GOLD RESERVE INC
Form SC TO-I
September 18, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE TO
(Rule 13e-4)

TENDER OFFER STATEMENT UNDER SECTION 14(d)(1) OR 13(e)(1)
OF THE SECURITIES EXCHANGE ACT OF 1934

GOLD RESERVE INC.
(Name of Subject Company (Issuer))

GOLD RESERVE INC.
(Name of Filing Persons (Offeror))

5.50% Senior Subordinated Convertible Notes due 2022
(Title of Class of Securities)

38068N AB4
(CUSIP Number of Class of Securities)

Rockne J. Timm
Chief Executive Officer
Gold Reserve Inc.
926 West Sprague Ave., Suite 200
Spokane, Washington 99201
(509) 623-1500

(Name, Address and Telephone Number of Person Authorized

to Receive Notices and Communications on Behalf of Filing Persons)

Copy to:

Albert G. McGrath, Jr.
Baker & McKenzie LLP
2300 Trammell Crow Center
2001 Ross Avenue
Dallas, TX 75201

Tel. (214) 978-3000
Fax. (214) 978-3099

CALCULATION OF FILING FEE

Transaction Valuation*	Amount of Filing Fee**
$**1,080,000**	$123.77

* Calculated solely for purposes of determining the filing fee. The amount represents the principal amount of the 5.50% Senior Subordinated Convertible Notes due 2022 to which this offer relates.

** The amount of the filing fee was calculated in accordance with Rule 0-11 of the Securities Exchange Act of 1934, as amended, and equals $114.60 for each $1,000,000 of the value of the transaction.

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

Amount Previously Paid:	Not applicable.	Filing Party:	Not applicable.
Form or Registration No.:	Not applicable.	Date Filed:	Not applicable.

o Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

Check the appropriate boxes below to designate any transactions to which this statement relates:

o third-party tender offer subject to Rule 14d-1	o going-private transaction subject to Rule 13e-3
x issuer tender offer subject to Rule 13e-4	o amendment to Schedule 13D under Rule 13d-2

Check the following box if the filing is a final amendment reporting the results of the tender offer. o

INTRODUCTORY STATEMENT

This Schedule TO is filed by Gold Reserve Inc., a company incorporated under the laws of Yukon, Canada ("GR" or the "Company" or "We") with the U.S. Securities and Exchange Commission ("SEC") on September 18, 2012, relating to the offer ("Offer") to holders ("Holders", and each a "Holder") of the Company's 5.50% Senior Subordinated Convertible Notes due 2022 issued by the Company on May 18, 2007 (the "Notes") to participate in a restructuring of the Company's Notes.

The Offer will expire at 5:00 p.m., New York City time, on October 16, 2012. This Schedule TO is intended to satisfy the disclosure requirements of Rule 13e-4(c)(2) under the Securities Exchange Act of 1934, as amended.

Holders of approximately 98.7% of the outstanding Notes (the "Large Noteholders") have agreed to the terms of a Restructuring Transaction (the "Restructuring Transaction") pursuant to the Second Amended and Restated Subordinated Note Restructuring Agreement dated September 13, 2012, among the Company and the Large Noteholders ("Restructuring Agreement"), pursuant to which the Notes held by the Large Noteholders will be restructured. The Holders of the remaining 1.3% of the outstanding Notes are being offered the opportunity to participate in the Restructuring Transaction upon the same terms as agreed by the Company and the Large Noteholders through this Offer.

Following the expiration of the Offer, the Company intends to redeem all Notes that have not been restructured pursuant to the Offer as soon as practicable, subject to applicable legal requirements and compliance with the terms of the Indenture, dated as of May 18, 2007 (the "Indenture"), by and between Gold Reserve Inc., as Issuer ("GR"), and U.S. Bank National Association, as successor to The Bank of New York Mellon, as successor in interest to The Bank of New York, as Trustee, and Computershare Trust Company of Canada, as successor to BNY Trust Company of Canada as the Co-Trustee named therein.

All information in the Offer, including all schedules and annexes thereto, is hereby expressly incorporated by reference in this Schedule TO in response to all items required in the Schedule TO, except that such information is hereby amended and restated to the extent specifically provided for herein. All capitalized terms used in this Schedule TO and not otherwise defined have the respective meanings ascribed to them in the Offer, as amended or supplemented.

Item 1. Summary Term Sheet.

The information set forth under caption entitled “Summary” in the Offer is incorporated herein by reference.

Item 2. Subject Company Information.

(a) The name of the issuer is Gold Reserve Inc., and the address of its principal executive office is 926 West Sprague Avenue, Suite 200, Spokane, Washington 99201, USA. The telephone number of its principal executive office is 509-623-1500.

(b) The subject securities are the Notes, the Modified Notes (described in the Offer), the shares of the Company’s common stock (“Common Stock” or “Common Shares”) and contingent value rights (described in the Offer). As of the date hereof, there are $85,447,000 aggregate principal amount of the Notes outstanding, $84,367,000 of which are held by the Large Noteholders and subject to the Restructuring Agreement and $1,080,000 of which are the subject of the Offer.

(c) The Notes are not listed on any national or regional securities exchange or quoted on any automated quotation system. Market quotations for the Notes are available. To the Company’s knowledge, the Notes are traded infrequently in transactions arranged through brokers. The Common Stock into which the Notes are convertible trades on the New York Stock Exchange Market under the symbol “GRZ”. The information set forth under “Market for the Notes and Common Stock” in the Offer is incorporated herein by reference.

Item 3. Identity and Background of Filing Person.

(a) The principal executive office of the filing person, Gold Reserve Inc., is located at 926 West Sprague Avenue, Suite 200, Spokane, Washington 99201, USA. The telephone number of its principal executive office is 509-623-1500.

The persons listed on Annex A are directors and executive officers of the Company. No single person or group of persons controls the Company

The business address of each director and executive officer of the Company listed above is: c/o Gold Reserve Inc., 926 West Sprague Avenue, Suite 200, Spokane, Washington 99201, USA, and such person’s telephone number c/o the Company is 509-623-1500.

Item 4. Terms of the Transaction.

(a) Material Terms

(1) Offer

(i)-(ii) The information set forth in the Offer under the captions entitled “Summary”, “Information Concerning Gold Reserve” and “The Offer” is incorporated herein by reference.

(iii) The information set forth in the Offer under the captions entitled “Summary” and “Procedures to be Followed by Holders Electing to Participate in the Offer” is incorporated herein by reference.

(iv) Not applicable.

(v) The information set forth in the Offer under the captions entitled “Summary” is incorporated herein by reference.

(vi) The information set forth in the Offer under the captions entitled “Summary” and “Procedures to be Followed by Holders Electing to Participate in the Offer” is incorporated herein by reference.

(vii) The information set forth in the Offer under the captions entitled “Summary” and “Procedures to be Followed by Holders Electing to Participate in the Offer” is incorporated herein by reference.

(viii) The information set forth in the Offer under the captions entitled “Summary” and “Procedures to be Followed by Holders Electing to Participate in the Offer” is incorporated herein by reference.

(ix) Not applicable.

(x) The information set forth in the Offer under the caption entitled “Information Concerning Gold Reserve” is incorporated herein by reference.

(xi) The information set forth in the Offer under the caption entitled “Comparison of Rights Among the Common Stock, the Notes and the Modified Notes” is incorporated herein by reference.

(xii) The information set forth in the Offer under the captions entitled “Certain Material U.S. Federal Income Tax Considerations” and “Certain Material Canadian Federal Income Tax Considerations” is incorporated herein by reference.

Instruction to Item 1004(a)

The information set forth in the Offer under the caption entitled “Comparison of Rights between the Common Stock and the Notes and the Modified Notes” is incorporated herein by reference.

(i)-(vii) Not applicable.

(b) The information set forth in the Offer under the caption entitled “Summary” is incorporated herein by reference.

Item 5. Past Contacts, Transactions, Negotiations and Agreements.

(e) Agreements Involving the Company’s Securities.

The Company has entered into the Restructuring Agreement in connection with the Notes described under the caption entitled “The Offer.”

Item 6. Purposes of the Transaction and Plans or Proposals.

(a) The information set forth in the Offer under the captions entitled “Summary” and “The Offer” is incorporated herein by reference.

(b) The information set forth in the Offer under the caption entitled “Use of Proceeds” is incorporated herein by reference.

(c)(9) The information set forth in the Offer under the captions entitled “Summary” and “The Offer” is incorporated herein by reference.

Item 7. Source and Amount of Funds or Other Consideration.

(a) The information set forth in the Offer under the captions entitled “Summary”, “Information Concerning the Outstanding Notes” and “The Offer” is incorporated herein by reference.

(b) The information set forth in the Offer under the captions “Summary” and “The Offer” is incorporated herein by reference.

(d) Not applicable.

Item 8. Interest in Securities of the Subject Company.

(a) The information set forth in the Offer under the caption “The Offer” is incorporated herein by reference.

(b) The information set forth in the Offer under the caption “Purchase of Notes by GR” is incorporated herein by reference.

Item 9. Persons/Assets, Retained, Employed, Compensated or Used.

(a) For information regarding the Agent, see the information set forth in Offer, which is incorporated herein by reference. No persons have been directly or indirectly employed, retained or otherwise compensated to make solicitations or recommendations in connection with the Offer, other than certain employees of the Company, none of whom will receive any special or additional compensation in connection with the Offer beyond their normal compensation.

Item 10. Financial Statements.

(a) The information set forth in the Offer under the captions “Capitalization”, “Market for the Notes and the Common Stock” “Pro Forma Financial Information” and “Ratios of Earnings” are incorporated herein by reference. The information set forth under Item 8, Financial Statements and Supplementary Data, in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2011 is incorporated herein by reference and can also be accessed electronically on the Securities and Exchange Commission’s website at http://www.sec.gov and on SEDAR at www.sedar.com.

(b) Not applicable.

Item 11. Additional Information.

(a) Not applicable.

(b) The information set forth in the Offer and the accompanying Letter of Transmittal is incorporated herein by reference.

Item 12. Exhibits.

Exhibit No.	**Description**
(a)(1)(A)	Notice of Offer to Holders of its 5.50% Senior Subordinated Convertible Notes due 2022, dated September 18, 2012*
(a)(1)(B)	Letter of Transmittal*
(a)(1)(C)	Form of Notice of Withdrawal*
(a)(5)(A)	Press Release issued by GR on September 18, 2012*
(b)	Not applicable
(d)(1)	Indenture, dated May 18, 2007, by and among GR, and The Bank of New York Mellon, as successor in interest to The Bank of New York, as Trustee and the Co-Trustee named therein, incorporated by reference to Exhibit 7.1 to GR’s Registration Statement on Form F-10 (File 333-142944) filed with the U.S. SEC on May 14, 2007
(d)(2)	Agreement and Plan of Merger, dated as of October 5, 1998, by and among Gold Reserve Corporation (predecessor issuer), Gold Reserve Inc. (successor issuer) and GR–Merger Corp filed as Annex I to the Proxy Statement/Joint Prospectus included as a part of the Company’s Registration

Statement on Form S-4 (Registration No. 333-68061) filed with the SEC on November 27, 1998 and incorporated by reference herein

(d)(3)	Exchange Agreement by and among Gold Reserve Corporation, the Company, TranSecurities International, Inc. and Holders of Unit Shares, dated November 17, 1998 filed as Exhibit 4.1 to the Proxy Statement/Joint Prospectus included as a part of the Company's Registration Statement on Form S-4 (Registration No. 333-68061) filed with the SEC on November 27, 1998 and incorporated by reference herein
(d)(4)	Restated Articles of Incorporation of the Company filed as Exhibit 3.1 to the Proxy Statement/Joint Prospectus included as a part of the Company's Registration Statement on Form S-4 (Registration No. 333-68061) filed with the SEC on November 27, 1998 and incorporated by reference herein
(d)(5)	Bylaws of the Company filed as Exhibit 3.2 to the Proxy Statement/Joint Prospectus included as a part of the Company's Registration Statement on Form S-4 (Registration No. 333-68061) filed with the SEC on November 27, 1998 and incorporated by reference herein
(d)(6)	Form of Certificate for the Company's Class A common shares filed as Exhibit 4.4 to the Proxy Statement/Joint Prospectus included as a part of the Company's Registration Statement on Form S-4 (Registration No. 333-68061) filed with the SEC on November 27, 1998 and incorporated by reference herein
(d)(7)	Form of Certificate for the Unit Share filed as Exhibit 4.5 to the Proxy Statement/Joint Prospectus included as a part of the Company's Registration Statement on Form S-4 (Registration No. 333-68061) filed with the SEC on November 27, 1998 and incorporated by reference herein
(d)(8)	Shareholder Rights Plan Agreement, as amended, of the Company (including form of Rights Certificate) filed as Exhibit 99.1, Appendix C of the Company's Form 6-K filed with the SEC on May 14, 2009 and incorporated by reference herein
(d)(9)	Form of Change of Control Agreement entered into by and among Gold Reserve Inc., Gold Reserve Corporation and, individually, each of Rockne J. Timm and A. Douglas Belanger filed as Exhibit (e)(1) of the Company's Schedule 14D-9 filed with the SEC on December 30, 2008 and incorporated by reference herein
(d)(10)	Form of Change of Control Agreement entered into by and among Gold Reserve Inc., Gold Reserve Corporation and, individually, each of James P. Geyer, Robert A. McGuinness, Mary E. Smith, and David P. Onzay filed as Exhibit (e)(2) of the Company's Schedule 14D-9 filed with the SEC on December 30, 2008 and incorporated by reference herein†
(d)(11)	Gold Reserve Inc. Equity Incentive Plan filed as Exhibit 3.2 to the Company's Form 20-F (File No. 001-31819) filed with the SEC on April 3, 2006 and incorporated by reference herein†
(d)(12)	Gold Reserve Inc. Venezuelan Equity Incentive Plan filed as Exhibit 4.1 to the Company's Registration Statement on Form S-8 (Registration No. 333-152883) filed with the SEC on April 3, 2006 and incorporated by reference herein†

(d)(13)	Gold Reserve KSOP filed as Exhibit 4.1 to the Company's Registration Statement on Form S-8 filed with the SEC on August 29, 2007 and incorporated by reference herein†
(d)(14)	Gold Reserve Inc. Director and Employee Retention Plan filed as Exhibit (e)(6) of the Company's Schedule 14D-9 filed with the SEC on December 30, 2008 and incorporated by reference herein†
(d)(15)	Notice of Grant of Stock Options and Option Agreement filed as Exhibit 10.1 to the Company's Form 10-Q (File No. 001-31819) filed with the SEC on August 12, 2011 and incorporated by reference herein†
(d)(16)	First Amendment to Shareholder Rights Plan Agreement filed as Appendix B to the Company's Proxy Statement/Information Circular filed with the SEC on June 1, 2012 and incorporated herein by reference
(d)(17)	Subordinated Note Restructuring Agreement dated May 25, 2012 filed as Exhibit 99.1 to the Company's Form 6-K (File No. 001-31819) filed with the SEC on May 30, 2012 and incorporated by reference herein
(d)(18)	Amended and Restated Subordinated Note Restructuring Agreement dated July 3, 2012 filed as Exhibit 99.1 to the Company's Form 6-K (File No. 001-31819) filed with the SEC on July 5, 2012 and incorporated by reference herein
(d)(19)	Second Amended and Restated Subordinated Note Restructuring Agreement dated September 13, 2012 filed as Exhibit 99.1 to the Company's Form 6-K filed with the SEC on September 18, 2012 and incorporated by reference herein
(g)	Not applicable
(h)	Not applicable

* Filed herewith

† Management contract or compensatory plan or arrangement

Item 13. Information Required by Schedule 13E-3.

Not applicable.

SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

GOLD RESERVE INC.

By: /s/ Rockne J. Timm
Name: Rockne J. Timm
Title: Chief Executive Officer

Dated: September 18, 2012

EXHIBIT INDEX

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(a)(1)(B)	Letter of Transmittal*
(a)(1)(C)	Form of Notice of Withdrawal*
(a)(5)(A)	Press Release issued by GR on September 18, 2012*
(b)	Not applicable
(d)(1)	Indenture, dated May 18, 2007, by and among GR, and The Bank of New York Mellon, as successor in interest to The Bank of New York, as Trustee and the Co-Trustee named therein, incorporated by reference to Exhibit 7.1 to GR's Registration Statement on Form F-10 (File 333-142944) filed with the U.S. SEC on May 14, 2007
(d)(2)	Agreement and Plan of Merger, dated as of October 5, 1998, by and among Gold Reserve Corporation (predecessor issuer), Gold Reserve Inc. (successor issuer) and GR–Merger Corp filed as Annex I to the Proxy Statement/Joint Prospectus included as a part of the Company's Registration Statement on Form S-4 (Registration No. 333-68061) filed with the SEC on November 27, 1998 and incorporated by reference herein
(d)(3)	Exchange Agreement by and among Gold Reserve Corporation, the Company, TranSecurities International, Inc. and Holders of Unit Shares, dated November 17, 1998 filed as Exhibit 4.1 to the Proxy Statement/Joint Prospectus included as a part of the Company's Registration Statement on Form S-4 (Registration No. 333-68061) filed with the SEC on November 27, 1998 and incorporated by reference herein
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(d)(5)	Bylaws of the Company filed as Exhibit 3.2 to the Proxy Statement/Joint Prospectus included as a part of the Company's Registration Statement on Form S-4 (Registration No. 333-68061) filed with the SEC on November 27, 1998 and incorporated by reference herein
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(d)(8)	Shareholder Rights Plan Agreement, as amended, of the Company (including form of Rights Certificate) filed as Exhibit 99.1, Appendix C of the Company's Form 6-K filed with the SEC on May 14, 2009 and incorporated by reference herein
(d)(9)	Form of Change of Control Agreement entered into by and among Gold Reserve Inc., Gold Reserve Corporation and, individually, each of Rockne J. Timm and A. Douglas Belanger filed as Exhibit (e)(1) of the Company's Schedule 14D-9 filed with the SEC on December 30, 2008 and incorporated by reference herein
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(d)(11)	Gold Reserve Inc. Equity Incentive Plan filed as Exhibit 3.2 to the Company's Form 20-F (File No. 001-31819) filed with the SEC on April 3, 2006 and incorporated by reference herein†

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(d)(14)	Gold Reserve Inc. Director and Employee Retention Plan filed as Exhibit (e)(6) of the Company's Schedule 14D-9 filed with the SEC on December 30, 2008 and incorporated by reference herein†
(d)(15)	Notice of Grant of Stock Options and Option Agreement filed as Exhibit 10.1 to the Company's Form 10-Q (File No. 001-31819) filed with the SEC on August 12, 2011 and incorporated by reference herein†
(d)(16)	First Amendment to Shareholder Rights Plan Agreement filed as Appendix B to the Company's Proxy Statement/Information Circular filed with the SEC on June 1, 2012 and incorporated herein by reference
(d)(17)	Subordinated Note Restructuring Agreement dated May 25, 2012 filed as Exhibit 99.1 to the Company's Form 6-K (File No. 001-31819) filed with the SEC on May 30, 2012 and incorporated by reference herein
(d)(18)	Amended and Restated Subordinated Note Restructuring Agreement dated July 3, 2012 filed as Exhibit 99.1 to the Company's Form 6-K (File No. 001-31819) filed with the SEC on 5, 2012 and incorporated by reference herein

(d)(19)	Second Amended and Restated Subordinated Note Restructuring Agreement dated September 13, 2012 filed as Exhibit 99.1 to the Company's Form 6-K filed with the SEC on September 18, 2012 and incorporated by reference herein
(g)	Not applicable
(h)	Not applicable

* Filed herewith

† Management contract or compensatory plan or arrangement

Exhibit 99(a)(1)(A)

NOTICE OF OFFER

To the Holders of

GOLD RESERVE INC.

5.50% Senior Subordinated Convertible Notes

Due June 15, 2022

CUSIP 38068N AB4

NOTICE IS GIVEN to the holders (the “Holders”) of 5.50% Senior Subordinated Convertible Notes due 2022 (the “Notes”) issued by Gold Reserve Inc. pursuant to the Indenture, dated as of May 18, 2007 (the “Indenture”), by and between Gold Reserve Inc., as Issuer (“GR”), and U.S. Bank National Association, as successor to The Bank of New York Mellon, as successor in interest to The Bank of New York, as Trustee (the “Trustee” and “Agent”), and Computershare Trust Company of Canada, as successor to BNY Trust Company of Canada as the Co-Trustee named therein, that each $1,000 principal amount of Notes surrendered by the Holder in accordance with this Notice of Offer (“Offer”) will be restructured as follows:

- $700 principal amount of Notes shall be surrendered for
  - (i) USD $200.00 in cash,
  - (ii) 147.06 Common Shares, and
  - (iii) a pro rata portion of the aggregate of up to a 0.07% Contingent Value Right; and
- $300 principal amount of Notes shall remain outstanding and represent the same continuing indebtedness, subject to the amended terms set forth in a Supplemental Indenture described herein.

The cash, Common Shares, Contingent Value Right and modified Notes ("Modified Notes") are collectively referred to as the "Offer Consideration".

The terms are subject to the terms and conditions of the Indenture, the Notes, and this Offer. The cash and Modified Notes will be payable through the facilities of The Depository Trust Company, New York, New York ("DTC"), the Common Shares issued through ComputerShare and the Contingent Value Right will be issued by GR.

GR entered into a Second Amended and Restated Subordinated Note Restructuring Agreement dated September 13, 2012 (the "Restructuring Agreement") with Holders of approximately 98.7% of the outstanding Notes (the "Large Noteholders") to restructure the Notes held by such Holders on the same terms as described above. Each Holder other than the Large Noteholders (the "Other Holders") may elect to restructure their Notes on those same terms by electing to accept this Offer and tender their Notes.

All capitalized terms used but not specifically defined herein have the meanings given to such terms in the Indenture.

To accept the Offer, you must validly deliver the enclosed Letter of Transmittal to the Agent (and not have withdrawn such Letter of Transmittal) no later than 5:00 p.m., New York City time on October 16, 2012 (the "Election Date"). Holders shall have the right to withdraw any Notes surrendered with respect to a Letter of Transmittal prior to 5:00 p.m., New York City time, on October 16, 2012.

The Notes are currently eligible for conversion. Prior to the maturity date and when the Notes are convertible, Holders may surrender Notes to U.S. Bank National Association (the "Conversion Agent") for shares of GR's common stock at a rate of 132.626 shares per $1,000 face amount of the Notes (subject to adjustment in accordance with the terms of the Indenture). Notes as to which a Letter of Transmittal has been given by the Holder may be converted only if the election to repurchase has been withdrawn by the Holder in accordance with the terms of the Indenture; provided that the Notes are otherwise convertible in accordance with Section 16.01 of the Indenture.

HOLDERS THAT SURRENDER THROUGH DTC NEED NOT SUBMIT A PHYSICAL REPURCHASE NOTICE TO THE PAYING AGENT IF SUCH HOLDERS COMPLY WITH THE TRANSMITTAL PROCEDURES OF DTC.

The address for the Agent and the Conversion Agent is as follows:

By Registered and Certified Mail:	*By Overnight Courier or Regular Mail:*	*By Hand Delivery:*
U. S. Bank National Association West Side Flats Operations Center Attn: William Diaz 60 Livingston Avenue Mail Station – EP-MN-WS2N St. Paul, MN 55107-2292 Tel: (651) 466-7150	U. S. Bank National Association West Side Flats Operations Center Attn: William Diaz 60 Livingston Avenue Mail Station – EP-MN-WS2N St. Paul, MN 55107-2292 Tel: (651) 466-7150	U. S. Bank National Association West Side Flats Operations Center Attn: William Diaz 60 Livingston Avenue Mail Station – EP-MN-WS2N St. Paul, MN 55107-2292 Tel: (651) 466-7150

Additional copies of this Notice of Offer may be obtained from the Agent at its address set forth above.

Dated: September 18, 2012   Gold Reserve Inc.

Withholding of 28% of gross redemption proceeds of any payment made within the United States may be required unless the Paying Agent has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the payee. Please furnish a properly completed Substitute Form W-9 or exemption certificate or equivalent when presenting your securities.

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We are relying on Section 3(a)(9) of the Securities Act of 1933, as amended (the "Securities Act"), to exempt the Offer to the Other Holders (as defined herein) from the registration requirements of the Securities Act. We are also relying on Sections 18(b)(1)(A) and 18(b)(4)(C) of the Securities Act to exempt the Offer to the Other Holders from the registration and qualification requirements of state securities laws. We have no contract, arrangement or understanding relating to the payment of, and will not, directly or indirectly, pay, any commission or other remuneration to any broker, dealer, salesperson, agent or other person for soliciting tenders in the offer. In addition, neither any financial advisor nor any broker, dealer, salesperson, agent or other person is engaged or authorized to solicit tenders in the Offer or to express any statement, opinion,

recommendation or judgment with respect to the relative merits and risks of the Offer. Our officers, directors and employees may solicit tenders from holders of our Notes and will answer inquiries concerning the Notes, but they will not receive additional compensation for soliciting tenders or answering any such inquiries.

No person has been authorized to give any information or to make any representations other than those contained in this Offer and accompanying Notice and, if given or made, such information or representations must not be relied upon as having been authorized. This Offer and the accompanying Letter of Transmittal do not constitute an offer to buy or the solicitation of an offer to sell securities in any circumstances or jurisdiction in which such offer or solicitation is unlawful. The delivery of this Offer shall not under any circumstances, create any implication that the information contained herein is current as of any time subsequent to the date of such information. None of GR or its board of directors or employees are making any representation or recommendation to any Holder as to whether or not to surrender such Holder's Notes. You should consult your own legal, financial and tax advisors and must make your own decision as to whether to surrender your Notes for repurchase and, if so, the amount of Notes to surrender.

SUMMARY

The following are answers to some of the questions that you may have about the Offer. To understand the Offer fully and for a more complete description of the terms of the Offer, we urge you to read carefully the remainder of this Notice of Offer ("Offer") and the accompanying Letter of Transmittal, as they may be amended, because those documents contain additional important information. We have included page references to direct you to a more complete description of the topics in this summary.

- **Who is making the Offer?**

Gold Reserve Inc., a company incorporated under the laws of Yukon, Canada ("GR" or the "Company"), is offering to restructure your validly surrendered 5.50% Senior Subordinated Convertible Notes due 2022 (the "Notes"). (Page 7)

- **What securities are subject to the Offer?**

GR is offering to restructure all of the Notes surrendered at the option of the Holder thereof (the "Holder"). As of September 18, 2012, there was $85,447,000 aggregate principal amount of Notes outstanding. The Notes were issued pursuant to an Indenture (the "Indenture"), dated May 18, 2007, by and between GR and U.S. Bank National Association, as successor to The Bank of New York Mellon, as successor in interest to The Bank of New York, as Trustee, and Computershare Trust Company of Canada, as successor to BNY Trust Company of Canada as the Co-Trustee named therein. U.S. Bank National Association also acts as Agent ("Agent"). (Page 12) Holders of $84,367,000 of principal amount of Notes (the "Large Noteholders") have agreed not to tender their Notes into this Offer but have agreed to modify their Notes on the same terms as those offered pursuant to the Offer. (Page 14) Accordingly, this Offer is intended to be made to Holders of approximately $1,080,000 of Notes (the "Other Holders").

- **What are you offering to pay and what is the form of consideration?**

If you elect to participate in the Offer and deliver a Letter of Transmittal and your Notes, you will receive for each $1,000 of Notes that are delivered to the Company (collectively the "Offer Consideration"):

- $200.00 in cash,
- 147.06 Common Shares,
- a pro rata portion of an aggregate up to 0.07% Contingent Value Right ("CVR"), and
- $300 principal amount of Notes that will remain outstanding and represent the same continuing indebtedness, subject to the amended terms set forth in a Supplemental Indenture (as defined in the Restructuring Agreement).

The Large Noteholders will be eligible to participate pro rata in a 5.465% CVR. The CVR will be increased proportionately for any Other Holders that elect to participate in the Offer and the CVR amounts will be shared pro rata with holders of the Notes who participate in the Restructuring Transaction based on the principal amount of Notes delivered to the Company by all participating holders of Notes. The Other Noteholders could receive a pro rata share of up to a 0.07% CVR (Page 15)

- **How can I determine the market value of the Notes?**

There is no established reporting system or market for trading in the Notes. Market quotations for the Notes are available. To the extent that the Notes are traded, prices of the Notes may fluctuate widely depending on trading volume, the balance between buy and sell orders, prevailing interest rates, GR's operating results and the market for similar securities. To the extent available, Holders are urged to obtain current market quotations for the Notes before making any decision with respect to the Offer. (Page 7)

- **Why are you making the Offer?**

The Company is making the Offer to provide Holders of $1,080,000 of Notes that are not a party to the Restructuring Agreement the opportunity to participate in a restructuring of all of the Notes. The Company entered into the Restructuring Agreement in order to preserve the Company's cash and minimize the dilution that could occur if the Company issued common shares to satisfy all or a portion of the Notes. (Page 14)

- **What does the board of directors of GR think of the Offer?**

The Board concluded that the approval of the Restructuring Transaction, as set forth in the Restructuring Agreement, and consummation of the transactions described therein, is in the best interests of the Company and submitted the Restructuring Transaction to the Company's shareholders for a vote. (Page [ ]) The Company's shareholders overwhelmingly approved the Restructuring Transaction at a meeting held on June 27, 2012.

- **When does the Offer expire?**

The Offer expires at 5:00 p.m., New York City time, on October 16, 2012. (Page 13)

- **What are the conditions to the acceptance by GR of the Notes pursuant to the Offer?**

Provided that the acceptance by GR of the validly surrendered Notes is not unlawful, such acceptance will not be subject to any other conditions. (Page 14)

- **How do I deliver a Letter of Transmittal and surrender my Notes?**

To surrender your Notes for participation in the Offer, you must deliver the Letter of Transmittal and related documents to the Agent no later than 5:00 p.m., New York City time, on October 16, 2012, unless such time is extended. HOLDERS THAT SURRENDER THROUGH THE DEPOSITORY TRUST COMPANY ("DTC") NEED NOT SUBMIT A PHYSICAL REPURCHASE NOTICE TO THE PAYING AGENT IF SUCH HOLDERS COMPLY WITH THE TRANSMITTAL PROCEDURES OF DTC.

- A Holder whose Notes are held in certificated form must properly complete and execute the Letter of Transmittal, and deliver such Letter of Transmittal to the Agent, with any other required documents, no later than 5:00 p.m., New York City time, on October 16, 2012. The Holder is required to deliver to the Agent the certificate representing the Notes surrendered prior to receiving the Offer Consideration.

- A Holder whose Notes are held by a broker, dealer, commercial bank, trust company or other nominee must contact such nominee if such Holder desires to surrender his, her or its Notes and instruct such nominee to surrender the Notes on the Holder's behalf.

- A Holder electronically transmitting his, her or its acceptance through DTC's Automatic Tenders over the Participant Terminal System ("PTS") should do so no later than 5:00 p.m., New York City time, on October 16, 2012, subject to the terms and procedures of that system. In surrendering through PTS, the electronic instructions sent to DTC by the Holder, and transmitted by DTC to the Paying Agent will acknowledge, on behalf of DTC and the Holder, receipt by the Holder of and agreement to be bound by the Letter of Transmittal. (Page 13)

- **If I accept the Offer and surrender my Notes, when will I receive the Offer Consideration?**

GR will promptly forward to the Agent, before 10:00 a.m., New York City time, October 16, 2012, the funds required to pay the cash portion of the Offer Consideration for the surrendered Notes received by that time and the Agent will distribute such funds to the Holders promptly following the later of the expiration of the Offer and the time of delivery of the Note to the Agent by the Holder thereof. The Company will also deliver the remaining Offer Consideration as soon as practicable. (Page 16)

- **Until what time can I withdraw a previously delivered Letter of Transmittal?**

You can withdraw a previously delivered Letter of Transmittal at any time until 5:00 p.m., New York City time, on October 16, 2012, unless such time is extended. (Page 13)

- **How do I withdraw a previously delivered Letter of Transmittal?**

To withdraw a previously delivered Letter of Transmittal, you must deliver an executed written notice of withdrawal substantially in the form attached, or a facsimile of one, to the Agent no later than 5:00 p.m., New York City time, on October 16, 2012.

HOLDERS THAT WITHDRAW THROUGH DTC NEED NOT SUBMIT A NOTICE OF WITHDRAWAL TO THE AGENT IF SUCH HOLDERS COMPLY WITH THE WITHDRAWAL PROCEDURES OF DTC. (Page 13)

- **Do I need to do anything if I do not wish to surrender my Notes pursuant to the Offer?**

No. If you do not deliver a properly completed and duly executed Letter of Transmittal before the expiration of the Offer, GR will not restructure your Notes and such Notes will remain outstanding, subject to their existing terms. However, the Company intends to redeem outstanding Notes of Holders who do not participate in the Offer, subject to applicable legal requirements and compliance with the Indenture. (Page 13)

- **If I choose to surrender my Notes to participate in the Offer, do I have to surrender all of my Notes?**

No. You may surrender all of your Notes, a portion of your Notes or none of your Notes. If you wish to surrender a portion of your Notes, however, you must surrender your Notes in a principal amount of $1,000 or an integral multiple thereof. (Page 13)

- **If I do not surrender my Notes to participate in the Offer, will I continue to be able to exercise my conversion rights?**

Yes. If you do not surrender your Notes, your conversion rights will not be affected. You will continue to have the right to convert each $1,000 principal amount of a Note into 132.626 shares of Common Stock, subject to the terms, conditions and adjustments specified in the Indenture. The Company intends to redeem any Notes of Other Holders that are not tendered pursuant to the Offer (Page 12)

- **If I am a U.S. resident for U.S. federal income tax purposes, will I have to pay taxes if I surrender my Notes to participate in the Offer?**

The receipt of cash, Common Shares, CVR, and Modified Notes pursuant to the Offer will be a taxable transaction. However, the amount of gain or loss a U.S. Holder recognizes as a result of participating in the Offer, and the timing of such gain or loss, depends in part on the U.S. federal income tax treatment of the CVRs, with respect to which there is substantial uncertainty. Please see "Certain Material U.S. Federal Income Tax Considerations for U.S. Holders." You should consult with your own tax advisor regarding the actual tax consequences to you. (Pages 19)

- **Who is the Agent?**

U.S. Bank National Association, the trustee for the Notes, is serving as Agent in connection with the Offer. Its address and telephone number are set forth on the front cover page of this Offer.

- **Who can I talk to if I have questions?**

Questions and requests for assistance in connection with the surrender of the Notes may be directed to Mr. William Diaz at U.S. Bank National Association, at (651) 466-7150; however, questions involving the Offer may also be directed to Doug Belanger at the Company at (509) 623-1500.

RISK FACTORS

Failure to prevail in the arbitration proceedings and obtain compensation from Venezuela for the Brisas Project and Choco 5 property could materially adversely affect the Company.

In October 2009 we filed a Request for Arbitration under the Additional Facility Rules of the International Centre for Settlement of Investment Disputes (“ICSID”), against the Bolivarian Republic of Venezuela (“Respondent”) seeking compensation for all of the loss and damage resulting from Venezuela’s wrongful conduct, including the expropriation of the Brisas Project. Our claim includes the full market value of the legal rights to develop the Brisas Project as of the date of the Tribunals decision, the value of the Choco 5 Property and interest on the claim calculated since the loss. Our claim as last updated in our July 2011 Reply totals approximately $2.1 billion which includes interest from April 14, 2008 (the date of the loss) to July 29, 2011 (the date of our last filing) of approximately $400 million. The cost of prosecuting our arbitration claim is substantial, and there is no assurance that we will be successful in establishing Venezuela’s liability or, if successful, will collect any award by the Tribunal for compensation from Venezuela.

The conversion, repurchase or restructure of our outstanding convertible notes could result in the issuance of a significant number of our common shares causing significant dilution to existing shareholders and, in certain circumstances, could result in a change of control.

In May 2007, we issued $103,500,000 aggregate principal amount of 5.50% convertible notes due on June 15, 2022. Holders had a one time option to require the Company to repurchase the notes at a price equal to 100% of the principal amount of the Notes plus unpaid interest. The Company entered into a Restructuring Agreement dated May 25, 2012 (which was amended and restated on July 3, 2012 and on September 13, 2012) to restructure the Notes as an alternative to satisfying our obligation to repurchase the outstanding notes by delivering common shares which would have required us to issue shares based on the Daily VWAP (as defined in Indenture) for ten days ending three days prior to the Repurchase Date, likely resulting in significant dilution to existing shareholders and a potential change of control of the Company which could result in the payment of severance compensation pursuant to change of control agreements with certain employees.

Our ability to obtain the resources required for continued servicing or restructuring of our notes or to meet other obligations as they come due depends on numerous factors, some of which are beyond our control.

Unless and until we successfully collect an arbitral award, if any, or acquire and/or develop other operating properties which provide positive cash flow, our ability to meet our obligations as they come due or redeem in whole or part or otherwise restructure the notes will be limited to our cash on hand and/or our ability to issue additional equity or debt securities in the future. Such transactions could potentially cause substantial dilution to the then existing shareholders and, in certain circumstances, could result in a change of control.

Failure to acquire or invest in another mining project could adversely affect future results including continued listing on the NYSE MKT or TSX Venture.

We are actively pursuing alternative mining prospects. However, the identification of a viable mining project takes time, and a substantial amount of management's attention has been focused on the Brisas arbitration proceeding. Even if a new mining project is identified, there is no guarantee that we could adequately finance or successfully construct and operate the project. In addition, the Company is subject to a plan to regain compliance with the continued listing rules of the NYSE MKT and is required to maintain compliance with the TSX Venture listing rules. No assurances can be given that the Company will be able to achieve compliance with the rules of the NYSE MKT within the required time frame and/or maintain continued compliance with the TSX Venture Company Manual and, as a result, could be subject to future delisting actions.

Industry competition for new properties could limit the Company's ability to grow in the future

There is strong competition from other mining companies in connection with the acquisition of future properties considered to have commercial potential. Many of these companies have greater financial resources, operational experience and technical capabilities. As a result, we may be unable to acquire additional mining properties, thereby limiting future growth.

The outcome of the litigation regarding the enjoined hostile takeover bid may adversely affect our business.

In December 2008, the Company filed an action in the Ontario Superior Court of Justice against Rusoro and Rusoro's financial advisor Endeavour Financial International Corporation ("Endeavour") seeking an injunction restraining Rusoro and Endeavour from proceeding with an unsolicited offer by Rusoro to acquire all of the Company's outstanding shares, significant monetary damages, and various other items. Endeavour was the Company's financial advisor from 2004 until shortly after the commencement of Rusoro's offer. The Company was subsequently granted an interlocutory injunction restraining Rusoro and Endeavour from proceeding with any hostile bid until the conclusion and disposition at trial of our original legal action. A subsequent appeal by Rusoro was denied and thereafter Rusoro and Endeavour filed counterclaims against the Company for, among other things, damages of Cdn $102.5 million and $0.5 million, respectively. Our legal action is ongoing and there can be no assurances as to its ultimate outcome, whether Rusoro and or Endeavour will pursue any other legal course of action or, if successful, whether Rusoro will initiate another unsolicited offer for the Company.

Failure to retain and attract key personnel could adversely affect the Company.

We are dependent upon the abilities and continued participation of key personnel to manage the Brisas arbitration and identify, acquire and develop new opportunities. Substantially all key management personnel have been employed by the Company for over 15 years. The loss of key employees (in particular those long time key management personnel possessing important historical knowledge related to the Brisas Project which is relevant to our arbitration claims) or an inability to obtain personnel necessary to execute our plan to acquire and develop a new project could have a material adverse effect on our future operations.

Operating losses are expected to continue.

We have no commercial production at this time and, as a result, we have not recorded revenue or cash flows from mining operations and have experienced losses from operations for each of the last five years, a trend we expect to continue unless and until the investment dispute regarding Brisas is resolved favorably to the Company and/or we acquire or invest in an alternative project and achieve commercial production.

We may issue additional common shares, debt instruments convertible into common shares or other equity-based instruments to fund future operations.

We cannot predict the size of any such future issuances of securities, or the effect, if any, that future issuances and sales of our securities will have on the market price of our common shares or the fair market value of the notes. Any transaction involving the issuance of previously authorized but unissued shares, or securities convertible into shares, will result in dilution, possibly of a substantial nature, to present and prospective holders of shares and in certain circumstances could result in a Change of Control.

The price and liquidity of our common shares may be volatile.

The market price of our common shares may fluctuate based on a number of factors, some of which are beyond our control, including:

- the result of our arbitration and litigation proceedings;
- economic and political developments in Venezuela;
- our operating performance and financial condition;
- continued listing of our common shares on Canadian and US stock exchanges;
- the public's reaction to announcements or filings by ourselves or other companies;
- the price of gold and copper and other metal prices, as well as metal production volatility;
- the arrival or departure of key personnel;
- acquisitions, strategic alliances or joint ventures involving us or other companies.

Risks inherent in the mining industry could adversely impact future operations.

Exploration for gold and other metals is speculative in nature, involves many risks and frequently is unsuccessful. As is customary in the industry, not all prospects will be positive or progress to later stages (e.g. the feasibility and permitting stages), therefore, management can give no assurances as to the future success of its efforts to acquire, explore, develop or operate another mining property. Exploration programs entail risks relating to location, metallurgical processes, governmental permits and regulatory approvals and the construction of mining and processing facilities. Development can take a number of years, requiring substantial expenditures and there is no assurance that we will have, or be able to raise, the required funds to engage in these activities or to meet our obligations with respect to the exploration properties in which we may acquire an interest. Any one or more of these factors or occurrence of other risks could cause us not to realize the anticipated benefits of an acquisition of properties or companies.

U.S. Internal Revenue Service designation as a "passive foreign investment company" may result in adverse U.S. tax consequences to U.S. Holders.

U.S. persons should be aware that we have determined that we were a "passive foreign investment company" (a "PFIC") under Section 1297(a) of the Internal Revenue Code of 1986, as amended (the "Code"), for the taxable year ended December 31, 2007, when we issued the Notes, we have continued to be a PFIC since that time, and we expect to be a PFIC for the taxable year ending December 31, 2012. As a result, U.S. persons will generally be subject to various adverse U.S. federal income tax consequences in connection with the ownership of the Notes, Modified Notes, and Commons Shares as described in "Certain Material U.S. Federal Income Tax Considerations for U.S. Holders."

The U.S. federal income tax treatment of the Contingent Value Right is unclear.

There is substantial uncertainty as to the tax treatment of the CVR. The receipt of the CVR may be treated as a "closed transaction" or as an "open transaction" for U.S. federal income tax purposes, which affects the amount of gain or loss, if any, that may be recognized at the time of the issuance by the Company. Please see "Certain Material U.S. Federal Income Tax Considerations for U.S. Holders."

It may be difficult to bring certain actions or enforce judgments against the Company and/or its directors and executive officers.

Investors in the U.S. or in other jurisdictions outside of Canada may have difficulty bringing actions and enforcing judgments against the Company, our directors or executive officers based on civil liability provisions of federal securities laws or other laws of the U.S. or any state thereof or the equivalent laws of other jurisdictions of residence. We are organized under the laws of Yukon, Canada. Some of our directors and officers, and some of the experts named from time to time in our filings, are residents of Canada or otherwise reside outside of the U.S. and all or a substantial portion of their and our assets, may be located outside of the U.S. As a result, it may be difficult for investors in the U.S. or outside of Canada to bring an action in the U.S. against directors, officers or experts who are not resident in the U.S. It may also be difficult for an investor to enforce a judgment obtained in a U.S. court or a court of another jurisdiction of residence predicated upon the civil liability provisions of Canadian security laws or U.S. federal securities laws or other laws of the U.S. or any state thereof against us or those persons.

IMPORTANT INFORMATION CONCERNING THE OFFER

1. Information Concerning Gold Reserve. Gold Reserve Inc., a company incorporated under the laws of Yukon, Canada ("GR" or the "Company" or "We"), is offering to restructure its 5.50% Senior Subordinated Convertible Notes due 2022 (the "Notes") as required by the Indenture (the "Indenture"), dated May 18, 2007, by and among the Company and U.S. Bank National Association, as successor to The Bank of New York Mellon, as successor in interest to The Bank of New York, as Trustee, and Computershare Trust Company of Canada, as successor to BNY Trust Company of Canada, as the Co-Trustee named therein.

The Company is engaged in the business of acquiring, exploring and developing mining projects. The Company is an exploration stage company incorporated in 1998 under the laws of Yukon, Canada and is the successor issuer to Gold Reserve Corporation which was incorporated in 1956. From 1992 to 2008 the Company focused substantially all of its management and financial resources on the development of the Brisas gold and copper project located in the Kilometer 88 mining district of the State of Bolivar in south-eastern Venezuela (the "Brisas Project" or "Brisas"). The Brisas Project was expropriated by the Venezuelan government in 2008.

As previously disclosed in its Annual Report on Form 10-K/A filed with the Commission, the Company determined as of June 30, 2011 (the last business day of its most recently completed second fiscal quarter), that less than 50 percent of its outstanding voting securities were directly or indirectly held of record by residents of the United States. Because the share ownership percentage of United States residents of the Company is less than 50% and the Company is organized under the laws of Yukon, Canada, the Company is a "foreign private issuer" pursuant to Rule 3b-4 under the Securities Exchange Act of 1934, as amended The Company previously reported as a foreign private issuer for many years prior to its annual report on Form 10-K for the fiscal year ended December 31, 2009, as during 2009 its shareholder composition changed such that more than 50 percent of its outstanding voting securities were directly or indirectly held of record by residents of the United States. The Company has returned to foreign private issuer reporting for administrative ease and as a cost-savings measure.

The Company's administrative office is located at 926 West Sprague Avenue, Suite 200, Spokane, WA 99201, U.S.A. and its telephone and fax numbers are 509.623.1500 and 509.623.1634, respectively.

1.1 Use of Proceeds.

We will not receive any cash proceeds in connection with the Offer. We will pay all of the fees and expenses related to the Offer that we incur. We will not pay any commissions or concessions of any broker dealer or any other costs or expenses you may incur in participating in the Offer. Any Notes that are properly tendered pursuant to the Offer will be retired.

1.2 Ratios of Earnings.

The following table sets forth information regarding our ratio of earnings to fixed charges. For purposes of determining the below ratio, earnings consist of pre-tax income or loss from continuing operations before adjustment for non-controlling interests in consolidated subsidiaries or income or loss from fixed charges. Fixed charges consist of interest expenses, amortization of debt issuance costs and accretion of debt discount.

	2011	2010	2009	2008	2007
Net loss before taxes and fixed charges	$ (16,902,140)	(14,995,253)	(12,940,063)	(18,960,233)	(11,952,920)
Fixed charges	(6,710,253)	(6,641,877)	(6,593,660)	(7,014,682)	(3,419,366)
Coverage deficit	(23,612,393)	(21,637,130)	(19,533,723)	(25,974,915)	(15,372,286)
Ratio of earnings to fixed charges	(2.52)	(2.26)	(1.96)	(2.70)	(3.50)

1.3 Market for the Notes and Common Stock.

There is no established reporting system or trading market for trading in the Notes. However, quotations of prices for the Notes are available. We will not receive any cash proceeds from the restructuring of our Notes. We will pay all of the fees and expenses that we incur. We will not pay any commissions or concessions of any broker dealer or any other costs or expenses you may incur in participating in the Offer. To the extent that the Notes are traded, prices of the Notes may fluctuate widely depending on trading volume, the balance between buy and sell orders, prevailing interest rates, GR's operating results and the market for similar securities. To the extent available, Holders are urged to obtain current market quotations for the Notes before making any decision with respect to the Offer. The Notes are held through the Depository Trust Company ("DTC"). As of September 18, 2012, there was $85,477,000 aggregate principal amount of Notes outstanding, and DTC was and is the sole record Holder of the Notes.

The Common Stock into which the Notes are convertible is traded in Canada on the TSX Venture symbol "GRZ.V". Prior to February 1, 2012, the shares of Common Stock were traded on the TSX. The shares are also traded in the United States on the NYSE MKT under the symbol "GRZ." The Notes are not listed for trading on any exchange. The following table sets forth, for the fiscal quarters indicated, the high and low sales prices of the Common Stock as reported on the TSX Venture and NYSE MKT.

	TSX VENTURE/TSX Canadian dollars		NYSE MKT U.S. dollars	
2012	High	Low	High	Low
September (through Sept. 10, 2012)	$3.88	$3.43	$3.90	$3.58
August	4.05	3.12	4.11	3.17
July	4.19	3.36	3.95	3.27
June	4.60	3.28	4.50	3.15
May	4.55	3.26	4.53	3.22
April	4.30	3.50	4.35	3.53
March	3.99	2.77	3.98	2.90
February	3.09	2.73	3.11	2.83
January	3.03	2.69	3.05	2.68
2011				
Fourth Quarter	$3.10	$2.35	$3.05	$2.02
Third Quarter	3.10	2.03	3.14	2.10
Second Quarter	2.85	1.61	2.99	1.66
First Quarter	1.88	1.65	1.87	1.67
2010				
Fourth Quarter	$1.84	$1.39	$1.84	$1.37
Third Quarter	1.32	0.82	1.28	0.80
Second Quarter	1.25	0.76	1.24	0.71
First Quarter	1.63	1.01	1.58	0.98

On September 14, 2012, the closing price for the Common Stock was Cdn $3.50 per share on the TSX Venture and U.S. $3.70 per share on the NYSE MKT. As of September 11, 2012, there were a total of 59,798,972 Class A common shares and 500,236 Class B common shares issued and outstanding. The number of holders of Class A and Class B common shares of record on September 10, 2012 was approximately 760. As of June 30, 2012, based on information received from our transfer agent and other service providers, we believe our common shares are owned beneficially by approximately 7,800 shareholders.

GR urges you to obtain current market information for the Notes, to the extent available, and the Common Stock before making any decision to surrender your Notes pursuant to the Offer.

1.4 ***Capitalization.***

The following table sets forth our cash and cash equivalents and our combined capitalization as of June 30, 2012 (i) on an actual basis and (ii) on an as-adjusted basis to reflect the transactions described below. The as-adjusted information assumes that the relevant transactions were consummated on June 30, 2012.

On May 16, 2012, the Company notified the Holders that pursuant to the Indenture they have the right to require the Company to purchase all or a portion of their Notes on or before June 15, 2012 (the "Put Option") and that the Company would pay, in cash, any notes validly surrendered. A total of $16,900,000 of notes were validly surrendered by Holders and redeemed for cash by the Company.

The Company has entered into the Second Amended and Restated Restructuring Agreement, covering 98.7% of the Company's remaining outstanding Notes. The Offer represents the remaining $1,080,000 of Notes (1.3% of the outstanding Notes) not already surrendered pursuant to the Put Option or pursuant to the Second Amended and Restated Restructuring Agreement. The table below assumes that all other remaining outstanding Notes elect to participate in the Offer.

	ACTUAL June 30, 2012	Large Noteholders Restructuring	OFFER	AS ADJUSTED June 30, 2012
Cash and cash equivalents	$30,548,624	$(16,875,500)	$(216,000)	$13,457,124
Borrowings:				
Short-term borrowing	17,955,500	(16,875,500)	(216,000)	-
			[1] (864,000)	
Long-term borrowing	67,491,500	(42,183,500)	(540,000)	25,632,000
			[1] 864,000	
Total borrowing	85,447,000	(59,059,000)	(756,000)	25,632,000
Equity:				
Common shares and equity units	246,296,902	42,183,500	540,000	289,020,402
Contributed Surplus	5,171,603			5,171,603
Stock options	18,937,131			18,937,131
Accumulated deficit	(304,813,634)			(304,813,634)
Accumulated other comprehensive income	(232,780)			(232,780)
Total shareholders' deficit	(34,640,778)	42,183,500	540,000	8,082,722
Total Capitalization	50,806,222	$(16,875,500)	$(216,000)	$33,714,722
Change in shares issued and outstanding				
Class A common shares, without par value	59,798,972	12,406,912	158,824	72,364,708
Equity Units	500,236			500,236
	60,299,208			72,864,944

[1] Short/long –term reclass

1.5 ***Pro Forma Financial Information.***

The following proforma financial statements set forth our financial position and results of operations as of June 30, 2012 (i) on an actual basis and (ii) on an as-adjusted basis to reflect the transactions described below. The as-adjusted information assumes that the relevant transactions were consummated on September 30, 2012.

On May 16, 2012, the Company notified the Holders that pursuant to the Indenture they have the right to require the Company to purchase all or a portion of their Notes on or before June 15, 2012 (the "Put Option") and that the Company would pay, in cash, any notes validly surrendered. A total of $16,900,000 of notes were validly surrendered by Holders and redeemed for cash by the Company.

The Company has entered into the Second Amended and Restated Restructuring Agreement, covering 98.7% of the Company's remaining outstanding Notes. The Offer represents the remaining $1,080,000 of Notes (1.3% of the outstanding Notes) not already surrendered pursuant to the Put Option or pursuant to the Second Amended and Restated Restructuring Agreement. The table below assumes that all other remaining outstanding Notes elect to participate in the Offer.

GOLD RESERVE INC. PROFORMA Balance Sheet	As Reported June 30, 2012	Large Noteholders Restructuring	OFFER	As Adjusted June 30, 2012
ASSETS	(a)	(b)	(c)	
Cash and cash equivalents (1)	$30,548,624	$(16,875,500)	$(216,000)	$13,457,124
Other assets	3,070,479			3,070,479
Property, plant and equipment, net	19,165,683			19,165,683
Total assets	$52,784,786	$(16,875,500)	$(216,000)	$35,693,286
LIABILITIES & SHAREHOLDERS' EQUITY				
Accounts payable and accrued expenses	$1,978,564			$1,978,564
Convertible notes:				
Short-term	17,955,500	(16,875,500)	(216,000)	-
			(d) (864,000)	
Long-term	67,491,500	(42,183,500)	(540,000)	-
		(e) (25,308,000)	(324,000)	
			(d) 864,000	
	85,447,000	(84,367,000)	(1,080,000)	-
Amended/Modified Convertible Notes- Note **(1)**		(e) 25,308,000	324,000	25,632,000
Total liabilities	87,425,564	(59,059,000)	(756,000)	27,610,564
Common shares and equity units:	251,468,505	42,183,500	540,000	294,192,005
Stock options	18,937,131			18,937,131
Accumulated deficit	(305,046,414)			(305,046,414)
Total shareholders’ equity	(34,640,778)	42,183,500	540,000	8,082,722
Total liabilities and shareholders' equity	$52,784,786	$(16,875,500)	$(216,000)	$35,693,286
Shares Issued (No Par Value)- Note **(1)**				
Serial Preferred, Authorized: Unlimited; Issued: None	-			-
Class A Common- Authorized: Unlimited; Issued:	59,798,972	12,406,912	158,824	72,364,708
Class B Common- Authorized: 500,236; Issued:	500,236			500,236
	60,299,208			72,864,944
Book Value Per Share	$(0.57)			$0.11

(a) include the June Put Option as actually tendered and accepted

(b) giving effect to the Restructuring as actually tendered pursuant to the agreed-upon participation with the Large Noteholders

(c) giving effect to the remaining untendered notes assumed to be tendered for the Offer.

(d) short / long-term reclassification.

(e) 30% of Notes redeemed for amended/modified notes.

Consistent with the terms negotiated with the Large Noteholders, the Offer provides that each $1,000 of Notes tendered is restructured in consideration for 20% cash, 50% equity and 30% Modified Notes which equates to $200 cash, 147.0588 shares ($1,000 x 50% / Shares Price of $3.40) and $300 Modified Notes. A total face value of $84,367,000 in Notes were tendered pursuant to agreed upon participation by the Large Noteholders and the remaining $1,080,000 in Notes are assumed tendered pursuant to the Offer by holders other than Large Noteholders.

Note (1)	Large Noteholders Restructuring	OFFER	As Adjusted June 30, 2012
Notes tendered	$84,367,000	$1,080,000	$85,447,000
Percent exchanged for cash	20%	20%	20%
Amount tendered exchanged for cash (a)	16,875,500	216,000	17,091,500
Notes tendered	84,367,000	1,080,000	85,447,000
Percent exchanged for Amended Convertible Notes	30%	30%	30%
Amount tendered exchanged for equity (a)	25,308,000	324,000	25,632,000
Notes tendered	84,367,000	1,080,000	85,447,000
Percent exchanged for equity	50%	50%	50%
Amount tendered exchanged for equity	42,183,500	540,000	42,723,500
Share Price	$3.40	$3.40	$3.40
New shares issued on a proforma basis	12,406,912	158,824	12,565,736

(a) Cash rounded to make Amended/Modified Convertible Notes divisible by $1,000

GOLD RESERVE INC. PROFORMA Statement of Operations	As Reported December 31, 2011	Interest Adjustment	As Adjusted December 31, 2011	As Reported June 30, 2012	Interest Large Noteholders Restructuring	Adjustment OFFER	As Ad June 20
OTHER INCOME	$2,358,514		$2,358,514	$14,054			$
EXPENSES							
General and administrative	12,601,295		12,601,295	6,487,517			6,4
Arbitration	6,659,359		6,659,359	2,866,863			2,8
Interest (#)	6,710,253	(5,029,723)	1,680,530	3,289,322	(2,434,372)	(31,165)	8
Net loss for the period	$(23,612,393)	$5,029,723	$(18,582,670)	$(12,629,648)	$2,434,372	$31,165	(10,16
Ratio of earnings to fixed charges	$(2.52)		$(10.06)	$(2.84)			$(
Earnings per share:							
Net loss per share	$(0.40)	$0.08	$(0.31)	$(0.21)	-	-	$
Weighted average shares outstanding	59,470,615	59,470,615	59,470,615	60,281,104	60,281,104	60,281,104	60,2

(#) Interest expense has been adjusted to consider the consummation of the transactions (the Restructuring pursuant to the Second Amended and Restated Restructuring Agreement and the redemption of the remaining Notes pursuant to the Offer) at the beginning of the period presented, the total of which represents an approximately 75% reduction in outstanding convertible notes. Accordingly interest expense for the year ended December 31, 2011 and the six months ended June 30, 2012 as originally reported is reduced by approximately 75%.

			Put Option	Large Noteholders Restructuring	OFFER	June 30, 2012
Total Notes	102,347,000	100%	16,900,000	84,367,000	1,080,000	102,347,000
Net notes tendered	76,715,000	75%	(16,900,000)	(59,059,000)	(756,000)	(76,715,000)
Notes Remaining	25,632,000	25%		25,308,000	324,000	25,632,000

INFORMATION CONCERNING THE OUTSTANDING NOTES

2. Information Concerning the Outstanding Notes. The Notes were issued under an Indenture, dated May 18, 2007 (the "Indenture"), by and among the Company and U.S. Bank National Association, as successor to The Bank of New York Mellon, as successor in interest to The Bank of New York, as Trustee, and Computershare Trust Company of Canada, as successor to BNY Trust Company of Canada, as the Co-Trustee named therein. The Notes mature on June 15, 2022.

2.1 ***GR's Obligation to Repurchase the Notes***. Pursuant to the terms of the Indenture and the Notes, unless earlier redeemed, GR was obligated to repurchase all Notes validly surrendered for repurchase and not withdrawn, at the Holder's option ("Put Option") on June 15, 2012 at a repurchase price of 100% of the principal amount of Notes, plus any accrued and unpaid interest to, but excluding, the Repurchase Date (as defined in the Indenture). The Put Option expired at 5:00 p.m., New York City time, on Friday, June 15, 2012. Holders of $18,036,000 of the outstanding Notes exercised the Put Option and the Company paid cash to repurchase the Notes tendered and accepted.

2.2 ***Conversion Rights of the Notes***. The Notes are convertible into shares of GR's Common Stock, no par value (the "Common Stock"), in accordance with and subject to the terms of the Indenture and the Notes. Holders may convert their Notes into Common Stock of GR at any time prior to stated maturity. The Notes are currently convertible into Common Stock. The conversion rate of the Notes as of September 14, 2012 is 132.626 shares of Common Stock per $1,000 principal amount of the Notes, which is equivalent to a conversion price of $7.54 per share of Common Stock (subject to adjustment in accordance with the terms of the Indenture). Holders that do not surrender their Notes to participate in the Offer will maintain the right to convert their Notes into Common Stock in accordance with and subject to the terms of the Indenture and the Notes. The Agent is currently acting as Conversion Agent for the Notes.

2.3 ***Redemption***. The Company may, at its option, redeem all or part of the Notes for cash at a price equal to 100% of the principal amount being redeemed plus accrued and unpaid interest to, but excluding, the redemption date. The Company has agreed to limit its redemption rights with respect to Holders who participate in the Offer. However, the Company intends to redeem all Notes that are not restructured as promptly as practicable following completion of the Offer, subject to applicable legal requirements and compliance with the Indenture.

2.4 ***Fundamental Change***. The Notes may be put to GR for cash at the option of the Holder if there is a Fundamental Change (as defined in the Indenture) at a redemption price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest, including additional interest, if any, up to but not including, the redemption date

2.5 ***Ranking***. The notes are unsecured obligations and rank (1) subordinate in right of payment to future unsubordinated indebtedness for the construction and development of Brisas, and effectively subordinate to the extent of the collateral securing such indebtedness, (2) subordinate to senior secured bank indebtedness in right of payment, and effectively subordinate to the extent of the collateral securing such indebtedness, (3) subordinate in right of payment to any guarantee of the indebtedness described in (1) or (2) by the Company or any of its subsidiaries for the period that the guarantee is in effect, (4) equal in right of payment to any of the Company's other existing and future unsecured and unsubordinated indebtedness, and (5) senior in right of payment to all of the Company's future subordinated debt.

3. Procedures to be Followed by Holders Electing to Accept the Offer.

The tender of a Note pursuant to a validly executed Letter of Transmittal and the acceptance of tendered Notes by us will constitute a binding agreement between the tendering Holder and us upon the terms and conditions described in Section 3 and in the accompanying Letter of Transmittal. Except as described below, a holder who wishes to tender Notes for the Offer Consideration must tender either through ATOP, and follow the procedures for book-entry transfer described below, or by signing and returning the appropriate Letter of Transmittal, including all other documents required by the Letter of Transmittal. We do not intend to permit tenders of Notes by guaranteed delivery procedures.

THE METHOD OF DELIVERY OF NOTES, LETTERS OF TRANSMITTAL AND ALL OTHER REQUIRED DOCUMENTS IS AT THE ELECTION AND RISK OF THE HOLDER. IF DELIVERY IS BY MAIL, IT IS RECOMMENDED THAT REGISTERED MAIL, PROPERLY INSURED, WITH RETURN RECEIPT REQUESTED, BE USED. INSTEAD OF DELIVERY BY MAIL, IT IS RECOMMENDED THAT THE HOLDER USE AN OVERNIGHT OR HAND DELIVERY SERVICE. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ASSURE TIMELY DELIVERY.

3.1 *Method of Delivery*

To effectively tender Notes held through DTC, DTC participants may electronically transmit their tender through ATOP, for which the transaction will be eligible, and DTC will then edit and verify the acceptance and send an Agent's Message (as defined below) to the Agent for its acceptance. Delivery of tendered outstanding Notes held through DTC must, if made by book-entry delivery, be made to the Agent pursuant to the book-entry delivery procedures set forth below. The term "Agent's Message" means a message transmitted by DTC, received by the Agent, which states that DTC has received an express acknowledgement from the DTC participant tendering Notes that such DTC participant has received and agrees to the terms of the Offer as set forth in this Offer and the applicable letter(s) of transmittal and that we may enforce such agreement against such participant. Delivery of the Agent's Message by DTC may be done in lieu of execution and delivery of a letter of transmittal by the participant identified in the Agent's Message. Accordingly, a letter of transmittal need not be completed by a holder tendering through ATOP (although, as stated above, the holder will be deemed to be bound by the terms of the Offer as set forth in this Offer and the applicable letter(s) of transmittal with respect to all securities so tendered).

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3.2 ***Delivery of Notes***

The Agent will establish one or more accounts with respect to the outstanding Notes at DTC for purposes of the Offer. Any financial institution that is a participant in DTC may make book-entry delivery of their outstanding Notes by causing DTC to transfer their outstanding shares or Notes to the Agent's account at DTC in accordance with DTC's procedures for transfer. DTC will then send an Agent's Message to the Agent. Although delivery of outstanding Notes may be effected through book-entry at DTC, the letters of transmittal, with any required signature guarantees, or an Agent's Message in connection with a book-entry transfer, plus, in any case, all other required documents, must be transmitted to and received by the Agent at one or more of its addresses set forth in this Offer to Exchange prior to 5:00 p.m., New York City time, on the Expiration Date. **Holders desiring to tender Notes on the Expiration Date through ATOP should note that they must allow sufficient time for completion of the ATOP procedures during the normal business hours of DTC. Unless the Notes being tendered are deposited with the Agent at or prior to 5:00 p.m. on the Expiration Date (accompanied by a properly transmitted Agent's Message in the case of Notes tendered through ATOP), we may, at our option, treat such tender as defective and decline to accept the tendered Notes for payment of the Offer Consideration.**

Each signature on a letter of transmittal or a notice of withdrawal, as the case may be, must be guaranteed, unless the Notes surrendered for exchange with that letter of transmittal are tendered (1) by a registered holder of the Notes who has not completed either the box entitled "Special Exchange Instructions" or the box entitled "Special Delivery Instructions" in the letters of transmittal, or (2) for the account of a financial institution (including most commercial banks, savings and loan associations and brokerage houses) that is a participant in the Security Transfer Agent Medallion Program, the New York Stock Exchange Medallion Signature Guarantee Program or the Stock Exchange Medallion Program, each known as an "eligible institution." In the event that a signature on a letter of transmittal, or a notice of withdrawal, as the case may be, is required to be guaranteed, the guarantee must be by an eligible institution. The term "registered holder" as used in this paragraph with respect to the Notes means any person in whose name the Notes are registered on the books of the registrar for the Notes.

All questions as to the validity, form, eligibility (including time of receipt), acceptance and withdrawal of Notes tendered for exchange will be determined by us in our sole discretion. We and the Agent reserve the absolute right to reject any and all Notes not properly tendered and to reject any Notes the acceptance of which might, in our judgment or in the judgment of the Agent or their counsel, be unlawful. We and the Agent also reserve the absolute right to waive any defects or irregularities or conditions of the Offer as to particular Notes either before or after the Expiration Date (including the right to waive the ineligibility of any holder who seeks to tender Notes in the Offer). Unless waived, any defects or irregularities in connection with tenders of Notes for exchange must be cured within the period of time we determine. We and the Agent will use reasonable efforts to give notification of defects or irregularities with respect to tenders of Notes for exchange but will not incur any liability for failure to give the notification. We will not deem Notes tendered until irregularities have been cured or waived.

Any determination by the Company as to the validity, form, eligibility and acceptance of Notes for the Offer Consideration, or any interpretation by the Company as to the terms and conditions of the Offer, is subject to applicable law and, if challenged by holders of Notes or otherwise, to the judgment of a court of competent jurisdiction.

If any letter of transmittal, endorsement, bond power, shares, power of attorney or any other document required by the letter of transmittal is signed by a trustee, executor, corporation or other person acting in a fiduciary or representative capacity, the signatory should so indicate when signing, and, unless waived by us, submit proper evidence of the person’s authority to so act, which evidence must be satisfactory to us in our sole discretion.

Any beneficial owner of the Notes whose Notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and who wishes to tender Notes in the Offer should contact the registered holder promptly and instruct the registered holder to tender on the beneficial owner’s behalf. If the beneficial owner wishes to tender directly, the beneficial owner must, prior to completing and executing the appropriate letter of transmittal and tendering Notes, make appropriate arrangements to register ownership of the Notes in the beneficial owner’s name. Beneficial owners should be aware that the transfer of registered ownership may take considerable time.

3.3 ***Withdrawal Rights***

You may withdraw your tender of Notes at any time prior to 5:00 p.m. (New York City time) on October 16, 2012. You may only withdraw your tender of Notes after such date as permitted by law.

For a withdrawal of a tender of Notes to be effective, a written or facsimile transmission notice of withdrawal must be received by the Agent at or prior to 5:00 p.m. on October 16, 2012, by mail, fax or hand delivery or by a properly transmitted "Request Message" through ATOP. Any such notice of withdrawal must:

- specify the name of the person who tendered the Notes to be withdrawn and the name of the DTC participant whose name appears on the security position listing as the owner of such Notes, if different from that of the person who deposited the Notes;

- contain the aggregate liquidation preference or principal amount represented by the Notes to be withdrawn;

- unless transmitted through ATOP, be signed by the holder thereof in the same manner as the original signature on the applicable letter of transmittal, including any required signature guarantee(s); and

- if the applicable letter of transmittal was executed by a person other than the DTC participant whose name appears on a security position listing as the owner of the Notes, be accompanied by a properly completed irrevocable proxy that authorized such person to effect such withdrawal on behalf of such holder.

Withdrawal of Notes can only be accomplished in accordance with the foregoing procedures. Holders may not rescind their valid withdrawals of tendered Notes. However, Notes validly withdrawn may thereafter be retendered at any time at or prior to 5:00 p.m. on October 16, 2012 by following the procedures described under Section 3.2 "Delivery of Notes."

All questions as to the form and validity (including time of receipt) of any notice of withdrawal of a tender will be determined by us. In the event of a dispute, a court of competent jurisdiction has the power to review and make binding determinations with respect to our determinations of these matters. We reserve the absolute right to reject any or all attempted withdrawals of Notes that are not in proper form or the acceptance of which would, in our opinion, be unlawful. We also reserve the right to waive any defects, irregularities or conditions of a withdrawal as to particular Notes. A waiver of any defect or irregularity with respect to the withdrawal of one Note shall not constitute a waiver of the same or any other defect or irregularity with respect to the withdrawal of any other Note except to the extent we may otherwise so provide. Withdrawals of Notes shall not be deemed to have been made until any defects or irregularities have been waived by us or cured. None of us, the Agent, the information agent or any other person will be under any duty to give notification of any defect or irregularity in any notice of withdrawal of a tender or incur any liability for failure to give any such notification.

4. The Offer.

The Company has agreed with holders identified below (the "Large Noteholders") of approximately 98.7% of the Company's outstanding 5.50% senior subordinated convertible notes ("Notes") to restructure the Notes pursuant to the terms of the Amended and Restated Subordinated Note Restructuring Agreement dated September 13, 2012 (the "Restructuring Agreement"). The Notes were issued pursuant to an Indenture (the "Indenture"), dated May 18, 2007, by and between the Company and U.S. Bank National Association, as successor to The Bank of New York Mellon, as successor in interest to The Bank of New York, as Trustee, and Computershare Trust Company of Canada, as successor to BNY Trust Company of Canada, as the Co-Trustee named therein. As of September 18, 2012, there was $85,447,000 aggregate principal amount of Notes outstanding, of which $84,367,000 are held by the Large Noteholders.

The Restructuring Transaction will allow the Company to preserve the Company's cash and minimize the dilution that could occur if the Company issued common shares to satisfy all or a portion of the Notes. The Company is making the Offer to provide Holders of $1,080,000 of Notes that are not a party to the Restructuring Agreement the opportunity to participate in the Restructuring. The Restructuring Transaction was approved by the Company's shareholders on June 27, 2012, but is subject to such consents as may be required under the Indenture.

Pursuant to their agreement with the Company, certain Large Noteholders surrendered in connection with the Put Option a specified percentage of their Notes as follows, with the remaining balance of their Notes to be restructured on the same terms as contained in the Offer:

- Steelhead Navigator Master, L.P. put 5% of its Notes to the Company for cash pursuant to the Put Option. The remaining 95% of its Notes (in the approximate amount of $54.123 million) will be restructured as set forth below.

- Funds managed by Greywolf Capital Management LP put 50% of their Notes to the Company for cash pursuant to the Put Option. The remaining 50% of their Notes (in the approximate amount of $9.836 million) will be restructured as set forth below.

- All Notes owned by funds managed by West Face Capital Inc. (in the approximate amount of $13.229 million) will be restructured as set forth below.

- All Notes owned by VR Global Partners, L.P. and VR Capital Group Ltd. hold (in the approximate amount of $7.180 million) will be restructured as set forth below. VR Global Partners, L.P. and VR Capital Group Ltd. agreed to become parties to the Restructuring Agreement as of September 13, 2012 and did not put any of their Notes to the Company pursuant to the Put Option.

Under the terms of the Restructuring Agreement, the Notes of the Large Noteholders that were not put to the Company for cash will be modified upon the following terms for each $1,000 in principal amount, plus any accrued and unpaid interest on the Notes through the date on which the Restructuring Transaction is consummated (the "Closing Date").

- $700 principal amount of Notes shall be exchanged for (i) USD $200.00 in cash, (ii) 147.06 Common Shares, and (iii) a pro rata portion of the aggregate 5.465% Contingent Value Right payable in respect of all Notes held by the Large Noteholders; and

- $300 principal of Notes shall remain outstanding and represent the same continuing indebtedness, subject to the amended terms set forth in a Supplemental Indenture (as defined in the Restructuring Agreement) as follows (such Notes, as modified, referred to in this Offer as "Modified Notes"):

  - the maturity date will be two years from the date of issuance;

  - the Conversion Rate will be increased from 132.6260 shares of Common Stock per $1,000 in principal amount of Modified Notes (equivalent to a Conversion Price of $7.54) to 250 shares of Common Stock per $1,000 in principal amount of Modified Notes (equivalent to a Conversion Price of $4.00);

  - the Holder may convert its Modified Notes to shares of Common Stock at the Conversion Price at any time after the Closing Date upon 3 days prior written notice to the Company;

- the Company shall have a mandatory obligation to redeem the Modified Notes then outstanding, in whole or in part, for an amount of cash equal to 120% of the face value thereof plus accrued and unpaid interest upon (i) the Company's receipt of payment of a settlement or award with respect to its pending arbitration proceedings related to Venezuela's expropriation of the Brisas Project (any such settlement or award, the "Arbitration Award") or (ii) the Company's receipt of proceeds from sale or other disposition of its mining data (the "Mining Data Sale"), in each case with 20 days' notice to the Large Noteholders; provided, however, that the Company's redemption obligations in (i) and (ii) shall be limited to the amount of the proceeds received by the Company (provided, further, that any subsequent receipt of additional proceeds shall be applied in a similar manner until such time as the redemption obligations have been satisfied in full);

- the Company may redeem the Modified Notes, in whole or in part upon 20 days' notice to the Large Noteholders, for shares of Common Stock at the conversion price plus cash for any accrued and unpaid interest if the closing sale price of its common shares is equal to or greater than 200% of the conversion price for at least 20 trading days in the period of 30 consecutive trading days (and, for the avoidance of doubt with respect to the Modified Notes, this provision shall override the provision in the Indenture that permits the Company to redeem the Notes at any time after June 16, 2012); and

- unless previously converted by the Large Holder, or redeemed by the Company, the Company may satisfy the Notes, at maturity, by payment of cash in an amount equal to the principal plus accrued and unpaid interest thereon.

Each Large Noteholder will be entitled to a contingent value right ("CVR") that will entitle the Large Noteholders to receive, net of certain deductions, a pro rata portion of and aggregate amount of 5.465% of the proceeds actually received by the Company with respect to (i) the Arbitration Award and (ii) the Mining Data Sale, net of certain deductions. The Large Noteholders will be eligible to participate pro rata in the 5.465% CVR. The proceeds received by the Company in which the Large Noteholders will participate through the CVR may be cash, commodities, bonds, shares or any other consideration received by the Company as a result of the Arbitration Award or the Mining Data Sale. If such proceeds are other than cash, the Large Noteholders shall receive their pro rata share of 5.465% of such non-cash proceeds, net of any required deductions (e.g., for taxes) based upon the fair market value of such non-cash proceeds. The CVR will be increased proportionately for Other Holders who participate in the Offer up to a maximum of an additional 0.07%. For purposes of the foregoing, each Holderâ€™s pro rata share of the CVR shall be based on the amount of such Holderâ€™s Notes that participate in the Offer.

The obligations under the CVR may be accelerated upon the occurrence of an Enterprise Sale, which includes any (i) merger, plan of arrangement or other business combination transaction involving the Company or any of its subsidiaries, (ii) a sale, pledge (with certain limited exceptions), transfer or other disposition of 85% or more of the Companyâ€™s then outstanding shares or (iii) sale, pledge, transfer or other disposition, directly or indirectly, of all or substantially all of the assets of the Company.

In addition, each Holder that participates in the Offer is entitled to an additional cash payment of a pro rata percentage (based on the outstanding principal amount of the Notes held by such Holder) of a maximum of up to $1,000,000 depending upon the principal amount of Notes tendered pursuant to this Offer. Assuming all Other Holders elect to tender their Notes, the maximum aggregate cash payment to such Holders would be approximately $11,966.40.

The cash, Common Shares, Modified Notes and CVR to be delivered by the Company is collectively referred to as the â€œOffer Consideration.â€ The Offer Consideration will be delivered to the Other Holders as soon as practicable after the Expiration Date.

The Company is offering the Offer Consideration to all Other Holders who elect to participate in the Offer. The CVR will be increased proportionately for any Other Holders that elect to participate in the Offer and the CVR amounts will be shared pro rata with all Holders who participate in the Offer based on the principal amount of Notes delivered to the Company by all participating Holders.

The foregoing summary is qualified in its entirety by the Second Amended and Restated Subordinated Note Restructuring Agreement, a copy of which is attached as Exhibit 99.1 to the Companyâ€™s Report on Form 6-K filed with the SEC on September 18, 2012.

Support of Restructuring Transaction; Waiver of Certain Change of Control Rights in Connection with Restructuring Transaction

Members of management and the directors agreed to support the transactions contemplated by the Restructuring Agreement and agreed to limited waivers of their rights under their respective change in control agreements with respect to the Restructuring Transaction. In consideration for such waivers, the Company agreed to pay an aggregate amount of $337,850 to those directors and employees who executed limited waivers. Each individual salaried employee was paid an amount of cash equal to 25% of his or her annual salary, Mr. Coleman was paid $25,000, Mr. Geyer was paid $20,000; however, Messrs. Potvin, McChesney and Mikkelsen agreed to forgo an immediate cash payment by accepting a participation of up to 2% of the pool established pursuant to the 2012 Bonus Pool Plan.

Recommendation of the Board

The Board has concluded that the approval of the Restructuring Transaction, as set forth in the Restructuring Agreement, and consummation of the transactions described therein, is in the best interests of the Company.

Approval of the Shareholders

The Restructuring Transaction was approved by the Companyâ€™s shareholders on June 27, 2012.

5. Interests of Directors, Executive Officers and Affiliates of GR in the Notes.

Pursuant to the Restructuring Agreement that was in effect prior to the July 3, 2012 amendment and restatement, GRâ€™s executive officers and directors entered into Change of Control Waiver Agreements, whereby such executive officers and directors waived their rights to receive change of control payments that would otherwise be triggered pursuant to the Restructuring Transaction.

In connection with services to GR, each of GRâ€™s executive officers and directors is a party to stock option, stock unit or restricted stock plans or other arrangements involving the Common Stock. Except as described above, GR is not and to the knowledge of GR, none of its affiliates, directors or executive officers, is a party to any contract, arrangement, understanding or agreement with any other person relating, directly or indirectly, to the Put Option or with respect to the Notes, including, but not limited to, any contract, arrangement, understanding or agreement concerning the transfer or the voting of the securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or the giving or withholding of proxies, consents or authorizations.

A list of the directors and executive officers of GR is attached to this Offer as Annex A.

Except as otherwise disclosed herein, to the knowledge of GR:

- none of GR or its executive officers, directors, subsidiaries or other affiliates has any beneficial interest in the Notes;

- none of the officers or directors of the subsidiaries of GR has any beneficial interest in the Notes;

- GR will not repurchase any Notes from such persons; and

- during the 60 days preceding the date of this Offer, none of GR or its officers, directors or affiliates has engaged in any transactions in the Notes.

6. Comparison of Rights Among the Common Stock, the Notes and the Modified Notes.

Total

$
28,558

$
27,479

$
55,204

$
52,928

Our license and grant revenues are primarily generated in the United States. No individual customer represented more than 10% of our revenues for the three and six month periods ended June 30, 2015 and 2014.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis should be read together with our condensed consolidated financial statements and the notes to those statements included elsewhere in this Form 10-Q. This Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or Exchange Act, that are based on our management's beliefs and assumptions and on information currently available to our management. The forward-looking statements are contained principally in the section entitled "Risk Factors" and this Management's Discussion and Analysis of Financial Condition and Results of Operations. Forward-looking statements include information concerning our possible or assumed future cash flow, revenue, sources of revenue and results of operations, operating and other expenses, unit sales, business strategies, financing plans, expansion of our business, competitive position, industry environment, potential growth opportunities, and the effects of competition. Forward-looking statements include statements that are not historical facts and can be identified by terms such as "anticipates," "believes," "could," "seeks," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "projects "would," or similar expressions and the negatives of those terms.

Forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements. We discuss these risks in greater detail in Part II, Item 1A, "Risk Factors," elsewhere in this Form 10-Q, and in our Annual Report on Form 10-K filed with the Securities and Exchange Commission, or SEC. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Also, forward-looking statements represent our management's beliefs and assumptions only as of the date of this Form 10-Q.

Except as required by law, we assume no obligation to update these forward-looking statements, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future. You should read this Form 10-Q completely and with the understanding that our actual future results may be materially different from what we expect.

"Fluidigm," the Fluidigm logo, "Access Array," "Biomark," "C1," "Callisto," "CyTOF," "Delta Gene," "EP1," "Helios," "Jun and "SNP Type," are trademarks or registered trademarks of Fluidigm Corporation. Other service marks, trademarks, and trade names referred to in this Form 10-Q are the property of their respective owners.

In this Form 10-Q, "we," "us," and "our" refer to Fluidigm Corporation and its subsidiaries.

Overview

We create, manufacture, and market innovative technologies and life-science tools focused on the exploration and analysis of single cells, as well as the industrial application of genomics, based upon our core microfluidics and mass cytometry technologies. We sell instruments and consumables, including integrated fluidic circuits, or IFCs, assays, and reagents, to academic institutions, clinical laboratories, and pharmaceutical, biotechnology, and agricultural biotechnology, or Ag-Bio, companies.

We distribute our systems through our direct sales force and support organizations located in North America, Europe, and Asia-Pacific, and through distributors or sales agents in several European, Latin American, Middle Eastern, and Asia-Pacific countries. Our manufacturing operations are primarily located in Singapore and Canada. Our facility in Singapore manufactures our genomics instruments, several of which are assembled at facilities of our contract manufacturers in Singapore, with testing and calibration of the assembled products performed at our Singapore facility. All of our IFCs for commercial sale and some IFCs for our research and development purposes are also fabricated at our Singapore facility. Our proteomics analytical instruments are manufactured at our facility in Canada. We also manufacture IFCs for research and development, assays, and reagents at our facilities in South San Francisco, California.

Our total revenue grew from $71.2 million in 2013 to $116.5 million in 2014 (including $20.7 million in revenue from the sales of CyTOF 2 systems and related consumables following our acquisition of DVS Sciences, Inc., or DVS, in February 2014), and for the six months ended June 30, 2015, our total revenue was $55.3 million. We have incurred significant net losses since our inception in 1999 and, as of June 30, 2015, our accumulated deficit was $341.3

million.

Critical Accounting Policies, Significant Judgments and Estimates

Our condensed consolidated financial statements and the related notes included elsewhere in this Form 10-Q are prepared in accordance with accounting principles generally accepted in the United States. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs, and expenses and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Changes in accounting estimates may occur from period to period.

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Accordingly, actual results could differ significantly from the estimates made by our management. We evaluate our estimates and assumptions on an ongoing basis. To the extent there are material differences between these estimates and actual results, our future financial statement presentation, financial condition, results of operations, and cash flows will be affected.

Except as otherwise disclosed, there have been no material changes in our critical accounting policies and estimates in the preparation of our condensed consolidated financial statements during the three and six months ended June 30, 2015 compared to those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2014, as filed with the SEC on February 26, 2015.

Results of Operations

The following table presents our historical condensed consolidated statements of operations data for the three and six months ended June 30, 2015 and 2014, and as a percentage of total revenue for the respective periods ($ in thousands):

	Three Months Ended June 30,				Six months ended June 30,			
	2015	2015	2014	2014	2015	2015	2014	2014
Revenue:								
Total revenue	$28,618	100 %	$27,607	100 %	$55,347	100 %	$53,331	100 %
Costs and expenses:								
Cost of product revenue	11,965	42	9,955	36	22,611	41	18,659	35
Research and development	10,090	35	11,374	41	20,080	36	19,020	36
Selling, general and administrative	21,222	74	18,655	68	41,316	76	33,912	64
Acquisition-related expenses	—	—	—	—	—	—	10,696	20
Total costs and expenses	43,277	151	39,984	145	84,007	153	82,287	155
Loss from operations	(14,659)	(51)	(12,377)	(45)	(28,660)	(53)	(28,956)	(55)
Interest expense	(1,451)	(5)	(1,415)	(5)	(2,904)	(5)	(2,441)	(4)
Other (expense) income, net	608	2	(18)	—	(512)	(1)	30	—
Loss before income taxes	(15,502)	(54)	(13,810)	(50)	(32,076)	(59)	(31,367)	(59)
Benefit from income taxes	266	1	1,128	4	909	2	3,271	6
Net loss	$(15,236)	(53)%	$(12,682)	(46)%	$(31,167)	(56)%	$(28,096)	(53)%

Revenue

We generate revenue from sales of our products, license agreements, and government grants. Our product revenue consists of sales of instruments and related services, and consumables, including IFCs, assays, and other reagents. We have entered into license agreements and have received government grants to conduct research and development activities.

The following table presents our revenue by source for each period presented (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenue:				
Instruments	$17,437	$15,370	$33,257	$30,477
Consumables	11,121	12,109	21,947	22,451
Product revenue	28,558	27,479	55,204	52,928
License revenue	60	74	143	186
Grant revenue	—	54	—	217
Total revenue	$28,618	$27,607	$55,347	$53,331

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The following table presents our product revenue by geography and as a percentage of total product revenue by geography based on the billing address of our customers for each period presented ($ in thousands):

	Three Months Ended June 30,						Six Months Ended June 30,					
	2015			2014			2015			2014		
United States	$14,219	50	%	$14,200	52	%	$27,930	51	%	$25,438	48	%
Europe	9,013	31	%	7,532	27	%	15,928	29	%	13,914	26	%
Japan	935	3	%	358	1	%	2,809	5	%	4,712	9	%
Asia-Pacific	2,782	10	%	4,612	17	%	6,114	10	%	6,704	13	%
Other	1,609	6	%	777	4	%	2,423	4	%	2,160	4	%
Total	$28,558	100	%	$27,479	100	%	$55,204	100	%	$52,928	100	%

Our customers include academic research institutions, clinical laboratories, and pharmaceutical, biotechnology, and Ag-Bio companies worldwide. Total revenue from our five largest customers comprised 18% and 15% of our total revenue in the three and six months ended June 30, 2015, respectively, and 21% and 17% in the three and six months ended June 30, 2014, respectively.

We currently expect revenues for the second half of 2015 to be lower, compared to the corresponding period of 2014.

Comparison of the Three Months Ended June 30, 2015 and June 30, 2014

Total Revenue

Total revenue increased by $1.0 million, or 4%, to $28.6 million for the three months ended June 30, 2015, compared to $27.6 million for the three months ended June 30, 2014.

Product Revenue

Product revenue increased by $1.1 million, or 4%, to $28.6 million for the three months ended June 30, 2015, compared to $27.5 million for the three months ended June 30, 2014.

Instrument revenue increased by $2.1 million, or 13%, to $17.4 million, primarily driven by higher unit sales of our CyTOF systems, which includes the recently introduced Helios system; contributions from new products, such as the Juno and the recently introduced Polaris systems; and increased service revenues. These revenue increases were partially offset by decreases in unit sales of Biomark HD, C1 and Access Array systems, as well as negative effects of foreign currency of $1.3 million.

Consumables revenue decreased by $1.0 million, or 8%, to $11.1 million, primarily represented by decreases in sales of our analytical IFCs, and to a lesser extent, decreases in sales of our Access Array IFCs; antibodies; assays; and reagents. These decreases were partially offset by increases in sales of C1 IFCs. In addition, negative effects of foreign currency reduced consumables revenues by $0.6 million. Annualized IFC pull-through for our genomics analytical systems was below our historical range of $40,000 to $50,000 per system based on lower production genomics customer purchases, and we currently expect genomics analytical IFC pull-through to be between $25,000 and $35,000 per system per year. IFC pull-through for our genomics preparatory systems was within our expected range of $15,000 to $25,000 per system per year, and consumables pull-through for our proteomics analytical systems was within the historical range of $50,000 to $70,000 per system per year. IFC pull-through is determined by dividing the applicable IFC revenue for a specific period by the number of genomics analytical or preparatory systems, as applicable, in our installed base at the beginning of the period. Similarly, consumables pull-through for proteomics analytical systems is determined by dividing the related consumables revenue for a specific period by the number of proteomics analytical systems in our installed base at the beginning of the period. The IFC and consumables pull-through amounts are annualized by multiplying the pull-through amounts by a ratio, the numerator of which equals 12 and the denominator of which equals the number of months in the specific period.

We expect total unit sales of both instruments and consumables to increase over time as we continue our efforts to grow our customer base, expand our geographic market coverage, and launch new products. However, we expect the average selling prices of our products to fluctuate over time based on market conditions, product mix, and currency fluctuations.

Grant Revenue

Grant revenue consists of a grant from California Institute for Regenerative Medicine, or CIRM. Our CIRM grant was awarded in 2011 in the amount of $1.9 million to be earned over a three-year period which ended in April 2014. The CIRM grant

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revenue is recognized as the related research and development services are performed and costs associated with the grants are recognized as research and development expense during the period incurred.

We did not receive any grant revenue for the three months ended June 30, 2015. Grant revenue was $0.2 million for the three months ended June 30, 2014.

Cost of Product Revenue

The following table presents our cost of product revenue and product margin for each period presented ($ in thousands):

	Three Months Ended June 30,	
	2015	2014
Cost of product revenue	$11,965	$9,955
Product margin	58 %	64 %

Cost of product revenue includes manufacturing costs incurred in the production process, including component materials, labor and overhead, installation, packaging, and delivery costs. In addition, cost of product revenue includes amortization of developed technology, royalty costs for licensed technologies included in our products, warranty, service, provisions for slow-moving and obsolete inventory, and stock-based compensation expense. Costs related to license and grant revenue are included in research and development expense.

Cost of product revenue increased by $2.0 million, or 20%, to $12.0 million for the three months ended June 30, 2015 from $10.0 million for the three months ended June 30, 2014. Cost of product revenue for the three months ended June 30, 2015 and 2014 includes $2.8 million of amortization of acquired intangible assets resulting from our acquisition of DVS. Overall cost of product revenue as a percentage of related revenue was 42% and 36%, including 9.8% and 10.1% related to these charges, for the three months ended June 30, 2015 and 2014, respectively. Product margins declined 6 percentage points during the three months ended June 30, 2015 compared to the corresponding period in 2014, primarily due to the impact of higher instrument manufacturing costs, driven by overall lower volume of production, and a change in sales mix. The margins were also impacted to a lesser extent by higher stock-based compensation expenses and higher warranty costs.

Operating Expenses

The following table presents our operating expenses for each period presented (in thousands):

	Three Months Ended June 30,	
	2015	2014
Research and development	$10,090	$11,374
Selling, general and administrative	21,222	18,655
Total	$31,312	$30,029

Research and Development

Research and development expense consists primarily of personnel and independent contractor costs, prototype and material expenses, and other allocated facilities and information technology expenses. We have made substantial investments in research and development since our inception. Our research and development efforts have focused primarily on enhancing our technologies and supporting development and commercialization of new and existing products and services.

Research and development expense decreased $1.3 million, or 11%, to $10.1 million for the three months ended June 30, 2015, compared to $11.4 million for the three months ended June 30, 2014, mainly representing reduced stock-based compensation expenses of $1.8 million primarily due to the full vesting of equity awards issued in connection with the DVS acquisition, which occurred prior to the second quarter of 2015 according to their vesting terms, and outside services costs of $0.2 million, partially offset by increases in compensation costs of $0.2 million due to higher headcount and project-related costs of $0.3 million.

We believe that our continued investment in research and development is essential to our long-term competitive position and these expenses may increase in future periods.

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Selling, General and Administrative

Selling, general and administrative expense consists primarily of personnel costs for our sales and marketing, business development, finance, legal, human resources, and general management, as well as professional services, such as legal and accounting services.

Selling, general and administrative expense for the three months ended June 30, 2015 increased $2.6 million, or 14%, to $21.2 million, compared to $18.7 million for the three months ended June 30, 2014, primarily driven by increases in legal and other outside services costs of $1.9 million, higher headcount and compensation-related costs of $0.9 million, and increases in depreciation expenses of $0.3 million, partly offset by a decrease in marketing services and tradeshow expenses of $0.5 million and integration-related costs of $0.2 million. We expect selling, general and administrative expense to increase in future periods as we continue to grow our sales, technical support, marketing, and administrative headcount, support increased product sales, broaden our customer base, and incur additional costs to support our expanding global footprint and the overall growth in our business.

Interest Expense and Other Income and Expense, Net

We have incurred interest expense and amortization of debt discount related to our long-term debt. The following table presents interest expense and other (expense) income, net for each period presented (in thousands):

	Three Months Ended June 30,			
	2015		2014	
Interest expense	$(1,451	)	$(1,415	)
Other (expense) income, net	608		(18	)
Total	$(843	)	$(1,433	)

On February 4, 2014, we closed an underwritten public offering of $201.3 million aggregate principal amount of our 2.75% Senior Convertible Notes due 2034, or the Notes. The Notes accrue interest at a rate of 2.75% per year, payable semi-annually in arrears on February 1 and August 1 of each year, commencing August 1, 2014. The Notes will mature on February 1, 2034, unless earlier converted, redeemed, or repurchased in accordance with the terms of the Notes.

Other income for the three months ended June 30, 2015 increased by $0.6 million compared to the three months ended June 30, 2014 primarily due to $0.6 million of income from revaluation of certain foreign currency denominated assets and liabilities due to strengthening of foreign currencies against the U.S. dollar during the second quarter of 2015, compared to the first quarter of 2015. There was no similar strengthening of foreign currencies in the second quarter of 2014.

Benefit from Income Taxes

We recorded a tax benefit of $0.3 million for the three months ended June 30, 2015. The tax benefit was primarily attributable to the amortization of our acquisition-related deferred tax liability, partially offset by tax provision from our foreign operations and provision for uncertain tax liabilities related to our foreign operations. The tax benefit of $1.1 million for the three months ended June 30, 2014 was primarily attributable to amortization of our acquisition-related deferred tax liability and income tax benefit from our foreign operations.

Comparison of the Six Months Ended June 30, 2015 and June 30, 2014

Total Revenue

Total revenue increased by $2.0 million, or 4%, to $55.3 million for the six months ended June 30, 2015, compared to $53.3 million for the six months ended June 30, 2014.

Product Revenue

Product revenue increased by $2.3 million, or 4%, to $55.2 million for the six months ended June 30, 2015, compared to $52.9 million for the six months ended June 30, 2014.

Instrument revenue increased by $2.8 million, or 9%, to $33.3 million, primarily driven by higher unit sales of our CyTOF systems, which includes the recently introduced Helios system; contributions from our new preparatory systems products, such as the Juno and the recently introduced Polaris systems; and to a lesser extent, increases in sales of our EP1 systems. These revenue

increases were partially offset by decreases in unit sales of Biomark HD and C1 systems, as well as negative effects of foreign currency of $2.1million.

Consumables revenue decreased by $0.5 million, or 2%, to $21.9 million, represented by decreases in sales of our analytical IFCs, and to a lesser extent, decreases in sales of our assays. These decreases were partially offset by increases in sales of C1 IFCs; antibodies in line with increased sales of CyTOF systems; and reagents. In addition, negative impacts of foreign currency reduced consumables revenues by $1.3 million. Annualized IFC pull-through for our genomics analytical systems was below our historical range of $40,000 to $50,000 per system due to lower production genomics customer purchases, and we currently expect genomics analytical IFC pull-through to be between $25,000 and $35,000 per system per year. IFC pull-through for our genomics preparatory systems was within our expected range of $15,000 to $25,000 per system per year, and consumables pull-through for our proteomics analytical systems was within the historical range of $50,000 to $70,000 per system per year.

Grant Revenue

Grant revenue consists of a grant from California Institute for Regenerative Medicine, or CIRM. Our CIRM grant was awarded in 2011 in the amount of $1.9 million to be earned over a three-year period which ended in April 2014. The CIRM grant revenue is recognized as the related research and development services are performed and costs associated with the grants are recognized as research and development expense during the period incurred.

We did not receive any grant revenue for the six months ended June 30, 2015. Grant revenue was $0.2 million for the six months ended June 30, 2014.

Cost of Product Revenue

The following table presents our cost of product revenue and product margin for each period presented ($ in thousands):

	Six months ended June 30,	
	2015	2014
Cost of product revenue	$22,611	$18,659
Product margin	59 %	65 %

Cost of product revenue includes manufacturing costs incurred in the production process, including component materials, labor and overhead, installation, packaging, and delivery costs. In addition, cost of product revenue includes amortization of developed technology, royalty costs for licensed technologies included in our products, warranty, service, provisions for slow-moving and obsolete inventory, and stock-based compensation expense. Costs related to license and grant revenue are included in research and development expense.

Cost of product revenue increased by $4.0 million, or 21%, to $22.6 million for the six months ended June 30, 2015 from $18.7 million for the six months ended June 30, 2014. Cost of product revenue for the six months ended June 30, 2015 includes $5.6 million of amortization of acquired intangible assets resulting from our acquisition of DVS, an increase of $1.4 million when compared to the comparable period in 2014, partially offset by charges from inventory step-up expensed during 2014 related to the acquisition of approximately $0.7 million. Overall cost of product revenue as a percentage of related revenue was 41% and 35%, including 10.1 and 9.2 percentage points related to these charges, for the six months ended June 30, 2015 and 2014, respectively. Product margin declined 6 percentage points during the six months ended June 30, 2015 compared to the corresponding period in 2014 due to the impact of higher instrument manufacturing costs, driven by overall lower volume of production, and a change in sales mix. The margins were also impacted to a lesser extent by higher stock-based compensation expenses, higher warranty costs and increased royalty costs.

Operating Expenses

The following table presents our operating expenses for each period presented (in thousands):

	Six months ended June 30,	
	2015	2014
Research and development	$20,080	$19,020
Selling, general and administrative	41,316	33,912
Total	$61,396	$52,932

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Research and Development

Research and development expense consists primarily of personnel and independent contractor costs, prototype and material expenses, and other allocated facilities and information technology expenses. We have made substantial investments in research and development since our inception. Our research and development efforts have focused primarily on enhancing our technologies and supporting development and commercialization of new and existing products and services.

Research and development expense increased $1.1 million, or 6%, to $20.1 million for the six months ended June 30, 2015, compared to $19.0 million for the six months ended June 30, 2014, primarily due to increases in compensation costs of $1.7 million due to higher headcount, project related costs of $1.0 million and increased operating costs allocated of $0.6 million, partially offset by reduced stock-based compensation expenses of $1.9 million primarily due to the full vesting of equity awards issued in connection with the DVS acquisition, bonus expense of $0.3 million, and outside services costs of $0.3 million.

Selling, General and Administrative

Selling, general and administrative expense consists primarily of personnel costs for our sales and marketing, business development, finance, legal, human resources, and general management, as well as professional services, such as legal and accounting services.

Selling, general and administrative expense for the six months ended June 30, 2015 increased $7.4 million, or 22%, to $41.3 million, compared to $33.9 million for the six months ended June 30, 2014, primarily driven by higher headcount and compensation-related costs, including stock-based compensation expenses, of $3.6 million, increases in legal and other outside services costs of $3.4 million, increases in facilities and related costs of $0.7 million, and increases in depreciation and travel expenses of $0.5 million each, partly offset by decrease due to integration-related costs of $1.1 million incurred in the prior year and marketing services and tradeshows of $0.5 million.

Acquisition-Related Expenses

Acquisition-related expenses of $10.7 million incurred during the six months ended June 30, 2014 primarily included accelerated vesting of certain DVS restricted stock and stock options, and consulting, legal, and investment banking fees relating to our acquisition of DVS.

Interest Expense and Other Income and Expense, Net

We have incurred interest expense and amortization of debt discount related to our long-term debt. The following table presents interest expense and other (expense) income, net for each period presented (in thousands):

	Six months ended June 30,	
	2015	2014
Interest expense	$(2,904)	$(2,441)
Other (expense) income, net	(512)	30
Total	$(3,416)	$(2,411)

On February 4, 2014, we closed an underwritten public offering of $201.3 million aggregate principal amount of our 2.75% Senior Convertible Notes due 2034, or the Notes. The Notes accrue interest at a rate of 2.75% per year, payable semi-annually in arrears on February 1 and August 1 of each year, commencing August 1, 2014. The Notes will mature on February 1, 2034, unless earlier converted, redeemed, or repurchased in accordance with the terms of the Notes.

Interest expense for the six months ended June 30, 2015 increased by $0.5 million compared to the six months ended June 30, 2014 due to accrual of interest under the terms of the Notes for a full first half of 2015, as compared to a partial comparable period in 2014.

Other expense for the six months ended June 30, 2015 increased by $0.5 million compared to the six months ended June 30, 2014 primarily due to $0.7 million of losses from revaluation of certain foreign currency denominated assets and liabilities due to strengthening of the U.S. dollar during the first six months of 2015 compared to 2014.

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Benefit from Income Taxes

We recorded a tax benefit of $0.9 million for the six months ended June 30, 2015. The tax benefit was primarily attributable to the amortization of our acquisition-related deferred tax liability, partially offset by tax provision and provision for uncertain tax liabilities related to our foreign operations. The tax benefit of $3.3 million for the six months ended June 30, 2014 was primarily attributable to the release of the valuation allowance associated with our California deferred tax assets upon recording the foreign and California deferred tax liabilities arising from the DVS acquisition and the deferred tax liabilities arising from amortization of acquired intangible assets.

Liquidity and Capital Resources

Sources of Liquidity

As of June 30, 2015, our principal sources of liquidity consisted of $23.7 million of cash and cash equivalents and $103.3 million of investments. As of June 30, 2015, our working capital excluding deferred revenue totaled $122.0 million.

The following table presents our cash flow summary for each period presented (in thousands):

	Six Months Ended June 30,	
	2015	2014
Cash flow summary		
Net cash used in operating activities	$(17,629)	$(10,235)
Net cash provided by (used in) investing activities	3,215	(180,085)
Net cash provided by financing activities	5,128	198,669
Net (decrease) increase in cash and cash equivalents	(9,968)	8,420

Net Cash Used in Operating Activities

We derive cash flows from operations primarily from cash collected from the sale of our products, license agreements, and grants from certain government entities. Our cash flows from operating activities are also significantly influenced by our use of cash for operating expenses to support the growth of our business. We have historically experienced negative cash flows from operating activities as we have expanded our business and built our infrastructure domestically and internationally, and this may continue in the future.

Net cash used in operating activities was $17.6 million for the six months ended June 30, 2015, compared to $10.2 million for the six months ended June 30, 2014, an increase of $7.4 million. The cash used in operating activities in the first six months of 2015 resulted from a net loss of $31.2 million, adjusted for $17.3 million in non-cash charges and a $3.8 million net increase in assets and liabilities. The significant non-cash charges included stock-based compensation expense, amortization of intangible assets, and depreciation and amortization. The net increase in other assets and liabilities was driven primarily by an increase in inventory positions, net decrease in other liabilities, and an increase in prepaid expenses and other assets, partially offset by a decrease in accounts receivable, an increase in deferred revenue, and an increase in accounts payable. Our net loss, adjusted for non-cash and non-operating items, and deferred revenue increased by $5.9 million for the six months ended June 30, 2015 compared to the same period in 2014, which included $10.7 million of acquisition-related charges. This was primarily due to increased operating expenses, including the impact of the acquired DVS operations in the entire six-month period ended June 30, 2015, as compared to a partial-period impact in the corresponding period in 2014.

Net Cash Provided by (Used in) Investing Activities

Our primary investing activities consist of purchases, sales, and maturities of our short-term and long-term investments, and capital expenditures for manufacturing, laboratory, and computer equipment and software to support our expanding infrastructure and work force. We expect to continue to expand our manufacturing capability, including improvements in manufacturing productivity, and expect to incur additional costs for capital expenditures related to these efforts in future periods. In addition, we expect to continue to incur costs for capital expenditures for demonstration units and loaner equipment to support our sales and service efforts, and computer equipment and software to support our growth.

Net cash provided by investing activities was $3.2 million during the six months ended June 30, 2015. Net cash provided by investing activities primarily consisted of $39.4 million of proceeds from sales and maturities of investments, partially offset by purchases of investments of $33.7 million, capital expenditures of $2.3 million and purchase of intangible assets of $0.1 million primarily to support growth in our employee base worldwide and manufacturing operations.

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Net Cash Provided by Financing Activities

Net cash provided by financing activities was $5.1 million during the six months ended June 30, 2015 and consists of proceeds received in connection with the exercise of options for our common stock.

Capital Resources

At June 30, 2015, our working capital excluding deferred revenue was $122.0 million, including cash, cash equivalents, and short-term investments of $99.9 million. We believe our existing cash, cash equivalents, and investments will be sufficient to meet our working capital and capital expenditure needs for at least the next 18 months. However, we may experience lower than expected cash generated from operating activities or greater than expected capital expenditures, cost of revenue, or operating expenses, and we may need to raise additional capital to expand the commercialization of our products, expand and fund our operations, further our research and development activities, or acquire or invest in a business. Our future funding requirements will depend on many factors, including market acceptance of our products, the cost of our research and development activities, the cost of filing and prosecuting patent applications, the cost associated with litigation or disputes relating to intellectual property rights or otherwise, the cost and timing of regulatory clearances or approvals, if any, the cost and timing of establishing additional sales, marketing, and distribution capabilities, the cost and timing of establishing additional technical support capabilities, and the effect of competing technological and market developments. In the future, we may acquire businesses or technologies from third parties, and we may decide to raise additional capital through debt or equity financing to the extent we believe this is necessary to successfully complete these acquisitions. We currently have no material commitments or agreements relating to any such acquisitions.

If we require additional funds in the future, we may not be able to obtain such funds on acceptable terms, or at all. If we raise additional funds by issuing equity securities, our stockholders may experience dilution. Debt financing, if available, may involve covenants restricting our operations or our ability to incur additional debt. Any debt or additional equity financing that we raise may contain terms that are not favorable to us or our stockholders. If we raise additional funds through collaboration and licensing arrangements with third parties, it may be necessary to relinquish some rights to our technologies or our products, or grant licenses on terms that are not favorable to us. If we are unable to raise adequate funds, we may have to liquidate some or all of our assets, or delay, reduce the scope of or eliminate some or all of our development programs. If we do not have, or are not able to obtain, sufficient funds, we may have to delay development or commercialization of our products or license to third parties the rights to commercialize products or technologies that we would otherwise seek to commercialize. We also may have to reduce marketing, customer support, research and development, or other resources devoted to our products or cease operations.

Off-Balance Sheet Arrangements

As of June 30, 2015, we did not have any off-balance sheet arrangements as defined in Item 303(a)(4) of Regulation S-K promulgated under the Exchange Act.

Contractual Obligations and Commitments

On April 9, 2013, we entered into an amendment (the 2013 Amendment) to the lease agreement dated September 14, 2010 (as amended, the Lease) relating to the lease of office and laboratory space at our corporate headquarters located in South San Francisco, California. The 2013 Amendment provided for an expansion of the premises covered under the Lease, effective April 1, 2014; an extension of the term of the Lease to April 30, 2020 with an option to renew for an additional five years; payment of base rent with rent escalation; and payment of certain operating expenses during the term of the Lease. The 2013 Amendment also provided for an allowance of approximately $0.7 million for tenant improvements, $0.2 million of which was unused by June 30, 2015 and will be used to offset base rent obligations, and an additional allowance of approximately $0.5 million for tenant improvements, which, if used, will be repaid in equal monthly payments with interest at a rate of 9% per annum over the remaining term of the Lease.

On June 4, 2014, we entered into an additional amendment to the Lease (the June 2014 Amendment), which provided for an expansion of the premises covered under the Lease by approximately 13,000 square feet, effective October 1, 2014; payment of base rent with rent escalation; and payment of certain operating expenses during the term of the Lease. The June 2014 Amendment also provided for an allowance of approximately $0.2 million for tenant improvements, which was fully utilized by March 31, 2015, and an additional allowance of approximately $0.1

million for tenant improvements, which, if used, will be repaid in equal monthly payments with interest at a rate of 9% per annum over the remaining term of the Lease. The total future minimum lease payments for the additional space, which will be paid through April 2020, are approximately $2.2 million as of June 30, 2015.

On September 15, 2014, we entered into an additional amendment to the Lease (the September 2014 Amendment), which provided for an expansion of the premises covered under the Lease by approximately 9,000 square feet, effective October 1, 2014;

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payment of base rent with rent escalation; and payment of certain operating expenses during the term of the Lease. The September 2014 Amendment also provided for an allowance of approximately $0.2 million for tenant improvements. The total future minimum lease payments for the additional space, which will be paid through April 2020, are approximately $1.5 million as of June 30, 2015.

On October 14, 2013, Fluidigm Singapore Pte. Ltd., our wholly-owned subsidiary (Fluidigm Singapore), accepted an offer of tenancy (Singapore Lease) from HSBC Institutional Trust Services (Singapore) Limited, as trustee of Ascendas Real Estate Investment Trust (Landlord), relating to the lease of a new facility located in Singapore. Pursuant to the terms of the Singapore Lease, Fluidigm Singapore took possession of the facility commencing on March 3, 2014 for a term of 99 months, and the Singapore Lease and rental obligations thereunder commenced on June 3, 2014. The Singapore Lease also provides Fluidigm Singapore with an option to renew the Singapore Lease for an additional 60 months at the then prevailing market rent, and on similar terms as the existing Singapore Lease. In June 2014, Fluidigm Singapore leased additional space of approximately 2,400 square feet in the same building as the new facility on the same terms as the Singapore Lease (the June 2014 Singapore Lease). We completed the consolidation of our Singapore manufacturing operations in the new space in July 2014 and the site qualification was completed in August 2014. The leases relating to our prior manufacturing facility in Singapore terminated on August 31, 2014. In April 2015, Fluidigm Singapore leased additional space of approximately 10,000 square feet in the same building on the same terms as the Singapore Lease (the April 2015 Singapore Lease). In connection with the April 2015 Singapore Lease, Fluidigm Singapore terminated the June 2014 Singapore Lease as of June 30, 2015. The total future minimum lease payments which will be paid through June 2022, are approximately $4.5 million as of June 30, 2015.

In connection with our acquisition of DVS (See Note 4), we acquired the operating leases for facilities in Sunnyvale, California and Markham, Ontario, Canada, which expire in July 2016 and January 2016, respectively. The Canada lease includes an option to renew the lease for an additional five years at the then prevailing market rent, and on similar terms as the existing lease. We recognize rent expense on a straight-line basis over the non-cancelable lease term. The total future minimum lease payments for the operating leases in Sunnyvale, California and Markham, Ontario, Canada are approximately $290,000 as of June 30, 2015.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of fluctuations in foreign currency exchange rates and interest rates. We do not hold or issue financial instruments for trading purposes.

Foreign Currency Exchange Risk

As we expand internationally, our results of operations and cash flows will become increasingly subject to fluctuations due to changes in foreign currency exchange rates. Our revenue is generally denominated in the local currency of the contracting party. Historically, the majority of our revenue has been denominated in U.S. dollars. Our expenses are generally denominated in the currencies in which our operations are located, which is primarily in the United States, with a portion of expenses incurred in Singapore and Canada where our manufacturing facilities are located. Our results of operations and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates. The volatility of exchange rates depends on many factors that we cannot forecast with reliable accuracy. We have experienced and will continue to experience fluctuations in our net income or loss as a result of transaction gains or losses related to revaluing certain current asset and current liability balances that are denominated in currencies other than the functional currency of the entities in which they are recorded. We experienced foreign currency losses of $0.7 million for the six months ended June 30, 2015 primarily due to the strengthening of the U.S. dollar, whereas the impact of foreign currency fluctuations in the six months ended June 30, 2014 was not material. To date, we have not entered into any foreign currency hedging contracts although we may do so in the future. As our international operations grow, we will continue to reassess our approach to manage our risk relating to fluctuations in currency rates.

Interest Rate Sensitivity

We had cash and cash equivalents of $23.7 million at June 30, 2015. These amounts were held primarily in cash on deposit with banks and cash equivalents. We had $103.3 million in investments at June 30, 2015 held primarily in U.S. government and agency securities. The contractual maturity dates of $76.3 million of our U.S. government and agency securities are within one year from June 30, 2015. The contractual maturity dates of our remaining U.S. government and agency securities are less than eighteen months from June 30, 2015. Cash and cash equivalents and investments are held for working capital purposes. Due to the short-term nature of these investments, we believe that we do not have any material exposure to changes in the fair value of our investment portfolio as a result of changes in interest rates. Declines in interest rates, however, will reduce future investment income. If overall interest rates had decreased by 10% during the periods presented, our interest income would not have been materially affected.

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Fair Value of Financial Instruments

We do not have material exposure to market risk with respect to investments. We do not use derivative financial instruments for speculative or trading purposes. However, we may adopt specific hedging strategies in the future.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2015. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of June 30, 2015, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the three months ended June 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

Control systems, no matter how well conceived and operated, are designed to provide a reasonable, but not an absolute, level of assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Because of the inherent limitations in any control system, misstatements due to error or fraud may occur and not be detected.

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PART II. OTHER INFORMATION
Item 1. Legal Proceedings.
We are not currently engaged in any material legal proceedings.

Item 1A. Risk Factors.
We operate in a rapidly changing environment that involves numerous uncertainties and risks. The following risks and uncertainties may have a material and adverse effect on our business, financial condition, or results of operations. You should consider these risks and uncertainties carefully, together with all of the other information included or incorporated by reference in this Form 10-Q. If any of the risks or uncertainties we face were to occur, the trading price of our securities could decline, and you may lose all or part of your investment.
Risks Related to Fluidigm's Business and Strategy

Market opportunities may not develop as quickly as we expect, limiting our ability to successfully sell our products, or our product development and strategic plans may change and our entry into certain markets may be delayed, if it occurs at all.

The application of our technologies to single-cell biology (across genomics and proteomics) and production genomics applications are emerging market opportunities. We believe these opportunities will take several years to develop or mature and we cannot be certain that these market opportunities will develop as we expect. The future growth of the single-cell biology market and the success of our products depend on many factors beyond our control, including recognition and acceptance by the scientific community, and the growth, prevalence, and costs of competing methods of genetic and protein analysis. If the market for single-cell biology and production genomics do not develop as we expect, our business may be adversely affected. Additionally, our success in these markets may depend to a large extent on our ability to successfully sell products using our technologies. If we are not able to successfully market and sell our products, or to achieve the revenue or margins we expect, our operating results may be harmed and we may not recover our product development and marketing expenditures. In addition, our product development and strategic plans may change, which could delay or impede our entry into these markets.

Our financial results and revenue growth rates have varied significantly from quarter-to-quarter and year-to-year due to a number of factors, and a significant variance in our operating results or rates of growth, if any, could lead to substantial volatility in our stock price.

Our revenue, results of operations, and revenue growth rates have varied in the past and may continue to vary significantly from quarter-to-quarter or year-to-year. For example, in 2011, 2012, and 2014, we experienced higher sales in the fourth quarter than in the first quarter of the next fiscal year. Although this was not the case in the fourth quarter of 2013 compared to the first quarter of 2014, this historical trend resumed in 2015, and we expect it to continue. Additionally, for the quarters ended March 31, 2015 and June 30, 2015, we experienced year-over-year revenue growth rates that were substantially lower than revenue growth rates experienced in other periods since our initial public offering, and we currently expect revenues for the second half of 2015 to be lower, compared to the corresponding period of 2014. We may experience substantial variability in our product mix from period-to-period as revenue from sales of our instruments relative to sales of our consumables may fluctuate or deviate significantly from expectations. Variability in our quarterly or annual results of operations, mix of product revenue, or rates of revenue growth, if any, may lead to volatility in our stock price as research analysts and investors respond to these fluctuations. These fluctuations are due to numerous factors that are difficult to forecast, including: fluctuations in demand for our products; changes in customer budget cycles and capital spending; seasonal variations in customer operations; tendencies among some customers to defer purchase decisions to the end of the quarter; the large unit value of our systems; changes in our pricing and sales policies or the pricing and sales policies of our competitors; our ability to design, manufacture, market, sell, and deliver products to our customers in a timely and cost-effective manner; quality control or yield problems in our manufacturing operations; our ability to timely obtain adequate quantities of the materials or components used in our products, which in certain cases are purchased through sole and single source suppliers; new product introductions and enhancements by us and our competitors; unanticipated increases in costs or expenses; our complex, variable and, at times, lengthy sales cycle; global economic conditions; and fluctuations in foreign currency exchange rates. Additionally, we have certain customers who have historically placed large orders in multiple quarters during a calendar year. A significant reduction in orders from one or more of these customers could adversely affect our revenue and operating results, and if these customers defer or cancel purchases or otherwise alter their purchasing patterns, our financial results and actual results of operations could be significantly impacted. Other unknown or unpredictable factors also could harm our results.

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The foregoing factors, as well as other factors, could materially and adversely affect our quarterly and annual results of operations and rates of revenue growth, if any. We have experienced significant revenue growth in the past but we may not achieve similar growth rates in future periods. We currently expect revenues for the second half of 2015 to be lower, compared to the corresponding period of 2014. You should not rely on our operating results for any prior quarterly or annual period as an indication of our future operating performance. If we are unable to maintain adequate revenue growth, our operating results could suffer and our stock price could decline. In addition, a significant amount of our operating expenses are relatively fixed due to our manufacturing, research and development, and sales and general administrative efforts. Any failure to adjust spending quickly enough to compensate for a shortfall relative to our anticipated revenue could magnify the adverse impact of such shortfalls on our results of operations. We expect that our sales will continue to fluctuate on an annual and quarterly basis and that our financial results for some periods may be below those projected by securities analysts, which could significantly decrease the price of our common stock.

We have incurred losses since inception, and we may continue to incur substantial losses for the foreseeable future.

We have a limited operating history and have incurred significant losses in each fiscal year since our inception, including net losses of $31.2 million, $52.8 million, and $16.5 million during the six months ended June 30, 2015 and years 2014 and 2013, respectively. As of June 30, 2015, we had an accumulated deficit of $341.3 million. These losses have resulted principally from costs incurred in our research and development programs, and from our manufacturing costs and selling, general, and administrative expenses. We believe that our continued investment in research and development, sales, and marketing is essential to our long-term competitive position and future growth, and we expect these expenses will increase in future periods. We also expect that our selling, general, and administrative expenses will continue to increase due to the additional operational costs associated with the growth of our business. Until we are able to generate additional revenue to support our level of operating expenses, we will continue to incur operating and net losses and negative cash flow from operations. Because of the numerous risks and uncertainties associated with our commercialization efforts and future product development, we are unable to predict when we will become profitable, and we may never become profitable. Even if we do achieve profitability, we may not be able to sustain or increase our profitability.

The carrying value of long-lived and intangible assets may become impaired and result in an impairment charge.

As of June 30, 2015, we had approximately $202.2 million of intangible assets, net of amortization, and goodwill. In addition, if in the future we acquire additional complementary businesses or technologies, a substantial portion of the value of such assets may be recorded as intangible assets or goodwill. The carrying amounts of intangible assets and goodwill are affected whenever events or changes in circumstances indicate that the carrying amount of any asset may not be recoverable. Such events or changes might include a significant decline in market share, a significant decline in revenues, a significant increase in losses or decrease in profits, rapid changes in technology, failure to achieve the benefits of capacity increases and utilization, significant litigation arising out of an acquisition, or other matters. Adverse events or changes in circumstances may affect the estimated undiscounted future operating cash flows expected to be derived from intangible assets and goodwill. If at any time we determine that an impairment has occurred, we will be required to reflect the impaired value as a charge, resulting in a reduction in earnings in the quarter such impairment is identified and a corresponding reduction in our net asset value. The potential recognition of impairment in the carrying value, if any, could have a material and adverse effect on our financial condition and results of operations.

If our research and product development efforts do not result in commercially viable products within anticipated timelines, if at all, our business and results of operations will be adversely affected.

Our business is dependent on the improvement of our existing products, our development of new products to serve existing markets, and our development of new products to create new markets and applications that were previously not practical with existing systems. We intend to devote significant personnel and financial resources to research and development activities designed to advance the capabilities of our technology. We have developed design rules for the implementation of our technology that are frequently revised to reflect new insights we have gained about the technology. In addition, we have discovered that biological or chemical reactions sometimes behave differently when implemented on our systems rather than in a standard laboratory environment. Furthermore, many such reactions take place within the confines of single cells, which have also demonstrated unexpected behavior when grown and manipulated within microfluidic environments. As a result, research and development efforts may be required to transfer certain reactions and cell handling techniques to our systems. In the past, product development projects have been significantly delayed when we encountered unanticipated difficulties in implementing a process on our systems. We may have similar delays in the future, and we may not obtain any benefits from our research and development activities. Any delay or failure by us to develop and release new products or product enhancements would have a substantial adverse effect on our business and results of operations.

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If one or more of our manufacturing facilities become unavailable or inoperable, we will be unable to continue manufacturing our instruments, IFCs, assays, and/or reagents and, as a result, our business will be harmed until we are able to secure a new facility.

We manufacture all of our genomics analytical and preparatory instruments and integrated fluidic circuits, or IFCs, for commercial sale at our facility in Singapore, our proteomics analytical instruments for commercial sale at our facility in Canada, and our assays and reagents for commercial sale at our facility in South San Francisco. No other manufacturing facilities are currently available to us, particularly facilities of the size and scope required by our Singapore and Canada operations. Our facilities and the equipment we use to manufacture our instruments, IFCs, assays, and reagents would be costly to replace and could require substantial lead time to repair or replace. Our facilities may be harmed or rendered inoperable by natural or man-made disasters, which may render it difficult or impossible for us to manufacture our products for some period of time. If any of our facilities become unavailable to us, we cannot provide assurances that we will be able to secure a new manufacturing facility on acceptable terms, if at all. The inability to manufacture our products, combined with our limited inventory of manufactured supplies, may result in the loss of customers or harm our reputation, and we may be unable to reestablish relationships with those customers in the future. Although we possess insurance for damage to our property and the disruption of our business, this insurance may not be sufficient to cover all of our potential losses and may not continue to be available to us on acceptable terms, or at all. If our manufacturing capabilities are impaired, we may not be able to manufacture and ship our products in a timely manner, which would adversely impact our business.

We may experience development or manufacturing problems or delays that could limit the growth of our revenue or increase our losses.

We may encounter unforeseen situations in the manufacturing and assembly of our products that would result in delays or shortfalls in our production. For example, our production processes and assembly methods may have to change to accommodate any significant future expansion of our manufacturing capacity, which may increase our manufacturing costs, delay production of our products, reduce our product margin, and adversely impact our business.

Additionally, all of our IFCs for commercial sale are manufactured at our facility in Singapore. Production of the elastomeric block that is at the core of our IFCs is a complex process requiring advanced clean rooms, sophisticated equipment, and strict adherence to procedures. Any contamination of the clean room, equipment malfunction, or failure to strictly follow procedures can significantly reduce our yield in one or more batches. We have in the past experienced variations in yields due to such factors. A drop in yield can increase our cost to manufacture our IFCs or, in more severe cases, require us to halt the manufacture of our IFCs until the problem is resolved. Identifying and resolving the cause of a drop in yield can require substantial time and resources.

Furthermore, developing an IFC for a new application may require developing a specific production process for that type of IFC. While all of our IFCs are produced using the same basic processes, significant variations may be required to ensure adequate yield of any particular type of IFC. Developing such a process can be very time consuming, and any unexpected difficulty in doing so can delay the introduction of a product.

If our manufacturing activities are adversely impacted, or if we are otherwise unable to keep up with demand for our products by successfully manufacturing, assembling, testing, and shipping our products in a timely manner, our revenue could be impaired, market acceptance for our products could be adversely affected and our customers might instead purchase our competitors' products.

We are dependent on single and sole source suppliers for some of the components and materials used in our products, and the loss of any of these suppliers could harm our business.

We rely on single and sole source suppliers for certain components and materials used in our products. Additionally, several of our instruments are assembled at the facilities of contract manufacturers in Singapore. We do not have long term contracts with our suppliers of these components and materials or our assembly service providers. The loss of a single or sole source supplier of any of the following components and/or materials would require significant time and effort to locate and qualify an alternative source of supply, if at all:

- The IFCs used in our microfluidic systems are fabricated using a specialized polymer, and other specialized materials, that are available from a limited number of sources. In the past, we have encountered quality issues that have reduced our manufacturing yield or required the use of additional manufacturing processes.

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- Specialized pneumatic and electronic components for our C1, Callisto, Juno, and Polaris systems are available from a limited number of sources.

- The electron multiplier detector included in the CyTOF and Helios systems and certain metal isotopes used with the CyTOF and Helios systems are purchased from sole source suppliers.

- The nickel sampler cone used with the CyTOF and Helios systems is purchased from single source suppliers and is available from a limited number of sources.

- The raw materials for our Delta Gene and SNP Type assays and Access Array target-specific primers are available from a limited number of sources.

Our reliance on single and sole source suppliers and assembly service providers also subjects us to other risks that could harm our business, including the following:

- we may be subject to increased component or assembly costs;

- we may not be able to obtain adequate supply or services in a timely manner or on commercially reasonable terms;

- our suppliers or service providers may make errors in manufacturing or assembly of components that could negatively affect the efficacy of our products or cause delays in shipment of our products; and

- our suppliers or service providers may encounter capacity constraints or financial hardships unrelated to our demand for components or services, which could inhibit their ability to fulfill our orders and meet our requirements.

We have in the past experienced quality control and supply problems with some of our suppliers, such as manufacturing errors, and may again experience problems in the future. We may not be able to quickly establish additional or replacement suppliers, particularly for our single source components, or assembly service providers. Any interruption or delay in the supply of components or materials or assembly of our instruments, or our inability to obtain components, materials, or assembly services from alternate sources at acceptable prices in a timely manner, could impair our ability to meet the demand of our customers and cause them to cancel orders or switch to competitive products.

If our products fail to achieve and sustain sufficient market acceptance, our revenue will be adversely affected.

Our success depends, in part, on our ability to develop and market products that are recognized and accepted as reliable, enabling and cost-effective. Most of our potential customers already use expensive research systems in their laboratories and may be reluctant to replace those systems. Market acceptance of our systems will depend on many factors, including our ability to convince potential customers that our systems are an attractive alternative to existing technologies. Compared to some competing technologies, our technology is relatively new, and most potential customers have limited knowledge of, or experience with, our products. Prior to adopting our systems, some potential customers may need to devote time and effort to testing and validating our systems. Any failure of our systems to meet these customer benchmarks could result in customers choosing to retain their existing systems or to purchase systems other than ours.

In addition, it is important that our systems be perceived as accurate and reliable by the scientific and medical research community as a whole. Historically, a significant part of our sales and marketing efforts has been directed at convincing industry leaders of the advantages of our systems and encouraging such leaders to publish or present the results of their evaluation of our system. If we are unable to continue to induce leading researchers to use our systems, or if such researchers are unable to achieve and publish or present significant experimental results using our systems, acceptance and adoption of our systems will be slowed and our ability to increase our revenue would be adversely affected.

Our future success is dependent upon our ability to expand our customer base and introduce new applications.

Our customer base is primarily composed of academic institutions, clinical laboratories that use our technology to develop tests, and pharmaceutical, biotechnology, and agricultural biotechnology, or Ag-Bio, companies that perform analyses for research and commercial purposes. Our success will depend, in part, upon our ability to increase our market share among these customers, attract additional customers outside of these markets, and market new applications to existing and new customers as we develop such applications. Attracting new customers and introducing new applications require substantial time and expense. For example, it may be difficult to identify, engage, and market to customers who are unfamiliar with the current applications of our systems.

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Any failure to expand our existing customer base or launch new applications would adversely affect our ability to increase our revenue.

The life science research and applied markets are highly competitive and subject to rapid technological change, and we may not be able to successfully compete.

The markets for our products are characterized by rapidly changing technology, evolving industry standards, changes in customer needs, emerging competition, new product introductions, and strong price competition. We compete with both established and development stage life science research companies that design, manufacture, and market instruments and consumables for gene expression analysis, single-cell targeted gene expression or protein expression analysis, single nucleotide polymorphism genotyping, or SNP genotyping, polymerase chain reaction, or PCR, digital PCR, other nucleic acid detection, flow cytometry, cell imaging, and additional applications using well established laboratory techniques, as well as newer technologies such as bead encoded arrays, microfluidics, nanotechnology, high-throughput DNA sequencing, microdroplets, and photolithographic arrays. Most of our current competitors have significantly greater name recognition, greater financial and human resources, broader product lines and product packages, larger sales forces, larger existing installed bases, larger intellectual property portfolios, and greater experience and scale in research and development, manufacturing, and marketing than we do. For example, companies such as Affymetrix, Inc., Agena Bioscience, Inc., Agilent Technologies, Inc., Becton, Dickinson and Company, Bio-Rad Laboratories, Inc., Cellular Research, Inc., Danaher Corporation, Illumina, Inc., Life Technologies Corporation (now part of Thermo Fisher Scientific Inc.), LGC Limited, Luminex Corporation, Millipore Corporation, NanoString Technologies, Inc., PerkinElmer, Inc. (through its acquisition of Caliper Life Sciences, Inc.), RainDance Technologies, Inc., Roche Diagnostics Corporation, Sony Corporation, Thermo Fisher Scientific Inc., and WaferGen Bio-systems, Inc. have products that compete in certain segments of the market in which we sell our products.

Competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards, or customer requirements. In light of these advantages, even if our technology is more effective than the product or service offerings of our competitors, current or potential customers might accept competitive products and services in lieu of purchasing our technology. We anticipate that we will face increased competition in the future as existing companies and competitors develop new or improved products and as new companies enter the market with new technologies. Increased competition is likely to result in pricing pressures, which could reduce our profit margins and increase our sales and marketing expenses. In addition, mergers, consolidations, or other strategic transactions between two or more of our competitors, or between our competitor and one of our key customers, could change the competitive landscape and weaken our competitive position, adversely affecting our business.

Our business depends on research and development spending levels of academic, clinical, and governmental research institutions, and pharmaceutical, biotechnology, and Ag-Bio companies, a reduction in which could limit our ability to sell our products and adversely affect our business.

We expect that our revenue in the foreseeable future will be derived primarily from sales of our systems and IFCs to academic institutions, clinical laboratories that use our technology to develop tests, and pharmaceutical, biotechnology, and Ag-Bio companies worldwide. Our success will depend upon their demand for and use of our products. Accordingly, the spending policies of these customers could have a significant effect on the demand for our technology. These policies may be based on a wide variety of factors, including concerns regarding any future federal government budget sequestrations, the availability of resources to make purchases, the spending priorities among various types of equipment, policies regarding spending during recessionary periods, and changes in the political climate. In addition, academic, governmental, and other research institutions that fund research and development activities may be subject to stringent budgetary constraints that could result in spending reductions, reduced allocations, or budget cutbacks, which could jeopardize the ability of these customers to purchase our products. Our operating results may fluctuate substantially due to reductions and delays in research and development expenditures by these customers. For example, reductions in capital and operating expenditures by these customers may result in lower than expected sales of our systems and IFCs. These reductions and delays may result from factors that are not within our control, such as:

- changes in economic conditions;
- natural disasters;
- changes in government programs that provide funding to research institutions and companies;
- changes in the regulatory environment affecting life science and Ag-Bio companies engaged in research and commercial activities;

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- differences in budget cycles across various geographies and industries;
- market-driven pressures on companies to consolidate operations and reduce costs;
- mergers and acquisitions in the life science and Ag-Bio industries; and
- other factors affecting research and development spending.

Any decrease in our customers' budgets or expenditures, or in the size, scope, or frequency of capital or operating expenditures, could materially and adversely affect our operations or financial condition.

We may not be able to develop new products or enhance the capabilities of our existing systems to keep pace with rapidly changing technology and customer requirements, which could have a material adverse effect on our business, revenue, financial condition, and operating results.

Our success depends on our ability to develop new products and applications for our technology in existing and new markets, while improving the performance and cost-effectiveness of our systems. New technologies, techniques, or products could emerge that might offer better combinations of price and performance than our current or future product lines and systems. Existing markets for our products, including single-cell biology and production genomics, as well as potential markets for our products such as high-throughput DNA sequencing and molecular diagnostics applications, are characterized by rapid technological change and innovation. It is critical to our success for us to anticipate changes in technology and customer requirements and to successfully introduce new, enhanced, and competitive technology to meet our customers' and prospective customers' needs on a timely and cost-effective basis. Developing and implementing new technologies will require us to incur substantial development costs and we may not have adequate resources available to be able to successfully introduce new applications of, or enhancements to, our systems. We cannot guarantee that we will be able to maintain technological advantages over emerging technologies in the future. While we typically plan improvements to our systems, we may not be able to successfully implement these improvements. If we fail to keep pace with emerging technologies, demand for our systems will not grow and may decline, and our business, revenue, financial condition, and operating results could suffer materially. In addition, if we introduce enhanced systems but fail to manage product transitions effectively, customers may delay or forgo purchases of our systems and our operating results may be adversely affected by product obsolescence and excess inventory. Even if we successfully implement some or all of these planned improvements, we cannot guarantee that our current and potential customers will find our enhanced systems to be an attractive alternative to existing technologies, including our current products.

Being regulated as a medical device manufacturer by the U.S. Food and Drug Administration, or FDA, and foreign regulatory authorities, and seeking approval and/or clearance for our products, will take significant time and expense and may not result in FDA clearance or approval for the intended uses we believe are commercially attractive. If our products are successfully approved and/or cleared, we will be subject to ongoing and extensive regulatory requirements, which would increase our costs and divert resources away from other projects. If we fail to comply with these requirements, our business and financial condition could be adversely impacted.

Our products are currently labeled, promoted and sold to academic institutions, life sciences laboratories, and pharmaceutical, biotechnology, and Ag-Bio companies for research purposes only, or RUO, and cannot be used for diagnostic tests or as medical devices as currently marketed. Before we can begin to label and market our products for use as, or in the performance of, clinical diagnostics in the United States, thereby subjecting them to FDA regulation as medical devices, we would be required to obtain premarket 510(k) clearance or pre-market approval from the FDA, unless an exception applies.

We recently announced our plan to register with the FDA as a medical device manufacturer and list some of our products with the FDA pursuant to an FDA Class I listing for general purpose laboratory equipment within the next 12 months. While this regulatory classification is exempt from certain FDA requirements, such as the need to submit a premarket notification commonly known as a 510(k), and most of the requirements of the FDA's Quality System Regulations, or QSRs, we will be subject to ongoing FDA "general controls," which include compliance with FDA regulations for labeling, inspections by the FDA, complaint evaluation, corrections and removals reporting, promotional restrictions, reporting adverse events or malfunctions for our products, and general prohibitions against misbranding and adulteration.

In addition, we plan to submit 510(k) premarket notifications to the FDA to obtain FDA clearance of certain of our products on a selected basis. Although we plan to submit 510(k)s, it is possible that the FDA will take the position that a more burdensome premarket application, such as a premarket approval application or a de novo application is required for some of our products. If such applications are required, greater time and investment would be required to obtain FDA approval. Even if the FDA agrees

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that a 510(k) is appropriate, FDA clearance can be expensive and time consuming. It generally takes a significant amount of time to prepare a 510(k), including conducting appropriate testing on our products, and several months to years for the FDA to review a submission. Notwithstanding the effort and expense, FDA clearance or approval may be denied for some or all of our products. Even if we were to obtain regulatory approval or clearance, it may not be for the uses we believe are important or commercially attractive.

If we receive regulatory clearance or approval for our products, we will be subject to ongoing FDA obligations and continued regulatory oversight and review, including the general controls listed above and the FDA's QSRs for our manufacturing operations. In addition, we may be required to obtain a new 510(k) clearance before we can introduce subsequent modifications or improvements to our products. We may also be subject to additional FDA post-marketing obligations, any or all of which would increase our costs and divert resources away from other projects. If we are not able to maintain regulatory compliance with applicable laws, we may be prohibited from marketing our products for use as, or in the performance of, clinical diagnostics and/or may be subject to enforcement actions, including warning letters and adverse publicity, fines, injunctions, and civil penalties; recall or seizure of products; operating restrictions; and criminal prosecution.

We intend to seek similar regulatory clearance or approval for our products in countries outside of the United States. Sales of our products outside the United States will be subject to foreign regulatory requirements, which vary greatly from country to country. As a result, the time required to obtain clearances or approvals outside the United States may differ from that required to obtain FDA clearance or approval and we may not be able to obtain foreign regulatory approvals on a timely basis or at all. Clearance or approval by the FDA does not ensure approval by regulatory authorities in other countries, and approval by one foreign regulatory authority does not ensure approval by regulatory authorities in other countries or by the FDA. In addition, the FDA regulates exports of medical devices. Failure to comply with these regulatory requirements or obtain required approvals could impair our ability to commercialize our products for diagnostic use outside of the United States.

Our products could become subject to regulation as medical devices by the FDA or other regulatory agencies, before we have obtained regulatory clearance or approval to market our products for diagnostic purposes, which would adversely impact our ability to market and sell our products and harm our business.

As products that are currently labeled, promoted and intended for RUO, our products are not currently subject to regulation as medical devices by the FDA or comparable agencies of other countries. However, the FDA or comparable agencies of other countries could disagree with our conclusion that our products are currently intended for research use only or deem our current marketing and promotional efforts as being inconsistent with research use only products. For example, our customers may elect to use our research use only labeled products in their own laboratory developed tests, or LDTs, for clinical diagnostic use. The FDA has historically exercised enforcement discretion in not enforcing the medical device regulations against laboratories offering LDTs. However, on October 3, 2014, the FDA issued two draft guidance documents that set forth the FDA's proposed risk-based framework for regulating LDTs, which are designed, manufactured, and used within a single laboratory. The draft guidance documents provide the anticipated details through which the FDA would propose to establish an LDT oversight framework, including premarket review for higher-risk LDTs, such as those that have the same intended use as FDA-approved or cleared companion diagnostics currently on the market. The FDA held a public workshop and accepted comments on the two draft guidance documents and is currently assessing next steps for implementing the framework for regulating LDTs. At the same time, various legislative proposals have been floated that would take differing approaches to the regulation of LDTs. It is also possible that companies or associations will attempt to bring litigation against the FDA arguing that the FDA lacks legal authority over LDTs. We cannot predict how these various efforts will be resolved, how FDA will regulate LDTs in the future, or how that regulatory system will impact our business.

Additionally, on November 25, 2013, the FDA issued Final Guidance "Distribution of In Vitro Diagnostic Products Labeled for Research Use Only." The guidance emphasizes that the FDA will review the totality of the circumstances when it comes to evaluating whether equipment and testing components are properly labeled as RUO. The final guidance states that merely including a labeling statement that the product is for research purposes only will not necessarily render the device exempt from the FDA's clearance, approval, and other regulatory requirements if the circumstances surrounding the distribution of the product indicate that the manufacturer knows its product is, or intends for its product to be, used for clinical diagnostic purposes. These circumstances may include written or verbal marketing claims or links to articles regarding a product's performance in clinical applications and a manufacturer's provision of technical support for clinical applications.

If the FDA modifies its approach to our products labeled and intended for RUO, or otherwise determines our products or related applications should be subject to additional regulation as in vitro diagnostic devices based upon our customers' use of our products for clinical diagnostic or therapeutic purposes, before we have obtained regulatory clearance or approval to market our products for diagnostic purposes, our ability to market and sell our products could be impeded and our business, prospects, results of operations and financial condition may be adversely affected. In addition, if the FDA determines that our products labeled for

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RUO were intended, based on a review of the totality of circumstances, for use in clinical investigation or diagnosis, those products could be considered misbranded or adulterated under the Federal Food, Drug, and Cosmetic Act and subject to recall and/or other enforcement action.

Compliance or the failure to comply with current and future regulations, such as environmental regulations enacted in the European Union, could cause us significant expense and adversely impact our business.

We are subject to many federal, state, local, and foreign regulations relating to various aspects of our business operations. Governmental entities at all levels are continuously enacting new regulations, and it is difficult to identify all applicable regulations and anticipate how such regulations will be implemented and enforced. We continue to evaluate the necessary steps for compliance with applicable regulations. To comply with applicable regulations, we have and will continue to incur significant expense and allocate valuable internal resources to manage compliance-related issues. In addition, such regulations could restrict our ability to expand or equip our facilities, or could require us to acquire costly equipment or to incur other significant expenses to comply with the regulations. For example, the Restriction on the Use of Certain Hazardous Substances in Electrical and Electronic Equipment Directive, or RoHS, and the Waste Electrical and Electronic Equipment Directive, or WEEE, enacted in the European Union, regulate the use of certain hazardous substances in, and require the collection, reuse, and recycling of waste from, products we manufacture. Certain of our products sold in these countries are subject to WEEE requirements and may become subject to RoHS requirements. These and similar regulations that have been or are in the process of being enacted in other countries may require us to redesign our products, use different types of materials in certain components, or source alternative components to ensure compliance with applicable standards, and may reduce the availability of parts and components used in our products by negatively impacting our suppliers' ability to source parts and components in a timely and cost-effective manner. Any such redesigns, required use of alternative materials, or limited availability of parts and components used in our products may detrimentally impact the performance of our products, add greater testing lead times for product introductions, reduce our product margins, or limit the markets for our products, and if we fail to comply with any present and future regulations, we could be subject to future fines, penalties, and restrictions, such as the suspension of manufacturing of our products or a prohibition on the sale of products we manufacture. Any of the foregoing could adversely affect our business, financial condition, or results of operations.

If we are unable to recruit and retain key executives, scientists, and technical support personnel, we may be unable to achieve our goals. We may have difficulty attracting, motivating, and retaining executives and other key employees in light of our recent acquisition.

Our performance is substantially dependent on the performance of our senior management, particularly Gajus V. Worthington, our president and chief executive officer. Additionally, to expand our research and product development efforts, we need key scientists skilled in areas such as molecular and cellular biology, assay development, and manufacturing. We also need highly trained technical support personnel with the necessary scientific background and ability to understand our systems at a technical level to effectively support potential new customers and the expanding needs of current customers. Competition for these people is intense. Because of the complex and technical nature of our systems and the dynamic market in which we compete, any failure to attract and retain a sufficient number of qualified employees could materially harm our ability to develop and commercialize our technology.

The loss of the services of any member of our senior management or our scientific or technical support staff might significantly delay or prevent the development of our products or achievement of other business objectives by diverting management's attention to transition matters and identification of suitable replacements, if any, and could have a material adverse effect on our business. In addition, our research and product development efforts could be delayed or curtailed if we are unable to attract, train, and retain highly skilled employees, particularly, senior scientists and engineers. We do not maintain fixed term employment contracts or significant key man life insurance with any of our employees.

Additionally, as a result of our acquisition of DVS Sciences Inc. (now Fluidigm Sciences Inc.), key Fluidigm Sciences employees became entitled to receive a portion of the acquisition consideration, the payment of which could provide sufficient financial incentive for certain officers and employees to no longer pursue employment with the combined business. In particular, we have identified several key Fluidigm Sciences employees, including key scientific and technical employees, who have been important to the development of Fluidigm Sciences' products and technologies, and we have implemented employment compensation arrangements in connection with the acquisition to ensure these individuals' continued employment with us. We cannot provide assurances that these arrangements will sufficiently incentivize these key employees to remain with us. If these key employees depart, we may incur significant costs in identifying, hiring, and retaining replacements for departing employees, which could substantially reduce or delay our ability to realize the anticipated benefits of the acquisition.

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If we are unable to integrate future acquisitions successfully, our operating results and prospects could be harmed.

In addition to our recent acquisition, we may make additional acquisitions to improve our product offerings or expand into new markets. Our future acquisition strategy will depend on our ability to identify, negotiate, complete, and integrate acquisitions and, if necessary, to obtain satisfactory debt or equity financing to fund those acquisitions. Mergers and acquisitions are inherently risky, and any transaction we complete may not be successful. Our acquisition of DVS was our first acquisition of another company. Any merger or acquisition we may pursue would involve numerous risks, including but not limited to the following:

- difficulties in integrating and managing the operations, technologies, and products of the companies we acquire;
- diversion of our management's attention from normal daily operation of our business;
- our inability to maintain the key business relationships and the reputations of the businesses we acquire;
- our inability to retain key personnel of the acquired company;
- uncertainty of entry into markets in which we have limited or no prior experience and in which competitors have stronger market positions;
- our dependence on unfamiliar affiliates and customers of the companies we acquire;
- insufficient revenue to offset our increased expenses associated with acquisitions;
- our responsibility for the liabilities of the businesses we acquire, including those which we may not anticipate; and
- our inability to maintain internal standards, controls, procedures, and policies.

We may be unable to secure the equity or debt funding necessary to finance future acquisitions on terms that are acceptable to us. If we finance acquisitions by issuing equity or convertible debt securities, our existing stockholders will likely experience dilution, and if we finance future acquisitions with debt funding, we will incur interest expense and may have to comply with financial covenants and secure that debt obligation with our assets.

Adverse conditions in the global economy and disruption of financial markets may significantly harm our revenue, profitability, and results of operations.

The global credit and financial markets have in recent years experienced volatility and disruptions, including diminished liquidity and credit availability, increased concerns about inflation and deflation, and the downgrade of U.S. debt and exposure risks on other sovereign debts, decreased consumer confidence, lower economic growth, volatile energy costs, increased unemployment rates, and uncertainty about economic stability. Volatility and disruption of financial markets could limit our customers' ability to obtain adequate financing or credit to purchase and pay for our products in a timely manner or to maintain operations, which could result in a decrease in sales volume that could harm our results of operations. General concerns about the fundamental soundness of domestic and international economies may also cause our customers to reduce their purchases. Changes in governmental banking, monetary, and fiscal policies to address liquidity and increase credit availability may not be effective. Significant government investment and allocation of resources to assist the economic recovery of sectors which do not include our customers may reduce the resources available for government grants and related funding for life science, Ag-Bio, and clinical research and development. Continuation or further deterioration of these financial and macroeconomic conditions could significantly harm our sales, profitability, and results of operations.

We generate a substantial portion of our revenue internationally and are subject to various risks relating to such international activities, which could adversely affect our sales and operating performance. In addition, any disruption or delay in the shipping or off-loading of our products, whether domestically or internationally, may have an adverse effect on our financial condition and results of operations.

During the six months ended June 30, 2015 and years 2014 and 2013, approximately 49%, 52%, and 46%, respectively, of our product revenue was generated from sales to customers located outside of the United States. We believe that a significant percentage of our future revenue will come from international sources as we expand our international operations and develop opportunities in other countries. Engaging in international business inherently involves a number of difficulties and risks, including:

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- required compliance with existing and changing foreign regulatory requirements and laws that are or may be applicable to our business in the future, such as the WEEE and RoHS directives, which regulate the use of certain hazardous substances in, and require the collection, reuse, and recycling of waste from, products we manufacture;
- required compliance with anti-bribery laws, such as the U.S. Foreign Corrupt Practices Act and U.K. Bribery Act, data privacy requirements, labor laws, and anti-competition regulations;
- export or import restrictions;
- laws and business practices favoring local companies;
- longer payment cycles and difficulties in enforcing agreements and collecting receivables through certain foreign legal systems;
- unstable economic, political, and regulatory conditions;
- potentially adverse tax consequences, tariffs, customs charges, bureaucratic requirements, and other trade barriers;
- difficulties and costs of staffing and managing foreign operations; and
- difficulties protecting or procuring intellectual property rights.

If one or more of these risks occurs, it could require us to dedicate significant resources to remedy, and if we are unsuccessful in finding a solution, our financial results will suffer.

In addition, a majority of our product sales are currently denominated in U.S. dollars and fluctuations in the value of the U.S. dollar relative to foreign currencies could decrease demand for our products and adversely impact our financial performance. For example, if the value of the U.S. dollar increases relative to foreign currencies, our products could become more costly to the international consumer and therefore less competitive in international markets, or if the value of the U.S. dollar decreases relative to the Singapore dollar or the Canadian dollar, it would become more costly in U.S. dollars for us to manufacture our products in Singapore and/or in Canada. Additionally, our expenses are generally denominated in the currencies of the countries in which our operations are located, which is primarily in the United States, with a portion of expenses incurred in Singapore and Canada where a significant portion of our manufacturing operations are located. Our results of operations and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates. The volatility of exchange rates depends on many factors that we cannot forecast with reliable accuracy. We have experienced and will continue to experience fluctuations in our net income or loss as a result of transaction gains or losses related to revaluing certain current asset and current liability balances that are denominated in currencies other than the functional currency of the entities in which they are recorded. For example, we experienced foreign currency losses of $0.7 million, $1.1 million, and $0.5 million for the six months ended June 30, 2015 and years ended December 31, 2014 and 2013, respectively. Fluctuations in currency exchange rates could have an adverse impact on our financial results in the future.

We rely on shipping providers to deliver products to our customers globally. Labor, tariff, or World Trade Organization-related disputes, piracy, physical damage to shipping facilities or equipment caused by severe weather or terrorist incidents, congestion at shipping facilities, inadequate equipment to load, dock, and offload our products, energy-related tie-ups, or other factors could disrupt or delay shipping or off-loading of our products domestically and internationally. Such disruptions or delays may have an adverse effect on our financial condition and results of operations.

We are subject to risks related to taxation in multiple jurisdictions and if taxing authorities disagree with our interpretations of existing tax laws or regulations, our effective income tax rate could be adversely affected and we could have additional tax liability.

We are subject to income taxes in both the United States and certain foreign jurisdictions. Significant judgments based on interpretations of existing tax laws or regulations are required in determining the provision for income taxes. For example, we have made certain interpretations of existing tax laws or regulations based upon the operations of our business internationally and we have implemented intercompany agreements based upon these interpretations and related transfer pricing analyses. If the U.S. Internal Revenue Service or other taxing authorities disagree with the positions, our effective income tax rate could be adversely affected and we could have additional tax liability, including interest and penalties. We recently completed a review of our European corporate structure and tax positions and, based upon our existing business operations, we plan to restructure our European intercompany transactions, which is likely to increase our income tax liability. From time to time, we may review our corporate structure and tax positions in other international jurisdictions and such review may result in additional changes to how we structure our international business operations, which may adversely impact our effective income tax rate. Our effective income tax rate could also be adversely affected by changes in the mix of earnings in tax jurisdictions with different statutory tax rates, changes in the valuation of deferred tax assets and liabilities, changes in existing tax laws or tax rates, changes in the level of non-deductible expenses (including share-based compensation), changes in our future levels of research and development spending, mergers and acquisitions, or the result of examinations by various tax authorities. Payment of additional amounts upon final adjudication of any disputes could have a material impact on our results of operations and financial position.

If we are unable to manage our anticipated growth effectively, our business could be harmed.

The rapid growth of our business has placed a significant strain on our managerial, operational, and financial resources and systems. To execute our anticipated growth successfully, we must continue to attract and retain qualified personnel and manage and train them effectively. We must also upgrade our internal business processes and capabilities to create the scalability that a growing business demands.

We believe our facilities located in Singapore, Canada, and California, are sufficient to meet our short-term manufacturing needs. The current lease for our manufacturing facility in Singapore expires in June 2022. In the event that we need to add to our existing manufacturing space in Singapore or move our manufacturing facility to a new location in Singapore, such a move will involve significant expense and efforts in connection with the establishment of new clean rooms and the recommissioning of key manufacturing equipment. Additionally, the lease for our facility in Canada expires in January 2016. We are currently evaluating alternative facilities for our Canada operations. We cannot provide assurances that we will be able to secure a lease on a different manufacturing facility on acceptable terms and on a timely basis, if at all, to meet our future manufacturing needs. A move of any of our manufacturing facilities may delay or otherwise adversely affect our manufacturing activities and business.

Further, our anticipated growth will place additional strain on our suppliers and manufacturing facilities, resulting in an increased need for us to carefully monitor quality assurance. Any failure by us to manage our growth effectively could have an adverse effect on our ability to achieve our development and commercialization goals.

Our products could have unknown defects or errors, which may give rise to claims against us, adversely affect market adoption of our systems, and adversely affect our business, financial condition, and results of operations.

Our systems utilize novel and complex technology and such systems may develop or contain undetected defects or errors. We cannot assure you that material performance problems, defects, or errors will not arise, and as we increase the density and integration of our systems, these risks may increase. We generally provide warranties that our systems will meet performance expectations and will be free from defects. We also provide warranties relating to other parts of our systems. The costs incurred in correcting any defects or errors may be substantial and could adversely affect our operating margins.

In manufacturing our products, including our systems, IFCs, and assays, we depend upon third parties for the supply of various components, many of which require a significant degree of technical expertise to produce. In addition, we purchase certain products from third-party suppliers for resale. If our suppliers fail to produce components to specification or provide defective products to us for resale and our quality control tests and procedures fail to detect such errors or defects, or if we or our suppliers use defective materials or workmanship in the manufacturing process, the reliability and performance of our products will be compromised.

If our products contain defects, we may experience:

- a failure to achieve market acceptance or expansion of our product sales;
- loss of customer orders and delay in order fulfillment;
- damage to our brand reputation;
- increased cost of our warranty program due to product repair or replacement;
- product recalls or replacements;
- inability to attract new customers;

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- diversion of resources from our manufacturing and research and development departments into our service department; and
- legal claims against us, including product liability claims, which could be costly and time consuming to defend and result in substantial damages.

In addition, certain of our products are marketed for use with products sold by third parties. For example, our Access Array system is marketed as compatible with all major next-generation DNA sequencing instruments. If such third-party products are not produced to specification, are produced in accordance with modified specifications, or are defective, they may not be compatible with our products. In such case, the reliability and performance of our products may be compromised.

The occurrence of any one or more of the foregoing could negatively affect our business, financial condition, and results of operations.

To use our products, our Biomark, CyTOF, EP1, and Helios systems in particular, customers typically need to purchase specialized reagents. Any interruption in the availability of these reagents for use in our products could limit our ability to market our products.

Our products, our Biomark, CyTOF, EP1, and Helios systems in particular, must be used in conjunction with one or more reagents designed to produce or facilitate the particular biological or chemical reaction desired by the user. Many of these reagents are highly specialized and available to the user only from a single supplier or a limited number of suppliers. Although we sell reagents for use with certain of our products, our customers may purchase these reagents directly from third-party suppliers, and we have no control over the supply of those materials. In addition, our products are designed to work with these reagents as they are currently formulated. We have no control over the formulation of reagents sold by third-party suppliers, and the performance of our products might be adversely affected if the formulation of these reagents is changed. If one or more of these reagents were to become unavailable or were reformulated, our ability to market and sell our products could be materially and adversely affected.

In addition, the use of a reagent for a particular process may be covered by one or more patents relating to the reagent itself, the use of the reagent for the particular process, the performance of that process, or the equipment required to perform the process. Typically, reagent suppliers, who are either the patent holders or their authorized licensees, sell the reagents along with a license or covenant not to sue with respect to such patents. The license accompanying the sale of a reagent often purports to restrict the purposes for which the reagent may be used. If a patent holder or authorized licensee were to assert against us or our customers that the license or covenant relating to a reagent precluded its use with our systems, our ability to sell and market our products could be materially and adversely affected. For example, our Biomark system involves real-time quantitative PCR, or qPCR. Leading suppliers of reagents for real-time qPCR reactions include Life Technologies Corporation (now part of Thermo Fisher Scientific) and Roche Diagnostics Corporation, who are our direct competitors, and their licensees. These real-time qPCR reagents are typically sold pursuant to limited licenses or covenants not to sue with respect to patents held by these companies. We do not have any contractual supply agreements for these real-time qPCR reagents, and we cannot assure you that these reagents will continue to be available to our customers for use with our systems, or that these patent holders will not seek to enforce their patents against us, our customers, or suppliers.

If we are unable to expand our direct sales and marketing force or distribution capabilities to adequately address our customers' needs, our business may be adversely affected.

We may not be able to market, sell, and distribute our products effectively enough to support our planned growth. We sell our products primarily through our own sales force and through distributors in certain territories. Our future sales will depend in large part on our ability to develop and substantially expand our direct sales force and to increase the scope of our marketing efforts. Our products are technically complex and used for highly specialized applications. As a result, we believe it is necessary to develop a direct sales force that includes people with specific scientific backgrounds and expertise, and a marketing group with technical sophistication. Competition for such employees is intense. We may not be able to attract and retain personnel or be able to build an efficient and effective sales and marketing force, which could negatively impact sales of our products and reduce our revenue and profitability.

In addition, we may continue to enlist one or more sales representatives and distributors to assist with sales, distribution, and customer support globally or in certain regions of the world. If we do seek to enter into such arrangements, we may not be successful in attracting desirable sales representatives and distributors, or we may not be able to enter into such arrangements on favorable terms. If our sales and marketing efforts, or those of any third-party sales representatives and distributors, are not

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successful, our technologies and products may not gain market acceptance, which would materially and adversely impact our business operations.

If we fail to maintain effective internal control over financial reporting in the future, the accuracy and timing of our financial reporting may be impaired, which could adversely affect our business and our stock price.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective internal control over financial reporting and disclosure controls and procedures. In particular, we must perform system and process evaluation and testing of our internal control over financial reporting to allow management to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. Our testing may reveal deficiencies in our internal control over financial reporting that are deemed to be material weaknesses.

Our compliance with Section 404 requires that we incur substantial accounting expense and expend significant management time on compliance-related issues. We currently do not have an internal audit group, and we continue to evaluate our need for additional accounting and financial staff with appropriate public company experience and technical accounting knowledge. Moreover, if we do not comply with the requirements of Section 404, or if we or our independent registered public accounting firm identify deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of our stock could decline and we could be subject to sanctions or investigations by the NASDAQ Global Select Market, or NASDAQ, the SEC or other regulatory authorities, which would require additional financial and management resources.

Risks associated with a company-wide implementation of an enterprise resource planning, or ERP, system may adversely affect our business and results of operations or the effectiveness of internal control over financial reporting.

We have been implementing a company-wide ERP system to handle the business and financial processes within our operations and corporate functions. ERP implementations are complex and time-consuming projects that involve substantial expenditures on system software and implementation activities that can continue for several years. ERP implementations also require transformation of business and financial processes in order to reap the benefits of the ERP system. Our business and results of operations may be adversely affected if we experience operating problems and/or cost overruns during the ERP implementation process, or if the ERP system and the associated process changes do not give rise to the benefits that we expect. If we do not effectively implement the ERP system as planned or if the system does not operate as intended, our business, results of operations, and internal controls over financial reporting may be adversely affected.

Our future capital needs are uncertain and we may need to raise additional funds in the future, which may cause dilution to stockholders or may be upon terms that are not favorable to us.

We believe that our existing cash and cash equivalents will be sufficient to meet our anticipated cash requirements for at least the next 18 months. However, we may need to raise substantial additional capital for various purposes, including:

- expanding the commercialization of our products;
- funding our operations;
- furthering our research and development; and
- acquiring other businesses or assets and licensing technologies.

Our future funding requirements will depend on many factors, including:

- market acceptance of our products;
- the cost of our research and development activities;
- the cost of filing and prosecuting patent applications;
- the cost of defending, in litigation or otherwise, any claims that we infringe third-party patents or violate other intellectual property rights;
- the cost and timing of regulatory clearances or approvals, if any;

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- the cost and timing of establishing additional sales, marketing, and distribution capabilities;
- the cost and timing of establishing additional technical support capabilities;
- the effect of competing technological and market developments; and
- the extent to which we acquire or invest in businesses, products, and technologies, although we currently have no commitments or agreements relating to any of these types of transactions.

We cannot assure you that we will be able to obtain additional funds on acceptable terms, or at all. If we raise additional funds by issuing equity securities, our stockholders may experience dilution. Debt financing, if available, may involve covenants restricting our operations or our ability to incur additional debt. Any debt or additional equity financing that we raise may contain terms that are not favorable to us or our stockholders. If we raise additional funds through collaboration and licensing arrangements with third parties, it may be necessary to relinquish some rights to our technologies or our products, or grant licenses on terms that are not favorable to us. If we are unable to raise adequate funds, we may have to liquidate some or all of our assets, delay development or commercialization of our products, or license to third parties the rights to commercialize products or technologies that we would otherwise seek to commercialize. We also may have to reduce marketing, customer support, or other resources devoted to our products, or cease operations. Any of these factors could harm our operating results.

Our ability to use net operating losses to offset future taxable income may be subject to certain limitations.

In general, under Section 382 of the Internal Revenue Code, a corporation that undergoes an "ownership change" is subject to limitations on its ability to utilize its pre-change net operating losses, or NOLs, to offset future taxable income. If we undergo one or more ownership changes, our ability to utilize NOLs could be limited by Section 382 of the Internal Revenue Code. Future changes in our stock ownership, some of which are outside of our control, could result in an ownership change under Section 382 of the Internal Revenue Code.

Risks Related to Intellectual Property

Our ability to protect our intellectual property and proprietary technology through patents and other means is uncertain.

Our commercial success depends in part on our ability to protect our intellectual property and proprietary technologies. We rely on patent protection, where appropriate and available, as well as a combination of copyright, trade secret, and trademark laws, and nondisclosure, confidentiality, and other contractual restrictions to protect our proprietary technology. However, these legal means afford only limited protection and may not adequately protect our rights or permit us to gain or keep any competitive advantage. We apply for patents covering our products and technologies and uses thereof, as we deem appropriate. However, we may fail to apply for patents on important products and technologies in a timely fashion or at all. Our pending U.S. and foreign patent applications may not issue as patents or may not issue in a form that will be sufficient to protect our proprietary technology and gain or keep our competitive advantage. Any patents we have obtained or do obtain may be subject to re-examination, reissue, opposition, or other administrative proceeding, or may be challenged in litigation, and such challenges could result in a determination that the patent is invalid or unenforceable. In addition, competitors may be able to design alternative methods or devices that avoid infringement of our patents. Both the patent application process and the process of managing patent disputes can be time consuming and expensive.

Furthermore, the laws of some foreign countries may not protect our intellectual property rights to the same extent as do the laws of the United States, and many companies have encountered significant problems in protecting and defending such rights in foreign jurisdictions. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial cost and divert our efforts and attention from other aspects of our business. Changes in either the patent laws or in interpretations of patent laws in the United States or other countries may diminish the value of our intellectual property. We cannot predict the breadth of claims that may be allowed or enforced in our patents or in third-party patents. For example:

- We might not have been the first to make the inventions covered by each of our pending patent applications;

- We might not have been the first to file patent applications for these inventions;

- The patents of others may have an adverse effect on our business; and

- Others may independently develop similar or alternative products and technologies or duplicate any of our products and technologies.

To the extent our intellectual property, including licensed intellectual property, offers inadequate protection, or is found to be invalid or unenforceable, our competitive position and our business could be adversely affected.

We may be involved in lawsuits to protect or enforce our patents and proprietary rights, to determine the scope, coverage and validity of others’ proprietary rights, or to defend against third party claims of intellectual property infringement, any of which could be time-intensive and costly and may adversely impact our business or stock price.

Litigation may be necessary for us to enforce our patent and proprietary rights, determine the scope, coverage, and validity of others’ proprietary rights, and/or defend against third party claims of intellectual property infringement against us as well as against our suppliers, distributors, customers, and other entities with whom we do business. Litigation could result in substantial legal fees and could adversely affect the scope of our patent protection. The outcome of any litigation or other proceeding is inherently uncertain and might not be favorable to us, and we might not be able to obtain licenses to technology that we require. Even if such licenses are obtainable, they may not be available at a reasonable cost. We could therefore incur substantial costs related to royalty payments for licenses obtained from third parties, which could negatively affect our product margins or financial position. Further, we could encounter delays in product introductions, or interruptions in product sales, as we develop alternative methods or products.

As we move into new markets and applications for our products, incumbent participants in such markets may assert their patents and other proprietary rights against us as a means of impeding our entry into such markets or as a means to extract substantial license and royalty payments from us. Our commercial success may depend in part on our non-infringement of the patents or proprietary rights of third parties. Numerous significant intellectual property issues have been litigated, and will likely continue to be litigated, between existing and new participants in our existing and targeted markets. For example, some of our products provide for the testing and analysis of genetic material, and patent rights relating to genetic materials remain a developing area of patent law. A recent U.S. Supreme Court decision held, among other things, that claims to isolated genomic DNA occurring in nature are not patent eligible, while claims relating to synthetic DNA may be patent eligible. We expect the ruling will result in additional litigation in our industry. In addition, third parties may assert that we are employing their proprietary technology without authorization. For example, on June 4, 2008 we received a letter from Applied Biosystems, Inc., a wholly-owned subsidiary of Life Technologies Corporation (now part of Thermo Fisher Scientific Inc. and collectively referred to as Life), asserting that our Biomark system for gene expression analysis infringes upon U.S. Patent No. 6,814,934, or the ‘934 patent, and its foreign counterparts in Europe and Canada. In June 2011, we resolved this dispute by entering into license agreements with Life which, among other matters, granted us a non-exclusive license to the ‘934 patent and its foreign counterparts.

Our customers have been sued for various claims of intellectual property infringement in the past, and we expect that our customers will be involved in additional litigation in the future. In particular, our customers may become subject to lawsuits claiming that their use of our products infringes third-party patent rights, and we could become subject to claims that we contributed to or induced our customer’s infringement. In addition, our agreements with some of our suppliers, distributors, customers, and other entities with whom we do business may require us to defend or indemnify these parties to the extent they become involved in infringement claims against us, including the claims described above. We could also voluntarily agree to defend or indemnify third parties in instances where we are not obligated to do so if we determine it would be important to our business relationships. If we are required or agree to defend or indemnify any of these third parties in connection with any infringement claims, we could incur significant costs and expenses that could adversely affect our business, operating results, or financial condition.

We depend on certain technologies that are licensed to us. We do not control these technologies and any loss of our rights to them could prevent us from selling our products, which would have an adverse effect on our business.

We rely on licenses in order to be able to use various proprietary technologies that are material to our business, including our core IFC, multi-layer soft lithography, and mass cytometry technologies. In some cases, we do not control the prosecution, maintenance, or filing of the patents to which we hold licenses, or the enforcement of these patents against third parties.

Our rights to use the technology we license are subject to the negotiation and continuation of those licenses. Certain of our licenses contain provisions that allow the licensor to terminate the license upon specific conditions. Our rights under the licenses are subject to our continued compliance with the terms of the license, including the payment of royalties due under the license. Because of the complexity of our products and the patents we have licensed, determining the scope of the license and related royalty obligation can be difficult and can lead to disputes between us and the licensor. An unfavorable resolution of such a dispute could lead to an increase in the royalties payable pursuant to the license. If a licensor believed we were not paying the royalties due under the license or were otherwise not in compliance with the terms of the license, the licensor might attempt to

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revoke the license. If such an attempt were successful and the license is terminated, we might be barred from marketing, producing, and selling some or all of our products, which would have an adverse effect on our business. For example, pursuant to the terms of a license agreement entered into with Life in June 2011, we were obligated to make a $1.0 million payment to Life upon satisfaction of certain conditions. On October 16, 2013, Life provided notice that the $1.0 million payment was due and payable under the license agreement. We believe that at least one of the conditions of the milestone payment remains unmet; however, we paid Life the amount due while reserving our rights with respect to such matter to, among other reasons, avoid what would have been, in our view, an improper termination of our license to certain Life patent filings under the agreement, which could have subjected our relevant product lines to risks associated with patent infringement litigation.

We license certain intellectual property rights covering our mass cytometry products under agreements with several third parties. Termination of or disputes relating to any of these license agreements would have a material adverse effect on our business, operating results, and financial condition and could result in our inability to sell our mass cytometry products.

The intellectual property rights covering our mass cytometry products depend in substantial part on license agreements with third parties, in particular MDS, Inc., or MDS, and also with other third parties such as Nodality, Inc., or Nodality. The licensed intellectual property rights of MDS as well as MDS's rights and obligations under the license agreement between Fluidigm Canada Inc., or Fluidigm Canada, an Ontario corporation and wholly-owned subsidiary of Fluidigm Sciences, and MDS were subsequently assigned to and are now held by PerkinElmer Health Sciences, Inc., or PerkinElmer. Under the PerkinElmer license agreement, Fluidigm Canada received an exclusive, royalty bearing, worldwide license to certain patents that are now owned by PerkinElmer in the field of ICP-based mass cytometry, including the analysis of elemental tagged materials in connection therewith, and a non-exclusive license for reagents outside the field of ICP-based mass cytometry. Fluidigm Canada was also party to an interim license agreement, now expired, under which Nodality granted Fluidigm Canada a worldwide, non-exclusive, research use only, royalty bearing license to certain cytometric reagents, instruments, and other products. Fluidigm Canada and Nodality are currently in negotiations with respect to reinstating the license agreement and we cannot provide assurances that we will be able to reinstate or secure a new license agreement on acceptable terms, if at all. In addition, we are party to additional in-license agreements with parties such as Stanford University that relate to significant intellectual property rights, and our business and product development plans anticipate and will substantially depend on future in-license agreements with additional third parties, some of which are currently in the early discussion phase.

In-licensed intellectual property rights that are fundamental to the business being operated present numerous risks relating to ownership and enforcement of intellectual property rights. For example, under the PerkinElmer license, Fluidigm Canada is not granted any right, and we do not have any right to bring enforcement actions with respect to the patents licensed from PerkinElmer, which could materially impair our ability to preclude competitors and other third parties from activities that we consider to infringe on our exclusively licensed rights. In other cases such as with Nodality, all or a portion of the license rights granted may be limited for research use only, and in the event we attempt to expand into diagnostic applications, we would be required to negotiate additional rights, which may not be available to us on commercially reasonable terms, if at all.

In addition, Fluidigm Sciences' licensors may generally terminate the applicable license agreement for uncured material breaches or if Fluidigm Sciences becomes insolvent, makes an assignment for the benefit of creditors, or has a petition in bankruptcy filed against it. Termination of material license agreements for any reason, including as a result of failure to obtain a required consent to assignment or as a result of an inability to negotiate a new or extended license where required, would result in a material loss of rights by us and would be expected to have a material adverse effect on our business, operating results, and financial condition. In particular, any such termination could prevent us from manufacturing and selling our products unless we can negotiate new license terms or develop or acquire alternative intellectual property rights that cover or enable similar functionality. While we do not believe that any existing material in-license agreements require the consent of the licensor in order for us to rely on these licenses, the question is not free from doubt, and one or more of our licensors could contend that the failure to obtain their consent constituted a breach or default under the applicable license agreement or require the negotiation of a new license. In particular, in May 2014, we received a written notice of PerkinElmer’s position that the license agreement between Fluidigm Canada and PerkinElmer requires, as a result of the acquisition, that PerkinElmer consent to negotiate a commercially reasonable license to Fluidigm. We continue to disagree with PerkinElmer's position concerning the impact of the acquisition on the license agreement and are currently in negotiations with PerkinElmer in an attempt to resolve this matter. In addition, we are evaluating alternative strategies and potential actions relating to our interests in the licensed intellectual property.

In the case of a dispute over these or other terms of the applicable license agreements, including with respect to the license with PerkinElmer, we cannot provide assurances that we will be able to negotiate a new or amended license on commercially reasonable terms, if at all. Our potential dispute with PerkinElmer as well as any other disputes between us and one of Fluidigm Sciences’ existing licensors concerning the terms or conditions of the applicable license agreement could result, among other risks, in substantial management distraction; increased expenses associated with litigation or efforts to resolve disputes; substantial customer uncertainty concerning the direction of our proteomics product line; potential infringement claims against us

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and/or our customers, which could include efforts by a licensor to enjoin sales of our products; customer requests for indemnification by Fluidigm; and, in the event of an adverse determination, our inability to operate our business as currently operated. Any of these factors would be expected to have a material adverse effect on our business, operating results, and financial condition and could result in a substantial decline in our stock price.

We are subject to certain manufacturing restrictions related to licensed technologies that were developed with the financial assistance of U.S. governmental grants.

We are subject to certain U.S. government regulations because we have licensed technologies that were developed with U.S. government grants. In accordance with these regulations, these licenses provide that products embodying the technologies are subject to domestic manufacturing requirements. If this domestic manufacturing requirement is not met, the government agency that funded the relevant grant is entitled to exercise specified rights, referred to as "march-in rights," which if exercised would allow the government agency to require the licensors or us to grant a non-exclusive, partially exclusive, or exclusive license in any field of use to a third party designated by such agency. All of our microfluidic systems revenue is dependent upon the availability of our IFCs, which incorporate technology developed with U.S. government grants. All of our instruments, including microfluidic systems, and IFCs for commercial sale are manufactured at our facility in Singapore. The federal regulations allow the funding government agency to grant, at the request of the licensors of such technology, a waiver of the domestic manufacturing requirement. Waivers may be requested prior to any government notification. We have assisted the licensors of these technologies with the analysis of the domestic manufacturing requirement, and, in December 2008, the sole licensor subject to the requirement applied for a waiver of the domestic manufacturing requirement with respect to the relevant patents licensed to us by this licensor. In July 2009, the funding government agency granted the requested waiver of the domestic manufacturing requirement for a three-year period commencing in July 2009. In June 2012, the licensor requested a continued waiver of the domestic manufacturing requirement with respect to the relevant patents, but the government agency has not yet taken any action in response to this request. If the government agency does not grant the requested waiver or the government fails to grant additional waivers of such requirement that may be sought in the future, then the U.S. government could exercise its march-in rights with respect to the relevant patents licensed to us. In addition, the license agreement under which the relevant patents are licensed to us contains provisions that obligate us to comply with this domestic manufacturing requirement. We are not currently manufacturing instruments and IFCs in the United States that incorporate the relevant licensed technology. If our lack of compliance with this provision constituted a material breach of the license agreement, the license of the relevant patents could be terminated or we could be compelled to relocate our manufacturing of microfluidic systems and IFCs to the United States to avoid or cure a material breach of the license agreement. Any of the exercise of march-in rights, the termination of our license of the relevant patents or the relocation of our manufacturing of microfluidic systems and IFCs to the United States could materially adversely affect our business, operations and financial condition.

We are subject to certain obligations and restrictions relating to technologies developed in cooperation with Canadian government agencies.

Some of our Canadian research and development is funded in part through government grants and by government agencies. The intellectual property developed through these projects is subject to rights and restrictions in favor of government agencies and Canadians generally. In most cases the government agency retains the right to use intellectual property developed through the project for non-commercial purposes and to publish the results of research conducted in connection with the project. This may increase the risk of public disclosure of information relating to our intellectual property, including confidential information, and may reduce its competitive advantage in commercializing intellectual property developed through these projects. In certain projects, we have also agreed to use commercially reasonable efforts to commercialize intellectual property in Canada, or more specifically in the province of Ontario, for the economic benefit of Canada and the province of Ontario. These restrictions will limit our choice of business and manufacturing locations, business partners and corporate structure and may, in certain circumstances, restrict our ability to achieve maximum profitability and cost efficiency from the intellectual property generated by these projects. In one instance, a dispute with the applicable government funded entity may require mediation, which could lead to unanticipated delays in our commercialization efforts to that project. One of our Canadian government funded projects is also subject to certain limited “march-in” rights in favor of the government of the Province of Ontario, under which we may be required to grant a license to our intellectual property, including background intellectual property developed outside the scope of the project, to a responsible applicant on reasonable terms in circumstances where the government determines that such a license is necessary in order to alleviate emergency or extraordinary health or safety needs or for public use. In addition, we must provide reasonable assistance to the government in obtaining similar licenses from third parties required in connection with the use of its intellectual property. Instances in which the government of the Province of Ontario has exercised similar “march-in” rights are rare; however, the exercise of such rights could materially adversely affect our business, operations and financial condition.

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We may be subject to damages resulting from claims that we or our employees have wrongfully used or disclosed alleged trade secrets of our employees' former employers or other institutions or third parties with whom such employees may have been previously affiliated.

Many of our employees were previously employed at universities or other life science or Ag-Bio companies, including our competitors or potential competitors. Although no claims against us are currently pending, we have in the past received notices from third parties alleging potential disclosures of confidential information. We may become subject to claims that our employees or we have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers or other third parties or institutions with whom our employees may have been previously affiliated. Litigation may be necessary to defend against these claims. If we fail in defending such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights. A loss of key research personnel work product could hamper or prevent our ability to commercialize certain potential products, which could severely harm our business. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to management.

Risks Related to Our Common Stock

Our stock price may fluctuate significantly, particularly if holders of substantial amounts of our stock attempt to sell, and holders may have difficulty selling their shares based on current trading volumes of our stock. In addition, numerous other factors could result in substantial volatility in the trading price of our stock.

Our stock is currently traded on NASDAQ, but we can provide no assurance that we will be able to maintain an active trading market on NASDAQ or any other exchange in the future. The trading volume of our stock tends to be low relative to our total outstanding shares, and we have several stockholders, including affiliated stockholders, who hold substantial blocks of our stock. As of June 30, 2015, we had 28,880,054 shares of common stock outstanding, and stockholders holding at least 5% of our stock, individually or with affiliated persons or entities, collectively beneficially owned or controlled approximately 64% of such shares. Sales of large numbers of shares by any of our large stockholders could adversely affect our trading price, particularly given our relatively small historic trading volumes. If stockholders holding shares of our common stock sell, indicate an intention to sell, or if it is perceived that they will sell, substantial amounts of their common stock in the public market, the trading price of our common stock could decline. Moreover, if there is no active trading market or if the volume of trading is limited, holders of our common stock may have difficulty selling their shares.

In addition, the trading price of our common stock may be highly volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control. These factors include:

- actual or anticipated quarterly variation in our results of operations or the results of our competitors;
- announcements or communications by us or our competitors relating to, among other things, new commercial products, technological advances, significant contracts, commercial relationships, capital commitments, acquisitions or sales of businesses, and/or misperceptions in or speculation by the market regarding such announcements or communications;
- issuance of new or changed securities analysts' reports or recommendations for our stock;
- developments or disputes concerning our intellectual property or other proprietary rights;
- commencement of, or our involvement in, litigation;
- market conditions in the life science, Ag-Bio, and clinical research sectors;

- failure to complete significant sales;
- manufacturing disruptions that could occur if we were unable to successfully expand our production in our current or an alternative facility;
- any future sales of our common stock or other securities in connection with raising additional capital or otherwise;
- any major change to the composition of our board of directors or management; and
- general economic conditions and slow or negative growth of our markets.

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The stock market in general, and market prices for the securities of technology-based companies like ours in particular, have from time to time experienced volatility that often has been unrelated to the operating performance of the underlying companies. These broad market and industry fluctuations may adversely affect the market price of our common stock regardless of our operating performance. In several recent situations where the market price of a stock has been volatile, holders of that stock have instituted securities class action litigation against the company that issued the stock. If any of our stockholders were to bring a lawsuit against us, the defense and disposition of the lawsuit could be costly and divert the time and attention of our management and harm our operating results.

If securities or industry analysts publish unfavorable research about our business or cease to cover our business, our stock price and/or trading volume could decline.

The trading market for our common stock may rely, in part, on the research and reports that equity research analysts publish about us and our business. We do not have any control of the analysts or the content and opinions included in their reports. The price of our stock could decline if one or more equity research analysts downgrade our stock or issue other unfavorable commentary or research. If one or more equity research analysts ceases coverage of our company or fails to publish reports on us regularly, demand for our stock could decrease, which in turn could cause our stock price or trading volume to decline.

Our directors, executive officers, and large stockholders have substantial control over and could limit your ability to influence the outcome of key transactions, including changes of control.

As of June 30, 2015, our current executive officers, directors, stockholders holding at least 5% of our outstanding stock, and their respective affiliates, collectively beneficially owned or controlled approximately 65% of the outstanding shares of our common stock. Accordingly, these executive officers, directors, large stockholders, and their respective affiliates, acting as a group, can have substantial influence over the outcome of corporate actions requiring stockholder approval, including the election of directors, any merger, consolidation or sale of all or substantially all of our assets, or any other significant corporate transactions. These stockholders may also delay or prevent a change of control of us, even if such a change of control would benefit our other stockholders. The significant concentration of stock ownership may adversely affect the trading price of our common stock due to investors' perception that conflicts of interest may exist or arise.

Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of us, which may be beneficial to our stockholders, more difficult and may prevent attempts by our stockholders to replace or remove our current management and limit the market price of our common stock.

Provisions in our certificate of incorporation and bylaws may have the effect of delaying or preventing a change of control or changes in our management, including provisions that:

- authorize our board of directors to issue, without further action by the stockholders, up to 10,000,000 shares of undesignated preferred stock;

- require that any action to be taken by our stockholders be effected at a duly called annual or special meeting and not by written consent;

- specify that special meetings of our stockholders can be called only by our board of directors, the chairman of the board, the chief executive officer or the president;

- establish an advance notice procedure for stockholder approvals to be brought before an annual meeting of our stockholders, including proposed nominations of persons for election to our board of directors;

- establish that our board of directors is divided into three classes, Class I, Class II, and Class III, with each class serving staggered three year terms;
- provide that our directors may be removed only for cause;
- provide that vacancies on our board of directors may be filled only by a majority of directors then in office, even though less than a quorum;
- specify that no stockholder is permitted to cumulate votes at any election of directors; and
- require a super-majority of votes to amend certain of the above-mentioned provisions.

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These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which limits the ability of stockholders owning in excess of 15% of our outstanding voting stock to merge or combine with us.

We have never paid dividends on our capital stock, and we do not anticipate paying any cash dividends in the foreseeable future.

We have paid no cash dividends on any of our classes of capital stock to date, have contractual restrictions against paying cash dividends, and currently intend to retain our future earnings to fund the development and growth of our business. As a result, capital appreciation, if any, of our common stock will be stockholders' sole source of gain for the foreseeable future.

Risks Related to Our Outstanding 2.75% Senior Convertible Notes due 2034

Our outstanding 2.75% senior convertible notes due 2034 are effectively subordinated to our secured debt and any liabilities of our subsidiaries.

Our outstanding 2.75% senior convertible notes due 2034, which we refer to as our "notes", rank:

- senior in right of payment to any of our indebtedness that is expressly subordinated in right of payment to the notes;
- equal in right of payment to all of our liabilities that are not so subordinated;
- effectively junior in right of payment to any of our secured indebtedness to the extent of the value of the assets securing such indebtedness; and
- structurally junior to all indebtedness and other liabilities (including trade payables) of our subsidiaries.

In February 2014, we completed our offering of notes with an aggregate outstanding principal amount of $201.3 million. In the event of our bankruptcy, liquidation, reorganization, or other winding up, our assets that secure debt ranking senior in right of payment to the notes will be available to pay obligations on the notes only after the secured debt has been repaid in full from these assets, and the assets of our subsidiaries will be available to pay obligations on the notes only after all claims senior to the notes have been repaid in full. There may not be sufficient assets remaining to pay amounts due on any or all of the notes then outstanding. The indenture governing the notes does not prohibit us from incurring additional senior debt or secured debt, nor does it prohibit our subsidiaries from incurring additional liabilities.

The notes are our obligations only and some of our operations are conducted through, and a portion of our consolidated assets are held by, our subsidiaries.

The notes are our obligations exclusively and are not guaranteed by any of our operating subsidiaries. A portion of our consolidated assets is held by our subsidiaries. Accordingly, our ability to service our debt, including the notes, depends in part on the results of operations of our subsidiaries and upon the ability of such subsidiaries to provide us with cash, whether in the form of dividends, loans, or otherwise, to pay amounts due on our obligations, including the notes. Our subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to make payments on the notes or to make any funds available for that purpose. In addition, dividends, loans, or other distributions to us from such subsidiaries may be subject to contractual and other restrictions and are subject to other business and tax considerations.

Recent and future regulatory actions and other events may adversely affect the trading price and liquidity of the notes.

We expect that many investors in, and potential purchasers of, the notes will employ, or seek to employ, a convertible arbitrage strategy with respect to the notes. Investors would typically implement such a strategy by selling short the common stock underlying the notes and dynamically adjusting their short position while continuing to hold the notes. Investors may also implement this type of strategy by entering into swaps on our common stock in lieu of or in addition to short selling the common stock. As a result, any specific rules regulating equity swaps or short selling of securities or other governmental action that interferes with the ability of market participants to effect short sales or equity swaps with respect to our common stock could adversely affect the ability of investors in, or potential purchasers of, the notes to conduct the convertible arbitrage strategy that

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we believe they will employ, or seek to employ, with respect to the notes. This could, in turn, adversely affect the trading price and liquidity of the notes.

The SEC and other regulatory and self-regulatory authorities have implemented various rules and taken certain actions, and may in the future adopt additional rules and take other actions, that may impact those engaging in short selling activity involving equity securities (including our common stock). Such rules and actions include Rule 201 of SEC Regulation SHO, the adoption by the Financial Industry Regulatory Authority, Inc. and the national securities exchanges of a “Limit Up-Limit Down” program, the imposition of market-wide circuit breakers that halt trading of securities for certain periods following specific market declines, and the implementation of certain regulatory reforms required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. Although the direction and magnitude of the effect that Regulation SHO, FINRA, securities exchange rule changes, and implementation of the Dodd-Frank Act may have on the trading price and the liquidity of the notes will depend on a variety of factors, many of which cannot be determined at the date of this report, past regulatory actions (such as certain emergency orders issued by the SEC in 2008 prohibiting short sales of stock of certain financial services companies) have had a significant impact on the trading prices and liquidity of convertible debt instruments. Any governmental or regulatory action that restricts the ability of investors in, or potential purchasers of, the notes to effect short sales of our common stock, borrow our common stock, or enter into swaps on our common stock or increases the costs of implementing an arbitrage strategy could adversely affect the trading price and the liquidity of the notes.

Volatility in the market price and trading volume of our common stock could adversely impact the trading price of the notes.

The stock market in recent years has experienced significant price and volume fluctuations that have often been unrelated to the operating performance of companies. The market price of our common stock could fluctuate significantly for many reasons, including in response to the risks described in this report, or for reasons unrelated to our operations, such as reports by industry analysts, investor perceptions or negative announcements by our customers, competitors or suppliers regarding their own performance, as well as industry conditions and general financial, economic and political instability. The market price of our common stock could also decline as a result of sales of a large number of shares of our common stock in the market, particularly sales by our directors, executive officers, employees, and significant stockholders, and the perception that these sales could occur may also depress the market price of our common stock. A decrease in the market price of our common stock would likely adversely impact the trading price of the notes. The market price of our common stock could also be affected by possible sales of our common stock by investors who view the notes as a more attractive means of equity participation in us and by hedging or arbitrage trading activity that we expect to develop involving our common stock. This trading activity could, in turn, affect the trading price of the notes.

We may still incur substantially more debt or take other actions which would intensify the risks discussed above.

We are not restricted under the terms of the indenture governing the notes from incurring additional debt, securing existing or future debt, recapitalizing our debt, or taking a number of other actions that are not limited by the terms of the indenture governing the notes that could have the effect of diminishing our ability to make payments on the notes when due. Any failure by us or any of our significant subsidiaries to make any payment at maturity of indebtedness for borrowed money in excess of $15 million or the acceleration of any such indebtedness in excess of $15 million would, subject to the terms of the indenture governing the notes, constitute a default under the indenture. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the notes when required.

We may not have the ability to raise the funds necessary to repurchase the notes upon specified dates or upon a fundamental change, and our future debt may contain limitations on our ability to repurchase the notes.

Holders of the notes have the right to require us to repurchase all or a portion of their notes on certain dates or upon the occurrence of a fundamental change at a repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest, if any. We may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of notes surrendered therefor.

In addition, our ability to repurchase the notes may be limited by law, regulatory authority, or agreements governing our future indebtedness. Our failure to repurchase notes at a time when the repurchase is required by the indenture would constitute a default under the indenture. A default under the indenture or the fundamental change itself could also lead to a default under agreements governing our future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the notes when required.

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Holders of notes are not entitled to any rights with respect to our common stock, but they are subject to all changes made with respect to them to the extent our conversion obligation includes shares of our common stock.

Holders of notes are not entitled to any rights with respect to our common stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on our common stock) prior to the conversion date with respect to any notes they surrender for conversion, but they are subject to all changes affecting our common stock. For example, if an amendment is proposed to our certificate of incorporation or bylaws requiring stockholder approval and the record date for determining the stockholders of record entitled to vote on the amendment occurs prior to the conversion date with respect to any notes surrendered for conversion, then the holder surrendering such notes will not be entitled to vote on the amendment, although such holder will nevertheless be subject to any changes affecting our common stock.

We have made only limited covenants in the indenture governing the notes, and these limited covenants may not protect a noteholder's investment.

The indenture governing the notes does not:

- require us to maintain any financial ratios or specific levels of net worth, revenues, income, cash flows, or liquidity and, accordingly, does not protect holders of the notes in the event that we experience adverse changes in our financial condition or results of operations;
- limit our subsidiaries’ ability to guarantee or incur indebtedness that would rank structurally senior to the notes;
- limit our ability to incur additional indebtedness, including secured indebtedness;
- restrict our subsidiaries’ ability to issue securities that would be senior to our equity interests in our subsidiaries and therefore would be structurally senior to the notes;
- restrict our ability to repurchase our securities;
- restrict our ability to pledge our assets or those of our subsidiaries; or
- restrict our ability to make investments or pay dividends or make other payments in respect of our common stock or our other indebtedness.

Furthermore, the indenture governing the notes contains only limited protections in the event of a change of control. We could engage in many types of transactions, such as acquisitions, refinancings, or certain recapitalizations, that could substantially affect our capital structure and the value of the notes and our common stock but may not constitute a “fundamental change” that permits holders to require us to repurchase their notes or a “make-whole fundamental change” that permits holders to convert their notes at an increased conversion rate. For these reasons, the limited covenants in the indenture governing the notes may not protect a noteholder's investment in the notes.

The increase in the conversion rate for notes converted in connection with a make-whole fundamental change or provisional redemption may not adequately compensate noteholders for any lost value of the notes as a result of such transaction or redemption.

If a make-whole fundamental change occurs prior to February 6, 2021 or upon our issuance of a notice of provisional redemption, under certain circumstances, we will increase the conversion rate by a number of additional shares of our common stock for notes converted in connection with such events. The increase in the conversion rate for notes converted in connection with such events may not adequately compensate noteholders for any lost value of the notes as a result of such transaction or redemption. In addition, if the price of our common stock in the transaction is greater than $180.00 per share or less than $39.96 per share (in each case, subject to adjustment), no additional shares will be added to the conversion rate. Moreover, in no event will the conversion rate per $1,000 principal amount of notes as a result of this adjustment exceed 25.0250 shares of common stock, subject to adjustment.

Our obligation to increase the conversion rate for notes converted in connection with such events could be considered a penalty, in which case the enforceability thereof would be subject to general principles of reasonableness and equitable remedies.

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The conversion rate of the notes may not be adjusted for all dilutive events.

The conversion rate of the notes is subject to adjustment for certain events, including, but not limited to, the issuance of certain stock dividends on our common stock, the issuance of certain rights or warrants, subdivisions, combinations, distributions of capital stock, indebtedness, or assets, cash dividends and certain issuer tender or exchange offers. However, the conversion rate will not be adjusted for other events, such as a third-party tender or exchange offer or an issuance of common stock for cash, that may adversely affect the trading price of the notes or our common stock. An event that adversely affects the value of the notes may occur, and that event may not result in an adjustment to the conversion rate.

Some significant restructuring transactions may not constitute a fundamental change, in which case we would not be obligated to offer to repurchase the notes.

Upon the occurrence of a fundamental change, a holder of notes has the right to require us to repurchase the notes. However, the fundamental change provisions will not afford protection to holders of notes in the event of other transactions that could adversely affect the notes. For example, transactions such as leveraged recapitalizations, refinancings, restructurings, or acquisitions initiated by us may not constitute a fundamental change requiring us to repurchase the notes. In the event of any such transaction, the holders would not have the right to require us to repurchase the notes, even though each of these transactions could increase the amount of our indebtedness, or otherwise adversely affect our capital structure or any credit ratings, thereby adversely affecting the holders of notes.

In addition, absent the occurrence of a fundamental change or a make-whole fundamental change as described under changes in the composition of our board of directors will not provide holders with the right to require us to repurchase the notes or to an increase in the conversion rate upon conversion.

We cannot assure noteholders that an active trading market will develop or be maintained for the notes.

We do not intend to apply to list our outstanding convertible notes on any securities exchange or to arrange for quotation on any automated dealer quotation system. In addition, the liquidity of the trading market in the notes and the market price quoted for the notes may be adversely affected by changes in the overall market for this type of security and by changes in our financial performance or prospects or in the prospects for companies in our industry generally. As a result, we cannot assure noteholders that an active trading market will develop or be maintained for the notes. If an active trading market does not develop or is not maintained, the market price and liquidity of the notes may be adversely affected. In that case, noteholders may not be able to sell the notes at a particular time or at a favorable price.

Any adverse rating of the notes may cause their trading price to fall.

We do not intend to seek a rating on the notes. However, if a rating service were to rate the notes and if such rating service were to lower its rating on the notes below the rating initially assigned to the notes or otherwise announces its intention to put the notes on credit watch, the trading price of the notes could decline.

Holders of notes may be subject to tax if we make or fail to make certain adjustments to the conversion rate of the notes even though they do not receive a corresponding cash distribution.

The conversion rate of the notes is subject to adjustment in certain circumstances, including the payment of cash dividends. If the conversion rate is adjusted as a result of a distribution that is taxable to our common stockholders, such as a cash dividend, a noteholder may be deemed to have received a dividend subject to U.S. federal income tax without the receipt of any cash. In addition, a failure to adjust (or to adjust adequately) the conversion rate after an event that increases a noteholder's proportionate interest in us could be treated as a deemed taxable dividend to you. If a make-whole fundamental change occurs prior to February 6, 2021 or we provide notice of a provisional redemption, under some circumstances, we will increase the conversion rate for notes converted in connection with the make-whole fundamental change or provisional redemption. Such increase may also be treated as a distribution subject to U.S. federal income tax as a dividend. For a non-U.S. holder, any deemed dividend would be subject to U.S. federal withholding tax at a 30% rate, or such lower rate as may be specified by an applicable treaty, which may be set off against subsequent payments on the notes.

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Any conversions of the notes will dilute the ownership interest of our existing stockholders, including holders who had previously converted their notes.

Any conversion of some or all of the notes will dilute the ownership interests of our existing stockholders. Any sales in the public market of our common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of the notes may encourage short selling by market participants because the conversion of the notes could depress the price of our common stock.

Item 5. Other Information

Effective as of August 6, 2015, Robert C. Jones has been appointed to serve as our Chief Technology Officer, Genomics. There are no changes to Mr. Jones's compensation arrangements in connection with his new role. In addition, Marc Unger has been appointed to serve as our Senior Vice President of Research and Development and Single-Cell Biology Marketing.

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Item 6. Exhibits.

Exhibit Number	Description	Incorporated by Reference From Form	Incorporated by Reference From Exhibit Number	Date Filed
10.1	Offer of Tenancy for Lease of Additional Space at Singapore Facility between Fluidigm Singapore Pte. Ltd. and HSBC Institutional Trust Services (Singapore) Limited, as trustee of Ascendas Real Estate Investment Trust dated April 2, 2015.	Filed herewith		
31.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of President and Chief Executive Officer	Filed herewith		
31.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of Chief Financial Officer	Filed herewith		
32.1(1)	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of President and Chief Executive Officer	Furnished herewith		
32.2(1)	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of Chief Financial Officer	Furnished herewith		
101.INS	XBRL Instance Document	Filed herewith		
101.SCH	XBRL Taxonomy Extension Schema Document	Filed herewith		
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith		
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	Filed herewith		
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith		

101.DEF	XBRL Taxonomy Extension Definition Document	Filed herewith

(1) In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release No. 33-8238 and 34-47986, Final Rule: Management's Reports on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports, the certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filings under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

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SIGNATURES

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

	FLUIDIGM CORPORATION
Dated: August 7, 2015	By: /s/ Gajus V. Worthington Gajus V. Worthington President and Chief Executive Officer
Dated: August 7, 2015	By: /s/ Vikram Jog Vikram Jog Chief Financial Officer

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EXHIBIT LIST

Exhibit Number	Description	Incorporated by Reference From Form	Incorporated by Reference From Exhibit Number	Date Filed
10.1	Offer of Tenancy for Lease of Additional Space at Singapore Facility between Fluidigm Singapore Pte. Ltd. and HSBC Institutional Trust Services (Singapore) Limited, as trustee of Ascendas Real Estate Investment Trust dated April 2, 2015.	Filed herewith		
31.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of President and Chief Executive Officer	Filed herewith		
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