10022	7,801,002	6.1%
The Vanguard Group(9)  100 Vanguard Blvd.	6,795,804	5.3%

- (1) Percentage ownership is based on 128,757,233 shares of common shares of common stock outstanding on February 28, 2014.
- (2) This information is based on a Schedule 13G/A filed with the SEC on February 14, 2014. FMR LLC reports that it has sole voting power with respect to 613,397 shares and sole dispositive power with respect to 16,050,772 shares.
- (3) This information is based on a Schedule 13G/A filed with the SEC on January 10, 2014. Baillie Gifford & Co. reports that it has sole voting power with respect to 10,011,499 shares and sole dispositive power with respect to 15,281,229 shares.
- (4) This information is based on a Schedule 13G/A filed with the SEC on February 13, 2014. Capital Research Global Investors reports that it has sole voting and sole dispositive power with respect to 11,928,587 shares.
- (5) This information is based on a Schedule 13G/A filed with the SEC on February 11, 2014. Morgan Stanley reports that it has sole voting power with respect to 9,444,775 shares and sole dispositive power with respect to 9,568,586 shares. We understand that the shares being reported on by Morgan Stanley as a parent holding company are owned, or may be deemed to be beneficially owned, by Morgan Stanley Investment Management Inc., an investment adviser and wholly-owned subsidiary of Morgan Stanley.
- (6) This information is based on a Schedule 13G/A filed with the SEC on January 29, 2014. Prudential Financial, Inc. has sole voting and sole dispositive power over 617,518 shares, shared voting power over 4,512,109 shares, and shared dispositive power over 7,889,882 shares, which are held for the benefit of its clients by its separate accounts, externally managed accounts, registered investment companies, subsidiaries and/or other affiliates. Prudential indirectly owns 100% of equity interests of Jennison Associates LLC. As a result, Prudential Financial, Inc. may be deemed to have shared dispositive power over the shares reported on Jennison Associates LLC's Schedule 13G/A filed with the SEC on February 7, 2014, referenced in note (7) below.
- (7) This information is based on a Schedule 13G/A filed with the SEC on February 7, 2014. Jennison Associates LLC has sole voting power with respect to 5,121,282 shares, and shared dispositive power with respect to 8,499,055 shares. Jennison Associates LLC reports that Prudential Financial, Inc. indirectly owns 100% of equity interests of Jennison Associates LLC. As a result, Prudential Financial, Inc. may be deemed to have the power to exercise or to direct the exercise of such voting and/or dispositive power that Jennison Associates LLC may have with respect to the shares reported by Jennison Associates LLC. Accordingly, these shares may also be reflected in the Schedule 13G/A filed with the SEC on January 29, 2014, by Prudential Financial, Inc. referenced in note (6) above.
- (8) This information is based on a Schedule 13G filed with the SEC on February 11, 2014. BlackRock Inc. reports that it has sole voting power with respect to 6,883,816 shares and sole dispositive power with respect to 7,801,002 shares.
- (9) This information is based on a Schedule 13G filed with the SEC on February 11, 2014. The Vanguard Group reports that it has sole voting power with respect to 116,997 shares, sole dispositive power with respect to 6,695,807 shares, and shared dispositive power with respect to 99,997 shares.

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The following table sets forth the names, ages, positions, and business experience during the past five years of our executive officers as of April 1, 2014:

<p><b>Jay T. Flatley</b>, age 61 <i>Chief Executive Officer</i></p> <p>2013 present: present position</p> <p>1999 2013: President and Chief Executive Officer</p> <p>Joined Illumina 1999</p>	<p>2006 2009: Senior Vice President and Chief Financial Officer</p> <p>2005 2006: Vice President and Chief Financial Officer</p> <p>Joined Illumina 2005</p>
<p><b>Paul L. Bianchi</b>, age 52 <i>Senior Vice President, Human Resources</i></p> <p>2012 present: present position</p> <p>2009 2012: senior vice president human resources at Risk Management Solutions, Inc.</p> <p>2005 2009: principal at Strayer Consulting Group, Inc.</p> <p>Joined Illumina 2012</p>	<p><b>Richard Klausner</b>, age 62 <i>Chief Medical Officer &amp; Interim General Manager, Oncology</i></p> <p>2013 present: present position</p> <p>2011 2013: founder and president of Klausner Consulting</p> <p>2005 2011: managing director, The Column Group</p> <p>Joined Illumina 2013</p>
<p><b>Charles E. Dadswell</b>, age 55 <i>Senior Vice President, General Counsel &amp; Secretary</i></p> <p>2013 present: present position</p> <p>2011 2013: vice president, general counsel for North and Latin America, and corporate director of global intellectual property at bioMerieux</p> <p>2008 2010: general counsel at BioDelivery Sciences International, Inc.</p> <p>Joined Illumina 2013</p>	<p><b>Nicholas J. Naclerio</b>, age 52 <i>Senior Vice President, Corporate Development &amp; General Manager, Enterprise Informatics</i></p> <p>2014 present: present position</p> <p>2010 2014: Senior Vice President, Corporate and Venture Development</p> <p>2010 2013: member of board of directors of Boreal Genomics Inc.</p>

**Francis A. deSouza**, age 43

*President*

2013 present: present position

2011 2013: group president, enterprise products and services for Symantec Corporation

2009 2011: senior vice president, enterprise security group at Symantec Corporation

2008 2009: vice president, enterprise messaging management group at Symantec Corporation

Joined Illumina 2013

**Christian O. Henry**, age 46

*Senior Vice President & Chief Commercial Officer*

2014 present: present position

2012 2014: Senior Vice President & General Manager, Genomic Solutions

2010 2012: Senior Vice President, Chief Financial Officer & General Manager, Life Sciences

2009 2010: Senior Vice President, Corporate Development & Chief Financial Officer

2009 2012: member of board of directors of Twin Lights Bioscience, Inc.

2007 2008: executive chairman of True Materials, a privately-held life sciences company that was acquired by Affymetrix, Inc.

Joined Illumina 2010

**Mostafa Ronaghi, Ph.D.**, age 45

*Senior Vice President & Chief Technology Officer*

2008 present: present position

2002 2008: principal investigator at Stanford University, where Dr. Ronaghi focused on the development of novel tools for molecular diagnostic applications

Joined Illumina 2008

**Marc A. Stapley**, age 44

*Senior Vice President & Chief Financial Officer*

2012 present: present position

2009 2012: senior vice president, finance at Pfizer, Inc.

2007 2009: chief financial officer, Americas at Alcatel-Lucent USA, Inc.

Joined Illumina 2012

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The Compensation Committee of the Board of Directors determines the compensation for our executive officers. The Compensation Committee considers, adopts, reviews, and revises executive officer compensation plans, programs, and guidelines, and reviews and determines all components of each executive officer's compensation. Compensation programs, and the compensation components, for the Chief Executive Officer are, additionally, subject to approval by the Board of Directors. The Compensation Committee also consults with management and Illumina's employee compensation and benefits group regarding both executive and non-executive employee compensation plans and programs, including administering our equity incentive plans.

This section of the proxy statement explains how our executive compensation programs are designed and operate with respect to Illumina's named executive officers, who are the CEO, CFO, and the three other most highly compensated executive officers in a particular year. For fiscal 2013, our named executive officers are:

Jay T. Flatley Chief Executive Officer

Marc A. Stapley Senior Vice President & Chief Financial Officer

Francis A. deSouza President

Charles E. Dadswell Senior Vice President, General Counsel & Secretary

Christian O. Henry Senior Vice President & Chief Commercial Officer

### **Recent Say-on-Pay Vote**

In May 2013, we held a stockholder advisory vote to approve the compensation of our named executive officers, commonly referred to as a say-on-pay vote. We received favorable consideration, with over 82% of stockholder votes cast approving the proposal. As a result, the Compensation Committee decided to retain our general approach in the 2014 fiscal year. The Compensation Committee will consider the outcome of the annual say-on-pay votes when making future compensation decisions.

### **Compensation Philosophy and Objectives**

Our executive compensation and benefit programs aim to encourage our executive officers to continually pursue strategic opportunities, while effectively managing our day-to-day operations. Specifically, we have created a compensation package that combines short- and long-term components (cash and equity, respectively) at the levels we believe are most appropriate to motivate and reward our executive officers. The Compensation Committee and our management believe that the proportion of at-risk, performance-based compensation should rise as an employee's level of responsibility increases.

Our executive compensation program is designed to achieve four primary objectives:

attract, retain, and reward executives who contribute to our success;

provide economic incentives for executives to achieve business objectives by linking executive compensation with our overall performance;



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strengthen the relationship between executive pay and stockholder value through the use of long-term compensation; and

reward individuals for their specific contributions to our success.

**Use of Market Data and Benchmarking**

We strive to set executive compensation at competitive levels. This involves, among other things, establishing compensation levels that are generally consistent with levels at other companies with which we compete for talent.

During fiscal 2013, the Compensation Committee retained an independent compensation consultant from Radford, an Aon Hewitt Company, as the Compensation Committee's advisor reporting directly to the Chairperson. After considering all of the factors required by applicable NASDAQ rules, the Compensation Committee is satisfied with Radford's independence. The Compensation Committee maintains sole authority to retain and determine the work to be performed by Radford. During fiscal 2013, the Compensation Committee directed Radford to conduct a comprehensive formal review and analysis of our executive compensation and incentive programs relative to competitive benchmarks. This review consisted of a benchmarking analysis of our executive compensation philosophy and practices against prevailing market practices of identified peer group companies and broader industry trends. The analysis included the review of the total direct compensation (inclusive of salary, cash bonuses, and equity awards) of our executive officers. It was based on an assessment of market trends covering available public information in addition to proprietary data provided by Radford. The peer group was developed considering companies within the industry that have similar business challenges and complexities where we might recruit and lose executive talent.

The Compensation Committee considered a number of factors in defining the peer group, including industry competitors of similar revenue range, market capitalization, and organization complexity, that we believe reflects the market for talent and stockholder investment. Many of the industry competitors are located in geographic areas in which we compete for talent, which reflects high cost-of-living areas and therefore impacts rates of pay.

The following companies made up the compensation peer group for fiscal 2013:

Affymetrix, Inc.	Covance, Inc.	National Instruments Corporation
Alere Inc.	Edwards Lifesciences Corporation	NuVasive, Inc.
Bio-Rad Laboratories, Inc.	Hologic, Inc.	PerkinElmer, Inc.
Bruker Corporation	IDEXX Laboratories, Inc.	QIAGEN N.V.
Cepheid	Intuitive Surgical, Inc.	ResMed Inc.
The Cooper Companies, Inc.	Life Technologies Corporation**	Waters Corporation

\*\* In February 2014, Life Technologies Corporation was acquired by Thermo Fisher Scientific Inc.

We target our total direct compensation, when you consider salary and short and long-term incentives, for executive officers between the 60th and 75th percentiles of compensation paid to executives within our compensation peer group. The largest component of total direct compensation is delivered through equity-based awards, which, at greater

than 75%, represents a larger percentage

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of total direct compensation than that of our peer group and serves to retain our executives and align their interests with those of our stockholders such that higher compensation is realized only for exceptional performance. We believe that our targeted compensation percentiles range appropriately reflects our position and historical and anticipated growth rates, in each case relative to those in our peer group. We may deviate from these general target levels to reflect the executive's experience, the executive's sustained performance level, and market factors as deemed appropriate by the Compensation Committee. The Compensation Committee reviews the information prepared by management from the Radford assessment, reviews each component of an executive's compensation during the current year and prior years, and considers an executive's contribution to the achievement of our strategic goals and objectives, the executive's overall compensation, and other factors to determine the appropriate level and mix of compensation. An executive's compensation is not determined by formula but, instead, in comparison to market and within our company to positions with similar responsibility and impact on operations.

### **Role of the Compensation Committee**

The Compensation Committee has overall responsibility for approving and evaluating our executive officer compensation plans, policies, and programs. The Board of Directors has determined that each member of the Compensation Committee is independent within the meaning, and meets the requirements, of Rule 16b-3 of the Securities Exchange Act of 1934 and the rules of The NASDAQ Global Select Market. The Compensation Committee functions under a written charter, which was adopted by the Board of Directors. The charter is reviewed annually and updated as appropriate. A copy of the charter is available on our website at [www.illumina.com](http://www.illumina.com) by clicking on Company, then Investor Relations, and then on Corporate Governance.

The primary responsibilities of the Compensation Committee are to:

recommend to the Board of Directors the amount and form of compensation to be paid to our Chief Executive Officer, taking into account the results of the Board of Director's annual performance evaluation of the Chief Executive Officer;

review and approve the amount and form of compensation to be paid to our other executive officers and senior, non-executive employees;

exercise oversight of our compensation practices for all other non-executive employees;

administer our equity compensation plans; and

review and make initial (in the case of new hires) and periodic (in the case of then-current Company employees) determinations with respect to who is (i) an executive officer of the Company with reference to Rule 3b-7 of the Securities Exchange Act of 1934 and (ii) a Section 16 officer of the Company with reference to Rule 16a-1(f) of the Securities Exchange Act of 1934.

The Compensation Committee meets as often as it considers necessary to perform its duties and responsibilities. The Compensation Committee held six meetings during fiscal 2013, and it has held one meeting so far in 2014 to review and finalize compensation elements related to fiscal 2013. The Chairperson works with the Chief Executive Officer

and the Senior Vice President of Human Resources

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to establish the meeting agenda in advance of each meeting. The Compensation Committee typically meets with the Chief Executive Officer, Chief Financial Officer, General Counsel, Senior Vice President of Human Resources, our external counsel, and, on occasion, with an independent compensation consultant retained by the Compensation Committee. When appropriate, such as when the Compensation Committee is discussing or evaluating compensation for the Chief Executive Officer, the Compensation Committee meets in executive session without management. The Compensation Committee receives and reviews materials in advance of each meeting. These materials include information that the independent compensation consultant and management believe will be helpful to the Compensation Committee, as well as materials that the Compensation Committee has specifically requested, including benchmark information, historical compensation data, performance metrics and criteria, the Board of Directors assessment of our performance against our goals, and the Chief Executive Officer's assessment of each executive's performance against pre-determined, individual objectives.

**Table of Contents****Components and Analysis of Fiscal 2013 Executive Compensation**

For fiscal 2013, the principal elements of our executive compensation program are summarized in the following table and described in more detail below.

<b>Compensation Element</b>	<b>Objective</b>	<b>Designed to Reward</b>	<b>Key Features (specific to executives)</b>
Base Salary	To provide a competitive, fixed level of cash compensation for the executive officers	Experience, expertise, knowledge of the industry, duties, scope of responsibility, and sustained (and expected) performance	Adjustments are based on an individual's current (and expected) future performance, base salary relative to our compensation peer group, and internal equity
Performance-Based Cash Compensation	To encourage and reward executive officers' contributions in achieving strong financial and operational results by meeting or exceeding established goals	Success in achieving annual results	Annual performance-based cash compensation is based on a formula that includes achievement of corporate revenue and operating income goals and achievement of individual performance goals
Long-Term Equity Compensation	To retain executive officers and to align their interests with those of our stockholders in order to increase overall stockholder value	Success in achieving long-term results	<p>Grants typically consist of both restricted stock units (RSUs) and performance stock units (PSUs)</p> <p>RSUs vest over a four-year period, with 25% of the RSU vesting on each of the first four anniversaries of the grant date</p> <p>PSUs vest at the end of a three-year performance period based on the achievement of specified earnings per share targets at the end of the three-year period</p>

Given our rapid growth and continued high growth profile, a majority of our executive officers' compensation has been delivered, and is expected to be delivered, through long-term equity awards, with PSUs representing 82% of the total value of long-term equity awards (as determined on the grant date)

**Table of Contents*****Base Salary***

Base salary is the primary fixed component of our executive compensation program. In general, executive officers with the highest level of responsibility have a lower percentage of their compensation fixed as base salary and a higher percentage of their compensation at risk. Base salary represented a relatively small percentage of total compensation (13% in 2013) for the named executive officers, as set forth under *Compensation Mix* on page 49.

Salary levels are considered as part of our annual executive performance review process, as well as upon promotion or other material change in job responsibility. The Chief Executive Officer makes recommendations to the Compensation Committee for base salary changes for executive officers (excluding himself) based on performance and current pay relative to market practices for executive officers, other than himself. The Compensation Committee reviews these recommendations, makes any adjustments it considers necessary, and then approves the salary changes. The Compensation Committee recommends to the Board of Directors the base salary for our Chief Executive Officer based on performance and his current pay relative to other chief executives in our peer group. The Compensation Committee believes that increases to base salary should reflect the executive's performance for the preceding year and pay level relative to similar positions in our peer group. Base salary increases also reflect anticipated future contributions of the executive.

**Fiscal 2013 Base Salaries**

The average salary increase for all named executive officers in fiscal 2013 was 2.7%, which is consistent with the actions that were taken more broadly for employee compensation, generally, in the Company.

<b>Named Executive Officer</b>	<b>Position</b>	<b>2012 Base Salary (\$)</b>	<b>2013 Base Salary (\$)</b>	<b>% Increase</b>
Jay T. Flatley	Chief Executive Officer	803,400	830,000	3%
Marc A. Stapley	Senior Vice President & Chief Financial Officer	435,000	448,100	3%
Francis A. deSouza(1)	President		700,000	
Charles E. Dadswell(2)	Senior Vice President, General Counsel & Secretary		350,000	
Christian O. Henry	Senior Vice President & Chief Commercial Officer	450,000	459,000	2%

(1) Mr. deSouza joined Illumina in December 2013

(2) Mr. Dadswell joined Illumina in April 2013

***Performance-Based Cash Compensation***

In general, annual cash bonuses for our executive officers are paid out under our Executive Variable Compensation Plan, or eVCP. The eVCP is an at-risk bonus compensation program designed to foster a performance-oriented culture, where individual performance is aligned with organizational objectives. The eVCP provides guidelines for the calculation of annual non-equity, incentive-based compensation, subject to the Compensation Committee's oversight and modification. Any executive officer that is hired during the year on or prior to October 1st is eligible to participate



in the eVCP for that year. Any bonus received by such executive is prorated based on the amount of time the executive officer served during the plan year.

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**Table of Contents****Target Amounts and Weighted Components**

For fiscal 2013, the Compensation Committee established target cash bonus amounts under the eVCP, calculated as a percentage of each executive officer's base salary. For our Chief Executive Officer, Mr. Flatley, the target cash bonus amount as a percentage of his base salary was 100%, which remained unchanged for fiscal 2013 as compared to fiscal 2012. For each of our named executive officers, other than Messrs. Flatley and deSouza, the target cash bonus amount as a percentage of base salary was 55%, which also remained unchanged for fiscal 2013 as compared to fiscal 2012. Mr. deSouza was not eligible for a bonus under the eVCP plan for fiscal 2013 because he joined Illumina after the eVCP eligibility cut-off date of October 1, 2013.

Under the eVCP, the target cash bonus amount is divided into three separate components with the following weighting (as a % of the target cash bonus amount):

50% based on the achievement of corporate revenue objectives (the revenue eVCP target );

30% based on the achievement of corporate operating income objectives (the operating income eVCP target ); and

20% based on the achievement of individual performance objectives (the individual performance eVCP target ); however, if the applicable threshold objective levels are not met for both of the revenue eVCP target and the operating income eVCP target, then the individual performance eVCP component will not be paid.

The Compensation Committee and the Board of Directors approve minimum, commit, and maximum levels for each component of the revenue and operating income eVCP targets. Payments of the applicable component of the annual cash bonus amounts are based upon the achievement of such objectives for the year. If the applicable threshold objective levels are not met for both of the revenue eVCP target and the operating income eVCP target, then no payouts are earned. The commit level represents a level of performance that the Compensation Committee and the Board of Directors believe is both attainable and practical based on a realistic estimate of our future financial performance. The maximum level is designed to motivate and reward realistically achievable superior performance.

At the beginning of each year, our Chief Executive Officer develops corporate objectives focused primarily on financial performance and other critical corporate goals, such as new product introductions, market penetration, infrastructure investments, and consistency of operating results. The corporate objectives are based on our annual operating plan, which is approved by the Board of Directors. In addition, our Chief Executive Officer, together with each executive eligible to participate in the eVCP, develops a corresponding set of objectives to measure individual performance for the year. The Compensation Committee and the Board of Directors approve the corporate objectives and the individual objectives for our Chief Executive Officer.

Shortly following completion of the fiscal year, the Compensation Committee and the Board of Directors assess our performance against each of the revenue and operating income eVCP targets, comparing the actual fiscal year results to the pre-determined minimum, commit, and maximum levels for each objective, and an overall percentage amount for the corporate financial objectives is



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calculated. The Compensation Committee (and the Board of Directors with respect to our Chief Executive Officer) also reviews the performance of each named executive officer against such officer's individual objectives, and an overall percentage amount for the individual performance objectives is calculated. Although the operation of the eVCP is largely formulaic, the Compensation Committee and the Board of Directors can use their discretion when determining the pay for our executive officers and also when assessing the attainment of individual and corporate performance goals.

**Revenue eVCP Target**

For fiscal 2013, each executive had the potential to earn up to a maximum of 150% of the revenue eVCP target based on the Company's performance against the following fiscal 2013 revenue objectives (with the bonus amount calculated as a linear ratio for points between the minimum, commit, and maximum revenue objective levels):

	Minimum	Commit	Maximum
Revenue Objective (\$ in millions)	1,280	1,380	1,480
% of Revenue eVCP Target Paid	50%	100%	150%

**Operating Income eVCP Target**

For fiscal 2013, each executive had the potential to earn up to a maximum of 150% of the operating income eVCP target based on the Company's performance against the following fiscal 2013 operating income objectives (with the bonus amount calculated as a linear ratio for points between the minimum, commit, and maximum revenue objective levels):

	Minimum	Commit	Maximum
Operating Income Objective (\$ in millions)(1)	400	440	480
% of Operating Income eVCP Target Paid	50%	100%	150%

- (1) Operating income is defined as the income from operations that excludes stock compensation expense, merger related charges, interest and other revenue and income tax expense.

**Example Calculation**

We have included a hypothetical example to demonstrate the calculation. For example, assume Executive A's base salary for fiscal 2013 was \$400,000 and that Executive A's target cash bonus amount as a percentage of base salary was set at 55%. Executive A's target bonus amount would be \$220,000 (i.e., 55% x \$400,000). Assuming that Executive A exceeded or outperformed all of his or her individual performance goals, Executive A's actual bonus under the minimum and at the minimum, commit, and maximum financial objective levels could range from between \$44,000 and \$308,000 and would be determined as follows:

	Below Minimum (\$)	At Minimum (\$)	At Commit (\$)	At or Greater than Maximum (\$)
Revenue eVCP Target		55,000	110,000	165,000

(50% x \$220,000 =  
\$110,000)

Operating Income eVCP  
Target

(30% x \$220,000 =  
\$66,000)

33,000	66,000	99,000
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Individual Performance  
eVCP Target

(20% x \$220,000 =  
\$44,000)

44,000	44,000	44,000	44,000
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<b>Total</b>	44,000	132,000	220,000	308,000
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**Table of Contents****Performance-Based Cash Compensation Payments**

The Compensation Committee met on January 29, 2014, to review fiscal 2013 corporate and executive goal performance, make determinations for fiscal 2014 performance-based incentive cash compensation awards based on the performance reviews, and establish the fiscal 2014 executive compensation plan.

The following table presents the performance-based cash compensation opportunities as a percentage of base salary and the actual amounts earned by each named executive officer for fiscal 2013:

<b>Named Executive Officer</b>	<b>2013 Target Bonus as a % of Salary</b>	<b>Actual Bonus Payout (\$)(1)</b>	<b>Actual Bonus Payout as a % of Salary(1)</b>
Jay T. Flatley	100%	986,870	119%
Marc A. Stapley	55%	288,074	64%
Francis A. deSouza(2)	80%	-	-
Charles E. Dadswell(3)	55%	153,126	44%
Christian O. Henry	55%	295,146	64%

- (1) These bonuses were paid in February 2014 and reflect fiscal 2013 revenue that fell between the commit and maximum objectives and operating income that fell between the commit and maximum objectives, in each case established for the fiscal 2013 eVCP. Accordingly, the revenue eVCP component (50% of target bonus) paid out at a level of 121% and the operating income eVCP component (30% of target bonus) paid out at a level of 128%. The individual performance eVCP component (20% of target bonus) was determined based on achievement of pre-established individual performance objectives.
- (2) Mr. deSouza was not eligible for a bonus under the eVCP plan because he joined Illumina after the eVCP eligibility cut-off date of October 1, 2013.
- (3) Mr. Dadswell joined Illumina in April 2013 and his eVCP bonus was prorated based on the amount of time he served during fiscal 2013.

Performance-based cash compensation awards made to named executive officers under the eVCP for performance in fiscal 2011 and 2012 are reflected in the column titled *Non-Equity Incentive Plan Compensation* of the Summary Compensation Table on page 54. These bonuses were paid in February 2012 and February 2013, respectively.

***Long-Term Equity Compensation***

The Compensation Committee believes it is appropriate to align the interests of executives with those of stockholders. Accordingly, we award long-term incentives to reward performance and align executives with long-term stockholder interests by providing executives with an ownership stake in the Company, encouraging sustained long-term performance, and providing an important retention element to their compensation program. We believe that one of the most effective ways to accomplish this objective is to provide executive officers with a substantial economic interest in the long-term appreciation of our stock price through equity grants, which in fiscal 2013 were in the form of performance stock units (PSUs) and restricted stock units (RSUs).

**Performance Stock Units**

During fiscal 2012, the Compensation Committee approved changes to the long-term equity incentive compensation program for our executive officers that placed greater emphasis on performance-based long-term incentives by

replacing annual stock option grants with PSUs that vest at the end of a three-year performance period based on the achievement of specified earnings per share targets at the end of the three-year period.

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The PSU awards are intended to be an ongoing part of our long-term equity incentive compensation program. It is anticipated that the Compensation Committee will grant new PSU awards each year, based on earnings per share targets (or other appropriate financial metrics) established for a new three-year performance period commencing each year; however, the Compensation Committee is not obligated to grant PSUs or any other equity incentive awards each year.

In keeping with our compensation philosophy to tie executive pay to stockholder value creation, executives realize full value from PSUs only to the extent that we achieve specified earnings per share targets at the end of a three-year period. For instance, the number of shares issued will range from 50% to 150% of the number of shares specified in the PSU agreement based on performance relative to the earnings per share objectives approved by the Compensation Committee. If we fail to achieve the specified earnings per share target at the end of the three-year performance period, then the number of shares issued will range from 50% to 100% of the award amount, depending on the actual earnings per share. If, however, we exceed the specified earnings per share target at the end of the three-year performance period the number of shares issued will range from 100% to 150% of the award amount, depending on the actual earnings per share.

## **Restricted Stock Units**

Since January 1, 2008, long-term equity compensation packages to executives have included grants of time-based vesting RSUs. RSUs granted to executive officers during fiscal 2013 vest over a four-year period, with 25% of the RSU vesting on each of the first four anniversaries of the grant. RSUs granted to executive officers prior to fiscal 2012 vest over a four-year period with 15% of the RSU vesting on the first anniversary of the grant date, 20% on the second anniversary of the grant date, 30% on the third anniversary of the grant date, and 35% on the fourth anniversary of the grant date. Vesting in all cases is subject to the individual's continued service to us through the vesting date.

Like PSUs, RSUs also provide a long-term incentive for executives to remain with us; however, because RSUs do not have a performance component they provide some amount of value to recipients unless our stock price is zero. During 2013, we awarded 82% of our annual equity grants (not including new hire inducement grants) to our named executive officers in the form of PSUs and 18% in the form of RSUs, in each case as measured by the grant date stock equivalent ratio with each RSU counted as the equivalent of three shares of common stock and each PSU counted as the equivalent of two shares of common stock.

## **Determination of Long-Term Equity Compensation**

To determine the value for long-term incentives granted to an executive each year, we consider the following factors:

the proportion of long-term incentives relative to base pay;

the executive's impact on Company performance and ability to create value;

long-term business objectives;

awards made to executives in similar positions within our compensation peer group of companies;



the market demand for the executive's particular skills and experience;

the amount granted to other executives in comparable positions at the Company;

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the executive's demonstrated performance over the past few years; and

the executive's leadership performance.

In addition, the new hire equity grant made to an executive officer upon first joining the Company is based primarily on competitive conditions applicable to the executive officer's specific position. The Compensation Committee also considers the number and type of equity awards owned by executive officers in comparable positions, including the executive's prior position. Subsequent equity grants to executive officers are generally considered and, if appropriate, awarded in connection with their annual performance review during the first quarter of each year. Such subsequent grants serve to maintain a competitive position for us relative to new opportunities that may become available to our executive officers and to enhance the retention features of the program.

**Fiscal 2013 Long-Term Equity Compensation**

The following table presents the long-term equity compensation awarded to each named executive officer based on grant date fair value and as a multiple of base salary for fiscal 2013:

Named Executive Officer	PSUs	RSUs	Total	Multiple of 2013 Base Salary
	(Grant Date Fair Value) (\$)(1)	(Grant Date Fair Value) (\$)(1)		
Jay T. Flatley	4,264,432	947,708	5,212,140	6.3
Marc A. Stapley	1,204,800	267,717	1,472,517	3.3
Francis A. deSouza	5,049,869	1,523,918	6,573,787	9.4
Charles E. Dadswell	1,860,300	413,400	2,273,700	6.5
Christian O. Henry	1,204,800	267,717	1,472,517	3.2

- (1) Reflects the grant date fair value of awards granted during fiscal 2013. Assumptions used in the calculation of these amounts are included in note 8 to our audited consolidated financial statements included in our Annual Report on Form 10-K filed with the SEC on February 18, 2014.

**Compensation Mix**

The following table shows the mix of base salary, cash bonus, and long-term equity compensation for our named executive officers for fiscal 2013:

	Amount (\$)	Percent
Base Salary	2,787,100	13%
eVCP Performance-Based Cash Bonus(1)	1,723,216	8%
Long-Term Equity Compensation(2)	17,004,661	79%

- (1) eVCP performance-based cash bonuses were earned during fiscal 2013 and were paid in February 2014.  
(2) Reflects the grant date fair value of awards granted during fiscal 2013. Assumptions used in the calculation of these amounts are included in note 8 to our audited consolidated financial statements

included in our Annual Report on Form 10-K filed with the SEC on February 18, 2014.

***Potential Payments upon a Termination or Change in Control***

Our executive management and other employees have built Illumina into the successful enterprise that it is today. We believe that the interests of stockholders will be best served if the interests of our executive management are aligned with them, and providing change-in-control benefits may eliminate, or at least reduce, the reluctance of executive management to pursue potential change-in-control transactions that may be in the best interests of stockholders. As such, we provide change-in-control severance benefits to our named executive officers that are subject to a double trigger (i.e., change in

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control and loss of employment). The change-in-control severance agreements automatically renew annually for additional one year periods unless a notice of non-extension is provided by either party. None of the named executive officers have an employment agreement with us.

For purposes of these benefits, in general, a change in control is deemed to occur in any of the following circumstances:

any merger or consolidation in which we are not the surviving entity;

the sale of all or substantially all of our assets to any other person or entity;

the acquisition of beneficial ownership of a controlling interest in the outstanding shares of our common stock by any person or entity;

a contested election of our Directors as a result of which or in connection with which the persons who were Directors before such election or their nominees cease to constitute a majority of the Board of Directors; or

any other event specified by the Board of Directors.

Under the change-in-control severance agreements, the executive would receive benefits if he were terminated within two years following the change in control either:

by the Company other than for cause, which is defined in each change-in-control severance agreement to include repeated failure or refusal to materially perform his duties that existed immediately prior to the change in control, conviction of a felony or a crime of moral turpitude, or engagement in an act of malfeasance, fraud, or dishonesty that materially damages our business; or

by the executive on account of good reason, which is defined in each change-in-control severance agreement to include certain reductions in the executive's annual base salary, bonus, position, title, responsibility, level of authority, or reporting relationships that existed immediately prior to the change in control, or a relocation, without the executive's written consent, of the executive's principal place of business by more than 35 miles from the executive's principal place of business immediately prior to the change in control.

Pursuant to the change-in-control severance agreements, if a covered termination of the executive's employment occurs in connection with a change in control, then, with the exception of the Chief Executive Officer, the executive is generally entitled to the following benefits:

a severance payment equal to one year of the executive's annual base salary plus the greater of (a) the executive's then-current annual target bonus or other target incentive amount or (b) the annual bonus or other incentive paid or payable to the executive for the most recently completed fiscal year;

a lump sum payment of the executive's earned but unpaid compensation, including any earned but unpaid bonus or other incentive payment from any completed fiscal year, and a pro rata portion of the executive's annual target bonus or other target incentive amount for the fiscal year in which the termination occurs;

payments of the executive's group health insurance coverage premiums under COBRA law, including coverage for the executive's eligible dependents enrolled immediately prior to termination, for a maximum period of one year; however, our obligation to pay such premiums ceases immediately upon the date the executive becomes covered under any other group health plan;

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continuance of the executive's indemnification rights and liability insurance for a maximum of one year following termination.

continuation of the executive's perquisites to which the executive was entitled for a period of 12 months or, in the case of Mr. Flatley, 24 months;

automatic vesting of the executive's unvested stock options and equity or equity-based awards; and

certain professional outplacement services consistent with the executive's position for up to two years following termination.

Our Chief Executive Officer is entitled to a severance payment equal to twice the sum of his annual base salary and the greater of his target or most recently paid or payable target bonus or other target incentives and 24 months (instead of 12 months) of continued certain medical and other benefits in addition to the benefits previously described for the other named executive officers.

The change-in-control severance agreements provide that each executive's total change-in-control payment may be reduced in the event such payment is subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended, and such a reduction would provide a greater after-tax benefit for the executive. Additionally, change-in-control benefits are subject to limitations under IRC Section 280G golden parachute provisions. A full analysis of the financial impact of these limitations will be performed based on the facts and circumstances in the event a change in control were to occur.

Based upon a hypothetical change in control date of December 27, 2013, the last trading day of fiscal 2013, the potential payments upon a termination following a change in control for our named executive officers would have been as follows:

Name	Cash \$(1)	Equity \$(2)	Pension/NQDC \$(3)	Perquisites/Benefits \$(4)	Total (\$)
Jay T. Flatley	4,620,610	29,964,878	2,025,240	78,991	36,689,719
Marc A. Stapley	1,024,198	10,532,653		53,996	11,610,847
Francis A. deSouza(5)	1,260,000	7,072,267		53,996	8,386,263
Charles E. Dadswell	695,626	4,553,175		53,996	5,302,797
Christian O. Henry	1,049,341	8,910,354		53,996	10,013,691

- (1) As described above, under the change-in-control severance agreements, upon a qualifying termination following a change in control, each of the named executive officers would be entitled to (i) a severance payment equal to one year (two years for Mr. Flatley) of the executive's annual base salary plus the greater of (two times the greater of for Mr. Flatley) (a) the executive's then-current annual target bonus or other target incentive amount or (b) the annual bonus or other incentive paid or payable to the executive for the most recently completed fiscal year (Severance Payment); and (ii) a lump sum payment of the executive's earned but unpaid compensation and a pro rata portion of the executive's

annual target bonus or other target incentive amount ( Earned Compensation ). Earned Compensation in the table above includes bonus payments for fiscal 2013, which were paid in February 2014. Mr. Flatley would be entitled to receive a Severance Payment equal to \$3,633,740 and Earned Compensation equal to \$986,870; Mr. Stapley would be entitled to receive a Severance Payment equal to \$736,124 and Earned Compensation equal to \$288,074; Mr. deSouza would be entitled to receive a Severance Payment equal to \$1,260,000 and Earned Compensation equal to \$0; Mr. Dadswell would be entitled to receive a Severance Payment equal to \$542,500 and Earned Compensation equal to \$153,126; and Mr. Henry would be entitled to receive a Severance Payment equal to \$754,195 and Earned Compensation equal to \$295,146.

- (2) The value of the RSUs and PSUs is based on the number of outstanding shares that would not ordinarily have vested by December 27, 2013, multiplied by \$110.38 (the closing price of our common stock on December 27, 2013), with the number of shares issuable under each PSU award equal to 100% of the number of shares specified in the PSU agreement.

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- (3) As described below, under the deferred compensation plan upon a separation from service within 24 months of a change in control, each named executive officer will be entitled to his or her retirement benefit or termination benefit in a lump sum payment equal to the unpaid balance of all of his or her accounts. All of the amounts for all of the named executive officers consist of the termination benefits.
- (4) Represents payment of (i) the executive's group health insurance coverage premiums under COBRA law, including coverage for executive's eligible dependents enrolled immediately prior to termination, for a maximum period of one year (two years for Mr. Flatley) and (ii) professional outplacement services for up to two years following termination (\$14,500 per year for each executive officer).
- (5) In addition to the hypothetical change in control event described in the table, in the event that Mr. deSouza's employment was terminated by the Company without cause as of December 27, 2013, the vesting of Mr. deSouza's (i) RSUs would be accelerated fully as of such date and (ii) PSUs would be accelerated as of such date on a prorated basis determined by the number of months of service and with the number of shares received pursuant to the PSU being determined based on the progress towards meeting the applicable PSU earnings per share target being measured as of the Company's most recent periodic report filed with the Securities and Exchange Commission. Accordingly, the value of the RSUs and PSUs that would not ordinarily have vested by December 27, 2013, would have been \$1,856,786 as of such date.

***Deferred Compensation Plan***

Illumina's Deferred Compensation Plan effective December 1, 2007 (the "Deferred Compensation Plan"), provides key employees and Directors with an opportunity to defer a portion of their salary, bonus and other specified compensation. The named executive officers participate in the Deferred Compensation Plan. The plan permits us to make discretionary contributions to the Deferred Compensation Plan on behalf of the participants, although we have not exercised such discretion. A participant is always fully vested in accounts under the plan attributable to a participant's contributions and related earnings on such contributions. Upon a change in control (as defined in the plan) a participant will receive his or her retirement benefit or termination benefit (each as defined in the plan) in a lump sum payment equal to the unpaid balance of all of his or her accounts if a separation from service (as defined in the plan) occurs within 24 months following a change of control.

***Other Benefits and Perquisites***

We do not provide pension arrangements or post-retirement health coverage for our executives or employees, other than the change-in-control severance benefits previously discussed. Otherwise, we provide to our executives medical and other benefits that are generally available to other full-time employees, including dental, vision, and group term life insurance, AD&D premiums, a 401(k) plan, and an Employee Stock Purchase Plan. Our discretionary contributions to the 401(k) plan on behalf of each employee participating in the plan are set at up to 50% of the first 6% of employees' contributions to the plan, based on our meeting certain financial targets. Executives are treated in the same manner as all other eligible employees.

All of our named executive officers participated in our 401(k) plan during fiscal 2013 and received matching contributions.

**No Hedging of Company Stock**

Our executive officers, including named executive officers, are prohibited from hedging their company stock.





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**Tax and Accounting Considerations**

Section 162(m) of the Internal Revenue Code of 1986 limits the deductibility of compensation payable in any tax year to the Chief Executive Officer and the other four most highly compensated executive officers. Section 162(m) stipulates that a publicly held company cannot deduct compensation to its top officers in excess of \$1 million. Compensation that is performance-based compensation within the meaning of the Internal Revenue Code does not count toward the \$1 million limit. We believe that compensation paid under the executive incentive plans is generally fully deductible for federal income tax purposes with the exception of RSUs. However, in certain situations, the Compensation Committee may approve compensation that will not meet these requirements in order to ensure competitive levels of total compensation for our executive officers.

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis set forth above and, based on such review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

RESPECTFULLY SUBMITTED BY THE COMPENSATION COMMITTEE:

Blaine A. Bowman (Chairperson)

William H. Rastetter, Ph.D.

Roy A. Whitfield

**Table of Contents****Summary Compensation Table**

The following table provides information concerning the compensation of our Chief Executive Officer, Chief Financial Officer, and the three other most highly compensated executive officers for fiscal 2013 and, for those executive officers who were named in the 2013 and 2012 Proxy Statements, for fiscal 2012 and 2011. For a complete understanding of the table, please read the narrative disclosures that follow the table.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)(1)	Stock Awards (\$)(2)	Non-Equity Incentive		All Other Compensation (\$)(4)	Total (\$)
					Option Awards (\$)(2)	Plan Compensation (\$)(3)		
Jay T. Flatley <i>CEO, Director</i>	2013	829,386		5,212,140		986,870	17,878	7,046,274
	2012	802,950	200,000	6,288,207		862,935	16,988	8,171,080
	2011	779,423		1,770,500	6,726,848	650,988	16,388	9,944,147
Marc A. Stapley(5) <i>Senior Vice President &amp; CFO</i>	2013	447,749		1,472,517		288,074	12,465	2,220,805
	2012	403,212	350,000	889,350	1,837,208	239,585	232,121	3,951,476
Francis A. deSouza(6) <i>President, Director</i>	2013	13,462	140,000	6,573,787			240	6,727,489
Charles E. Dadswell(7) <i>Senior Vice President, General Counsel &amp; Secretary</i>	2013	235,577		2,273,700		153,126	44,602	2,707,005
Christian O. Henry <i>Senior Vice President &amp; Chief Commercial Officer</i>	2013	457,111		1,472,517		295,146	19,592	2,244,366
	2012	449,666		1,975,558		258,444	24,467	2,708,135
	2011	429,826		416,040	2,400,329	197,457	17,496	3,461,148

- (1) Reflects discretionary one-time cash bonuses paid to: (a) Mr. Flatley in recognition of his leadership role and efforts in connection with the successful defense against Roche's unsolicited attempt to acquire the Company and (b) as hiring bonuses for Messrs. Stapley and deSouza.
- (2) This reflects the grant date fair value of awards granted. Assumptions used in the calculation of these amounts are included in note 8 of our audited consolidated financial statements included in our Annual Report on Form 10-K filed with the SEC on February 18, 2014.
- (3) Reflects performance-based bonuses earned during fiscal 2013, fiscal 2012, and fiscal 2011 under Illumina's Variable Compensation Plan (eVCP), which were paid in February 2014, February 2013, and February 2012, respectively. The eVCP is described in the Compensation Discussion and Analysis, under the caption Performance-Based Incentive Cash Compensation.
- (4) These amounts represent Company contributions to 401(k) plans, Company-paid physical exams, compensation paid in lieu of paid time-off, long-term disability premiums, and relocation expenses paid to Messrs. Stapley and Dadswell.
- (5) Mr. Stapley joined Illumina in January 2012.
- (6) Mr. deSouza joined Illumina in December 2013.
- (7) Mr. Dadswell joined Illumina in April 2013.

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**Table of Contents****Grants of Plan-Based Awards Table**

Name	Award	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Awards (Annual Performance Bonus) (\$ in thousands)(1)			Estimated Future Payouts Under Equity Incentive Plan Awards (PSUs): Number of Shares(2)			All Other Stock Awards: Number of Shares or Stock or Units (#)(3) Fair Value of Stock and Option Awards (\$)(4)	
			Threshold	Target	Maximum	Threshold	Target	Maximum	Units (#)	(\$)
J. Flatley	Bonus		415	830	1,245					
	PSU	January 30, 2013				41,915	83,830	125,745		4,264,432
	RSU	January 30, 2013							18,630	947,708
M. Stapley	Bonus		123	246	370					
	PSU	January 29, 2013				12,000	24,000	36,000		1,204,800
	RSU	January 29, 2013							5,333	267,717
F. deSouza	Bonus									
	PSU	December 16, 2013				24,609	49,219	73,828		5,049,869
	RSU	December 16, 2013							14,853	1,523,918
C. Dadswell	Bonus		67	133	200					
	PSU	April 22, 2013				16,875	33,750	50,625		1,860,300
	RSU	April 22, 2013							7,500	413,400
C. Henry	Bonus		126	252	379					
	PSU	January 29, 2013				12,000	24,000	36,000		1,204,800
	RSU	January 29, 2013							5,333	267,717

- (1) Non-equity incentive plan awards consist of performance-based cash bonuses to be earned during fiscal 2013 under Illumina's Variable Compensation Plan (eVCP). Mr. deSouza was not eligible for a bonus under the eVCP plan because he joined Illumina after the eVCP eligibility cut-off date of October 1, 2013. Mr. Dadswell joined Illumina in April 2013 and his bonus amounts reflect proration based on time employed during fiscal 2013.
- (2) Equity incentive plan awards consist of PSUs. PSUs will vest in their entirety on January 3, 2016, based on the achievement of specified earnings per share targets for the fiscal year ending January 3, 2016. All PSU awards were granted from the 2005 Stock and Incentive Plan. Vesting is subject to the individual's continued service to us through the vesting date.
- (3) Stock awards consist of RSUs. RSUs, vest 25% per year on each of the first four anniversaries of the grant date. All RSU awards were granted from the 2005 Stock and Incentive Plan. Vesting is subject to the individual's continued service to us through the vesting date.
- (4) This reflects the grant date fair value of awards granted during fiscal 2013. Assumptions used in the calculation of these amounts are included in note 8 to our audited consolidated financial statements included in our Annual Report on Form 10-K filed with the SEC on February 18, 2014.

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**Table of Contents****Outstanding Equity Awards at Fiscal Year-End Table**

Name	Option Awards				Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(1)	Number of Shares, Units or Other Rights That Have Not Vested (#)(2)	Market Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)(1)
J. Flatley							182,268	20,118,742
					25,000 (3)	2,759,500		
					35,036 (4)	3,867,274		
					2,500 (5)	275,950		
	50,000		10.49	1/30/2016				
	700,000		20.04	1/25/2017				
	225,000		33.80	2/1/2018				
	250,000		27.97	1/29/2019				
	220,312	4,688 (6)	36.30	1/28/2020				
	159,375	65,625 (6)	70.82	2/1/2021				
M. Stapley							24,000	2,649,120
					23,708 (4)	2,616,889		
	19,909	71,094 (7)	36.30	1/20/2022				
F. deSouza							49,219	5,432,793
					14,853 (4)	1,639,474		
C. Dadswell							33,750	3,725,325
					7,500 (4)	827,850		
C. Henry							51,891	5,727,729
					6,525 (3)	720,230		
					9,981 (4)	1,101,703		
					2,500 (5)	275,950		
	21,000		28.45	1/28/2019				
	66,093	1,407	37.04	1/27/2020				
	58,083	23,917	69.34	1/31/2021				

- (1) Market value of stock awards was determined by multiplying the number of unvested shares by \$110.38, which was the closing market price of our common stock on The NASDAQ Global Select Market on December 27, 2013, the last trading day of fiscal 2013.
- (2) These stock awards consist of PSUs. PSUs vest at the end of a three-year performance period and the number of shares issuable will range from 50% to 150% of the shares approved in the award based on the Company's performance relative to specified earnings per share targets at the end of the three-year performance period.

- (3) These stock awards consist of RSUs that vest 15% on the first anniversary of the grant date, 20% on the second anniversary of the grant date, 30% on the third anniversary of the grant date, and 35% on the fourth anniversary of the grant date.
- (4) These stock awards consist of RSUs that vest 25% on each anniversary of the grant date over four years.
- (5) Stock awards consist of RSUs. RSU vest 50% on each anniversary of the grant date over two years.
- (6) These options vest monthly over a four-year period from the date of grant.
- (7) 25% of these options vest on the first anniversary of the grant, and the remaining options vest monthly over the next 36 months.



**Table of Contents****Option Exercises and Stock Vested Table**

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting	Value Realized on Vesting (\$)
J. Flatley	430,000	30,732,240	30,969	1,596,259
M. Stapley	45,497	1,121,396	6,125	310,844
F. deSouza				
C. Dadswell				
C. Henry	85,052	4,328,009	11,145	582,824

- (1) Value realized on exercise of option awards is computed by determining the difference between the closing market price of our common stock on The NASDAQ Global Select Market on the dates of exercise and the exercise price per share exercised.

**Nonqualified Deferred Compensation for Fiscal 2013**

Name	Executive Contributions in Illumina		Aggregate Earnings in Aggregate		Aggregate Balance at Last Fiscal Year-End (\$)(3)
	Last Fiscal Year (\$)(1)	Fiscal Year (\$)	Last Fiscal Year (\$)(2)	Withdrawals / Distributions (\$)	
J. Flatley	144,231		368,192	98,926	2,025,240
M. Stapley					
F. deSouza					
C. Dadswell					
C. Henry			9,482	320,437	

- (1) Amounts included in the Summary Compensation Table in the Salary and Non-Equity Incentive Plan Compensation columns.
- (2) These amounts are not included in the Summary Compensation Table because plan earnings were not preferential or above market.
- (3) The Company made no contributions towards the deferred compensation plan for the participants in fiscal 2013 or prior years.

The following report of the Audit Committee, the report of the Compensation Committee under Compensation Committee Report, along with statements in this proxy statement regarding the Audit Committee's charter, are not considered soliciting material and are not considered to be filed with the SEC as 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 of 1933 or the Securities Exchange Act of 1934 will not include such reports or statements, except to the extent that we

specifically incorporate it by reference in such filing.

The Audit Committee oversees our financial reporting process on behalf of the Board of Directors and provides advice with respect to our risk evaluation and mitigation processes. In fulfilling its oversight role, the Audit Committee monitors and advises the Board of Directors on:

the integrity of our consolidated financial statements and related schedule and disclosures;

the independent registered public accounting firm's qualifications and independence;

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the performance of our internal and independent audit functions;

the adequacy of our internal controls;

our compliance with legal and regulatory requirements; and

the processes utilized by management for identifying, evaluating, and mitigating strategic, financial, operational, regulatory, and external risks inherent in our business.

The Audit Committee meets with the independent registered public accounting firm, internal auditor, and our outside counsel, with and without our management present, to discuss the results of their examinations, their evaluations of our internal controls, and the overall quality of our financial reporting.

The Audit Committee, in its oversight role, has reviewed and discussed the consolidated financial statements and related schedule and disclosures with management and Ernst & Young LLP, our independent registered public accounting firm. Management is responsible for the preparation, presentation, and integrity of our financial statements; accounting and financial reporting principles; establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)); establishing and maintaining internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)); evaluating the effectiveness of disclosure controls and procedures; evaluating the effectiveness of internal control over financial reporting; and evaluating any change in internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting. Ernst & Young LLP is responsible for performing an independent audit of the consolidated financial statements and related schedule and expressing an opinion on the conformity of those financial statements with U.S. generally accepted accounting principles, as well as expressing an opinion on the effectiveness of internal control over financial reporting.

During the course of fiscal 2013, management completed the documentation, testing, and evaluation of our system of internal control over financial reporting in response to the requirements set forth in Section 404 of the Sarbanes-Oxley Act of 2002 and related regulations. The Audit Committee was kept apprised of the progress of the evaluation and provided oversight and advice to management during the process. In connection with this oversight, the Audit Committee received periodic updates from management and Ernst & Young LLP at each regularly scheduled Audit Committee meeting. At the conclusion of the process, management provided the Audit Committee with, and the Audit Committee reviewed, a report on the effectiveness of our internal control over financial reporting. The Audit Committee also reviewed the report of management contained in our Annual Report on Form 10-K for the fiscal year ended December 29, 2013, filed with the SEC, as well as Ernst & Young LLP's Reports of Independent Registered Public Accounting Firm included in our Annual Report on Form 10-K related to its audit of (i) the consolidated financial statements and related schedule and (ii) the effectiveness of internal control over financial reporting. The Audit Committee continues to oversee our efforts related to our internal control over financial reporting and management's preparations for the evaluation for the fiscal year ending December 28, 2014.

The Audit Committee has reviewed and discussed the consolidated audited financial statements with management, discussed with the independent registered public accounting firm the matters required to be discussed by Auditing Standard No. 16 (Communications with Audit Committees), has received



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the written disclosures and the letter from Ernst & Young LLP required by Rule 3526 of the Public Company Accounting and Oversight Board (communication with Audit Committees Concerning Independence), and has had discussions with the independent registered public accounting firm regarding their independence. Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in our Annual Report on Form 10-K for the fiscal year ended December 29, 2013, for filing with the SEC.

RESPECTFULLY SUBMITTED BY THE AUDIT COMMITTEE:

Karin Eastham (Chairperson)

A. Blaine Bowman

Daniel M. Bradbury

Roy A. Whitfield

**Table of Contents****Fees Paid to Ernst & Young LLP**

During the fiscal years ended December 29, 2013, and December 30, 2012, the aggregate fees billed by Ernst & Young LLP for professional services were as follows:

	Year Ended	
	December 29, 2013 (\$)	December 30, 2012 (\$)
Audit Fees	1,739,948	1,599,254
Audit-Related Fees	1,995	1,995
Tax Fees	83,751	3,519
<b>Total</b>	<b>1,825,694</b>	<b>1,604,768</b>

Audit fees consist of amounts for professional services rendered in connection with the integrated audit of our consolidated financial statements and related schedule and internal control over financial reporting, review of the interim condensed consolidated financial statements included in quarterly reports, and statutory audits required internationally. For the fiscal years ended December 29, 2013 and December 30, 2012, audit-related fees were primarily incurred for accounting consultations. Tax fees for the fiscal years ended December 29, 2013 and December 30, 2012 related to services rendered for the preparation of foreign tax filings. For the fiscal years ended December 29, 2013 and December 30, 2012, Ernst & Young LLP did not perform any professional services other than as stated under the captions Audit Fees, Audit-Related Fees, and Tax Fees.

**Pre-Approval Policies and Procedures**

The Audit Committee, as required by the Securities Exchange Act of 1934, requires advance approval of all audit services and permitted non-audit services to be provided by our independent registered public accounting firm. The Audit Committee must approve the permitted service before the independent registered public accounting firm is engaged to perform it. The services listed as Audit Fees, Audit-Related Fees, and Tax Fees in the table above were pre-approved by our Audit Committee in accordance with this policy.

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 University. Under that agreement, we pay royalties to Tufts University upon the commercial sale of products based on the licensed technology. Tufts University pays a portion of the royalties received from us to Dr. Walt, the amount of which is controlled solely by Tufts University. During fiscal 2013, the portion of royalties received from us that Tufts University shared with Dr. Walt was approximately \$450,000.

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All future transactions between us and our officers, Directors, principal stockholders, and affiliates will be subject to approval by a majority of the independent and disinterested members of our Board of Directors, and will be on terms determined by such members of the Board of Directors to be no less favorable to us than could be obtained from unaffiliated third parties.

We have entered into indemnification agreements with each of our Directors and executive officers pursuant to which we have agreed to indemnify these persons to the fullest extent permitted by law in connection with certain claims that may arise generally relating to their acting in their capacities as our Directors or executive officers.

As of the date of this proxy statement, we know of no other matters that will be presented for consideration at the annual meeting. If any other matters properly come before the meeting, it is the intention of the proxy agent named in the enclosed form of proxy to vote the shares represented as the Board of Directors may recommend. Discretionary authority with respect to such other matters is granted by the execution of the enclosed proxy.

Stockholder proposals that are intended to be presented at our 2015 annual meeting of stockholders must be received at our principal executive offices no later than December 9, 2014, in order to 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 and Rule 14a-8 under the Securities Exchange Act of 1934. In addition, the proxy solicited by the Board of Directors for the 2014 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 February 28, 2015.

Our 2013 Annual Report on Form 10-K, including our audited consolidated financial statements for fiscal 2013, is being mailed to you along with this proxy statement. In order to reduce printing and postage costs, in certain circumstances only one annual report, proxy statement, or Notice of Internet Availability of Proxy Materials, as applicable, will be mailed to multiple stockholders sharing an address unless we receive contrary instructions from one or more of the stockholders sharing an address. If your household has received only one annual report, proxy statement, or Notice of

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Internet Availability of Proxy Materials, as applicable, we will deliver promptly a separate copy of the annual report, proxy statement, or Notice of Internet Availability of Proxy Materials, as applicable, to any stockholder who sends a written or oral request to Illumina, Inc., 5200 Illumina Way, San Diego, California 92122,

Attention: Corporate Secretary. If your household is receiving multiple copies of our annual reports, proxy statements, or Notices of Internet Availability of Proxy Materials and you wish to request delivery of a single copy, you may send a written request to Illumina, Inc., 5200 Illumina Way, San Diego, California 92122, Attention: Corporate Secretary.

We maintain an Internet site at [www.illumina.com](http://www.illumina.com). We use our website as a channel of distribution of material company information. Our website and the information posted on it or connected to it shall not be deemed to be incorporated by reference into this proxy statement.



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**VOTE BY INTERNET**

*Before The Meeting* - Go to [www.proxyvote.com](http://www.proxyvote.com)

**ILLUMINA, INC.**

**5200 ILLUMINA WAY**

**SAN DIEGO, CA 92122**

**ATTN: REBECCA CHAMBERS**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

*During The Meeting* - Go to [www.virtualshareholdermeeting.com/ILMN2014](http://www.virtualshareholdermeeting.com/ILMN2014)

You may attend the Meeting via the Internet and vote during the Meeting. Have the information that is printed in the box marked by the arrow available and follow the instructions.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the meeting date. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

M70546-P47535

KEEP THIS PORTION FOR YOUR RECORDS



full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer.

Signature [PLEASE SIGN WITHIN BOX]

Signature (Joint Owners) \_\_\_\_\_  
Date \_\_\_\_\_

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**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:**

The Notice & Proxy Statement and Form 10-K are available at [www.proxyvote.com](http://www.proxyvote.com).

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**ILLUMINA, INC.**

**Annual Meeting of Stockholders**

**May 28, 2014 10:00 AM Pacific Time**

**This proxy is solicited by the Board of Directors**

The stockholder(s) hereby appoint(s) Jay T. Flatley, Francis A. deSouza and Marc A. Stapley as proxies, and each of them with power to act without the other and with power of substitutions, and hereby authorizes them to represent and to vote, as designated herein, all of the shares of common stock of ILLUMINA, INC. that the stockholder(s) is/are entitled to vote at the Annual Meeting of Stockholders to be held via live webcast at [www.virtualshareholdermeeting.com/ILMN2014](http://www.virtualshareholdermeeting.com/ILMN2014) at 10:00 AM Pacific Time on Wednesday, May 28, 2014, and any adjournment or postponement thereof.

**This proxy, when properly executed, will be voted in the manner directed herein. If no such direction is made, this proxy will be voted in accordance with the Board of Directors' recommendations.**

**Continued and to be signed on reverse side**