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

FORM 8-K

CURRENT REPORT

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

**Date of Report (Date of earliest event reported)
July 24, 2014**

Pacific Biosciences of California, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-34899
(Commission
File Number)

16-1590339
(IRS Employer
Identification No.)

1380 Willow Road
Menlo Park, California 94025
(Address of principal executive offices, including zip code)

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

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

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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ITEM 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

This current report on Form 8-K contains forward-looking statements that involve risks and uncertainties. Forward-looking statements are based on management's beliefs and assumptions and on information currently available to them. The Company's actual results could differ materially from those anticipated in these forward-looking statements for many reasons, including the risks faced by us and described in the Company's most recently filed Quarterly Report on Form 10-Q, Annual Report on Form 10-K, or the Company's other filings with the SEC, as the case may be. You should not place undue reliance on forward-looking statements, which apply only as of the date of this Current Report on Form 8-K. The Company assumes no obligation to update these forward-looking statements.

On July 24, 2014, Pacific Biosciences of California, Inc. (the "Company") reported its financial results for the quarter ended June 30, 2014. The Company's unaudited Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Operations and Comprehensive Loss and Condensed Consolidated Statements of Cash Flows are included as Exhibits 99.1, 99.2 and 99.3 hereto, respectively, and are incorporated herein by reference.

Revenue for the second quarter of 2014 totaled \$11.4 million, compared to \$6.0 million for the second quarter of 2013. Second quarter 2014 revenue reflects the delivery of eight PacBio RS II systems, compared to three systems during the second quarter of 2013. Total revenue for the second quarter of 2014 also included \$1.7 million of contractual revenue. The Company expects 2014 revenue to exceed that recognized during 2013; however, revenue may fluctuate quarter to quarter.

As of June 30, 2014, the Company's instrument backlog was comprised of 10 instruments.

Gross profit for the second quarter of 2014 increased 195% to \$3.1 million, compared to a gross profit of \$1.1 million for the same period of 2013. The increase in gross profit from 2013 to 2014 primarily reflects the gross profit realized in 2014 relating to increases in contractual revenue. Gross margin for the second quarter of 2014 was 27.4% compared to 17.5% for the same period during 2013. Gross margin increased primarily due to the increase in contractual revenue partially offset by changes in product mix. Gross margin for the remainder of this year is expected to remain near current levels, subject to fluctuation on a quarterly basis due to the mix of instruments and consumables delivered each quarter and the geographies into which the products are sold.

Operating expenses totaled \$21.4 million for the quarter ended June 30, 2014 compared to \$21.1 million for the quarter ended June 30, 2013. Operating expenses for the second quarter of 2014 and 2013 included non-cash stock-based compensation of \$2.1 million and \$2.3 million, respectively. The Company anticipates quarterly operating expenses to remain near current levels for the remainder of 2014.

Cash and investments at June 30, 2014 totaled \$105.0 million, compared to \$112.5 million at December 31, 2013. During the six-month period ended June 30, 2014, the Company received \$20.6 million through the sale of common stock under its current "at-the-market" offering program. Excluding proceeds from the "at-the-market" offering, cash and investments decreased by \$28.1 million compared to December 31, 2013, primarily reflecting \$29.9 million of cash used in operating activities and \$0.9 million of fixed asset purchases partially offset by \$2.7 million of proceeds received from equity sales through the Company's employee equity plans.

The information set forth in this Item 2.02, as well as Exhibit 99.1, 99.2 and 99.3 referenced therein, shall be deemed "filed" for purposes of the Securities Exchange Act of 1934, as amended, and shall be incorporated by reference into the Company's filings under the Securities Act of 1933, as amended.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(d) Exhibits.

- 99.1 Condensed Consolidated Balance Sheets (unaudited)
 - 99.2 Condensed Consolidated Statements of Operations and Comprehensive Loss (unaudited)
 - 99.3 Condensed Consolidated Statements of Cash Flows (unaudited)
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EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
99.1	Condensed Consolidated Balance Sheets (unaudited)
99.2	Condensed Consolidated Statements of Operations and Comprehensive Loss (unaudited)
99.3	Condensed Consolidated Statements of Cash Flows (unaudited)

PACIFIC BIOSCIENCES OF CALIFORNIA, INC.

Condensed Consolidated Balance Sheets
(Unaudited)

<u>(in thousands except par value amounts)</u>	June 30, 2014	December 31, 2013
Assets		
Current assets		
Cash and cash equivalents	\$ 28,200	\$ 26,362
Investments	76,834	86,166
Accounts receivable	4,255	2,746
Inventory, net	9,440	10,050
Prepaid expenses and other current assets	1,169	1,135
Total current assets	119,898	126,459
Property and equipment, net	7,861	9,236
Other long-term assets	482	490
Total assets	<u>\$ 128,241</u>	<u>\$ 136,185</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 5,379	\$ 1,717
Accrued expenses	9,225	8,766
Deferred service revenue, current	5,274	4,046
Deferred contractual revenue, current	6,785	6,785
Other liabilities, current	1,304	1,241
Total current liabilities	27,967	22,555
Deferred service revenue, non-current	872	518
Deferred contractual revenue, non-current	23,127	26,519
Other liabilities, non-current	2,847	3,517
Notes payable	13,714	13,347
Financing derivative	699	549
Total liabilities	69,226	67,005
Commitments and contingencies		
Stockholders' equity		
Preferred Stock, \$0.001 par value:		
Authorized 50,000 shares; No shares issued or outstanding	—	—
Common Stock, \$0.001 par value:		
Authorized 1,000,000 shares; Issued and outstanding 70,628 shares at June 30, 2014 and 66,275 shares at December 31, 2013, respectively	71	66
Additional paid-in capital	712,237	684,413
Accumulated other comprehensive income	42	14
Accumulated deficit	(653,335)	(615,313)
Total stockholders' equity	59,015	69,180
Total liabilities and stockholders' equity	<u>\$ 128,241</u>	<u>\$ 136,185</u>

PACIFIC BIOSCIENCES OF CALIFORNIA, INC.

Condensed Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)

(in thousands, except per share amounts)	Three-Month Periods Ended June 30,		Six-Month Periods Ended June 30,	
	2014	2013	2014	2013
Revenue:				
Product revenue	\$ 7,749	\$ 4,601	\$ 15,614	\$ 8,434
Service and other revenue	1,980	1,447	4,061	3,192
Contractual revenue	1,696	—	3,392	—
Total revenue	11,425	6,048	23,067	11,626
Cost of Revenue:				
Cost of product revenue	6,271	3,322	13,440	6,522
Cost of service and other revenue	2,028	1,667	3,825	3,115
Total cost of revenue	8,299	4,989	17,265	9,637
Gross profit	3,126	1,059	5,802	1,989
Operating Expense:				
Research and development	12,435	11,682	24,206	23,665
Sales, general and administrative	8,993	9,374	18,143	18,928
Total operating expense	21,428	21,056	42,349	42,593
Operating loss	(18,302)	(19,997)	(36,547)	(40,604)
Interest expense	(701)	(673)	(1,387)	(1,098)
Other income (expense), net	(133)	199	(88)	127
Net loss	(19,136)	(20,471)	(38,022)	(41,575)
Other comprehensive income (loss):				
Unrealized gain (loss) on investments	24	(13)	28	(32)
Comprehensive loss	\$ (19,112)	\$ (20,484)	\$ (37,994)	\$ (41,607)
Net loss per share:				
Basic and diluted net loss per share	\$ (0.27)	\$ (0.33)	\$ (0.55)	\$ (0.70)
Shares used in computing basic and diluted net loss per share	70,515	61,922	69,195	59,660

PACIFIC BIOSCIENCES OF CALIFORNIA, INC.

Condensed Consolidated Statements of Cash Flows
(Unaudited)

(in thousands)	Six-Month Periods Ended June 30,	
	2014	2013
Cash flows from operating activities		
Net loss	\$ (38,022)	\$ (41,575)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation	2,311	2,897
Amortization of debt discount and financing costs	375	248
Stock-based compensation	4,492	5,190
Other	156	(73)
Changes in assets and liabilities		
Accounts receivable	(1,509)	(1,282)
Inventory	610	(293)
Prepaid expenses and other assets	7	1,229
Accounts payable	3,662	(384)
Accrued expenses	459	699
Deferred service revenue	1,582	(97)
Deferred contractual revenue	(3,392)	—
Other liabilities	(607)	(541)
Net cash used in operating activities	(29,876)	(33,982)
Cash flows from investing activities		
Purchase of property and equipment	(942)	(577)
Purchase of investments	(66,876)	(111,524)
Maturities of investments	76,195	99,373
Net cash provided by (used in) investing activities	8,377	(12,728)
Cash flows from financing activities		
Proceeds from issuance of common stock from equity plans	2,691	1,283
Proceeds from issuance of common stock from at-the-market equity offering, net of issuance costs	20,646	19,954
Proceeds from issuance of Facility Agreement, net of issuance costs	—	19,766
Net cash provided by financing activities	23,337	41,003
Net increase (decrease) in cash and cash equivalents	1,838	(5,707)
Cash and cash equivalents at beginning of period	26,362	46,540
Cash and cash equivalents at end of period	\$ 28,200	\$ 40,833